

WILLOWS UNIFIED SCHOOL DISTRICT

RESOLUTION NO. 2023-24-01

RESOLUTION OF THE BOARD OF EDUCATION OF THE WILLOWS UNIFIED SCHOOL DISTRICT AUTHORIZING THE EXECUTION AND DELIVERY OF 2023 CERTIFICATES OF PARTICIPATION IN AN AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$11,000,000, AUTHORIZING THE DISTRIBUTION OF AN OFFICIAL STATEMENT IN CONNECTION THEREWITH, AND AUTHORIZING THE EXECUTION OF VARIOUS DOCUMENTS AND RELATED ACTIONS

WHEREAS, the Willows Unified School District (the "District") is a school district duly organized and existing under and pursuant to the Constitution and laws of the State of California (the "State");

WHEREAS, in order to finance the acquisition, construction, installation and equipping of certain improvements to its school facilities and sites (the "Projects"), the District desires to authorize the execution and delivery of the Willows Unified School District 2023 Certificates of Participation (the "Certificates");

WHEREAS, pursuant to Section 17150.1(a) of the Education Code of the State (the "Education Code"), the District provided notice to the Glenn County Superintendent of Schools and the Glenn County Auditor-Controller of its plan to authorize the Certificates and its ability to repay the Certificates;

WHEREAS, the Certificates are intended to be executed and delivered pursuant to a Trust Agreement (the "Trust Agreement"), by and among the District, the Public Property Financing Corporation of California (the "Corporation") and Zions Bancorporation, National Association, as trustee (the "Trustee");

WHEREAS, the District will lease certain real property and the improvements thereon (the "Property") to the Corporation pursuant to a Site Lease (the "Site Lease") to be entered into by and between the District and the Corporation, and will sublease the Property back from the Corporation pursuant to a Lease Agreement to be entered into by and between the District and the Corporation (the "Lease Agreement");

WHEREAS, all rights to receive the lease payments payable under the Lease Agreement will be assigned without recourse by the Corporation to the Trustee pursuant to an Assignment Agreement to be entered into by such parties;

WHEREAS, in consideration of such assignment and the execution of the Trust Agreement, the Trustee will execute and deliver the Certificates, each evidencing a direct, fractional undivided interest in the lease payments to be paid under the Lease Agreement;

WHEREAS, a form of the Certificate Purchase Agreement by and between Piper Sandler & Co. (the "Underwriter") and the District (the "Purchase Agreement") relating to the Certificates has been prepared;

WHEREAS, Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 ("Rule 15c2-12") requires that, in order to be able to sell the Certificates, the Underwriter must have reasonably determined that the District has undertaken in a written agreement

or contract for the benefit of the holders of the Certificates to provide disclosure of certain financial information and certain enumerated events on an ongoing basis;

WHEREAS, in order to comply with Rule 15c2-12, the District proposes to enter into a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement");

WHEREAS, a form of the Preliminary Official Statement (the "Preliminary Official Statement") to be distributed in connection with the public offering of the Certificates has been prepared;

WHEREAS, the Board of Education of the District (the "Board") has now been presented with the form of each document referred to herein relating to the actions contemplated hereby, and the Board has examined and approved each document and desires to authorize and direct the execution of such documents and the consummation of such actions in order to cause the execution and delivery of the Certificates;

WHEREAS, all acts, conditions and things required by the Constitution and laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the consummation of the actions authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the District is now duly authorized and empowered, pursuant to each and every requirement of law, to consummate such actions for the purpose, in the manner and upon the terms herein provided; and

NOW, THEREFORE, this Board hereby ORDERS, RESOLVES, and DETERMINES, as follows:

SECTION 1. Recitals. All of the recitals herein contained are true and correct and the Board so finds.

SECTION 2. Approval of Execution and Delivery of Certificates of Participation. The execution and delivery of the Certificates evidencing principal in an aggregate amount not to exceed Eleven Million Dollars (\$11,000,000), are hereby authorized and approved. The Certificates shall be payable in the years, the amounts, and evidencing interest, as specified in the Trust Agreement.

SECTION 3. Designation of Finance Team. The Board hereby confirms the designation of Eastshore Consulting, LLC, Oakland, California, as Financial Advisor and the law firm of Dannis Woliver Kelley, Long Beach, California, as Special Counsel and Disclosure Counsel to the District in connection with the execution and delivery of the Certificates in accordance with the professional services agreements previously entered into with such members of the finance team.

SECTION 4. Official Action. Each of the President of the Board, and such other members of the Board as the President may designate, the Superintendent of the District, or the Director of Business Services of the District (collectively, the "Authorized Officers") and such other officers or employees of the District as the Authorized Officers may designate, acting alone, is hereby authorized and directed to do any and all things which they may deem necessary or advisable in order to consummate the transactions herein authorized and otherwise to carry out, give effect to and comply with the terms and intent of this Resolution.

SECTION 5. Intention to Reimburse. The District has incurred costs associated with the Projects prior to the execution and delivery of the Certificates. For purposes of

establishing compliance with the requirements of Section 1.150-2 of the regulations of the U.S. Treasury Department, the Board hereby declares its official intent to use proceeds of the Certificates to reimburse itself for lawful expenditures on Project costs, up to the maximum principal amount of \$11,000,000.

SECTION 6. Approval of Site Lease. The form of the Site Lease, on file with the Secretary to the Board, is hereby approved, and each of the Authorized Officers, acting alone, is hereby authorized and directed, for and in the name and on behalf of the District, to execute and deliver the Site Lease in substantially said form, with such changes therein as the Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

SECTION 7. Approval of Lease Agreement. The form of the Lease Agreement, on file with the Secretary of the Board, is hereby approved, and each of the Authorized Officers, acting alone, is hereby authorized and directed, for and in the name and on behalf of the District, to execute and deliver the Lease Agreement in substantially said form, with such changes therein as the Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof; provided, however, that the aggregate amount of the principal components of the lease payments payable under the Lease Agreement shall not exceed \$11,000,000, the term of the Lease Agreement shall not exceed 30 years (provided that such term may be extended as provided therein) and the rate applicable to the interest components of the lease payments payable under the Lease Agreement shall not exceed 6.00% per annum. The Property to be leased under the Site Lease and the Lease Agreement shall consist of the school site and facilities described in the Lease Agreement on file with the Secretary of the Board and/or such other or additional school sites and facilities of the District as are selected by an Authorized Officer and are determined by such official to have an annual fair rental value at least equal to the annual lease payments to be made under the Lease Agreement. The Board hereby determines that the lease payments due under the Lease Agreement in each fiscal year are reasonable and will not exceed the fair rental value of the Property to the District in each fiscal year and that each individual lease payment will be accompanied by consideration received by the District corresponding to that payment.

SECTION 8. Approval of Trust Agreement. The form of Trust Agreement, on file with the Secretary of the Board, is hereby approved, and each of the Authorized Officers, acting alone, is hereby authorized and directed, for and in the name and on behalf of the District, to execute and deliver the Trust Agreement in substantially said form, with such changes therein as the Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

SECTION 9. Bond Insurance. Each of the Authorized Officers, acting alone, is hereby authorized (a) to solicit bids on a municipal bond insurance policy insuring the payment of principal of and interest on the Certificates and a reserve fund surety policy to fund all or part of the reserve fund for the Certificates, (b) to negotiate the terms of such policies, (c) to finalize the form of such policies with a municipal bond insurer (the "Insurer"), and (d) to pay the insurance premium of such policies from the proceeds of the sale of the Certificates.

SECTION 10. Approval of Certificate Purchase Agreement. The form of the Purchase Agreement, by and between the District and the Underwriter, is hereby approved and each of the Authorized Officers, acting alone, is hereby authorized and directed to approve, execute and deliver such Purchase Agreement, substantially in the form on file with the Secretary to the Board, with such changes therein as the Authorized Officer executing the

same may require or approve, with such approval to be conclusively evidenced by the execution and delivery thereof; provided, however, that the Underwriter's discount, excluding original issue discount or premium on the Certificates, shall not exceed Four and One Half of One Percent (4.5%) of the aggregate of principal amount of Certificates. Each Authorized Officer is further authorized to determine the principal amount of the Certificates to be sold pursuant to the Purchase Agreement, up to \$11,000,000.

Good faith estimates of (a) the true interest cost of the Certificates; (b) the sum of all fees and charges paid to third parties, including any such fees and charges which the underwriter agrees to pay (the "Finance Charge"); (c) the amount of proceeds to be received by the District (less the Finance Charge and any reserves, if any); and (d) the total debt service payments on the Certificates through the final maturity of the Certificates are set forth on Exhibit A attached hereto and incorporated herein.

SECTION 11. Approval of Preliminary Official Statement. The form of Preliminary Official Statement, on file with the Secretary to the Board, with such changes therein as may be approved by an Authorized Officer, is hereby approved, and the use of the Preliminary Official Statement in connection with the offering and sale of the Certificates is hereby authorized and approved. Each of the Authorized Officers, acting alone, is hereby authorized to certify on behalf of the District that the Preliminary Official Statement is deemed final as of its date, within the meaning of Rule 15c2-12 (except for the omission of certain final pricing, rating and related information as permitted by Rule 15c2-12).

SECTION 12. Approval of Official Statement. The preparation and delivery of an Official Statement, and its use by the Underwriter in connection with the offering and sale of the Certificates, is hereby authorized and approved. The Official Statement shall be in substantially the form of the Preliminary Official Statement with such changes, insertions and omissions as may be approved by an Authorized Officer, such approval to be conclusively evidenced by the delivery thereof to the Underwriter. The Authorized Officers are each hereby authorized and directed, for and in the name of and on behalf of the District, to execute the final Official Statement and any amendment or supplement thereto and thereupon to cause the final Official Statement and any such amendment or supplement to be delivered to the Underwriter.

SECTION 13. Approval of Continuing Disclosure Agreement. The form of Continuing Disclosure Agreement, appended to the Preliminary Official Statement on file with the Secretary to the Board, is hereby approved, and each of the Authorized Officers, acting alone, is hereby authorized and directed, for and in the name and on behalf of the District, to execute and deliver the Continuing Disclosure Agreement in substantially said form, with such changes therein as the Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

SECTION 14. Official Action. Each of the Authorized Officers, acting alone, is hereby authorized and directed to do any and all things which they may deem necessary or advisable in order to consummate the transactions herein authorized and otherwise to carry out, give effect to and comply with the terms and intent of this Resolution.

SECTION 15. Prior Actions. All actions heretofore taken by the officers, employees and agents of the District with respect to the transactions set forth above are hereby approved, confirmed and ratified.

SECTION 16. Effective Date. This Resolution shall take effect immediately upon its passage and adoption.

PASSED AND ADOPTED by the Board of Education of the Willows Unified School District, Glenn County, California, this 3rd day of August, 2023 by the following vote:

AYES: _____

NOES: _____

ABSTAIN: _____

ABSENT: _____

WILLOWS UNIFIED SCHOOL DISTRICT

By: _____
Board President

ATTEST:

By: _____
Secretary to the Board

EXHIBIT A

GOOD FAITH ESTIMATES

1. Estimated True Interest Cost of the Certificates: 4.01948%
2. Estimated Finance Charge, i.e., the sum of all fees and charges paid to third parties: \$289,075.42
3. Estimated amount of proceeds to be received by the District, less Finance Charge, reserves and capitalized interest: \$10,000,000.00
4. Estimated total debt service to maturity, including any Finance Charge not paid with proceeds of the Certificates (if any): \$14,970,500.00

[\$[PAR AMOUNT]
Willows Unified School District
(Glenn County, California)
2023 Certificates of Participation

CERTIFICATE PURCHASE AGREEMENT

_____, 2023

Members of the Board of Education
Willows Unified School District
823 West Laurel Street
Willows, California 95988

Members of the Board:

The undersigned, Piper Sandler & Co. (the "Underwriter"), acting on its own behalf and not as fiduciary or agent to Willows Unified School District (the "District"), hereby offers to enter into this Certificate Purchase Agreement (the "Purchase Agreement") with the District for the purchase by the Underwriter of the \$[PAR AMOUNT] aggregate principal amount of Willows Unified School District 2023 Certificates of Participation (the "Certificates"). Upon acceptance of this offer by the District, this Purchase Agreement will be binding upon the District and the Underwriter. The offer made hereby is made subject to acceptance by the District (by the District's delivery to the Underwriter of an executed counterpart hereof) 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.

Inasmuch as the sale contemplated hereby represents a negotiated transaction, the District acknowledges and agrees that: (i) as contemplated by this Purchase Agreement, the primary role of the Underwriter is to purchase securities for resale to investors in an arms-length commercial transaction between the District and the Underwriter and that the Underwriter has financial and other interests that differ from those of the District, (ii) the Underwriter is not acting as a Financial Advisor, financial advisor or fiduciary to the District and has not assumed any advisory or fiduciary responsibility to the District with respect to the transaction contemplated hereby and the discussions, undertakings and proceedings leading thereto (irrespective of whether the Underwriter or any affiliate of the Underwriter has provided other services or is currently providing other services to the District on other matters), (iii) the only obligations the Underwriter has to the District with respect to the transaction contemplated hereby expressly are set forth in this Purchase Agreement, and (iv) the District has consulted its own legal, accounting, tax, financial and other advisors, as applicable, to the extent it has deemed appropriate in connection with the transaction contemplated herein.

The District acknowledges that it has previously provided the Underwriter with an acknowledgement of receipt of the required Underwriter disclosure under rule G-17 of the MSRB.

The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of _____, 2023 (the "Trust Agreement"), among the District, the Public Properties Financing Corporation of California (the "Corporation") and Zions Bancorporation, National

Association, as trustee (the "Trustee"). All terms used herein and not otherwise defined herein shall have the respective meanings assigned thereto in the Trust Agreement.

The scheduled payment of principal of and interest on the Certificates when due will be guaranteed under a municipal bond insurance policy (the "Insurance Policy") to be issued concurrently with the issuance of the Certificates by [INSURER] (the "Insurer").

1. Purchase and Purchase Price; Terms of Certificates. Upon the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the District agrees to cause the Trustee to execute and deliver to the Underwriter, and the Underwriter agrees to purchase, all (but not less than all) of the Certificates at an aggregate purchase price of \$_____ (representing the aggregate principal amount of \$[PAR AMOUNT].00, plus net original issue premium of \$_____, less an underwriting discount of \$_____). At the request of the District, on the Closing Date (as defined herein) the Underwriter will wire the Insurance Policy premium of \$_____ and the surety bond policy (the "Reserve Policy") premium of \$_____ to the Insurer.

The Certificates shall be dated the date of their delivery, shall evidence principal on the dates and shall evidence interest at the rates set forth in Exhibit B hereto. The Certificates shall be substantially as described in the Official Statement (defined herein), and shall be executed, delivered and secured under and pursuant to, and shall be payable and subject to prepayment as provided in, the Trust Agreement.

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 _____, 2023, relating to the Certificates (the "Preliminary Official Statement"), which Preliminary Official Statement the District deemed final and so certified as of its date for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), except for information permitted to be omitted therefrom by Rule 15c2-12. The District hereby agrees to deliver or cause to be delivered to the Underwriter within seven business days of the date hereof copies of the final Official Statement (the "Official Statement"), substantially in the form of the Preliminary Official Statement with only such changes as shall be approved by the Underwriter, dated the date hereof, and in such reasonable quantity as the Underwriter shall request. The District hereby approves of the use and distribution by the Underwriter of the Preliminary Official Statement and the Official Statement in connection with the offer and sale of the Certificates. The District will undertake, pursuant to the Trust Agreement and the Continuing Disclosure Agreement (as defined herein), to provide certain annual financial information and notices of the occurrence of certain events, if material. A description of such undertaking is set forth in the Official Statement.

The District hereby further authorizes the Underwriter to use, in connection with the offer and sale of Certificates, the following documents: the Trust Agreement, the Lease Agreement by and between the District and the Corporation (the "Lease Agreement"), the Site Lease by and between the District and the Corporation (the "Site Lease"), the Assignment Agreement by and between the Corporation and the Trustee (the "Assignment Agreement"), and the Continuing Disclosure Agreement relating to the Certificates (the "Continuing Disclosure Agreement," and collectively with the Trust Agreement, the Lease Agreement, the Site Lease and the Assignment Agreement, the "Certificate Documents").

The Underwriter agrees to make a bona fide public offering of the Certificates at the initial offering prices or yields set forth on the inside front cover of the Official Statement; provided, however, that the Underwriter reserves the right to make concessions to dealers

and to change such initial offering prices or yields as the Underwriter shall deem necessary in connection with the marketing of the Certificates. The Underwriter agrees that, in connection with the public offering and initial delivery of the Certificates to the purchasers thereof from the Underwriter, the Underwriter will deliver or cause to be delivered to each purchaser a copy of the Official Statement.

2. Closing; Certificates. At 9:00 a.m. California Time, on _____, 2023, or at such other time or on such earlier or later date as the Underwriter and the District mutually agree upon (the "Closing Date"), the District will, subject to the terms and conditions hereof, deliver or cause the Certificates to be delivered through the facilities of The Depository Trust Company ("DTC"), duly executed in accordance with the provisions of the Trust Agreement. Subject to the terms and conditions hereof, upon receipt of proof of such delivery to DTC, the Underwriter will pay the purchase price of the Certificates as set forth in Section 1 hereof in federal or other immediately available funds. The Certificates shall be delivered as aforesaid at the offices of DTC in New York, New York, 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 Dannis Woliver Kelley ("Special Counsel"), Long Beach, California, or at such other place as shall have been mutually agreed upon by the Underwriter and the District.

The Certificates (bearing CUSIP numbers) shall be in fully registered form, initially registered in the name of Cede & Co., as nominee of DTC, and shall be subject to a book-entry system of registration and transfer as described in the Official Statement. The Certificates shall be made available to the Underwriter for purposes of inspection at least one business day prior to the Closing Date.

3. Establishment of Issue Price.

The Underwriter agrees to make a bona fide public offering of all the Certificates at the initial public offering prices or yields to be set forth on the inside front cover of the Official Statement and Exhibit B hereto. Subsequent to such initial public offering, and subject to the provisions of this Section 3, the Underwriter reserves the right to change such initial public offering prices or yields as it deems necessary in connection with the marketing of the Certificates. The Certificates may be offered and sold to certain dealers at prices lower than such initial public offering prices. The Underwriter reserves the right to: (i) over-allot or effect transactions which stabilize or maintain the market price of the Certificates at levels above those that might otherwise prevail in the open market; and (ii) discontinue such stabilizing, if commenced, at any time without prior notice.

(a) The Underwriter agrees to assist the District in establishing the issue price of the Certificates and shall execute and deliver to the District at Closing an "issue price" or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form of Exhibit C hereto with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the District and Special Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Certificates. As applicable, all actions to be taken by the District under this section to establish the issue price of the Certificates may be taken on behalf of the District by Eastshore Consulting, LLC, as financial advisor to the District (the "Financial Advisor") and any notice or report to be provided to the District may be provided to the Financial Advisor.

(b) The District will treat the first price at which 10% of each maturity of the Certificates (the "10% test") is sold to the public as the issue price of that maturity (if

different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% test). The Underwriter has reported to the District the price or prices at which it has sold to the public each maturity of Certificates.

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

(1) the close of the fifth (5th) business day after the sale date; or

(2) the date on which the Underwriter has sold at least 10% of that maturity of the Certificates to the public at a price that is no higher than the initial offering price to the public.

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

(d) The Underwriter confirms that any selling group agreement relating to the initial sale of the Certificates to the public, together with the related pricing wires, contains or will contain language obligating each dealer who is a member of the selling group to (A) report the prices at which it sells to the public the unsold Certificates of each maturity allotted to it until it is notified by the Underwriter that either the 10% test has been satisfied as to the Certificates of that maturity or all Certificates of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Underwriter. The District acknowledges that, in making the representation set forth in this subsection, the Underwriter will rely on in the event a selling group has been created in connection with the initial sale of the Certificates to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, if applicable, as set forth in a selling group agreement and the related pricing wires. The District further acknowledges that the Underwriter shall not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement, to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Certificates.

(e) The Underwriter acknowledges that sales of any Certificates to any person that is a related party to an Underwriter shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(1) "public" means any person other than an underwriter or a related party,

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

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

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

4. 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 and a political subdivision of the State of California (the "State") duly organized and validly existing under the constitution and laws of the State. The District has all necessary power and authority and has taken all official actions necessary to 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, executed and delivered by the District and, assuming the due authorization, execution and delivery by the other respective parties thereto, 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 or the United States of America material to the conduct of its governmental or financial functions or any applicable judgment or decree or any loan agreement, indenture, bond, certificate, note, resolution or other agreement or instrument to which the District is a party or to which the District or any of its properties is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any of the foregoing; and the authorization, execution and delivery of this Purchase Agreement, the Certificate Documents to which the District is a party and the Certificates, and compliance with the provisions hereof and thereof, will not conflict with or constitute a material breach of or default under any constitutional provision, law, administrative rule or regulation, or any judgment, decree, license, permit, loan agreement, indenture, bond, certificate, note, resolution, agreement or other instrument to

which the District (or any of its officers in their respective capacities as such) is subject or by which it or any of its properties is bound, nor will any such authorization, execution, delivery or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of its assets or properties or under the terms of any such law, regulation or instrument except as may be provided or permitted by the Certificates or the Certificate Documents.

(c) There is no consent, approval, authorization or other order of, or filing with, or certification by, any regulatory entity having jurisdiction over the District required for the execution and delivery of this Purchase Agreement or the Certificate Documents to which the District is a party, or the execution and sale of the Certificates or the consummation by the District of the transactions contemplated herein, in the Official Statement, this Purchase Agreement or in the Certificate Documents, which has not been duly obtained or made on or prior to the date hereof.

(d) There is no action, suit, legislation, proceeding, hearing, inquiry or investigation, at law or in equity, before or by any court or governmental or public entity pending or, to the best knowledge of the District, threatened against the District which affects or seeks to prohibit, restrain or enjoin the execution or delivery of the Certificates, this Purchase Agreement or the Certificate Documents to which the District is a party, or contesting the validity of this Purchase Agreement, the Certificates or any of the Certificate Documents to which the District is party or the powers of the District to enter into or perform its obligations under this Purchase Agreement or the Certificate Documents to which it is a party or the existence or powers of the District, or which, if determined adversely to the District, would 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 adversely affect the exemption of such interest 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. As of the date thereof and at all times subsequent thereto up to the date hereof, the statements and information in the in the Preliminary Official Statement (except for statements and information regarding DTC or its book-entry only system), are true and correct in all material respects and such statements and information did not and do not contain any untrue or misleading statement of a material fact or omit to state any 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. As of its date and at all times subsequent thereto up to the Closing Date, the statements and information contained in the Official Statement (except for statements and information regarding DTC or its book-entry only system), are and will be true and correct in all material respects and such statements and information do not and will not contain any untrue or misleading statement of a material fact or omit to state any 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. If the Official Statement is supplemented or amended, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto during the period up to and including the date of Closing, the Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which made, not misleading.

(f) The District hereby agrees to deliver or cause to be delivered to the Underwriter, not later than the seventh (7th) business day following the date this Purchase Agreement is signed, copies of a final Official Statement substantially in the form of the Preliminary Official Statement, with only such changes therein as shall have been accepted by the Underwriter and the District (such Official Statement with such changes, if any, and including the cover page, inside cover page and all appendices, exhibits, maps, reports and statements included therein or attached thereto being herein called the "Official Statement") in such quantities as may be requested by the Underwriter not later than seven (7) business days following the date this Purchase Contract is signed, in order to permit the Underwriter to comply with paragraph (b)(4) of the Rule and with the rules of the MSRB. The District hereby authorizes the Underwriter to use and distribute the Official Statement in connection with the offering and sale of the Certificates. The District shall prepare the Official Statement, including any amendments thereto, in word-searchable PDF format as described in the MSRB's Rule G-32 and shall provide the electronic copy of the word-searchable PDF format of the Official Statement to the Underwriter no later than one (1) business day prior to the Closing to enable the Underwriter to comply with MSRB Rule G-32.

(g) During the period ending on the 25th day after the End of the Underwriting Period (or such other period as may be agreed to by the District and the Underwriter), the District (i) shall not supplement or amend the Official Statement or cause the Official Statement to be supplemented or amended without the prior written consent of the Underwriter and (ii) shall notify the Underwriter promptly if any event shall occur, or information comes to the attention of the District, that is reasonably likely to cause the Official Statement (whether or not previously supplemented or amended) to contain any untrue statement of a material fact or to omit 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. If, in the opinion of the Underwriter, such event requires the preparation and distribution of a supplement or amendment to the Official Statement, the District shall prepare, at its own expense, and furnish to the Underwriter such number of copies of the supplement or amendment to the Official Statement, in form and substance mutually agreed upon by the District and the Underwriter, as the Underwriter may reasonably request. If such notification shall be given subsequent to the Closing, the District also shall furnish, or cause to be furnished, at its own expense, such additional legal opinions, certificates, instruments and other documents as the Underwriter may reasonably deem necessary to evidence the truth and accuracy of any such supplement or amendment to the Official Statement. For purposes of this Purchase Agreement, the "End of the Underwriting Period" is used as defined in the Rule and shall occur on the later of (A) the date of Closing or (B) when the Underwriter no longer retains an unsold balance of the Certificates; unless otherwise advised in writing by the Underwriter on or prior to the Closing Date, or otherwise agreed to by the District and the Underwriter, the District may assume that the End of the Underwriting Period is the Closing Date.

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

(i) 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 and Special Counsel as to the statements made therein.

(j) The District has complied with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), with respect to the Certificates.

(k) The District has complied with all of the requirements of Section 17150.1(a) of the State Education Code, compliance with which is required for the lawful execution and delivery of the Certificates, this Purchase Agreement and the Certificate Documents to which it is a party.

(l) Between the date of this Purchase Agreement and the Closing Date, 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 a lien on the District's general fund or the Property.

(m) Since the date of the Preliminary Official Statement, there has been no adverse change of a material nature in such financial position, results of operation or condition, financial or otherwise, of the District. The District is not a party to any litigation or other proceeding pending, or, to its knowledge, threatened which, if decided adversely to the District, would have a materially adverse effect on the financial condition of the District.

(n) Except as described in the Official Statement, within the last five years the District has not failed to comply in all material respects with any prior continuing disclosure obligations entered into pursuant to Rule 15c2-12, and for such years the District is currently in compliance with such prior continuing disclosure obligations.

(o) The financial statements of, and other financial information regarding the District, in the Preliminary Official Statement and the Official Statement fairly present the financial position and results of the District as of the dates and for the periods therein set forth. Prior to the Closing, there will be no adverse change of a material nature in such financial position, results of operations or condition, financial or otherwise, of the District.

(p) The District agrees to cooperate with the Underwriter in endeavoring to qualify the Certificates for offer and sale under the securities or Blue Sky laws of such jurisdictions of the United States as the Underwriter may reasonably request; provided, however, that the District will not be required to consent to service of process in any such jurisdiction or to qualify as a foreign corporation in connection with any such qualification in any jurisdiction and that the Underwriter shall be solely responsible for the cost of such qualification.

5. Representations, Warranties and Agreements of the Underwriter. The Underwriter represents to and agrees with the District that, as of the date hereof and as of the Closing Date:

(a) The Underwriter is duly authorized to execute this Purchase Agreement and to take any action under this Purchase Agreement required to be taken by it.

(b) The Underwriter is in compliance with MSRB Rule G-37 with respect to the District, and is not prohibited thereby from acting as the underwriter with respect to securities of the District.

(c) The Underwriter has, and has had, no financial advisory relationship with the District with respect to the Certificates, and no investment firm controlling, controlled by or under common control with the Underwriter has or has had any such financial advisory relationship.

6. Conditions to the Obligations of the Underwriter. The obligations of the Underwriter under this Purchase Agreement have been undertaken in reliance on, and shall be subject to, the due performance by the District of its obligations and agreements to be performed hereunder and, to the accuracy of and compliance with the respective representations, warranties, covenants 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 District 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. The obligations of the Underwriter hereunder are also subject, in the discretion of the Underwriter to the following additional conditions:

(a) At the Closing Date, the Certificates, the Certificate Documents and the Official Statement shall have been duly authorized, executed and delivered by the respective parties thereto, in substantially the forms heretofore submitted to the Underwriter with only such changes as shall have been agreed to by the Underwriter, and said documents shall not have been amended, modified or supplemented, except as may have been agreed to by the Underwriter, and there shall have been taken in connection therewith, with the execution and delivery of the Certificates and with the transactions contemplated thereby and by this Purchase Agreement, all such actions as Special Counsel shall deem to be necessary and appropriate;

(b) The representations and warranties of the District contained in this Purchase Agreement and in the Certificate Documents to which the District is a party 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;

(c) Between the date hereof and the Closing Date, neither the market price nor marketability, or the ability of the Underwriter to enforce contracts for the sale of the Certificates, at the initial offering prices set forth in the Official Statement, of the Certificates shall have been materially adversely affected, in the judgment of the Underwriter, by reason of any of the following:

(1) legislation enacted or introduced in the Congress or recommended for passage by the President of the United States, 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, with the purpose or effect, directly or indirectly (except as described in the Official Statement), of imposing federal income taxation upon such interest as would be received by the owners of the Certificates, or an order, ruling, regulation (final, temporary or proposed) or official statement issued or made:

(i) by or on behalf of the Treasury Department of the United States or the Internal Revenue Service with the purpose or effect, directly or indirectly (except as described in the Official Statement), of imposing federal income taxation upon such interest as would be received by the owners of the Certificates, or

(ii) by or on behalf of the SEC, or any other governmental entity having jurisdiction of the subject matter, to the effect that obligations of the general character of the Certificates, or the Certificates, including any or all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended, or that the Trust Agreement is not exempt from qualification under the Trust Indenture Act of 1939, as amended;

(2) legislation enacted by the State legislature or a decision rendered by a Court of the State, or a ruling, order, or regulation (final or temporary) made by State authority, which would have the effect of changing, directly or indirectly, the State tax consequences of interest with respect to obligations of the general character of the Certificates in the hands of the holders thereof;

(3) the declaration of war or engagement in major military hostilities by the United States or the occurrence or escalation of any other national or international emergency, calamity, outbreak or escalation of hostility relating to the effective operation of the government or of the financial community in the United States;

(4) 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;

(5) the imposition by the New York Stock Exchange or other national securities exchange, or any governmental entity, of any material restrictions not now in force with respect to the Certificates or obligations of the general character of the Certificates or securities generally, or the material increase of any such restrictions now in force, including those relating to the extension of credit by, or the charge to the net capital requirements of, the Underwriter;

(6) an order, decree or injunction of any court of competent jurisdiction, or order, filing, regulation or official statement by the SEC, or any other governmental entity having jurisdiction of the subject matter, issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Certificates, or the execution, delivery, offering or sale of the Certificates, including any or all underlying obligations, as contemplated hereby or by the Official Statement, is or would be in violation of the federal securities laws as then in effect;

(7) the occurrence of any adverse change of a material nature of the financial condition, results of operation or properties of the District;

(8) any event occurring, or information becoming known which, in the reasonable judgment of the Underwriter, makes untrue in any material adverse 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;

(9) the intended review, suspension, withdrawal, downgrading, or negative change in credit watch status by a national rating agency of (A) any underlying rating of the District's outstanding indebtedness or (B) the Insurer; or

(10) any fact or event shall exist or have existed that, in the Underwriter's judgment, requires or has required an amendment or of supplement to the Official Statement.

(d) 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:

(1) 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;

(2) An unqualified approving opinion, dated the Closing Date and addressed to the District, of Dannis Woliver Kelley, Long Beach, California, 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 of such opinion were addressed to it;

(3) A supplemental opinion, dated the Closing Date and addressed to the Underwriter, of Special Counsel, substantially to the effect that (i) this Purchase Agreement and the Continuing Disclosure Agreement have been duly authorized, executed and delivered by the District and, assuming the due authorization, execution and delivery by the other parties thereto, are legal, valid and binding agreements of the District enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, moratorium and other laws affecting the enforcement of creditors' rights, by the application of equitable principles if equitable remedies are sought, by the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against public agencies in the State, (ii) the distribution of the Preliminary Official Statement and the Official Statement by the Underwriter has been duly authorized by the District, (iii) the Certificates are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Trust Agreement is exempt from qualification under the Trust Indenture Act of 1939, and amended, and (iii) the statements contained in the Official Statement under the captions "THE CERTIFICATES", "SECURITY AND SOURCES OF PAYMENT OF THE CERTIFICATES," "CONTINUING DISCLOSURE," "TAX MATTERS" APPENDIX A – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS," and APPENDIX C – "PROPOSED FORM OF OPINION OF SPECIAL COUNSEL" insofar as such statements expressly purport to summarize certain provisions of the Certificates, the Certificate Documents and the form and content of Special Counsel's approving opinion concerning the Certificates, are accurate in all material respects (except for any financial or statistical data or forecasts, numbers, charts, estimates, projections, assumptions or expressions of opinion, any information about DTC or its book-entry only system, information concerning the Insurer, the Insurance Policy, or Appendices B, D, F, and G to the Official Statement, as to which such counsel need express no opinion or view);

(4) An opinion of counsel to the District, in substantially the form of Exhibit A attached hereto, dated the Closing Date and addressed to the District, the Underwriter and the Trustee;

(5) An opinion of Dannis Woliver Kelley, Long Beach, California, as Disclosure Counsel, dated the Closing Date and addressed to the District and the Underwriter, substantially to the effect that based on such counsel's participation in conferences with representatives of the Underwriter, the Financial Advisor, the District and others, during which conferences the contents of the Official Statement and related matters

were discussed, and in reliance thereon and on the records, documents, certificates and opinions described therein, such counsel advises the District, that, during the course of its engagement as Disclosure Counsel for the Certificates, no information came to the attention of such counsel's attorneys rendering legal services in connection with such representation which caused such counsel to believe that the Preliminary Official Statement, as of its date and as of the date hereof, and the Official Statement, as of its date and as of the Closing (except, in each case, for any financial or statistical data or forecasts, numbers, charts, estimates, projections, assumptions or expressions of opinion, any information about DTC or its book-entry only system, information concerning the Insurer, the Insurance Policy, the Reserve Policy or Appendices B, D, F and G to the Preliminary Official Statement and the Official Statement, 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 required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(6) An opinion of counsel to the Trustee, dated the Closing Date, addressed to the District and the Underwriter, to the effect that (i) the Trustee is a duly organized and validly existing national banking association in good standing under the laws of the United States and has full power and authority to undertake the trust of the Trust Agreement, (ii) the Trustee has duly authorized, executed and delivered the Trust Agreement, and the Assignment and by all proper corporate action has authorized the acceptance of the trust of the Trust Agreement, (iii) the Trust Agreement, and the Assignment Agreement constitute legally valid and binding agreements of the Trustee, enforceable against the Trustee in accordance with their terms, (iv) the Certificates have been validly executed and delivered by the Trustee and are entitled to the benefits of the Trust Agreement to the extent legally enforceable in accordance with their terms, (v) no authorization, approval, consent, or other order of any governmental authority or agency having jurisdiction over the Trustee is required for the valid authorization, execution, delivery and performance by the Trustee of the Trust Agreement, and the Assignment Agreement, and (vi) the execution and delivery of the Trust Agreement, and the Assignment Agreement and compliance by the Trustee with the provisions thereof, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of the Trustee a breach or default under any agreement or other instrument to which the Trustee is a party (and of which such counsel is aware after reasonable investigation) or by which it is bound (and of which such counsel is aware after reasonable investigation) or any existing law, regulation, court order or consent decree to which the Trustee is subject;

(7) 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 relating to the Certificates and to execute and deliver the Certificates to the Underwriter pursuant to the Trust Agreement, (ii) when delivered to and paid for by the Underwriter on the Closing Date, the Certificates will have been duly executed and delivered by the Trustee, (iii) the execution and delivery of the Trust Agreement, and the Assignment Agreement and compliance with the provisions on the Trustee's part contained therein, will not conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Trustee is a party or is otherwise subject (except that no representation, warranty or agreement is made with respect to any federal or state securities or blue sky laws or regulations), nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien,

charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets held by the Trustee pursuant to the lien created by the Trust Agreement under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided by the Trust Agreement, and (iv) there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental or public entity pending or, to the best knowledge of the Trustee, threatened against the Trustee, affecting the existence of the Trustee, or the titles of its officers to their respective offices or seeking to prohibit, restrain or enjoin the execution and delivery of the Certificates, or in any way contesting or affecting the validity or enforceability of the Trust Agreement, or 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;

(8) A certificate of the District, dated the Closing Date, signed by an authorized officer thereof, to the effect that (i) the representations and warranties of the District contained in the Purchase Agreement and in the Certificate Documents to which the District is a party are true and correct in all material respects as of the Closing Date as if made on the Closing Date, (ii) neither this Purchase Agreement nor the Certificate Documents to which the District is a party have been amended, modified or rescinded and are in full force and effect as of the Closing Date, and that the District has complied with the terms of this Purchase Agreement and the Certificate Documents to which the District is a party to be complied with to the Closing Date and has satisfied all conditions on its part to be satisfied to the Closing Date under the Certificate Documents to which the District is a party; (iii) there is no legislation, litigation, action, suit, proceeding, inquiry, hearing 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 Certificate or any of the Certificate Documents to which the District is a party, or contesting the validity of the Certificates, this Purchase Agreement, or any of the Certificate Documents to which the District is a party or the powers of the District to enter into or perform its obligations under the Certificate Documents to which the District is a party, or the existence or powers of the District, or which, if adversely determined, will exceed the scope of limits of applicable insurance coverage of the District or could materially adversely affect the financial condition of the District or its ability to perform its obligations under the Certificate Documents to which the District is a party; (iv) such officials of the District have reviewed Official Statement and on such basis certify that the Preliminary Official Statement, as of its date, and the Official Statement, as of its date and as of the Closing, do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading; and (v) since the date of the most recent financial statements of the District, no material adverse change has occurred in the status of the business, operations or conditions (financial or otherwise) of the District or its ability to perform its obligations under this Purchase Agreement or the Certificate Documents to which the District is a party;

(9) 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, (ii) the Corporation has all necessary power and authority and has taken all official actions necessary 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 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 to which the Corporation is a party, (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 to which the Corporation is a party, 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 best knowledge of the Corporation, threatened against the Corporation which affects or seeks to prohibit, restrain or enjoin the execution or delivery of the Certificates or any of the Certificate Documents to which the Corporation is a party, or contesting the validity of the Certificates or any of the Certificate Documents or the powers of the Corporation to enter into or perform its obligations under the Certificate Documents to which it is a party or the existence or powers of the Corporation, and (vi) no event affecting the Corporation has occurred since the date of the Official Statement which either makes untrue or incorrect in any material respect as of the Closing Date the statements or information regarding the Corporation contained in the Official Statement or is not reflected in the Official Statement but should be reflected therein in order to make the statements and information therein regarding the Corporation not misleading in any material respect;

(10) An opinion of counsel to the Corporation, dated the Closing Date and addressed to the Corporation, the Underwriter and the District;

(11) A certified copy of the resolution of the Board of 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;

(12) A certified copy of the resolution adopted by the Board of Education of the Corporation authorizing the execution and delivery of the Certificate Documents to which the Corporation is a party and other matters pertaining thereto;

(13) 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;

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

(15) a tax certificate of the District and an IRS Form 8038-G each relating to the Certificates in form and substance acceptable to Special Counsel;

(16) A copy of the reports of proposed debt and final sale required to be delivered to the California Debt and Investment Advisory Commission pursuant to Section 8855(g) of the State Government Code;

(17) Evidence of arrangements for the issuance of a binder for a CLTA or an ALTA title insurance policy or policies (with western regional exceptions) providing the title insurance required by the Lease Agreement, and evidence of arrangements for all insurance required by the Lease Agreement, in form and substance acceptable to the Underwriter;

(18) An executed copy of the Continuing Disclosure Agreement, substantially in the form presented in the Official Statement as Appendix E thereto;

(19) The Insurance Policy insuring the payment of principal of and interest on the Certificates and the Reserve Policy for deposit into a debt service reserve fund established for the Certificates, both from the Insurer; and

(i) a certificate of the Insurer dated the date of Closing in form and substance acceptable to the Underwriter regarding, among other matters, the due authorization, execution and validity of the Insurance Policy and the Reserve Policy; and

(ii) an opinion of counsel to the Insurer, dated the date of Closing and addressed to the District and the Underwriter, to the effect that the Insurance Policy is the legal, valid and binding obligation of the Insurer enforceable in accordance with its terms, and the disclosure regarding the Insurer and the Insurance Policy in the Official Statement under the applicable captions and the specimen Insurance Policy included as an appendix to the Official Statement accurately reflect and fairly present the information purported to be shown therein.

(20) 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 Corporation and the District with legal requirements, the truth and accuracy, as of the Closing Date, of the representations of the Trustee, the Corporation and the District, and the due performance or satisfaction by the Trustee, 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.

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 any further obligations hereunder.

7. Fees and Expenses. Except as provided in the following paragraph, the District shall pay all costs and expenses incurred in connection with or relating to the execution and sale of the Certificates, including but not limited to: (a) all fees and expenses of Special Counsel and Disclosure Counsel; (b) all expenses and costs of the District incident to the performance of its obligations hereunder and in connection with the authorization, execution, registration and sale of the Certificates to the Underwriter; (c) the costs of printing and distributing the Preliminary Official Statement and the Official Statement; (d) the fees and expenses of the Trustee and its counsel; (e) fees of the rating agencies that are rating the Certificates; (f) fees and expenses associated with obtaining title insurance, (g) the premiums for the Insurance Policy and the Reserve Policy; (h) the fees of the Financial Advisor in connection with the issuance and sale of the Certificates; (i) expenses incurred by the Underwriter on behalf of District officials and employees which are incidental to implementing this Purchase Agreement, including but not limited to, meals, transportation, lodging and entertainment; and (j) all other fees and expenses incident to the sale and delivery of the Certificates. The District acknowledges that it has had an opportunity, in consultation with such advisors as it may deem appropriate, if any, to evaluate and consider the fees and expenses being incurred as part of the execution and delivery of the Certificates.

The Underwriter shall pay any advertising expenses incurred in connection with the public offering of the Certificates, California Debt and Investment Advisory Commission and other regulatory bond fees, except as provided in the preceding paragraph, and all other expenses incurred by the Underwriter in connection with the public offering and sale of the Certificates, including the fees of counsel to the Underwriter, if any.

Notwithstanding Section 6 hereof, the District hereby agrees, in the event the purchase and sale of the Certificates does not occur as contemplated hereunder, to reimburse the Underwriter for any costs described in Section 7 above that are attributable to District personnel.

8. Survival of Certain Representations and Obligations. The agreements, covenants, representations, warranties and other statements of the District and its officials or officers set forth in or made pursuant to this Purchase Agreement shall survive delivery of and payment for the Certificates, regardless of any investigation, or statements as to the results thereof, made by or on behalf of the Underwriter.

9. 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:

Willows Unified School District
823 West Laurel Street
Willows, California 95988
Attention: Director of Business Services

and if to the Underwriter, mailed, certified, return receipt requested, or delivered to it, addressed to them care of the following:

Piper Sandler & Co.
50 California Street, Suite 3100
San Francisco, CA 94111
Attention: _____

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

10. Survival of Representations, Warranties and Agreements. All representations, warranties and agreements in this Purchase Agreement shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Underwriter and shall survive the delivery of the Certificates hereunder.

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

12. Severability. In the event any provision of this Purchase Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

13. 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.

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14. 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.

Piper Sandler & Co.

By: _____
[Title]

The foregoing is hereby agreed to and accepted at
_____ p.m. California Time this _____ day of _____, 2023:

WILLOWS UNIFIED SCHOOL DISTRICT

By: _____
Director of Business Services

EXHIBIT A

FORM OF OPINION **OF COUNSEL TO THE DISTRICT**

_____, 2023

Ladies and Gentlemen:

We have acted as counsel to the Willows Unified School District (the "District") in connection with the execution and delivery of \$[PAR AMOUNT] aggregate principal amount of Willows Unified School District 2023 Certificates of Participation (the "Certificates").

In connection with rendering this opinion, we have examined documents, obtained certificates and undertaken other actions as we have determined necessary, including but not limited to the following: a Lease Agreement, dated as of _____, 2023 (the "Lease"), by and between the District and the Public Property Financing Corporation of California (the "Corporation"); a Site Lease, dated as of _____, 2023 (the "Site Lease"), by and between the District and the Corporation; a Trust Agreement, dated as of _____, 2023 (the "Trust Agreement"), by and among Zions Bancorporation, National Association, as trustee (the "Trustee"), the Corporation and the District; a Continuing Disclosure Agreement, dated _____, 2023 (the "Continuing Disclosure Agreement"); a Certificate Purchase Agreement, dated _____, 2023 (the "Purchase Agreement"), by and between the District and Piper Sandler & Co. , as underwriter (the "Underwriter"), Resolution adopted by the Board of Education of the District on _____, 2023 (the "Resolution"); an Official Statement, dated _____, 2023 (the "Official Statement"), which describes, among other things, the Certificates and the District; the Certificates; and the certificates and certifications of the District, the Trustee, the Corporation and others as to certain factual matters and such other documents and matters to the extent we deemed necessary to render the opinions set forth herein.

Based on and subject to the foregoing, and in reliance thereon, and without any independent investigation, as of the date hereof, 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 (the "State") with full legal right, power and authority to execute, deliver and perform all of its obligations under the Purchase Agreement, the Trust Agreement, the Lease Agreement, the Site Lease and the Continuing Disclosure Agreement (collectively, the "District Documents"), and to participate in the transactions contemplated by the District Documents and Official Statement.

2. Each Resolution was duly adopted at a meeting of the Board of Education of the District, each of which 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 has not been modified, amended or rescinded.

3. The District Documents have been duly authorized, executed and delivered by the District, 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 limitations on legal remedies against public agencies in the State;

4. To the best of our knowledge, without independent investigation, and in sole reliance on a certificate of the District to such effect, and except as disclosed in the Preliminary Official Statement and Official Statement, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened against or affecting the District, which would materially adversely impact the District's ability to complete the transactions described in and contemplated by the Official Statement or in any way contesting or affecting the validity of the District Documents; and

5. To the best of our knowledge, without independent investigation, and in sole reliance on a certificate of the District to such effect, no authorization, approval, consent, or other order of any court or governmental body is required for the valid authorization, execution and delivery of the District Documents and the approval of the Official Statement or the consummation by the District of the transactions contemplated in the Certificate Purchase Agreement and in the Official Statement, except such as have been obtained and except such as may be required under state securities or blue sky laws in connection with the purchase and distribution of the Certificates by the Underwriter.

Respectfully submitted,

EXHIBIT B

MATURITY SCHEDULE

\$[PAR AMOUNT]
Willows Unified School District
(Glenn County, California)
2023 Certificates of Participation

<u>Maturity Date (August 1)</u>	<u>Principal Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>10% Test Met</u>	<u>Hold-the- Offering - Price Rule Applies</u>
---	-----------------------------	-------------	--------------	--------------	-------------------------	--

^C Yield to first optional prepayment date of August 1, 20__ at par.

^T Term Certificates.

Prepayment

Optional Prepayment. The Certificates maturing on or prior to August 1, 20__ are not subject to optional redemption prior to maturity. The Certificates maturing on or after August 1, 20__ are subject to optional prepayment prior to their stated maturities on any date on or after August 1, 20__, in whole or in part, at the option of the District, from any lawfully available source in the event the District exercises its option under the Lease to prepay the Principal Component of the Lease Payments (in integral multiples of \$5,000), at a prepayment price equal to the Principal Component of the Lease Payments to be prepaid, plus accrued interest to the date fixed for prepayment, without premium.

Extraordinary Prepayment. The Certificates are subject to prepayment prior to their respective maturity dates on any date, in whole or in part, from Net Proceeds which the Trustee shall transfer to the Prepayment Fund as provided in the Lease at least 45 days prior to the date set for prepayment, at a prepayment price equal to the Principal Component of the Lease Payments to be prepaid, together with accrued interest to the date fixed for prepayment, without premium.

Mandatory Sinking Fund Prepayment. The Certificates maturing August 1, 20__ are subject to mandatory sinking fund prepayment on August 1 of each Mandatory Sinking Fund

Payment Date and in the respective principal amounts as set forth in the following schedule, at a prepayment price equal to the principal amount thereof to be prepaid plus accrued interest thereon to the date fixed for prepayment, without premium:

Mandatory Sinking Fund Payment Date (August 1)	Principal Amount to be Prepaid

(1)

(1) Maturity.

In the event that a portion of the Certificates maturing on August 1, 20__, is optionally prepaid prior to maturity, the remaining mandatory sinking fund payments shown above shall be reduced proportionately, or as otherwise directed by the District, in integral multiples of \$5,000 principal amount of such Certificates optionally prepaid.

EXHIBIT C

FORM OF ISSUE PRICE CERTIFICATE

Piper Sandler & Co., as underwriter ("**Piper Sandler**") hereby certifies and represents the following with respect to the Willows Unified School District 2023 Certificates of Participation (the "**Certificates**") evidencing the fractional interests of the owners thereof in lease payments to be paid by the Willows Unified School District (the "**District**") under the Lease Agreement, dated as of _____, 2023, by and between the District and the Public Property Financing Corporation of California, in the aggregate principal amount of \$[PAR AMOUNT].

1. Certificate Purchase Agreement. On _____, 2023 (the "Sale Date"), Piper Sandler and the District executed a Certificate Purchase Agreement (the "Purchase Agreement") in connection with the sale of the Certificates. Neither the District nor Piper Sandler & Co. has modified the Purchase Agreement since its execution on the Sale Date.

2. Sale of the Certificates.

(a) General Rule Maturities. As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of the General Rule Maturities was sold to the Public is the respective price listed in Schedule A. As shown in Schedule A, the aggregate issue price of the Certificates is \$_____.

(b) Hold-the-Offering Price Maturities.

(i) Piper Sandler offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the "Initial Offering Prices") on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Certificates is attached to this certificate as Schedule B.

(ii) As set forth in the Purchase Agreement, Piper Sandler agreed in writing that, (A) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Certificates of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the "hold-the-offering-price rule"), and (B) any selling group agreement would contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement would contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule.

(iii) No Underwriter (as defined below) has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity during the Holding Period.

3. Certain Defined Terms. Capitalized terms used in this certificate, unless otherwise defined herein shall have the meaning(s) given to such terms in the Tax Certificate provided in connection with the execution and delivery of the Certificates.

(a) "General Rule Maturities" means those Maturities of the Certificates, if any, listed in Schedule A hereto as the "General Rule Maturities."

(b) "Hold-the-Offering-Price Maturities" means those Maturities of the Certificates listed in Schedule A hereto as the "Hold-the-Offering-Price Maturities."

(c) "Holding Period" means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the Underwriter has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(d) "Maturity" means Certificates with the same credit and payment terms. Certificates with different maturity dates, or Certificates with the same maturity date but different stated interest rates, are treated as separate Maturities.

(e) "Public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. A person is a "Related Party" to an Underwriter if the Underwriter and the person are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(f) "Underwriter" means (i) any person that agrees pursuant to a written contract with the District (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Certificates to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Certificates to the Public).

4. Use of Certificate. The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Piper Sandler's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the District with respect to certain of the representations set forth in the Tax Certificate of the District dated the date hereof, and with respect to compliance with the federal income tax rules affecting the Certificates, and by Special Counsel, in connection with rendering its opinion that the interest components represented by the Certificates is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that Special Counsel may give to the District from time to time relating to the Certificates. Notwithstanding anything set forth herein, Piper Sandler & Co. is not engaged in the practice of law. Accordingly, Piper Sandler & Co. makes no representation as to the legal sufficiency of the factual matters set forth herein. Except as expressly set forth above, the certifications set forth herein may not be relied upon or used by any third party or for any other purpose. The certifications contained herein are not necessarily based on personal knowledge, but may instead be based on either inquiry deemed adequate by the undersigned or institutional knowledge (or both) regarding the matters set forth herein.

Dated: _____, 2023

PIPER SANDLER & CO.

By: _____
Title

SCHEDULE A

SALE PRICES OF THE GENERAL RULE MATURITIES AND INITIAL OFFERING PRICES OF THE HOLD-THE-OFFERING PRICE MATURITIES

[\$[PAR AMOUNT]] WILLOWS UNIFIED SCHOOL DISTRICT (GLENN COUNTY, CALIFORNIA) 2023 CERTIFICATES OF PARTICIPATION

General Rule Maturities

Maturity Date (August 1)	Principal Amount	Rate	Yield	Price
---	-----------------------------	-------------	--------------	--------------

^C Yield to first optional prepayment date of August 1, 20__ at par.

^T Term Certificates.

Hold-the-Offering-Price Maturities

Maturity Date (August 1)	Principal Amount	Rate	Yield	Price
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SCHEDULE B

PRICING WIRE OR EQUIVALENT COMMUNICATION

**\$(PAR AMOUNT)
WILLOWS UNIFIED SCHOOL DISTRICT
(GLENN COUNTY, CALIFORNIA)
2023 CERTIFICATES OF PARTICIPATION**

[To be attached]

TRUST AGREEMENT

Dated as of _____ 1, 2023

by and among

ZIONS BANCORPORATION, NATIONAL ASSOCIATION,

as Trustee

and

PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA

and

WILLOWS UNIFIED SCHOOL DISTRICT

Relating to

\$_____

WILLOWS UNIFIED SCHOOL DISTRICT
(GLENN COUNTY, CALIFORNIA)
2023 CERTIFICATES OF PARTICIPATION

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TRUST AGREEMENT

THIS TRUST AGREEMENT, made and entered into as of _____ 1, 2023 (this "Trust Agreement"), by and among ZIONS BANCORPORATION, NATIONAL ASSOCIATION, a national banking association organized under the laws of the United States, as trustee (the "Trustee"), the PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California, including without limitation Sections 5110 *et seq.* of the Corporations Code of the State of California, as lessor under the Lease hereinafter referred to (the "Corporation"), and the WILLOWS UNIFIED SCHOOL DISTRICT, a school district duly organized and existing under the Constitution and laws of the State of California, as lessee under the Lease (the "District");

WITNESSETH:

WHEREAS, to finance the costs of the acquisition, construction and installation of certain capital improvements (the "Project"), the District and the Corporation have entered into a Lease Agreement, dated as of the date hereof (the "Lease"), whereby the Corporation has agreed to lease certain real property and improvements, as described therein (the "Property"), to the District, and the District has agreed to lease the Property from the Corporation; and

WHEREAS, the Trustee has agreed to execute and deliver the Willows Unified School District (Glenn County, California) 2023 Certificates of Participation (the "Certificates"), each evidencing fractional interests in the Lease Payments and Prepayments (each as defined herein) made by the District under the Lease; and

WHEREAS, the District and the Corporation have authorized the preparation, sale and delivery of the Certificates in order to finance the Project; and

WHEREAS, as security therefor, the Corporation will assign its rights to receive Lease Payments pursuant to the Lease, and the Corporation and District will grant a security interest in all moneys held by the Trustee hereunder to the Trustee for the benefit of the Owners of the Certificates executed and delivered hereunder.

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, the parties hereto hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01 Definitions and Rules of Construction. Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Trust Agreement, have the meanings herein specified. Unless the context otherwise indicates, words importing the singular number shall include the plural number and vice versa. The terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms, as used in this Trust Agreement, refer to this Trust Agreement as a whole.

"Additional Certificates" means certificates of participation authorized by a supplemental Trust Agreement that are executed and delivered by the Trustee under and pursuant to Section 2.15.

"Additional Payments" means all amounts payable by the District as Additional Payments as defined in Section 4.11 of the Lease.

"Assignment Agreement" means the Assignment Agreement related to the Certificates, dated as of the date hereof, by and between the Trustee and the Corporation, and any duly authorized and executed amendments thereto.

"Beneficial Owner" means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Certificates (including persons holding Certificates through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Certificates for federal income tax purposes.

"Business Day" means any day other than (i) a Saturday or Sunday, or (ii) a day on which banking institutions in the State of New York or the State of California are authorized or required by law or executive order to remain closed.

"Certificate" or "Certificates" means the \$_____ aggregate principal amount of Willows Unified School District (Glenn County, California) 2023 Certificates of Participation executed and delivered by the Trustee pursuant to this Trust Agreement.

"Certificate Payment Date" means August 1 and February 1 of each year commencing February 1, 2024.

"Closing Date" means the date on which the Certificates, duly executed by the Trustee, are delivered to the Purchaser thereof.

"Continuing Disclosure Certificate" means that certain Continuing Disclosure Certificate dated as of the date hereof, executed by the District.

"Corporation" means the Public Property Financing Corporation of California, a nonprofit public benefit corporation organized under the laws of the state, its successors and assigns.

"Corporation Representative" means the Chairmen or Secretary of the Corporation, or any other person authorized to act on behalf of the Corporation under or with respect to the Lease.

"Defeasance Securities" means the securities described in paragraph A of the definition of "Permitted Investments."

"Delivery Cost Fund" means the fund by that name established and held by the Trustee pursuant to Article III hereof.

"Delivery Cost Requisition" means a written requisition substantially in the form attached hereto as Exhibit B-1.

"Delivery Costs" means and further includes all items of expense directly or indirectly payable by or reimbursable to the District or the Corporation relating to the financing of the Project from the proceeds of the Certificates, including, but not limited to: the premium for any insurance policies purchased to satisfy the Reserve Requirement or to guarantee payment of the Certificates; filing and recording costs; settlement costs; printing costs; word processing costs; reproduction and binding costs; initial fees and charges of the Trustee, including its first annual administration fee and the fees of its counsel; financing

and other professional consultant fees; costs of rating agencies and costs of providing information to such rating agencies; any computer and other expenses incurred in connection with the Certificates; fees for execution, transportation and safekeeping of the Certificates; and charges and fees in connection with the foregoing.

"Depository" means the securities depository acting as Depository pursuant to Section 2.13 hereof, initially The Depository Trust Company, or such other securities depositories as the District may designate in writing to the Trustee.

"District" means the Willows Unified School District, a school district organized and existing under the laws and Constitution of the State, and its successors and assigns.

"District Representative" means the Superintendent and the Director of Business Services of the District or any other person authorized by the Superintendent of the District to act on behalf of the District with respect to the Lease or this Trust Agreement.

"DTC" means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York in its capacity as securities depository for the Certificates.

"Event of Default" means an event of default under the Lease, as defined in Section 9.1 thereof.

"Fiscal Year" means the fiscal year of the District commencing July 1 and ending June 30 of the next year.

"Independent Counsel" means an attorney duly admitted to the practice of law before the highest court of the state in which such attorney maintains an office and who is not an employee of the Corporation, the Trustee or the District.

"Independent Insurance Consultant" means a nationally recognized independent actuary, insurance company or broker 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 Policy" or "Policy" means the insurance policy issued by the Insurer that guarantees the scheduled payment of principal of, and interest with respect to, the Certificates when due.

"Insurer" or "_____" means _____, or any successor thereto or assignee thereof.

"Lease" means the Lease Agreement related to the Certificates, dated as of the date hereof, by and between the District and the Corporation, and any duly authorized and executed amendments thereto.

"Lease Payment" means any payment required to be paid by the District to the Corporation pursuant to Section 4.4 of the Lease other than with respect to Reserve Replenishment Rent.

"Lease Payment Deposit Date" means the 15th day next preceding the respective Certificate Payment Date (or if such day is not a Business Day, the next succeeding Business Day).

"Lease Payment Fund" means the fund by that name established and held by the Trustee pursuant to Article V hereof.

"Lease Year" means the period extending from August 1 of each calendar year to July 31 of the subsequent calendar year; provided that the first Lease Year shall commence on the Closing Date and end on July 31, 2024.

"Lessor" means the Corporation.

"Letter of Representations" means the letter of the District, delivered to and accepted by the Depository on or prior to delivery of the Certificates as book-entry certificates, making reference to the DTC Operational Arrangements memorandum, as it may be amended from time to time, setting forth the basis on which the Depository serves as depository for such book-entry certificates, as such letters were originally executed or as they may be supplemented or revised or replaced by letters from the District and the Trustee delivered to and accepted by the Depository.

"Moody's" means Moody's Investors Service or any successors or assigns thereto.

"Net Proceeds" means any remaining proceeds of any insurance, performance bonds, or taking by eminent domain or condemnation, paid with respect to the Property after payment therefrom of any expenses (including attorneys' fees) incurred in the collection thereof.

"Net Proceeds Fund" means the fund by that name established and held by the Trustee pursuant to Article VII hereof.

"Nominee" means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to Section 2.13 hereof.

"Outstanding" when used as of any particular time with respect to Certificates, means (subject to the provisions of Section 10.03 hereof) all Certificates theretofore executed and delivered by the Trustee under this Trust Agreement except:

A. Certificates theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;

B. Certificates for the payment or prepayment of which funds or Defeasance Securities, together with interest earned thereon, in the necessary amount shall have theretofore been deposited with the Trustee (whether upon or prior to the maturity or prepayment date of such Certificates), provided that, if such Certificates are to be prepaid prior to maturity, notice of such prepayment shall have been given as provided in Section 4.05 hereof or provision satisfactory to the Trustee shall have been made for the giving of such notice; and

C. Certificates in lieu of or in exchange for which other Certificates shall have been executed and delivered by the Trustee pursuant to Sections 2.08 and 2.09 hereof.

"Owner" or "Certificate Owner" or "Owner of a Certificate", or any similar term, when used with respect to a Certificate means the person in whose name such Certificate is registered on the registration books maintained by the Trustee.

"Participants" means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds book-entry certificates as securities depository.

"Participating Underwriter" has the meaning ascribed thereto in the Continuing Disclosure Certificate.

"Permitted Investments" means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

A. For all purposes, including defeasance investments, any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

1. Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America ("United States Treasury Obligations");

2. Obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America;

3. Obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America; or

4. Evidences of ownership of proportionate interests in future interest and principal payments on obligations described above 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 government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

B. For all purposes other than defeasance investments, any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

1. Federal Housing Administration debentures.

2. The following listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

(a) Federal Home Loan Mortgage Corporation (FHLMC)

(b) Participation certificates (but not including stripped mortgage securities which are purchased at prices exceeding their principal amounts)

(1) Senior Debt obligations

(c) Farm Credit Banks (formerly: Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives)

- (d) Consolidated system-wide bonds and notes
- (e) Federal Home Loan Banks (FHL Banks)
- (f) Consolidated debt obligations
- (g) Federal National Mortgage Association (FNMA)

- (1) Senior debt obligations

- (2) Mortgage-backed securities (but not including stripped mortgage securities which are purchased at prices exceeding their principal amounts)

3. Unsecured certificates of deposit (including those placed by a third party pursuant to an agreement between the Trustee and the Corporation), time deposits, trust accounts, trust funds, interest bearing deposits, overnight bank deposits, interest bearing money market accounts, bank deposit products and bankers' acceptances (having maturities of not more than 365 days) of any bank the short-term obligations of which are rated "A-1+" or better at the time of investment by S&P and "Prime-1" at the time of investment by Moody's, which may include the Trustee and its affiliates.

4. Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks which have capital and surplus of at least \$15 million.

5. Commercial paper (having original maturities of not more than 270 days) rated at the time of purchase "A-1+" by S&P and "Prime-1" by Moody's.

6. Money market mutual funds rated at the time of investment "AAm" or "AAM-G" by S&P, or better, and if rated by Moody's rated "Aa2" or better, including mutual funds for which the Trustee, its parent company, if any, or any affiliates or subsidiaries of the Trustee provide investment advising or other management services or serves as investment administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that: (i) the Trustee or an affiliate of the Trustee receives and retains a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise; (ii) the Trustee collects fees for services rendered, which fees are separate from the fees received from such funds; and (iii) services performed for such funds may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee.

7. Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated at the time of investment "A3" by Moody's and "A-" by S&P, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.

8. Direct general short-term obligations of any state agency or subdivision or agency thereof described in paragraph (7) above and at the time of investment rated "A-1+" by S&P and "MIG-1" by Moody's.

9. Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (vii) above and rated at the time of investment "AA-" or better by S&P and "Aa3" or better by Moody's.

10. Pre-refunded municipal obligations rated at the time of investment in the highest rating category then assigned to the United States of America by S&P and Moody's meeting the following requirements:

(a) (1) such municipal obligations are not subject to redemption prior to maturity or (2) the Trustee for such municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of such municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

(b) such municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

(c) the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on such municipal obligations ("Verification");

(d) the cash or United States Treasury Obligations serving as security for such municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;

(e) no substitution of a United States Treasury Obligation shall be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and

(f) the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the Trustee or escrow agent.

11. Repurchase agreements entered into with (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at the time of investment at least "A-" by S&P and "A3" by Moody's including the Trustee and any of its affiliates; or (2) 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 the time of investment at least "A-" by S&P and "A3" by Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated at the time of investment at least "A-" by S&P and "A3" by Moody's and acceptable to the Insurer (each an "Eligible Provider"), provided that:

(a) (i) permitted collateral shall include U.S. Treasury Obligations, or senior debt obligations of GNMA, FNMA or FHLMC (no collateralized mortgage obligations shall be permitted for these providers), and (ii) collateral levels must be at least 102% of the total principal when the collateral type is U.S. Treasury Obligations, 103% of the total principal when the collateral type is GNMA's, and

104% of the total principal when the collateral type is FNMA and FHLMC ("Eligible Collateral");

(b) the Trustee or a third party acting solely as agent therefore or for the District (the "Custodian") has possession of the collateral or the collateral has been transferred to the Custodian in accordance with applicable state and federal laws (other than by means of entries on the transferor's books) and such collateral shall be marked to market;

(c) the collateral shall be marked to market on a daily basis and the provider or Custodian shall send monthly reports to the Trustee, the District and the Insurer setting forth the type of collateral, the collateral percentage required for that collateral type, the market value of the collateral on the valuation date and the name of the Custodian holding the collateral;

(d) the repurchase agreement (or guaranty, if applicable) may not be assigned or amended without the prior written consent of the Insurer;

(e) the repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Custodian has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof; and

(f) the repurchase agreement shall provide that if during its term the provider's rating at the time of investment by either Moody's or S&P is withdrawn or suspended or falls below "A-" by S&P or "A3" by Moody's, as appropriate, the provider must notify the District, the Trustee and the Insurer within five (5) days of receipt of such notice. Within ten (10) days of receipt of such notice, the provider shall either: (i) provide a written guarantee acceptable to the Insurer, (ii) post Eligible Collateral, or (iii) assign the agreement to an Eligible Provider. If the provider does not perform a remedy within ten (10) business days, the provider shall, at the direction of the Trustee (who shall give such direction if so directed by the Insurer) repurchase all collateral and terminate the repurchase agreement, with no penalty or premium to the District or the Trustee.

12. Investment agreements with a domestic or foreign bank or corporation, the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is at the time of investment rated at least "AA-" by S&P and "Aa3" by Moody's, and acceptable to the Insurer, each of which shall be an Eligible Provider, provided that:

(a) interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service;

(b) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven (7) days' prior notice; the District and the Trustee hereby agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

(c) the provider shall send monthly reports to the Trustee, the District and the Insurer setting forth the balance the District or Trustee has

invested with the provider and the amounts and dates of interest accrued and paid by the provider;

(d) the investment agreement shall state that is an unconditional and general obligation of the provider, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks pari passu with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;

(e) the investment agreement (or guaranty, if applicable) may not be assigned or amended without the prior written consent of the Insurer;

(f) the District, the Trustee and the Insurer shall receive an opinion of domestic counsel to the provider that such investment agreement is legal, valid, binding and enforceable against the provider in accordance with its terms;

(g) the District, the Trustee and the Insurer shall receive an opinion of foreign counsel to the provider (if applicable) that: (1) the investment agreement has been duly authorized, executed and delivered by the provider and constitutes the legal, valid and binding obligation of the provider, enforceable against the provider in accordance with its terms; (b) the choice of law of the state set forth in the investment agreement is valid under that country's laws and a court in such country would uphold such choice of law; and (c) any judgment rendered by a court in the United States would be recognized and enforceable in such country;

(h) the investment agreement shall provide that if during its term:

(1) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3", the provider shall, at its option, within ten (10) days of receipt of publication of such downgrade, either: (i) provide a written guarantee acceptable to the Insurer; (ii) post Eligible Collateral with the District, the Trustee or a third party acting solely as agent therefore (the "Custodian") free and clear of any third party liens or claims; (iii) assign the agreement to an Eligible Provider; or (iv) repay the principal of and accrued but unpaid interest on the investment;

(2) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3", the provider must, at the direction of the District or the Trustee (who shall give such direction if so directed by the Insurer), within ten (10) days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the District or Trustee;

(i) in the event the provider is required to collateralize, permitted collateral shall include U.S. Treasury Obligations, or senior debt obligations of GNMA, FNMA or FHLMC (no collateralized mortgage obligations shall be permitted for these providers) and collateral levels must be 102% of the total principal when the collateral type is U.S. Treasury Obligations, 103% of the total principal when the collateral type is GNMA's and 104% of the total principal when the collateral type is FNMA and FHLMC ("Eligible Collateral"). In addition, the collateral shall be marked to market on a daily basis and the provider or Custodian shall send monthly reports to the Trustee, the District and the Insurer setting forth

the type of collateral, the collateral percentage required for that collateral type, the market value of the collateral on the valuation date and the name of the Custodian holding the collateral;

(j) the investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Custodian has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof;

(k) the investment agreement must provide that if during its term: (i) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the District or the Trustee (who shall give such direction if so directed by the Insurer), be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the District or Trustee, as appropriate, and (ii) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc., the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the District or Trustee, as appropriate; and

13. Deposits in the Local Agency Investment Fund of the California State Treasurer, to the extent the Trustee is authorized to register such investments in its name.

"Prepayment" means any payment made by the District pursuant to Article X of the Lease as a prepayment of Lease Payments.

"Prepayment Fund" means the fund by that name established and held by the Trustee pursuant to Article IV hereof.

"Principal Office" means the principal corporate trust office of the Trustee in Los Angeles, California, or such other address as the Trustee may inform the District, or the principal office of any successor trustee pursuant hereto except that with respect to presentation of Certificates for payment or for registration of transfer and exchange such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

"Project" means the Project, as defined in the Lease.

"Project Cost Requisition" means a written requisition substantially in the form attached hereto as Exhibit B-2.

"Project Costs" means, with respect to any item or portion of the Project, the contract price paid or to be paid therefor upon acquisition, construction, procurement or improvement thereof, in accordance with a purchase order or contract therefor. Project Costs include, but are not limited to, the administrative, engineering, legal, financial and other costs incurred by the District and the Corporation in connection with the acquisition, construction, procurement, remodeling or improvement of the Project, all applicable sales taxes and other charges resulting from such construction, procurement, remodeling or improvement of the Project.

"Project Fund" means the fund by that name established and held by the Trustee pursuant to Article III hereof.

"Property" means the Property, as defined in the Lease.

"Purchaser" means Piper Sandler & Co., as purchaser of the Certificates on the Closing Date.

"Record Date" means the close of business on the fifteenth day of the month preceding each Certificate Payment Date, whether or not such fifteenth day is a Business Day.

"Reserve Facility" means any line of credit, letter of credit, insurance policy, surety bond or other credit deposited with the Trustee pursuant to Article VI.

"Reserve Fund" means the fund by that name established and held by the Trustee pursuant to Article VI hereof.

"Reserve Insurer" means the Insurer, or any successor thereto or assignee thereof.

"Reserve Policy" means the municipal bond debt service reserve insurance policy 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. For purposes of the Trust Agreement, the Reserve Policy shall be deemed to be a Reserve Facility.

"Reserve Replenishment Rent" means Reserve Replenishment Rent payable pursuant to Section 4.4(d) of the Lease.

"Reserve Requirement" means, as of any calculation date, the lesser of (1) the maximum aggregate annual Lease Payments (in any twelve month period ending on August 1) then payable under the Lease with respect to the Certificates and Additional Certificates, (2) 125% of the average annual aggregate Lease Payments (calculated based on Fiscal Years) then payable under the Lease with respect to the Certificates and Additional Certificates, or (3) 10% of the original face amount of the Certificates and Additional Certificates (less original issue discount if in excess of two percent (2%) of the stated Principal Component amount at maturity).

"Responsible Officer" means, when used with respect to the Trustee, any officer within the corporate trust department of the Trustee, including any vice president, assistant vice president, assistant secretary, assistant treasurer, trust officer or any other officer of the Trustee who customarily performs functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of such person's knowledge of and familiarity with the particular subject and who shall have direct responsibility for the administration of this Trust Agreement.

"S&P" means S&P Global Ratings or any successors or assigns thereto.

"Site Lease" means the Site Lease related to the Certificates, dated the date hereof, by and between the Corporation and the District, and any duly authorized and executed amendments thereto.

"Special Counsel" means Dannis Woliver Kelley, or any other attorney or firm of attorneys of nationally recognized standing in matters pertaining to the tax-exempt status

of interest on obligations issued by states and their political subdivisions and acceptable to the District.

"State" means the State of California.

"Tax Certificate" means the Tax Certificate dated as of the Closing Date, concerning matters pertaining to the use and investment of proceeds of the Certificates executed and delivered to the District on the date of execution and delivery of the Certificates, including any and all exhibits attached thereto.

"Term" means the time during which the Lease is in effect, as provided in Section 4.2 of the Lease.

"Trustee" means Zions Bancorporation, National Association, a national banking association duly organized and existing under the laws of the United States of America, and any successor trustee.

"Trust Agreement" or "Agreement" means this Trust Agreement, together with any amendments hereof or supplements hereto permitted to be made hereunder.

Section 1.02 Authorization. Each of the parties hereby represents and warrants that it has full legal authority and is duly empowered to enter into this Trust Agreement, and has taken all actions necessary to authorize the execution of this Trust Agreement by the officers and persons signing it.

Section 1.03 Equal Security. In consideration of the acceptance of the Certificates by the Owners, this Trust Agreement shall be deemed to be and shall constitute a contract between the Trustee and the Owners to secure the full and final payment of the interest, if any, and principal evidenced by the Certificates which 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 Certificates over any other Certificates 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. All of the Certificates are equally secured as provided in this Section 1.03, except as may be otherwise expressly provided in this Trust Agreement.

ARTICLE II

THE CERTIFICATES OF PARTICIPATION

Section 2.01 Authorization. Upon written request of the District Representative the Trustee will execute and deliver to the Purchaser, through the facilities of DTC, Certificates in an aggregate principal amount of \$_____ representing proportionate ownership interests in the Lease Payments and the Prepayments. Such Certificates shall not be deemed a debt or obligation of the Trustee, and shall only be paid with funds received by the Trustee for such purposes hereunder or pursuant to the Lease.

Section 2.02 Date. Each Certificate shall be dated the Closing Date, and interest evidenced thereby shall be payable from the Certificate Payment Date next preceding the date of execution thereof, unless:

(1) it is executed as of a Certificate Payment Date, in which event interest with respect thereto shall be payable from the date thereof; or

(2) it is executed after a Record Date and before the following Certificate Payment Date, in which event interest with respect thereto shall be payable from such following Certificate Payment Date; or

(3) it is executed on or prior to January 15, 2023, in which event interest evidenced thereby shall be payable from the date of delivery; provided however, that if, as of any date, interest has not been paid when due with respect to any Outstanding Certificate, interest evidenced thereby shall be payable from the Certificate Payment Date to which interest has previously been paid or made available for payment with respect to Outstanding Certificates.

Section 2.03 Maturity; Interest Rates. The Certificates shall become due and payable, subject to prior prepayment, on August 1 of the following years and shall evidence interest at the following rates:

<u>Maturity (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
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^T [Term Certificates].

Section 2.04 Registration; Interest. The Certificates shall be delivered in fully registered form, without coupons, in denominations of \$5,000 and any integral multiple thereof. The Certificates shall be numbered from "R-1" upwards in consecutive numerical order.

Interest evidenced by the Certificates shall be payable semiannually on August 1 and February 1, of each year, commencing February 1, 2024, to the date of maturity or prepayment, whichever is earlier. Said interest shall represent the portion of Lease Payments designated as interest and coming due during the six-month period (and with respect to the first Certificate Payment Date, for the period from the Closing Date) preceding each Certificate Payment Date with respect to the Certificates computed on the basis of a 360-day year of twelve 30-day months. The proportionate share of the portion of Lease Payments designated as interest evidenced by any Certificate shall be computed by multiplying the portion of Lease Payments designated as principal evidenced by such Certificate by the rate of interest applicable to such Certificate.

Section 2.05 Form of Certificates. The Certificates and the assignment to appear thereon shall be substantially in the form set forth in Exhibit A attached hereto and by this reference incorporated herein with such appropriate additions, modifications and insertions as are permitted or required by this Trust Agreement. Pending the preparation of definitive Certificates, the Certificates may be executed and delivered in temporary form exchangeable for definitive Certificates when ready for delivery. If the Trustee delivers temporary Certificates, it shall execute and deliver definitive Certificates in an equal aggregate principal amount of authorized denominations, when available, without additional charge, and thereupon the temporary Certificates shall be surrendered to the Trustee at its Principal Office. Until so exchanged, the temporary Certificates shall be entitled to the same benefits under this Trust Agreement as definitive Certificates.

Section 2.06 Execution. The Certificates shall be executed by and in the name of the Trustee by the manual signature of any authorized signatory of the Trustee. The Trustee shall insert the date of execution of each Certificate in the place provided thereon.

Section 2.07 Application of Proceeds and Other Amounts. (A) The proceeds from the sale of the Certificates in the amount of \$_____ (representing the par amount of the Certificates of \$_____, plus [net] original issue premium of \$_____, less the Underwriter's discount of \$_____, less the Insurance Policy premium of \$_____ and less the Reserve Policy premium of \$_____, which premiums shall be wired directly to the Insurer and the Reserve Insurer, respectively, by the Purchaser), shall be deposited with the Trustee and then be deposited or transferred by the Trustee as follows:

- (1) The Trustee shall deposit \$_____ in the Project Fund;
 - (2) The Trustee shall deposit \$_____ in the Interest Account of the Lease Payment Fund; and
 - (3) The Trustee shall deposit the amount of \$_____ in the Delivery Cost Fund, to be applied to pay Delivery Costs.
- (B) The Trustee may, in its discretion, establish a temporary fund or account in its books or records to facilitate such deposits.

Section 2.08 Transfer and Exchange.

(A) Transfer of Certificates. Any Certificate may, in accordance with its terms, be transferred upon the books required to be kept pursuant to the provisions of Section 2.12 by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Certificate for cancellation at the Principal Office accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. Whenever any Certificate or Certificates shall be surrendered for transfer, the Trustee shall execute and deliver a new Certificate or Certificates of the same series, maturity and interest rate, for like aggregate principal amount in authorized denominations. The Trustee may require the payment by the Certificate Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such exchange. The cost of printing Certificates and any services rendered or expenses incurred by the Trustee in connection with any transfer and exchange shall be paid by the District.

(B) Exchange of Certificates. Certificates may be exchanged at the Principal Office for a like aggregate principal amount of Certificates of other authorized denominations of the same maturity and interest rate. The Trustee may require the

payment by the Certificate Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. All Certificates surrendered pursuant to the provisions of this Section shall be cancelled and destroyed by the Trustee and shall not be redelivered.

(C) Time for Transfer or Exchange. The Trustee shall not be obligated to transfer or exchange any Certificate during the period in which DTC is selecting Certificates for prepayment, or after notice of prepayment has been given as provided in Section 4.05. Neither the Trustee nor any agent shall have any responsibility or liability for any actions taken or not taken by DTC.

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 2.09 Certificates Mutilated, Lost, Destroyed or Stolen. If any Certificate shall become mutilated, the Trustee, at the expense of the Owner of said Certificate, shall execute and deliver a new Certificate of like tenor and maturity in exchange and substitution for the Certificate so mutilated, but only upon surrender to the Trustee of the Certificate so mutilated. Every mutilated Certificate so surrendered to the Trustee shall be cancelled by it. 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, if an indemnity, satisfactory to the Trustee indemnifying the Trustee, the Corporation and the District, shall be given, the Trustee, at the expense of the Certificate Owner, shall execute and deliver a new Certificate of like tenor and maturity and numbered as the Trustee shall determine in lieu of and in substitution for the Certificate so lost, destroyed or stolen. The Trustee may require payment of an appropriate fee for each new Certificate delivered under this Section and of the expenses which may be incurred by the Trustee in carrying out the duties under this Section. Any Certificate executed 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 of this Trust Agreement with all other Certificates secured by this Trust Agreement. 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 principal 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 delivering a new Certificate in place of one which has been mutilated, lost, destroyed or stolen, and which has matured, or has been called for prepayment, the Trustee may make payment with respect to such Certificate upon receipt of the above-mentioned indemnity.

Section 2.10 Payment. Subject to the provisions of the Letter of Representation, payment of interest evidenced by any Certificate on any Certificate Payment Date or prepayment date shall be made to the person appearing on the registration books of the Trustee as the Owner thereof as of the Record Date immediately preceding such Certificate Payment Date or prepayment date, as the case may be, such interest to be paid by check mailed, on the applicable Certificate Payment Date, by first class mail to such Owner on the Certificate Payment Date at his address as it appears on such registration books. Interest evidenced by the Certificates may, at the option of any Owner of Certificates in an

aggregate principal amount of One Million Dollars (\$1,000,000) or more evidenced by the written request of such Owner to the Trustee, be paid to such Owner by wire transfer to the bank and account number within the United States on file with the Trustee as of the Record Date. Payments of defaulted interest shall be paid by check of the Trustee mailed by first class mail to the registered Owners as of a special record date to be fixed by the Trustee in its sole discretion, notice of which shall be given to the Owners not less than 15 days prior to such special record date. Subject to the provisions of the Letter of Representation, the principal payable upon maturity or prepayment with respect to the Certificates shall be payable upon surrender at the Principal Office. Said amounts shall be payable in lawful money of the United States of America. The Trustee is hereby authorized to pay or prepay the Certificates when duly presented for payment at maturity or on prepayment and to cancel all Certificates upon payment thereof.

Section 2.11 Execution of Documents and Proof of Ownership. Any request, direction, consent, revocation of consent, or other instrument in writing required or permitted by this Trust Agreement to be signed or executed by Certificate Owners may be in any number of concurrent instruments of similar tenor, and may be signed or executed by such Owners in person or by their attorneys or agents appointed by an instrument in writing for that purpose, or by any bank, trust company or other depository for such Certificates. Proof of the execution of any such instrument, or of any instrument appointing any such attorney or agent, and of the ownership of Certificates shall be sufficient for any purpose of this Trust Agreement (except as otherwise herein provided), if made in the following manner:

The fact and date of the execution by any Owner or his attorney or agent of any such instrument and of any instrument appointing any such attorney or agent, may be proved by a certificate, which need not be acknowledged or verified, of an officer of any bank or trust company located within the United States of America, or of any notary public, or other officer authorized to take acknowledgments of deeds to be recorded in such jurisdictions, that the persons signing such instruments acknowledged before him the execution thereof. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such certificate shall also constitute sufficient proof of his authority.

The fact of the ownership of Certificates by any person, the amount and numbers of such Certificates and the date of execution shall be proved by the registration books maintained pursuant to Section 2.12 hereof.

Nothing contained in this Article II shall be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of the matters herein stated which the Trustee may deem sufficient. Any request or consent of the Owner of any Certificate shall bind every future Owner of the same Certificate in respect of anything done or to be done by the Trustee in pursuance of such request or consent.

Section 2.12 Certificate Register. The Trustee will keep or cause to be kept at its Principal Office sufficient books for the registration and transfer of the Certificates which shall, during normal working hours and upon reasonable notice, be open to inspection by the District and the Corporation; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Certificates as hereinbefore provided. The District, the Corporation, and the Trustee shall be entitled to treat the registered owner of a Certificate as the absolute owner thereof for all purposes, whether or not a Certificate shall

be overdue, and the District, the Corporation, and the Trustee shall not be affected by any notice to the contrary.

Section 2.13 Book-Entry System.

(A) Election of Book-Entry System. Prior to the execution and delivery of the Certificates, the District may provide that such Certificates shall be initially executed and delivered as book-entry Certificates. If the District shall elect to deliver any Certificates in book-entry, then the District shall cause the delivery of a separate single fully registered Certificate (which may be typewritten) for each maturity date of such Certificates in an authorized denomination corresponding to that total principal amount of the Certificates designated to mature on such date. Upon initial execution and delivery, the ownership of each such Certificate shall be registered in the Certificate register in the name of the Nominee, as nominee of the Depository and ownership of the Certificates, or any portion thereof, may not thereafter be transferred except as provided in Section 2.13(E). With respect to book-entry Certificates, the District 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 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 Certificate register, 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 the District prepays the Certificates in part; or (iv) the payment by the Depository or any Participant or any other person, of any amount with respect to principal, premium, if any, or interest evidenced and represented by book-entry Certificates. The District and the Trustee may treat and consider the person in whose name each book-entry Certificate is registered in the Certificate register as the absolute Owner of such book-entry Certificate for the purpose of payment of principal, premium and interest evidenced by such Certificate, for the purpose of giving notices of prepayment and other matters with respect to such Certificate, for the purpose of registering transfers with respect to such Certificate, and for all other purposes whatsoever. The Trustee shall pay all principal, premium, if any, and interest evidenced by the Certificates from funds received by the Trustee for such purposes hereunder or pursuant to the Lease, only to or upon the order of the respective Owner, as shown in the Certificate register, or his respective attorney duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the District's obligations with respect to payment of principal, premium, if any, and interest evidenced by the Certificates to the extent of the sum or sums so paid. No person other than an Owner, as shown in the Certificate register, shall receive a Certificate evidencing the obligation to make payments of principal, premium, if any, and interest evidenced by the Certificates. Upon delivery by the Depository to the Owner and the Trustee, 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.

(B) Delivery of Letter of Representations. 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 District any obligation whatsoever with respect to persons having interests in such book-entry Certificates other than the Owners, as shown on the Certificate register. In addition to the execution and delivery of a

Letter of Representations, the District 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.

(C) Selection of Depository. In the event (i) the Depository determines not to continue to act as securities depository for book-entry Certificates, or (ii) the District determines that continuation of the book-entry system is not in the best interest of the beneficial owners of the Certificates or the District, then the District will 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 of the maturity dates of such book-entry Certificates, registered in the name of such successor or substitute qualified securities depository or its Nominee as provided in subsection (E) hereof. If the District fails to identify another qualified securities depository to replace the Depository, then the Certificates shall no longer be restricted to being registered in such Certificate register in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging such Certificates shall designate, in accordance with the provisions of Section 2.08 hereof.

(D) Payments to Depository. Notwithstanding any other provision of this Trust Agreement to the contrary, so long as all Outstanding Certificates are held in book-entry and registered in the name of the Nominee, all payments with respect to principal, prepayment premium, if any, and interest evidenced and represented by such Certificate and all notices with respect to such Certificate shall be made and given, respectively to the Nominees, as provided in the Letter of Representations or as otherwise instructed by the Depository and agreed to by the Trustee notwithstanding any inconsistent provisions herein.

(E) Transfer of Certificates to Substitute Depository.

(1) The Certificates shall be initially executed and delivered as provided in Section 2.01 hereof. If such Certificates are initially registered in the name of the Nominee, then registered ownership of such Certificates, or any portions thereof, may not thereafter be transferred except:

(a) to any successor of DTC or its nominee, or of any substitute depository designated pursuant to clause (b) of subsection (1) of this Section 2.13(E) ("Substitute Depository"); provided that any successor of DTC or Substitute Depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;

(b) to any Substitute Depository, upon (1) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository, or (2) a determination by the District that DTC (or its successor) is no longer able to carry out its functions as depository; provided that any such Substitute Depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(c) to any person as provided below, upon (i) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository, or (ii) a determination by the District that DTC or its successor (or Substitute Depository or its successor) is no longer able to carry out its functions as depository.

(2) In the case of any transfer pursuant to clause (A) or clause (B) of subsection (1) of this Section 2.13(E), upon receipt of all Outstanding Certificates by the Trustee, together with a written request of the District to the Trustee designating the Substitute Depository, a single new Certificate, which the District shall prepare or cause to be prepared, shall be executed and delivered for each maturity of Certificates then Outstanding, registered in the name of such successor or such Substitute Depository or their Nominees, as the case may be, all as specified in such written request of the District. In the case of any transfer pursuant to clause (C) of subsection (1) of this Section 2.13(E), upon receipt of all Outstanding Certificates by the Trustee, together with a written request of the District to the Trustee, new Certificates, which the District shall prepare or cause to be prepared, shall be executed and delivered in such denominations and registered in the names of such persons as are requested in such written request of the District, subject to the limitations of Section 2.01 hereof, provided that the Trustee shall not be required to deliver such new Certificates within a period of less than sixty (60) days from the date of receipt of such written request from the District.

(3) In the case of a partial prepayment or an advance refunding of any Certificates evidencing a portion of the principal maturing in a particular year, DTC or its successor (or any Substitute Depository or its successor) shall make an appropriate notation on such Certificates indicating the date and amounts of such reduction in principal, in form acceptable to the Trustee, all in accordance with the Letter of Representations. The Trustee shall not be liable for such Depository's failure to make such notations or errors in making such notations.

(4) The District and the Trustee shall be entitled to treat the person in whose name any Certificate is registered as the Owner thereof for all purposes of this Trust Agreement and any applicable laws, notwithstanding any notice to the contrary received by the Trustee or the District; and the District and the Trustee shall not have responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any beneficial owners of the Certificates. Neither the District nor the Trustee shall have any responsibility or obligation, legal or otherwise, to any such beneficial owners or to any other party, including DTC or its successor (or Substitute Depository or its successor), except to the Owner of any Certificates, and the Trustee may rely conclusively on its records as to the identity of the Owners of the Certificates.

Section 2.14 Destruction of Cancelled Certificates. Whenever in this Trust Agreement provision is made for the surrender or cancellation by the Trustee and the delivery to the District of any Certificates, the Trustee will cancel and destroy such Certificates in accordance with the Trustee's internal policies.

Section 2.15 Additional Certificates. Subsequent to the execution and delivery by the Trustee of the Certificates, the Trustee shall, with the written consent of the Insurer, upon written request or requests of the District Representative and of the Corporation Representative, execute and deliver from time to time one or more series of Additional Certificates in such aggregate principal amount as may be set forth in such written request or requests, provided that there shall have been compliance with all of the following conditions, which are hereby made conditions precedent to the preparation, execution and delivery of such Additional Certificates:

(A) The parties to this Trust Agreement shall have executed a supplemental agreement setting forth the terms and provisions of such Additional Certificates, including the establishment of such funds and accounts, separate and apart from the funds and

accounts established hereunder for the Certificates executed and delivered on the Closing Date, as shall be necessary or appropriate, which supplemental agreement shall require that prior to the delivery of such Additional Certificates there shall be on deposit in the Reserve Fund established hereunder or in a reserve fund established under such supplemental agreement an amount equal to the Reserve Requirement upon the execution and delivery of the Additional Certificates;

(B) The principal and interest payable with respect to such Additional Certificates and any premium payable upon prepayment of such Additional Certificates shall be payable only on Certificate Payment Dates applicable to the Certificates;

(C) The Lease shall have been amended by the parties thereto if necessary to (i) increase or adjust the Lease Payments due and payable on each Lease Payment Deposit Date to an amount sufficient to pay the principal, premium (if any) and interest payable with respect to all Outstanding Certificates, including all Additional Certificates as and when the same mature or become due and payable (except to the extent such principal, premium and interest may be payable out of moneys then in the Reserve Fund or otherwise on deposit with the Trustee in accordance with this Trust Agreement), (ii) if appropriate, amend the definition of "Property" to include as part of the Property all or any portion of additions, betterments, extensions, improvements or replacements, or such other real or personal property (whether or not located upon the Property as such Property is constituted as of the date of this Trust Agreement), to be financed, acquired or constructed by the preparation, execution and delivery of such Additional Certificates, and (iii) make such other revisions to the Lease as are necessitated by the execution and delivery of such Additional Certificates (provided, however, that such other revisions shall not prejudice the rights of the Owners of Outstanding Certificates as granted them under the terms of this Trust Agreement);

(D) The District and the Corporation shall have determined that the Lease Payments to be paid by the District (including those evidenced by the Additional Certificates) do not exceed the fair rental value of the Property pursuant to Section 4.6 of the Lease;

(E) There shall have been delivered to the Trustee a counterpart of the amendments required by subsection 2.15(C) hereof;

(F) The Trustee shall have received a certificate of the Corporation Representative that there exists on the part of the Corporation no Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default);

(G) The Trustee shall have received a certificate of the District Representative that (i) there exists on the part of the District no Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default) and (ii) the Lease Payments as increased or adjusted do not exceed in any year the fair rental value of the Property (as such term is defined in the amended Lease);

(H) The Trustee shall have received an opinion of Special Counsel substantially to the effect that (i) said supplemental agreement and said amendments to the Lease are authorized or permitted by the terms of this Trust Agreement and comply in all respects with the requirements of this Section 2.15 and Article X hereof, (ii) said supplemental agreement and said amendments to the Lease have been duly authorized, executed and delivered by each of the respective parties thereto (provided that said opinion of Special

Counsel, in rendering the opinions set forth in this clause (ii), shall be entitled to rely upon one or more other opinions of counsel, including counsel to any of the respective parties to said supplemental agreement or said amendments to the Lease), (iii) assuming that no Event of Default has occurred and is continuing, this Trust Agreement, as amended by said supplemental agreement, and the Lease, as amended by the respective amendments thereto, constitute the legal, valid and binding obligations of the respective parties thereto, enforceable against said parties in accordance with their respective terms (except to the extent that enforcement thereof may be limited by bankruptcy, insolvency, moratorium, debt adjustment or other laws affecting creditors' rights generally, and except to the extent that enforcement thereof may be limited by general principles of equity, regardless of whether enforcement is sought in a legal or equitable proceeding) and (iv) the execution of such supplemental agreement and said amendments to the Lease, and performance by the parties thereunder, will not result in the inclusion of the Interest Component of any Lease Payments evidenced by any Certificates, including Additional Certificates, theretofore prepared, executed and delivered, in the gross income of the Owners of the Certificates for purposes of federal income taxation;

(I) The District shall have provided each rating agency then rating the Certificates written notice of the proposed execution and delivery of such Additional Certificates at the addresses indicated in Section 14.05 and shall receive a rating confirmation that the current rating or ratings of the Outstanding Certificates will not be reduced, withdrawn or suspended as a result of the execution and delivery of such Additional Certificates from each rating agency then rating the Certificates.

(J) There shall have been delivered to the Trustee an endorsement to or reissuance of the title insurance policy delivered under Section 5.5 of the Lease providing that the insured amount is at least equal to the aggregate principal amount of all of the Certificates and Additional Certificates outstanding upon the execution and delivery of such Additional Certificates;

(K) Upon the execution and delivery of such Additional Certificates, there shall have been delivered to the Trustee cash or a Reserve Facility sufficient to increase the amount on deposit in the Reserve Fund, or a reserve fund established under the supplemental agreement, to the Reserve Requirement (calculated with respect to all Outstanding Certificates and Additional Certificates);

(L) Such other conditions shall have been satisfied, and such other instruments shall have been duly executed and delivered to the Trustee (with a copy to each rating agency then rating the Certificates), as the District or the Corporation shall have reasonably requested.

Upon delivery to the Trustee of the foregoing instruments, the Trustee shall cause to be executed and delivered Additional Certificates representing the aggregate principal amount specified in such supplemental agreement, and such Additional Certificates shall be equally and ratably secured with all Certificates, including any Additional Certificates, theretofore prepared, executed and delivered, all without preference, priority or distinction (other than with respect to maturity, payment, prepayment or sinking fund payment (if any)) of any one Certificate, including Additional Certificates, over any other; provided, however, that no provision of this Trust Agreement shall require the District to consent to or otherwise permit the preparation, execution and delivery of Additional Certificates, it being understood and agreed that any such consent or other action of the District to permit the preparation, execution and delivery of Additional Certificates, or lack thereof, shall be in the sole discretion of the District.

ARTICLE III

PROJECT AND DELIVERY COST FUNDS

Section 3.01 Establishment of the Project Fund. The Trustee shall establish a special fund designated as the "Willows Unified School District Project Fund," referred to herein as the "Project Fund," shall keep the Project Fund separate and apart from all other funds and moneys held by it, and shall administer such fund as herein provided. The Project Fund shall be held and applied by the Trustee in accordance herewith.

Section 3.02 Purpose. Moneys in the Project Fund shall be expended for Project Costs.

Section 3.03 Deposit of Moneys; Payment of Project Costs.

(A) Deposits. There shall be credited to the Project Fund the following amounts: (1) the proceeds of sale of the Certificates required to be deposited therein pursuant to Section 2.07(A) hereof; and (2) all investment earnings on moneys held in the Project Fund, which shall remain in the Project Fund until expended for Project Costs or applied as set forth in Section 3.05 below.

(B) Disbursements. The Trustee shall disburse moneys in the Project Fund from time to time to pay Project Costs directly or to reimburse the District for payment of Project Costs, upon receipt by the Trustee of a Project Cost Requisition signed by the District Representative. The Trustee shall be absolutely protected in making any disbursement from the Project Fund in reliance upon a Project Cost Requisition signed by the District Representative. Each such Project Cost Requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts.

(C) Notwithstanding the foregoing, upon the occurrence of an Event of Default or an event which with notice or lapse of time would constitute an Event of Default, amounts on deposit in the Project Fund shall not be disbursed without the Insurer's consent (so long as the Insurer is not in default in its payment obligations under the Insurance Policy), but shall instead be applied to the payment of debt service or early prepayment of the Certificates.

Section 3.04 Establishment of the Delivery Cost Fund. There is hereby established a separate fund to be known as the "Delivery Cost Fund," which shall be held by the Trustee in trust. The moneys in the Delivery Cost Fund shall be used and withdrawn by the Trustee from time to time to pay the Delivery Costs upon submission of a Delivery Cost Requisition of the District stating (a) the person to whom payment is to be made, (b) the amount to be paid, (c) the purpose for which the obligation was incurred, (d) that such payment is a proper charge against the Delivery Cost Fund, and (e) that such amounts have not been the subject of a prior Delivery Cost Requisition. On the earlier of (i) _____, 2024, or (ii) the date of receipt by the Trustee of a Delivery Cost Requisition therefor, all amounts (if any) remaining in the Delivery Cost Fund shall be withdrawn therefrom by the Trustee and transferred to the Project Fund. Thereafter, the Delivery Cost Fund shall be closed. Each such Delivery Cost Requisition 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.

Section 3.05 Transfers of Unexpended Funds. Upon the filing with the Trustee of the Certificate of Completion pursuant to Section 3.3 of the Lease, the Trustee shall withdraw all remaining moneys in the Project Fund (other than any moneys retained therein to pay Project Costs not then due and payable and certified by the District Representative) and shall transfer such moneys to the Lease Payment Fund to be applied to the payment of principal and interest evidenced by the Certificates as prescribed in Section 5.03 hereof or, at the written election of the District delivered to the Trustee, shall transfer such moneys to the District for the purpose of capital expenditures of the District and the Project Fund shall be closed.

ARTICLE IV

PREPAYMENT OF CERTIFICATES

Section 4.01 Establishment of Prepayment Fund. The Trustee shall establish a special fund designated as the "Willows Unified School District Prepayment Fund," referred to herein as the "Prepayment Fund"; shall keep such fund separate and apart from all other funds and moneys held by it; and shall administer such fund as herein provided. Moneys to be used for prepayment of the Certificates shall be deposited into the Prepayment Fund and used solely for the purpose of prepaying the Certificates in advance of their maturity on the date designated for prepayment and, in the case of extraordinary or optional prepayment, upon presentation and surrender of such Certificates to the Trustee.

Section 4.02 Extraordinary Prepayment. The Certificates are subject to prepayment prior to their respective maturity dates on any date, in whole or in part, from Net Proceeds which the Trustee shall transfer to the Prepayment Fund as provided in Section 6.1(c) of the Lease at least 45 days prior to the date set for prepayment and credited towards the prepayment made by the District pursuant to Section 10.2 of the Lease, at a prepayment price equal to the Principal Component of the Lease Payments to be prepaid, together with accrued interest to the date fixed for prepayment, without premium.

Section 4.03 [Reserved]

Section 4.04 Optional and Mandatory Prepayment.

(A) Optional Prepayment of Certificates. The Certificates maturing on or prior to August 1, 20__ are not subject to optional prepayment prior to maturity. The Certificates maturing on or after August 1, 20__ are subject to optional prepayment prior to their stated maturities on any date on or after August 1, 20__, in whole or in part, at the option of the District, from any lawfully available source in the event the District exercises its option under the Lease to prepay the Principal Component of the Lease Payments (in integral multiples of \$5,000), at the prepayment price of 100% of the Principal Component of the Lease Payments to be prepaid, plus accrued interest to the date fixed for prepayment. In the event the District gives notice to the Trustee of its intention to exercise such option, but fails to deposit with the Trustee on or prior to the prepayment date an amount equal to the prepayment price, the District will continue to pay the Lease Payments as if no such notice had been given. In such event that the District fails to deposit with the Trustee on or prior to the prepayment date an amount equal to the prepayment price, the Trustee will notify all Certificate Owners that were notified pursuant to Section 4.05 hereof of the District's election to optionally prepay the Certificates that such prepayment will not occur and that the District will continue to pay the Lease Payments as if no notice of optional prepayment had been given.

(B) Selection of Certificates for Prepayment. If the Bonds are registered in book-entry form and so long as the Nominee is the sole registered owner of the Certificates on behalf of the Depository, whenever provision is made in this Trust Agreement for the optional prepayment of Certificates and less than all Outstanding Certificates are called for optional prepayment, the Certificates shall be selected for optional prepayment, from among maturities selected by the District and by lot within any maturity in accordance with the operational arrangements of the Depository then in effect. For extraordinary prepayment of the Certificates, pursuant to Section 4.02 hereof, Certificates shall be selected for prepayment pro rata among maturities of all Certificates Outstanding and by lot within any maturity in accordance with the operational arrangements of the Depository then in effect. Selection of Certificates for redemption shall be subject to the rights of the Insurer in Section 15.05 hereof. The Trustee shall promptly notify the District and the Corporation in writing of the Certificates selected by the Depository for prepayment by mailing to the District and the Corporation copies of the notice of prepayment provided for in Section 4.05.

(C) Mandatory Sinking Fund Prepayment. The Certificates maturing August 1, 20____ (the "Term Certificates") are subject to mandatory sinking fund prepayment on August 1 of each Mandatory Sinking Fund Payment Date and in the respective principal amounts as set forth in the following schedule, at a prepayment price equal to the principal amount thereof to be prepaid plus accrued interest thereon to the date fixed for prepayment, without premium:

Mandatory Sinking Fund Payment Date (August 1)	Principal Amount to be Prepaid
_____	_____

(1)

(1) Maturity.

In the event that a portion of the Certificates maturing on August 1, 20____, is optionally prepaid prior to maturity, the remaining mandatory sinking fund payments shown above shall be reduced proportionately, or as otherwise directed by the District, in integral multiples of \$5,000 principal amount of such Certificates optionally prepaid.

Section 4.05 Notice of Prepayment.

(A) Content. The District shall provide the Trustee with notice not less than twenty (20) nor more than sixty (60) days prior to the date of prepayment in accordance with Section 10.3(b) of the Lease, which notice shall include such information as the Trustee may reasonably request to deliver the notice described in the penultimate sentence of this Section 4.05(A). When prepayment is authorized or required pursuant to this Article IV, the Trustee shall give notice of the prepayment of the Certificates. Such notice shall specify: (1) the prepayment date; (2) the prepayment price; (3) if less than all of the Outstanding Certificates are to be prepaid, the Certificate numbers (and in the case of partial prepayment, the respective principal amounts); (4) the CUSIP numbers of the Certificates to be prepaid; (5) the place or places where the prepayment will be made; (f) the original

date of execution and delivery of the Certificates; (6) the rate of interest payable with respect to each Certificate being prepaid; and (7) any other descriptive information regarding the Certificates needed to identify accurately the Certificates being prepaid. Such notice shall further state that on the specified date there shall become due and payable upon each Certificate to be prepaid, the portion of the principal amount of such Certificate to be prepaid, together with interest accrued to said date, and that from and after such date, provided that moneys therefor have been deposited with the Trustee, interest with respect thereto shall cease to accrue and be payable. Such prepayment notices may state that no representation is made as to the accuracy or correctness of the CUSIP numbers printed therein or on the Certificates.

Any notice of prepayment for an optional prepayment of the Certificates pursuant to Section 4.04(A) may be conditional, and, if any condition stated in the notice of prepayment shall not have been satisfied on or prior to the prepayment date: (i) the notice of prepayment shall be of no force and effect, (ii) the Trustee shall not be required to prepay such Certificates, (iii) the prepayment shall not be made, and (iv) the Trustee shall within a reasonable time thereafter give notice to the persons in the manner in which the conditional notice of prepayment was given that such condition or conditions were not met and that the prepayment was canceled.

(B) Recipients; Timing. Notice of such prepayment shall be sent by first class mail or delivery service postage prepaid, or by telecopy, facsimile or electronically, to the Depository on the date of mailing of notice to the Owners by first class mail and by first class mail, postage prepaid, to the Corporation and the respective Owners of any Certificates designated for prepayment at their addresses appearing on the Certificate registration books, at least twenty (20) days, but not more than sixty (60) days, prior to the prepayment date; provided that neither failure to receive such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the prepayment of such Certificates. Notwithstanding the foregoing, so long as the Certificates are held in book-entry form by the Depository, notice of prepayment shall be given to the Depository in the manner agreed to by the Depository and the Trustee. In addition, notice of such prepayment shall also be sent to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system simultaneously with the mailing of notices required by the first paragraph above; provided, that neither failure to provide such notice nor any defect in any notice shall affect the sufficiency of the proceedings for the prepayment of such Certificates.

Section 4.06 Partial Prepayment of Certificates. Upon surrender by the Owner of a Certificate for partial prepayment at the Principal Office, payment of such partial prepayment of the principal amount of a Certificate will be paid to such Owner. Upon surrender of any Certificate prepaid in part only, the Trustee shall execute and deliver to the registered Owner thereof, at the expense of the District, a new Certificate or Certificates which shall be of authorized denominations equal in aggregate principal amount to the unprepaid portion of the Certificate surrendered and of the same interest rate and the same maturity. Such partial prepayment shall be valid upon payment of the amount thereby required to be paid to such Owner, and the District, the Corporation and the Trustee shall be released and discharged from all liability to the extent of such payment.

Section 4.07 Effect of Notice of Prepayment. Notice having been given to the Owners of the Certificates as aforesaid, and the moneys for the prepayment (including the interest to the applicable date of prepayment), having been set aside in the Prepayment Fund, the Certificates shall become due and payable on said date of prepayment, and, upon presentation and surrender thereof at the Principal Office, said Certificates shall be paid at

the prepayment price with respect thereto, plus interest accrued and unpaid to said date of prepayment.

If, on said date of prepayment, moneys for the prepayment of all the Certificates to be prepaid, together with interest to said date of prepayment, shall be held by the Trustee so as to be available therefor on such date of prepayment, and, if notice of prepayment thereof shall have been given as aforesaid, then, from and after said date of prepayment, interest evidenced by the Certificates to be prepaid shall cease to accrue and become payable. All moneys held by or on behalf of the Trustee for the prepayment of Certificates shall be held in trust for the account of the Owners of the Certificates so to be prepaid, without liability for interest thereon.

All Certificates paid at maturity or prepaid prior to maturity pursuant to the provisions of this Article shall be cancelled upon surrender thereof and destroyed.

Section 4.08 Surplus. Any funds remaining in the Prepayment Fund after prepayment and payment of all Certificates Outstanding, including payment of any applicable fees and expenses to the Trustee pursuant to Sections 9.06 and 9.07 hereof and any other Additional Payments payable under the Lease or provision made therefor satisfactory to the Trustee, and provision for any amounts required to be transferred to the Rebate Fund pursuant to Sections 8.07 and 8.08 hereof, shall be withdrawn by the Trustee and remitted to the District.

ARTICLE V

LEASE PAYMENTS; LEASE PAYMENT FUND

Section 5.01 Security Provisions.

(A) Assignment of Rights in Lease. The Corporation has, pursuant to the Assignment Agreement, assigned and set over to the Trustee certain of its rights in the Lease, including but not limited to all of the Corporation's rights to receive and collect all of the Lease Payments, Prepayments, Reserve Replenishment Rent and all other amounts required to be deposited in the Lease Payment Fund pursuant to the Lease or pursuant hereto. All Lease Payments, Prepayments, Reserve Replenishment Rent and such other amounts to which the Corporation may at any time be entitled (other than amounts due to the Corporation under Section 4.11 of the Lease) shall be paid directly to the Trustee, and all of such Lease Payments, Prepayments, Reserve Replenishment Rent collected or received by the Corporation shall be deemed to be held and to have been collected or received by the Corporation as the agent of 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, and all such Lease Payments shall be forthwith deposited by the Trustee upon the receipt thereof in the Lease Payment Fund, all such Prepayments shall be forthwith deposited by the Trustee upon the receipt thereof in the Prepayment Fund, and all such Reserve Replenishment Rent shall be forthwith deposited by the Trustee upon the receipt thereof in the Reserve Fund.

(B) Security Interest in Moneys and Funds. The Corporation and the District, as their interests may appear, hereby grant to the Trustee for the benefit of the Owners, and the Trustee for all amounts owing to it, a lien on and a security interest in all moneys in the funds held by the Trustee under this Trust Agreement (excepting only the Rebate Fund and any moneys to be deposited into the Rebate Fund), including without limitation, the Lease Payment Fund, the Reserve Fund (including the Reserve Policy), the Prepayment Fund and

the Net Proceeds Fund, and all such moneys shall be held by the Trustee in trust and applied to the respective purposes specified herein and in the Lease.

(C) Pledge of Lease Payments and Proceeds. The Lease Payments and any proceeds from the re-letting or any other disposition of the Property pursuant to Article IX of the Lease (the "Lease Proceeds") are hereby irrevocably pledged to and shall be used for the punctual payment of the interest and principal represented by the Certificates, the payment of all amounts owing to the Trustee and for reimbursement of draws under the Reserve Policy in accordance with Article VI hereof, and, except as permitted under Section 2.15 hereof with respect to Additional Certificates, the Lease Payments and Lease Proceeds shall not be used for any other purpose while any of the Certificates remain Outstanding. This pledge shall constitute a first lien on the Lease Payments and Lease Proceeds in accordance with the terms hereof, subject to Section 9.06 hereof.

Section 5.02 Establishment of Lease Payment Fund. The Trustee shall establish a special fund designated as the "Willows Unified School District Lease Payment Fund," referred to herein as the "Lease Payment Fund," and shall establish a subaccount therein designated as the "Interest Account." All moneys at any time deposited by the Trustee in the Lease Payment Fund shall be held by the Trustee in trust for the benefit of the Owners of the Certificates and the Trustee. So long as any Certificates are Outstanding, neither the District nor the Corporation shall have any beneficial right or interest in the Lease Payment Fund or the moneys deposited therein, except only as provided in this Trust Agreement, and such moneys shall be used and applied by the Trustee as hereinafter set forth.

Section 5.03 Application of Moneys. Except as provided in this Section 5.03 and in Section 5.04, all amounts in the Lease Payment Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the principal and interest evidenced by the Certificates as the same shall become due and payable, in accordance with the provisions of Article II and Article IV hereof, subject to the requirement that certain investment earnings may be transferred to the Rebate Fund, as provided in Section 8.08 hereof, and paying amounts owed to the Trustee. If the District fails to deposit with the Trustee a Lease Payment on the applicable Lease Payment Deposit Date, the Trustee will, within two Business Days after such Lease Payment Deposit Date, notify the Insurer of such failure. The Insurance Policy will be held by the Trustee and will be deemed to be held in the Lease Payment Fund. On each Certificate Payment Date, the Trustee first shall set aside in the Interest Account an amount sufficient to pay the interest evidenced by the Certificates becoming due and payable on such date, and mail such amount (or wire transfer as provided in this Trust Agreement) to the Owners; and second shall set aside an amount sufficient to pay the principal evidenced by the Certificates becoming due and payable on such Certificate Payment Date.

Section 5.04 Surplus. Any funds remaining in the Lease Payment Fund after payment of: (i) all Certificates Outstanding, including payment of any applicable fees, expenses or other amounts owed to the Trustee pursuant to Sections 9.06 and 9.07 hereof; (ii) a Reserve Replenishment Rent; (iii) any other Additional Payments due under the Lease, or provision made therefor satisfactory to the Trustee; and (iv) provision for any amounts required to be transferred to the Rebate Fund pursuant to Section 8.08 hereof, shall be withdrawn by the Trustee and remitted to the District.

ARTICLE VI

RESERVE FUND

Section 6.01 Establishment of Reserve Fund. The Trustee shall establish a special fund designated as the "Willows Unified School District Reserve Fund," referred to herein as the "Reserve Fund." All moneys at any time on deposit in the Reserve Fund (including the Reserve Policy and any Reserve Facility hereafter provided to satisfy the Reserve Requirement in whole or in part) shall be held in trust for the benefit of the Owners of the Certificates, as a reserve for the payment when due of all the Lease Payments to be paid pursuant to the Lease and of all payments on the Certificates and applied solely as provided herein.

Section 6.02 Funding.

(A) Reserve Requirement. On the Closing Date, there shall be deposited in the Reserve Fund the Reserve Policy in satisfaction of the Reserve Requirement upon the delivery of the Certificates. The Reserve Requirement may thereafter be satisfied by the District crediting to the Reserve Fund cash, or with notice to S&P, a Reserve Facility or Facilities or any combination thereof, which in the aggregate make funds available in the Reserve Fund in an amount equal to the Reserve Requirement; however, the long-term unsecured debt or claim-paying ability, as the case may be, of the provider of any such Reserve Facility other than the Reserve Policy, must be rated in one of the two highest rating categories by Moody's or S&P, but only at the time of purchase of the Reserve Facility. The term of any Reserve Facility shall either be equal to the term of the Lease or a rollover of the Reserve Facility or other equivalent replacement shall be required such that the aggregate term of all Reserve Facilities shall equal the term of the Lease.

(B) Reserve Facility. Any amounts paid pursuant to the Reserve Policy and any other Reserve Facility shall be deposited in the Reserve Fund, as appropriate. The District may substitute moneys for all or part of the amount available to be drawn under the Reserve Policy and any other Reserve Facility so long as, at the time of such substitution, the amount on deposit in the Reserve Fund, together with the amount available under the Reserve Facilities credited thereto (taking into account any reduction in the amount available under such Reserve Facility to be made in connection with said substitution) shall be at least equal to the Reserve Requirement. The District shall not substitute any Reserve Facility in lieu of all or any portion of the Reserve Policy or 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 or the Reserve Policy). Draws under the Reserve Policy may only be used to make payments with respect to Certificates insured by the Insurer. The Reserve Policy shall expire on the earlier of the Date the Certificates are no longer outstanding and the final maturity date of the Certificates. Amounts on deposit in the Reserve Fund which were not derived from payments under the Reserve Policy or another Reserve Facility credited thereto 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 the Reserve Policy or other Reserve Facility. In order to accomplish such use and withdrawal of such amounts not derived from payments under the Reserve Policy or another Reserve Facility, the Trustee shall, as and to the extent necessary, liquidate any investments purchased with such amounts.

Section 6.03 Transfers of Excess. The Trustee shall, on or before July 15 and January 15 of each year, provide written notice to the District of any moneys which are

estimated to be on hand in the Reserve Fund (including investment earnings) in excess of the Reserve Requirement on the next succeeding August 1 or February 1, as the case may be, and one Business Day immediately preceding any Lease Payment Deposit Date, the Trustee shall transfer such excess moneys to the Lease Payment Fund to be applied to the Lease Payment then due from the District. In the event of the partial Prepayment of Lease Payments the District may instruct the Trustee to reduce the amounts on deposit in the Reserve Fund to the Reserve Requirement as of such date and may direct the Trustee to transfer excess amounts from the Reserve Fund for any lawful purpose.

Section 6.04 Application of Reserve Fund in Event of Deficiency in Lease Payment Fund. Notwithstanding anything herein or in the Lease to the contrary, the following provisions shall govern with respect to the Reserve Policy so long as the Reserve Insurer is not then in default under the Reserve Policy:

(A) (1) The District shall repay, as Reserve Replenishment Rent, any draws under the Reserve Policy and pay all related reasonable expenses incurred by the Reserve Insurer and shall pay interest thereon from the date of payment by the Reserve Insurer at the Late Payment Rate. "Late Payment Rate" means the lesser of (x) 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, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank) plus 5%, and (ii) the then applicable highest rate of interest on the Certificates and (y) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event JPMorgan Chase Bank ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such national bank as the Reserve Insurer shall specify. If the interest provisions of this subparagraph (A) 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 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 Reserve Insurer, with the same force and effect as if the District had specifically designated such extra sums to be so applied and the Reserve Insurer 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.

(2) Repayment of draws and payment of expenses and accrued interest thereon at the Late Payment Rate (collectively, "Policy Costs") shall commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to 1/12 of the aggregate of Policy Costs related to such draw.

(3) Amounts in respect of Policy Costs paid to the Reserve Insurer shall be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to the Reserve Insurer on account of principal due, the coverage under the Reserve Policy will be increased by a like amount, subject to the terms of the Reserve Policy. The obligation to pay Policy Costs shall be secured by a valid lien on

all revenues and other collateral pledged as security for the Certificates (subject only to the priority of payment provisions set forth under this Trust Agreement).

(4) All cash and investments in the Reserve Fund shall be transferred to the Lease Payment Fund for payment of debt service on Certificates before any drawing may be made on the Reserve Policy or any other Reserve Facility credited to the Reserve Fund in lieu of cash. Payment of any Policy Costs shall be made prior to replenishment of any such cash amounts. Draws on all Reserve Facilities (including the Reserve Policy) on which there is available coverage shall be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Reserve Fund. Payment of Policy Costs and reimbursement of amounts with respect to other Reserve Facilities shall be made on a pro-rata basis prior to replenishment of any cash drawn from the Reserve Fund. For the avoidance of doubt, "available coverage" means the coverage then available for disbursement pursuant to the terms of the applicable alternative credit instrument without regard to the legal or financial ability or willingness of the provider of such instrument to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw.

(B) Draws on the Reserve Policy may only be used to make payments on the Certificates (and for the avoidance of doubt, not any other obligations of the District, whether issued on parity with the Certificates, or otherwise).

(C) If the District shall fail to pay any Policy Costs in accordance with the requirements of subparagraph (A) hereof, the Reserve Insurer shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under this Trust Agreement, the Lease, the Site Lease and the Assignment Agreement other than (i) acceleration of the maturity of the Certificates or (ii) remedies which would adversely affect owners of the Certificates.

(D) This Trust Agreement, the Lease, the Site Lease and the Assignment Agreement shall not be discharged until all Policy Costs owing to the Reserve Insurer shall have been paid in full. The District's obligation to pay such amounts shall expressly survive payment in full of the Certificates.

(E) The Trustee shall ascertain the necessity for a claim upon the Reserve Policy in accordance with the provisions of subparagraph (A) hereof and provide notice to the Reserve Insurer in accordance with the terms of the Reserve Policy at least five (5) Business Days prior to each date upon which interest or principal is due on the Certificates. Where deposits are required to be made by the Corporation with the Trustee to the Lease Payment Fund for the Certificates more often than semi-annually, the Trustee shall be instructed to give notice to the Reserve Insurer of any failure of the Corporation to make timely payment in full of such deposits within two (2) Business Days of the date due.

Section 6.05 Trustee to Make All Lease Payments. If on any Certificate Payment Date the moneys on deposit in the Reserve Fund and the Lease Payment Fund (excluding amounts required for payment of principal or interest evidenced by the Certificates not presented for payment) are sufficient to pay all Outstanding Certificates, all principal, interest and prepayment premiums (if any), the Trustee shall, upon the written direction of the District Representative, transfer all amounts in the Reserve Fund to the Lease Payment Fund to be applied to the payment of the Lease Payments or Prepayments on behalf of the District and such moneys shall be distributed to the Owners of Certificates in accordance with Article II of this Trust Agreement. Any amounts remaining in the Reserve Fund upon payment in full of all Outstanding Certificates (including amounts due to the Insurer) and

the Trustee's fees, expenses and indemnities pursuant to Sections 9.06 and 9.07 hereof and any other Additional Payments due under the Lease, or upon provision for such payments as provided in Section 14.01 hereof and provisions for any amounts required to be transferred to the Rebate Fund pursuant to Section 8.08 hereof, shall at the written direction of the District be withdrawn by the Trustee and paid to the District.

ARTICLE VII

NET PROCEEDS FUND

Section 7.01 Establishment of Net Proceeds Fund; Deposits. The Trustee shall establish when required a special fund designated as the "Willows Unified School District Net Proceeds Fund," referred to herein as the "Net Proceeds Fund," to be maintained and held in trust for the benefit of the Owners, subject to disbursement therefrom as provided herein. The Trustee shall deposit Net Proceeds in the Net Proceeds Fund as provided in Section 6.1(a) of the Lease.

Section 7.02 Disbursements.

(A) Casualty Insurance. The Trustee shall disburse Net Proceeds for replacement or repair of the Property as provided in Section 6.1(b) of the Lease, or transfer such proceeds to the Prepayment Fund upon notification of the District Representative as provided in Sections 6.1(b) or 6.1(c) of the Lease. Pending such application, such Net Proceeds may be invested by the Trustee as directed by the District in Permitted Investments that mature not later than such times moneys are expected to be needed to pay such costs of repair or replacement. Any amounts remaining in the Net Proceeds Fund following the repair or replacement of the Property shall, with the prior written consent of the Insurer, be disbursed to the District. After all of the Certificates have been paid and the entire amount of principal and interest evidenced by the Certificates has been paid in full, or provision made for payment satisfactory to the Trustee, including provision for all amounts required to be transferred to the Rebate Fund pursuant to Section 8.08 hereof, the Trustee shall pay any remaining moneys in the Net Proceeds Fund to the District after payment of any amounts due to the Trustee pursuant to Sections 9.06 and 9.07 hereof and any other Additional Payments due under the Lease.

(B) Title Insurance. Proceeds of any policy of title insurance received by the Trustee with respect to the Property shall be applied and disbursed by the Trustee upon the Written Request of the District as follows:

(1) If the District determines 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 Lease Payments and Additional Payments payable by the District under the Lease (such determination to be certified by the District in writing), such proceeds shall be remitted to the District and used for any lawful purpose thereof; or

(2) 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 will result in an abatement of Lease Payments and Additional Payments payable by the District under the Lease, then the Trustee shall, with the prior consent of the Insurer, immediately deposit such proceeds in the Prepayment Fund and such proceeds shall be applied to the prepayment of Certificates in the manner provided in Section 4.02 hereof.

Section 7.03 Cooperation. The Corporation and the Trustee shall cooperate fully with the District at the expense of the District in filing any proof of loss with respect to any insurance policy maintained pursuant to Article V of the Lease and in the prosecution or defense of any prospective or pending condemnation proceeding with respect to the Property or any item or portion thereof; provided, however, the Trustee shall not be obligated to take any action hereunder if it is not indemnified to its satisfaction from and against any liability or expense arising therefrom.

ARTICLE VIII

MONEYS IN FUNDS; INVESTMENT

Section 8.01 Held in Trust. The moneys and investments held by the Trustee under this Trust Agreement are irrevocably held in trust for the benefit of the Owners and, in the case of the Rebate Fund, for payment as required to the United States Treasury, and for the purposes herein specified, and such moneys, and any income or interest earned thereon, shall be expended only as provided in this Trust Agreement, and shall not be subject to levy or attachment or lien by or for the benefit of any creditor of the Corporation, the Trustee or the District, or any of them.

Section 8.02 Investments Authorized.

(A) By Trustee. Subject to the further provisions of this Article VIII, moneys held by the Trustee hereunder shall be invested and reinvested at maturity by the Trustee at the direction of the District pursuant to Section 8.02(B). The Trustee will report any such investments to the District on a monthly basis in its regular statements. Such investments and reinvestments shall be made giving full consideration for the time at which funds are required to be available hereunder based upon information supplied by the District as at, among other things, scheduled completion of the various components of the Project.

Investments purchased with funds on deposit in the Lease Payment Fund and Prepayment Fund shall mature not later than the Certificate Payment Date or prepayment date, as appropriate, immediately succeeding the investment. Notwithstanding anything to the contrary contained herein, investments purchased with funds on deposit in the Reserve Fund should have an average aggregate weighted term to maturity of not greater than five years unless invested in the Permitted Investments described in paragraph (B)(12) of the definition thereof contained in Section 1.01 pursuant to which funds may be withdrawn, without penalty, to make payments.

(B) Upon Direction of District. The District Representative shall direct by facsimile or email such investment in specific Permitted Investments not less than two Business Days prior to the date that such Permitted Investment is to take effect, confirmed by written order filed with the Trustee. In the event that the District Representative does not so direct the Trustee, the Trustee shall invest in the Permitted Investments described in paragraph (B)(6) of the definition thereof contained in Section 1.01; provided, however, that any such investment shall be made by the Trustee only if, prior to the date on which such investment is to be made, the Trustee shall have received a written order of the District specifying a specific money market fund and, if no such written order of the District is so received, the Trustee shall hold such moneys uninvested. The Trustee may rely on the investment direction of the District as to the suitability and legality of the directed investments. In making investments, the Trustee may act as principal or agent.

(C) Registration. Such investments, if registrable, shall be registered in the name of the Trustee for the benefit of the Owners and held by the Trustee or its nominee.

(D) Trustee as Purchaser or Agent. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by this Section. The Trustee may act as purchaser or agent in the making or disposing of any investment. The Trustee or any of its affiliates may act as a sponsor of, or as an advisor to, any provider of Permitted Investments hereunder. 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 specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the District periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder.

(E) Trustee Standard of Care. The Trustee shall have no liability whatsoever for any loss, fee, tax or other charge incurred in connection with any investment, reinvestment, sale, or liquidation of an investment hereunder, made in accordance with Section 8.05(B). The Trustee shall have no responsibility whatsoever to determine whether any investments made pursuant to this agreement are or continue to be Permitted Investments. Any deposit or investment directed by the District shall constitute a certification by the District to the Trustee that the assets so deposited or to be purchased pursuant to such directions are Permitted Investments. In no event shall the Trustee be deemed an investment manager or adviser in respect of any selection of investments hereunder. In the event of a loss on the sale of such investments, the Trustee shall have no responsibility in respect of such loss except that the Trustee shall notify the District of the amount of such loss and the District shall promptly pay such amount to the Trustee to be credited as part of the monies originally invested.

Section 8.03 Disposition of Investments. Any income, profit or loss on the investment of moneys held by the Trustee hereunder shall be credited to the respective fund for which it is held, except as otherwise provided herein.

Section 8.04 Accounting. The Trustee shall furnish to the District, not less than monthly, an accounting (which may be in the form of its regular statements) of all investments made by the Trustee and all funds and amounts held by the Trustee; provided, that the Trustee shall not be obligated to deliver an accounting for any fund or account that (i) has a balance of zero, and (ii) has not had any activity since the last reporting date. The Trustee shall keep accurate records of all funds administered by it and of all Certificates paid and discharged.

Section 8.05 Valuation and Disposition of Investments.

(A) Valuation. Subject to the provisions of Section 8.08 hereof, for the purpose of determining the amount in any fund, all Permitted Investments (except investment agreements) credited to such fund shall be valued at the lower of the cost or the market price, exclusive of accrued interest. With respect to all funds and accounts, investments shall be valued by the Trustee (i) as frequently as deemed necessary by the Insurer but not less often than annually nor more often than monthly, and (ii) upon any draw upon the Reserve Fund. In making any such valuations, the Trustee may utilize, and conclusively rely upon such valuation services as may be available to the Trustee (including brokers and dealers in securities), including those within its regular accounting system.

(B) Disposition. Subject to the provisions of Section 8.08 hereof, the Trustee shall sell, or present for prepayment, any Permitted Investment so purchased by the Trustee whenever it shall be necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investment is credited.

Section 8.06 Commingling of Moneys in Funds. The Trustee may, and upon the written request of the District Representative shall, commingle any of the funds held by it pursuant to this Trust Agreement into a separate fund or funds for investment purposes only; provided, however, that all funds or accounts held by the Trustee hereunder shall be accounted for separately notwithstanding such commingling by the Trustee. The District shall ensure that any such commingling complies with Section 1.148-4 of the Treasury Regulations, and shall provide direction to the Trustee accordingly.

Section 8.07 Tax Covenants.

(A) General. The District and the Corporation hereby covenant with the holders of the Certificates that, notwithstanding any other provisions of this Trust Agreement, they shall not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the Interest Component evidenced by the Certificates under Section 103 of the Code. The District and the Corporation (to the extent that the Corporation may have control over the Project or the proceeds of the Certificates) shall not, directly or indirectly, use or permit the use of proceeds of the Certificates or the Project, or any portion thereof, by any person other than a governmental unit (as such term is used in Section 141 of the Code), in such manner or to such extent as would result in the loss of exclusion from gross income for federal income tax purposes of the Interest Component evidenced by the Certificates.

(B) Use of Proceeds. The District and the Corporation (to the extent that the Corporation may have control over the Project or the proceeds of the Certificates) shall not take any action, or fail to take any action, if any such action or failure to take action would cause the Lease Payment evidenced by the Certificates to be "private activity bonds" within the meaning of Section 141 of the Code, and in furtherance thereof, shall not make any use of the proceeds of the Certificates or the Project, or any portion thereof, or any other funds of the District, that would cause the Lease Payments evidenced by the Certificates to be "private activity bonds" within the meaning of Section 141 of the Code. To that end, so long as any Certificates evidencing Lease Payments are outstanding, the District and the Corporation, with respect to such proceeds and the Project, will comply with applicable requirements of the Code and all regulations of the United States Department of the Treasury issued thereunder and under Section 103 of the Code, to the extent such requirements are, at the time, applicable and in effect. The District shall establish reasonable procedures necessary to ensure continued compliance with Section 141 of the Code and the continued qualification of the Lease Payments evidenced by the Certificates as "governmental bonds."

(C) Arbitrage. The District and the Corporation (to the extent that the Corporation may have control over the Project or the proceeds of the Certificates) shall not, directly or indirectly, use or permit the use of any proceeds of any Certificates, or of the Project, or other funds of the District, or take or omit to take any action, that would cause the Lease Payments evidenced by the Certificates to be "arbitrage bonds" within the meaning of Section 148 of the Code. To that end, the District and the Corporation shall comply with all requirements of Section 148 of the Code and all regulations of the United

States Department of the Treasury issued thereunder to the extent such requirements are, at the time, in effect and applicable to the Lease Payments evidenced by the Certificates.

(D) Federal Guarantee. The District and the Corporation (to the extent that the Corporation may have control over the proceeds of the Certificates) shall not make any use of the proceeds of the Certificates or any other funds of the District, or take or omit to take any other action, that would cause the Lease Payments evidenced by the Certificates to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

(E) Compliance with Tax Certificate. In furtherance of the foregoing tax covenants of this Section, the District covenants that it will comply with the provisions of the Tax Certificate, which is incorporated herein as if fully set forth herein. These covenants shall survive payment in full or defeasance of the Certificates.

Section 8.08 Rebate Fund.

(A) General. The Trustee shall establish a special fund designated the "Willows Unified School District Rebate Fund" (the "Rebate Fund"). Absent an opinion of Special Counsel that the exclusion from gross income for federal income tax purposes of the Interest Component evidenced by the Certificates will not be adversely affected, the District shall cause to be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to this Section and the Tax Certificate. All amounts at any time on deposit in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the requirement to make rebate payments to the United States (the "Rebate Requirement") pursuant to Section 148 of the Code and the Treasury Regulations promulgated thereunder (the "Treasury Regulations"). Such amounts shall be free and clear of any lien under this Trust Agreement and shall be governed by this Section and Section 8.07 of this Trust Agreement and by the Tax Certificate executed by the District. The Trustee shall be deemed conclusively to have complied with the Rebate Requirement and the Tax Certificate if it follows the directions of the District, and shall have no independent responsibility to, or liability resulting from its failure to, enforce compliance by the District with the Rebate Requirement.

(B) Deposits.

(1) Within 45 days of the end of the fifth Certificate Year and each fifth Certificate Year thereafter, (i) the District shall calculate or cause to be calculated with respect to the Certificates the amount that would be considered the "rebate amount" within the meaning of Section 1.148-3 of the Treasury Regulations, and (ii) the District shall transfer to the Trustee for deposit in the Rebate Fund, if and to the extent required, amounts sufficient to cause the balance in the Rebate Fund to be equal to the "rebate amount" so calculated.

(2) The District shall not be required to deposit any amount to the Rebate Fund in accordance with preceding sentence if the amount on deposit in the Rebate Fund prior to the deposit required to be made under this subsection (B) equals or exceeds the "rebate amount" calculated in accordance with the preceding sentence. Such excess may be withdrawn from the Rebate Fund to the extent permitted under subsection (G) of this Section.

(3) The District shall not be required to calculate the "rebate amount," and shall not be required to deposit any amount to the Rebate Fund in accordance with this subsection (B), with respect to all or a portion of the proceeds of

the Certificates (including amounts treated as proceeds of the Certificates) (1) to the extent such proceeds satisfy the expenditure requirements of Section 148(f)(4)(B) or Section 148(f)(4)(C) of the Code or Section 1.148-7(d) of the Treasury Regulations, whichever is applicable, and otherwise qualify for the exception to the Rebate Requirement pursuant to whichever of said sections is applicable, (2) to the extent such proceeds are subject to an election by the District under Section 148(f)(4)(C)(vii) of the Code to pay a 1½% penalty in lieu of arbitrage rebate in the event any of the percentage expenditure requirements of Section 148(f)(4)(C) are not satisfied, or (3) to the extent such proceeds qualify for the exception to arbitrage rebate under Section 148(f)(4)(A)(ii) of the Code for amounts in a "bona fide debt service fund."

(C) Withdrawal Following Payment of Certificates. Any funds remaining in the Rebate Fund after prepayment of all the Certificates and any amounts described in paragraph (2) of subsection (D) of this Section, or provision made therefor satisfactory to the Trustee, including accrued interest and payment of any applicable fees and expenses to the Trustee, shall be withdrawn by the Trustee and remitted to the District.

(D) Withdrawal for Payment of Rebate. Upon the District's written direction, but subject to the exceptions contained in subsection (B) of this Section to the requirement to calculate the "rebate amount" and make deposits to the Rebate Fund, the Trustee shall pay to the United States, from amounts on deposit in the Rebate Fund,

(1) not later than 60 days after the end of (i) the fifth Certificate Year, and (ii) each fifth Certificate Year thereafter, an amount that, together with all previous rebate payments, is equal to at least 90% of the "rebate amount" calculated as of the end of such Certificate Year in accordance with Section 1.148-3 of the Treasury Regulations; and

(2) not later than 60 days after the payment of all Certificates, an amount equal to 100% of the "rebate amount" calculated as of the date of such payment (and any income attributable to the "rebate amount" determined to be due and payable) in accordance with Section 1.148-3 of the Treasury Regulations.

(E) Rebate Payments. Each payment required to be made pursuant to subsection (D) of this Section shall be made to the Internal Revenue Service Center, Ogden, Utah. 84201 on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T, which shall be completed by the arbitrage rebate consultant for execution by the District and provided to the Trustee.

(F) Deficiencies in the Rebate Fund. In the event that, prior to the time any payment is required to be made from the Rebate Fund, the amount in the Rebate Fund is not sufficient to make such payment when such payment is due, the District shall calculate the amount of such deficiency and direct the Trustee to deposit an amount received from the District equal to such deficiency into the Rebate Fund prior to the time such payment is due.

(G) Withdrawals of Excess Amounts. In the event that immediately following the calculation required by subsection (B) of this Section, but prior to any deposit made under said subsection, the amount on deposit in the Rebate Fund exceeds the "rebate amount" calculated in accordance with said subsection, upon written instructions from the District, the Trustee shall withdraw the excess from the Rebate Fund and credit such excess to the Lease Payment Fund.

(H) Record Keeping. The District shall retain records of all determinations made hereunder until six years after the complete retirement of the Certificates.

(I) Survival of Defeasance. Notwithstanding anything in this Trust Agreement to the contrary, the Rebate Requirement shall survive the payment in full or defeasance of the Certificates.

ARTICLE IX

THE TRUSTEE

Section 9.01 Appointment of Trustee.

(A) Appointment. Zions Bancorporation, N.A., a national banking association organized under the laws of the United States, is hereby appointed Trustee by the Corporation and the District.

(B) Qualifications. The Corporation and the District agree that they will maintain a Trustee having an office in New York, New York; San Francisco, California; or Los Angeles, California capable of exercising trust powers in the State of California, with a combined capital (exclusive of borrowed capital) and a surplus of at least Two Hundred Fifty Million Dollars (\$250,000,000), or be a member of a bank holding company system, which shall have a combined capital and surplus of at least Two Hundred Fifty Million Dollars (\$250,000,000), and subject to supervision or examination by federal or state authority, so long as any Certificates are Outstanding. If such bank, national banking association, corporation or trust company publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority above referred to then for the purpose of this Section the combined capital and surplus of such bank, national banking association, corporation or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(C) Removal. The Insurer and, so long as there is no Event of Default, the District (with the prior consent of the Insurer), upon 30 days written notice may remove the Trustee initially appointed, and any successor thereto, and may appoint a successor or successors thereto.

(D) Resignation. The Trustee may, upon prior written notice to the District, the Insurer and the Corporation, resign; provided that such resignation shall not take effect until the successor Trustee is appointed as provided in this Section. Upon receiving such notice of resignation, the District shall promptly appoint a successor Trustee. In the event the District does not name a successor Trustee within thirty (30) days of receipt of notice of the Trustee's resignation, then the Trustee may petition a court of suitable jurisdiction to seek the immediate appointment of a successor Trustee.

(E) Successor. Any successor Trustee shall be a bank, association, corporation or trust company meeting the qualifications as set forth in Subsection (B) above and acceptable to the Insurer. Any resignation or removal of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. Upon such acceptance, the successor Trustee shall mail notice thereof to the Owners at their respective addresses set forth on the Certificate registration books maintained pursuant to Section 2.12.

Section 9.02 Merger or Consolidation. Any company or banking association into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which the Trustee shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company shall be eligible under Section 9.01, shall be the successor to the Trustee without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

Section 9.03 Protection of the Trustee.

(A) Reliance Upon Papers or Documents. The Trustee may conclusively rely and shall be protected and shall incur no liability in acting or proceeding in good faith upon any resolution, notice, telegram, facsimile, request, consent, direction, waiver, certificate, statement, affidavit, voucher, bond, requisition or other paper or document which it shall in good faith believe to be genuine and to have been passed or signed by the proper board or person or to have been prepared and furnished pursuant to any of the provisions of this Trust Agreement, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may, in the absence of bad faith on its part, accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements.

(B) Reliance Upon Opinions of Counsel. The Trustee may consult with counsel, who may be counsel to the District, 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 in accordance therewith. Before being required to take any action, the Trustee may require an opinion of Independent Counsel acceptable to the Trustee which opinion shall be made available to the other parties hereto upon request, which counsel may be counsel to any of the parties hereto, or a verified certificate of any party hereto, or both, concerning the proposed action. If it does so in good faith, Trustee shall be absolutely protected in relying thereon.

(C) Reliance Upon Requested Certificates. Whenever in the administration of its duties under 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), in the absence of bad faith on its part, shall be deemed to be conclusively proved and established by the certificate of the District Representative or the Corporation Representative and such certificate shall be full warranty to the Trustee, in the absence of bad faith on its part, for any action taken or suffered under the provisions of this Trust Agreement upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

Section 9.04 Rights of the Trustee.

(A) Ownership of Certificates. The Trustee may become the Owner with the same rights it would have if it were not Trustee; may acquire and dispose of other bonds or evidence of indebtedness of the District with the same rights it would have if it were not the Trustee; and may act as a 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 the majority in principal amount of the Certificates then Outstanding.

(B) Attorneys, Agents, Receivers. The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents, receivers or employees, shall not be responsible for the actions or omissions of such attorneys, agents, receivers or employees if appointed by it with reasonable care, and shall be entitled to advice of counsel concerning all matters of trust and its duty hereunder; and may in all cases pay reasonable compensation to all such attorneys, agents, receivers and employees as may reasonably be employed in connection with the trusts hereof.

(C) Funds and Accounts. In addition to the funds and accounts established or required to be established pursuant to this Trust Agreement, the Trustee may establish such additional funds and accounts as it deems necessary or appropriate to perform its duties hereunder.

Section 9.05 Standard of Care. The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Trust Agreement and no duties shall be implied. Upon the occurrence and continuation of an Event of Default (which has not been cured or waived), the Trustee shall 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 ordinarily would exercise and use under the circumstances in the conduct of their own affairs. The Trustee shall not be liable for any action taken or omitted by it in the performance of its duties under this Trust Agreement except for its own gross negligence or willful misconduct.

Section 9.06 Compensation of the Trustee. As an Additional Payment under Section 4.11 of the Lease, the District shall from time to time on demand, pay to the Trustee reasonable compensation and reimbursement for its services and the services of any accountants, consultants, attorneys and other experts as may be engaged by the Trustee to provide services under this Trust Agreement pursuant to a written agreement between the District and the Trustee. The District's obligation hereunder shall remain valid and binding notwithstanding maturity and payment of the Certificates and resignation or removal of the Trustee. Upon an Event of Default, and only upon an Event of Default, the Trustee as set forth in Section 13.03 shall have a first right of payment prior to payment on account of principal of and premium, if any, and interest evidenced by any Certificate, for the foregoing fees, charges and expenses incurred by it. When the Trustee incurs expenses or renders services after the occurrence of an Event of Default, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

Section 9.07 Indemnification of Trustee. The District shall, to the extent permitted by law, indemnify and save the Trustee and its officers, directors, agents, representatives and employees harmless from and against all claims, losses, costs, expenses, liability and damages, including legal fees and expenses, arising out of: (i) the use, maintenance, condition or management of, or from any work or thing done on, the Property or the Project by the District; (ii) any breach or default on the part of the District in the performance of any of its obligations under this Trust Agreement and any other agreement made and entered into for purposes of the Property or the Project; (iii) any act of negligence of the District or of any of its agents, contractors, servants, employees or licensees with respect to the Property or the Project; (iv) any act of negligence of any assignee of, or purchaser from, the District or of any of its or their agents, contractors, servants, employees or licensees with respect to the Property or the Project; (v) the construction or acquisition of the Project or the expenditure of Project Costs; (vi) the exercise and performance by the Trustee of its

powers and duties hereunder or any related document; (vii) the sale of the Certificates and the carrying out of any of the transactions contemplated by the Certificates or this Agreement; (viii) any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements made in light of the circumstances in which they were made, not misleading in any official statement or other disclosure document utilized in connection with the sale of the Certificates; or (viii) the acceptance of administration of the trust or trusts hereunder, including the costs and expenses of defending itself against any claim (whether asserted by the District, the Corporation, any Holder or any other person) or liability in connection with the exercise or performance of any of its powers or duties hereunder. The indemnification set forth in this Section 9.07 shall extend to the Trustee's officers, directors, agents, representatives, employees, successors and assigns. No indemnification will be made under this Section or elsewhere in this Trust Agreement or other agreements for willful misconduct or negligence by the Trustee, its officers, agents, employees, successors or assigns. The District's obligations hereunder shall remain valid and binding notwithstanding maturity and payment of the Certificates, or the resignation or removal of the Trustee.

In accepting the trust hereby created, the Trustee acts solely as Trustee for the Owners and not in its individual capacity, and all persons, including, without limitation, the Owners, Corporation and District, having any claim against the Trustee arising from the Trust Agreement shall look only to the funds and accounts held by the Trustee hereunder for payment, except as otherwise provided herein or where the Trustee has breached its standard of care as described in Section 9.05 hereof. Under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the Certificates. In no event shall the Trustee be liable for incidental, indirect, special, consequential or punitive damages or penalties (including, but not limited to lost profits), even if the Trustee has been advised of the likelihood of such damages or penalty and regardless of the form of action.

No provision of this Trust Agreement shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties hereunder or in the exercise of any of its rights or powers.

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 Insurer or the Owners of not less than a majority in aggregate principal amount of the Certificates at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee or in the exercise of any right hereunder.

The Trustee is authorized and directed to execute in its capacity as Trustee the Assignment Agreement.

Every provision of this Trust Agreement, the Lease, the Site Lease and the Assignment Agreement relating to the conduct or liability of the Trustee shall be subject to the provisions of this Trust Agreement, including without limitation, this Article IX.

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

The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Trust Agreement at the request, order or direction of any of the Certificate Owners or the Insurer pursuant to the provisions of this Trust Agreement unless

such Certificate Owners or the Insurer shall have offered to the Trustee security or indemnity satisfactory to it against the costs, expenses and liabilities, including, without limitation, liabilities arising under any Environmental Regulation (as defined in the Lease) which may be incurred therein or thereby.

The Trustee shall not to be deemed to have knowledge of any Event of Default hereunder or under the Lease unless the Responsible Officer has received written notice thereof at its Principal Office.

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 ("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 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 Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The District shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee 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 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 if 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.

The Trustee shall not be liable to the parties hereto or deemed in breach or default hereunder if and to the extent its performance hereunder is prevented by reason of force majeure. The term "force majeure" means an occurrence that is beyond the control of the Trustee and could not have been avoided by exercising due care. Force majeure shall include, but not be limited to, acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics, pandemics, quarantine restrictions, acts of civil or military authority or other similar occurrences beyond the control of the Trustee.

The Trustee shall not be concerned with 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.

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 gross negligence or willful misconduct.

No provision of this Trust Agreement shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

Section 9.08 Trustee's Disclaimer of Warranties. THE TRUSTEE MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR FITNESS FOR THE USE CONTEMPLATED BY THE DISTRICT OF THE PROPERTY, OR ANY PORTION THEREOF. THE DISTRICT ACKNOWLEDGES THAT THE TRUSTEE IS NOT A MANUFACTURER OF PORTIONS OF THE PROPERTY, AND THAT THE DISTRICT IS LEASING THE PROPERTY AS IS. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages, in connection with or arising out of the Lease, the Site Lease, the Assignment Agreement or this Trust Agreement for the existence, furnishing, functioning or District's use and possession of the Property.

ARTICLE X

MODIFICATION OR AMENDMENT OF AGREEMENTS

Section 10.01 Amendments Permitted.

(A) With Consent. This Trust Agreement and the rights and obligations of the Owners, and the Lease and the rights and obligations of the parties thereto, may be modified or amended at any time, with notice to any rating agency then rating the Certificates by a supplemental agreement or amendment thereto which shall become effective 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 in aggregate principal amount of the Certificates then Outstanding, exclusive of Certificates disqualified as provided in Section 10.03 hereof, shall have been filed with the Trustee. No such modification or amendment shall:

(1) extend or have the effect of extending the fixed maturity of any Certificate or reducing the interest rate with respect thereto or extending the time of payment of interest, or reducing the amount of principal thereof or reducing any premium payable upon the prepayment thereof, or diminish the security afforded by the Insurance Policy 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);

(2) reduce the percentage of Owners whose consent is required for the execution of any amendment hereof or supplement hereto 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);

(3) modify any of the rights or obligations of the Trustee without its written assent thereto; or

(4) amend this Section 10.01 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).

The Trustee shall have the right to require such opinions of counsel under this Article X as it deems necessary concerning (i) the lack of material adverse effect of the amendment on Owners, (ii) the amendment not affecting the tax status of the Interest Component evidenced by the Certificates, and (iii) that such amendment is authorized or permitted under the terms of this Trust Agreement (and, if applicable, the Lease) and complies with all conditions precedent under the provisions of this Article X. Any such supplemental agreement or amendments thereto shall become effective as provided in Section 10.02 hereof.

(B) Without Consent. This Trust Agreement and the rights and obligations of the Owners, and the Lease and the rights and obligations of the parties thereto, may be modified or amended, with the prior written consent of the Insurer, at any time by a supplemental agreement or amendments thereto, with notice to any rating agency then rating the Certificates but without the consent of any such Owners, but only to the extent permitted by law and only:

(1) to add to the covenants and agreements of the District and the Corporation hereunder;

(2) to cure, correct or supplement any ambiguous or defective provision contained herein or therein;

(3) with regard to matters arising hereunder or thereunder, as the parties hereto or thereto may deem necessary or desirable (which may be based upon opinions as provided in Section 9.03(B)), amendments pursuant to this Subsection shall not materially adversely affect the interest of the Owners or the Insurer (unless the Insurer has consented, in writing, to such amendment);

(4) to substitute the Property, or a portion thereof, in accordance with Sections 3.5 and 7.12 of the Lease, with the consent of the Insurer;

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

(6) to add to the rights of the Trustee;

(7) to maintain the rating or ratings assigned to the Certificates with the consent of the Insurer; or

(8) to provide for the execution and delivery of Additional Certificates in accordance with the provisions of Section 2.15 hereof.

No such modification or amendment, however, shall modify any of the rights or obligations of the Trustee or the Insurer without its written assent thereto. Any such supplemental agreement shall become effective upon execution and delivery by the parties hereto or thereto as the case may be.

The Insurer shall be provided by the District with a full original transcript of all proceedings relating to the amendment of, or supplement to, this Trust Agreement or the Lease pursuant to this Section 10.01.

Section 10.02 Procedure for Amendment with Written Consent of the Owners. This Trust Agreement or the Lease may be amended by supplemental agreement as provided in this Section 10.02 in the event the consent of the Owners is required pursuant to Section 10.01(A) hereof. A copy of such supplemental agreement, together with a request to the Owners for their consent thereto, shall be mailed by the Trustee to each Owner of a Certificate at his address as set forth in the Certificate registration books maintained pursuant to Section 2.12 hereof (or sent via email, in the case of any Certificates registered in the name of the Nominee), but failure to receive copies of such supplemental agreement and request so mailed shall not affect the validity of the supplemental agreement when assented to as in this Section provided, such supplemental agreement shall not become effective unless there shall be filed with the Trustee the written consent of the Insurer and the Owners of at least a majority in aggregate principal amount of the Certificates then Outstanding (exclusive of Certificates disqualified as provided in Section 10.03 hereof) and notices shall have been mailed or sent via email as hereinafter in this Section provided. Any such consent shall be binding upon the Owner of the Certificate giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Trustee prior to the date when the notice hereinafter in this Section provided for has been mailed.

After the Owners of the required percentage of Certificates shall have filed their consent to such supplemental agreement, the Trustee shall mail a notice to the Owners of the Certificates (or send via email, in the case of any Certificates registered in the name of the Nominee) in the manner hereinbefore provided in this Section for the mailing or emailing of such supplemental agreement, stating in substance that such supplemental agreement has been consented to by the Owners of the required percentage of Certificates and will be effective as provided in this Section (but failure to mail copies of said notice shall not affect the validity of such supplemental agreement or consents thereto). A record, consisting of the papers required by this Section to be filed with the Trustee, shall be proof of the matters therein stated until the contrary is proved. The Trustee may obtain and conclusively rely on an opinion of counsel with regard to such matters.

Any amendment under this Section 10.02 requiring the consent of the Owners shall require 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 Insurer shall be provided prior written notice of all proposed amendments subject to its approval. All such Notices under this Section shall be sent to the addresses shown in Section 14.05 hereof.

Section 10.03 Disqualified Certificates. Certificates owned or held by or for the account of the District or the Corporation or by any person directly or indirectly controlled or controlled by, or under direct or indirect common control with the District or the Corporation (except any Certificates held in any pension or retirement fund) shall not be deemed Outstanding for the purpose of any vote, consent, waiver or other action or any calculation of Outstanding Certificates provided for in this Trust Agreement, and shall not be entitled to

vote upon, consent to, or take any other action provided for in this Trust Agreement; except that in determining whether the Trustee shall be protected in relying upon any such approval or consent of an Owner, only Certificates which the Trustee actually knows to be owned or held by or for the account of the District or the Corporation or by any person directly or indirectly controlled or controlled by, or under direct or indirect common control with the District or the Corporation (except any Certificates held in any pension or retirement fund) shall be disregarded unless all Certificates are so owned or held by or for the account of the District or the Corporation or by any person directly or indirectly controlled or controlled by, or under direct or indirect common control with the District or the Corporation, in which case such Certificates shall be considered Outstanding for the purpose of such determination.

The District or the Trustee may adopt appropriate regulations to require each Owner, before his consent provided for in this Article X shall be deemed effective, to reveal if the Certificates as to which such consent is given are disqualified as provided in this Section 10.03 hereof.

Upon request of the Trustee, the District and Corporation shall specify in a certificate to the Trustee those Certificates disqualified pursuant to this Section and the Trustee may conclusively rely on such certificate.

Section 10.04 Effect of Supplemental Agreement. From and after the time any supplemental agreement becomes effective pursuant to this Article X, this Trust Agreement or the Lease, as the case may be, shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and all Owners of Certificates Outstanding, as the case may be, shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any supplemental agreement shall be deemed to be part of the terms and conditions of this Trust Agreement or the Lease, as the case may be, for any and all purposes.

Section 10.05 Endorsement or Replacement of Certificates Delivered After Amendments. The Trustee may determine that Certificates delivered after the effective date of any action taken as provided in this Article X shall bear a notation, by endorsement, in form approved by the District, as to such action. In that case, upon demand of the Owner of any Outstanding Certificate, at such effective date and presentation of his Certificate for such purpose at the Principal Office, a suitable notation shall be made on such Certificate. The District may determine that new Certificates, so modified as in the opinion of the District are necessary to conform to such Owner's action, shall be prepared, executed and delivered. In that case, upon demand of the Owner of any Certificate then Outstanding, such new Certificate shall be exchanged in the Principal Office without cost to such Owner, for a Certificate of the same character then Outstanding, upon surrender of such Certificate.

Section 10.06 Amendatory Endorsement of Certificates. Subject to Section 10.01 hereof, the provisions of this Article X shall not prevent an Owner from accepting any amendment as to the particular Certificates held by him, provided that due notification thereof is made on such Certificates.

Section 10.07 Copies of Amendments Delivered to Rating Agencies. Copies of any modifications or amendments to this Agreement, the Lease, the Site Lease, this Trust Agreement or the Assignment Agreement shall be delivered by the District to each rating agency then rating the Certificates at least 10 days prior to the effective date thereof.

ARTICLE XI

COVENANTS; NOTICES

Section 11.01 Compliance With and Enforcement of the Lease. The District covenants and agrees with the Owners to perform all obligations and duties imposed on it under the Lease. The Corporation covenants and agrees with the Owners to perform all obligations and duties imposed on it under the Lease.

The District will not do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be a ground for cancellation or termination of the Lease by the Corporation thereunder. The Corporation and the District, immediately upon receiving or giving any notice, communication or other document in any way relating to or affecting their respective estates, or either of them, in the Property, which may or can in any manner affect such estate of the District, will deliver the same, or a copy thereof, to the Trustee.

Section 11.02 Payment of Taxes. The District shall pay all taxes as provided in Section 7.7(b) of the Lease.

Section 11.03 Observance of Laws and Regulations. The District will well and truly keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on it by contract, or prescribed by any law of the United States, or of the State, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired by the District, including its right to exist and carry on business as a school district, to the end that such rights, privileges and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired.

Section 11.04 Prosecution and Defense of Suits. The District shall promptly, and also upon request of the Trustee, the Insurer or any Owner, from time to time take such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Property, whether now existing or hereafter developing and shall prosecute all such suits, actions and other proceedings as may be appropriate for such purpose and shall indemnify and save the Trustee and every Owner harmless from all loss, cost, damage and expense including attorneys' fees, which they or any of them may incur by reason of any such defect, cloud, suit, action or proceeding.

Section 11.05 District Budgets. In accordance with Section 4.7 of the Lease, the District Representative shall certify to the Trustee on or before August 1 of each year that the District has included all Lease Payments, Additional Payments and Reserve Replenishment Rent due under the Lease in the Fiscal Year covered by its annual budget and the amount so included. If the District fails to certify that it has included all such Lease Payments, Additional Payments and Reserve Replenishment Rent in such annual budget, the Trustee shall promptly provide the District written notice specifying that the District has failed to observe and perform its covenant and agreement in such Section 4.7 and requesting that such failure be remedied within 30 days, or such failure shall constitute an Event of Default under Section 9.1(b) of the Lease. The Trustee shall forward a copy of such notice to the Corporation and the Insurer. Upon receipt of such notice, the District shall notify the Trustee of the proceedings proposed to be taken by the District, and shall keep the Trustee advised of all proceedings thereafter taken by the District.

Section 11.06 Further Assurances. The Corporation and the District will make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Trust Agreement, and for the better assuring and confirming unto the Owners the rights and benefits provided herein.

Section 11.07 Continuing Disclosure. The District hereby covenants that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Trust Agreement, failure of the District to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default or an event of default hereunder; however, any Owner or Beneficial Owner 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 Section and the Continuing Disclosure Certificate.

ARTICLE XII

LIMITATION OF LIABILITY

Section 12.01 Limited Liability of the District. Except for the payment of Lease Payments, Additional Payments, Reserve Replenishment Rent and Prepayments when due in accordance with the Lease and the performance of the other covenants and agreements of the District contained herein and in the Lease, the District shall have no obligation or liability to any of the other parties or to the Owners with respect to this Trust Agreement or the terms, execution, delivery or transfer of the Certificates, or the distribution of Lease Payments to the Owners by the Trustee.

Section 12.02 No Liability of the District or Corporation for Trustee Performance. Except as expressly provided herein, neither the District nor the Corporation shall have any obligation or liability to any other parties or to the Owners with respect to the performance by the Trustee of any duty imposed upon it under this Trust Agreement.

Section 12.03 Limited Liability of Trustee.

(A) No Investment Advice. The Trustee shall have no obligation or responsibility for providing information to the Owners concerning the investment character of the Certificates.

(B) Sufficiency of this Trust Agreement or Lease Payments. The Trustee makes no representations as to the validity or sufficiency of the Certificates, shall incur no responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Certificates assigned to or imposed upon it. The Trustee shall not be responsible for the sufficiency or enforceability of the Lease, the Site Lease or the Assignment Agreement. The Trustee shall not be liable for the sufficiency or collection of any Lease Payments or other moneys required to be paid to it under the Lease (except as provided in this Trust Agreement), its right to receive moneys pursuant to said Lease, or the value of or title to the Property.

(C) Actions of Corporation and District. The Trustee shall have no obligation or liability to any of the other parties or the Owners with respect to this Trust Agreement or failure or refusal of any other party to perform any covenant or agreement made by any of them under this Trust Agreement or the Lease, but shall be responsible solely for the

performance of the duties and obligations expressly imposed upon it hereunder as provided in Section 9.05.

(D) Recitals and Agreements of Corporation and District. The recitals of facts, covenants and agreements herein and in the Certificates shall be taken as statements, covenants and agreements of the District or the Corporation (as the case may be), and the Trustee assumes no responsibility for the correctness of the same.

Section 12.04 Limitation of Rights to Parties and Certificate Owners. Nothing in this Trust Agreement or in the Certificates expressed or implied is intended or shall be construed to give any person other than the District, the Corporation, the Trustee and the Owners, any legal or equitable right, remedy or claim under or in respect of this Trust Agreement or any covenant, condition or provision hereof; and all such covenants, conditions and provisions are and shall be for the sole and exclusive benefit of the District, the Corporation, the Trustee and the Owners.

ARTICLE XIII

EVENTS OF DEFAULT AND REMEDIES OF CERTIFICATE OWNERS

Section 13.01 Assignment of Rights. The parties hereto acknowledge that pursuant to the Assignment Agreement the Corporation has transferred, assigned and set over to the Trustee for the benefit of the Owners, certain of the Corporation's rights under the Lease.

Section 13.02 Events of Default.

(A) Remedies. If an Event of Default shall happen, then, and in each and every such case during the continuance of such Event of Default, the Trustee may exercise any and all remedies available pursuant to law or granted pursuant to the Lease; provided, however, that notwithstanding anything herein or in the Lease to the contrary, THERE SHALL BE NO RIGHT UNDER ANY CIRCUMSTANCES TO ACCELERATE THE MATURITIES OF THE CERTIFICATES OR OTHERWISE TO DECLARE ANY LEASE PAYMENTS NOT THEN IN DEFAULT TO BE IMMEDIATELY DUE AND PAYABLE; provided further that so long as the Insurer shall not be in default in its payment obligations under the Insurance Policy, the Insurer, acting alone, shall control and direct all remedies upon an Event of Default. Section 9.2 of the Lease is hereby incorporated by reference.

(B) Actual Knowledge. The Trustee shall not be deemed to have knowledge of any Event of Default unless and until the Responsible Officer shall have received written notice thereof at its Principal Office.

(C) Action on Default. If an Event of Default (within the meaning of Article IX of the Lease) shall happen, then such Event of Default shall constitute an Event of Default hereunder. The Trustee may give notice, as assignee of the Corporation, of an Event of Default under the Lease or hereunder to the District, and shall do so if directed to do so by the Insurer or, with the consent of the Insurer and 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, subject to Section 9.07, 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) upon being indemnified to its satisfaction, shall, 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 and, in addition, with the written consent or at the written direction of, the Insurer, take whatever action at law or in equity may appear necessary or desirable to enforce its rights as assignee pursuant to the Assignment Agreement or to protect and enforce any of the rights vested in the Trustee or the Owners by this Trust Agreement or by the Certificates, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement or for the enforcement of any other legal or equitable right, including any one or more of the actions and/or remedies set forth in Section 13.04 hereof.

Section 13.03 Application of Funds. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article XIII or of Article IX of the Lease, and any funds then held by the Trustee, shall be deposited into the Lease Payment Fund and be applied by the Trustee after payment of all amounts due and payable under Section 9.06 and 9.07 hereof and Section 4.11 of the Lease in the following order upon presentation of the several Certificates, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid -

First, Costs and Expenses: to the payment of the costs, fees and expenses of the Trustee and then of the Insurer or Owners in declaring such Event of Default and in performing its duties under the Trust Agreement, Lease and Assignment Agreement, including reasonable compensation to its or their agents, attorneys and counsel;

Second, Interest: to the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installment, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference;

Third, Principal: to the payment to the persons entitled thereto of the unpaid principal evidenced by any Certificates which shall have become due, whether at maturity or by call for prepayment, in the order of their due dates, with interest on the overdue principal and interest at a rate equal to the rate paid with respect to the Certificates and, if the amount available shall not be sufficient to pay in full all the amounts due evidenced by the Certificates on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference; and

Fourth, Insurer: to the extent not included in clauses First, Second or Third above, to the payment of all amounts then due to the Insurer and the Reserve Insurer, as certified in writing to the Trustee.

Section 13.04 Institution of Legal Proceedings. If one or more Events of Default shall happen and be continuing, the Trustee shall, at the direction of the Insurer, or may, with the prior written consent of the Insurer, upon the written request of the Owners of a majority in principal amount of the Certificates then Outstanding, and upon being indemnified to its satisfaction therefor, proceed to protect or enforce its rights or the rights of the Owners by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained herein or in the Lease, or in aid of the execution of any power herein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most

effectual in support of any of its rights or duties hereunder; provided that such written request shall not be otherwise than in accordance with provisions of law and this Trust Agreement and that the Trustee shall have the right to decline to follow any such written request if the Trustee shall be advised by counsel that the action or proceeding so requested may not be taken lawfully or if the Trustee in good faith shall determine that the action or proceeding so requested would be unjustly prejudicial to the Certificate Owners not a party to such written request or expose the Trustee to liability.

Section 13.05 Non-Waiver. Nothing in this Article XIII or in any other provision of this Trust Agreement or in the Certificates shall affect or impair the obligation of the District to pay or prepay the Lease Payments as provided in the Lease. 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. No delay or omission of the Trustee or of any Owner of any of the Certificates to exercise any right or power arising upon the happening of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein, and every power and remedy given by this Article XIII to the Trustee or to the Owners may be exercised from time to time and as often as shall be deemed expedient by the Trustee or the Owners.

Section 13.06 Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Owners is intended to be exclusive of any other remedy, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise.

Section 13.07 Power of Trustee to Control Proceedings. Subject to the Insurer's right to control all remedies in the Event of a Default, in the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the request of the Insurer, or the Owners of a majority in principal amount of the Certificates then Outstanding, it shall have full power, in the exercise of its discretion for the best interest of the Owners of the Certificates, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of at least a majority in principal amount of the Outstanding Certificates hereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation. Nothing herein shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Owner any plan of reorganization, arrangement, adjustment, or composition affecting the Certificates or the rights of any Owner thereof, or to authorize the Trustee to vote in respect of the claim of any Owner in any such proceeding without the approval of the Owners so affected.

Section 13.08 Limitation on Certificate Owners' Right to Sue. No Owner of any Certificate executed hereunder shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Trust Agreement, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default under the Lease; (b) such Owner shall have obtained the Insurer's consent to such institution or appointment, so long as the Insurer is not in default in its payment obligations under the Insurance Policy; (c) the Owners of a majority in aggregate principal amount of all the Certificates then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action,

suit or proceeding in its own name; (d) said Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (e) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; and (f) there shall have been a default in the payment of such Owner's proportionate interest in the Lease Payments as the same become due.

Such notification, request, tender of indemnity, refusal or omission, and default are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of any remedy hereunder; it being understood and intended that no one or more Owners shall have any right in any manner whatever by his or their action to enforce any right under this Agreement, except in the manner herein provided and for the equal benefit of all Owners of the Outstanding Certificates.

The right of any Owner of any Certificate to receive payment of said Owner's proportionate interest in the Lease Payments as the same become due, or to institute suit for the enforcement of such payment, shall not be impaired or affected without the consent of such Owner, notwithstanding the foregoing provisions of this Section or any other provision of this Trust Agreement.

ARTICLE XIV

MISCELLANEOUS

Section 14.01 Defeasance.

(A) Methods. If and when any Outstanding Certificates shall be paid and discharged in any one or more of the following ways -

(1) Payment or Prepayment: by well and truly paying or causing to be paid the principal, interest and prepayment premiums (if any) with respect to such Certificates Outstanding, as and when the same become due and payable;

(2) Cash: if prior to maturity and having given at least twenty (20) days prior written notice of prepayment by depositing with the Trustee, in trust, concurrent with the giving of such notice, an amount of cash which (together with cash then on deposit in the Lease Payment Fund and the Reserve Fund together with the interest to accrue thereon, in the event of payment or provision for payment of all Outstanding Certificates) is sufficient to pay such Certificates Outstanding, including all principal and interest and premium, if any; or

(3) Defeasance Securities: by irrevocably depositing with the Trustee, in trust, Defeasance Securities together with cash, if required, in such amount as will, in the opinion of an independent certified public accountant, together with interest to accrue thereon (and, in the event of payment or provision for payment of all Outstanding Certificates, moneys then on deposit in the Lease Payment Fund and the Reserve Fund together with the interest to accrue thereon), be fully sufficient to pay and discharge such Certificates (including all principal and interest represented thereby and prepayment premiums if any) at or before their maturity date;

and all other amounts due hereunder (including all amounts owed to the Trustee pursuant to Section 9.07 and Section 9.08 hereunder) have been paid in full, then, notwithstanding

that any Certificates shall not have been surrendered for payment, all obligations of the Corporation, the Trustee and the District with respect to such Certificates shall cease and terminate, except only the obligation of the Trustee to pay or cause to be paid, from Lease Payments paid by or on behalf of the District from funds deposited pursuant to paragraphs 2 and 3 of this Section, to the Owners of the Certificates not so surrendered and paid all sums due with respect thereto, and in the event of deposits pursuant to paragraphs 2 and 3 of this Section, the Certificates shall continue to represent direct and proportionate interests of the Owners thereof in Lease Payments under the Lease.

(B) Surplus Moneys. Any funds held by the Trustee, at the time of payment or provision for payment of all Outstanding Certificates pursuant to the one of the procedures described in paragraphs A.1 through A.3 of this Section, which are not required for the payment to be made to Owners, the Insurer, or the Reserve Insurer, shall be paid over to the District, after the payment of any amounts due to the Trustee pursuant to Sections 9.06 and 9.07 hereof, any amounts due and owing to the Insurer, and any other Additional Payments due under the Lease.

(C) Surviving Provisions. Notwithstanding the satisfaction and discharge hereof, the Trustee shall retain such rights, powers and privileges under Section 9.06 and 9.07 hereof and hereunder as may be necessary or convenient for the payment of the principal, interest and prepayment premium, if any, on the Certificates and for the registration, transfer and exchange of the Certificates.

(D) Opinions and Reports. Prior to any defeasance becoming effective under this Section, (1) all amounts currently due to the Insurer under the Insurance Policy and Reserve Policy shall have been paid in full, and (2) the District shall cause to be delivered at least five Business Days prior to any defeasance becoming effective (i) an executed copy of a report, addressed to the Trustee, the District and the Insurer, in form and substance acceptable to the Trustee, the District and the Insurer of a nationally recognized firm of certified public accountants, verifying that the Defeasance Securities and cash, if any, satisfy the requirements of Section 14.01(A) above (a "Verification Report"); (ii) a copy of the escrow deposit agreement entered into in connection with such defeasance, which escrow deposit agreement shall be in form and substance acceptable to the Insurer; and (iii) a copy of an opinion of Special Counsel, dated the date of such defeasance and addressed to the Trustee, the District and the Insurer, in form and substance acceptable to the Trustee, the District and the Insurer, to the effect that such Certificates are no longer Outstanding under this Trust Agreement.

Notwithstanding the foregoing, if the defeasance is effected by means of a cash deposit only, the escrow deposit agreement referenced in Section D.(B)(ii), above, shall not be necessary to effect such defeasance, though the other requirements of Section D, above, shall still apply.

Furthermore, the escrow deposit agreement referenced in Section (D)(2)(ii) above shall provide that any substitution of Defeasance Securities following execution and delivery of such escrow deposit agreement shall require delivery of a Verification Report, an opinion of Special Counsel that substitution will not adversely affect the exclusion from gross income of the Owners of the Certificates of interest with respect to the Certificates for federal income tax purposes and the prior written consent of the Insurer, which consent will not be unreasonably withheld.

The District will not exercise any optional prepayment of Certificates secured by an escrow deposit agreement referenced in Section (D)(2)(ii) above or any other prepayment

other than mandatory sinking fund prepayment unless (i) the right to make such prepayment has been expressly reserved in the escrow deposit agreement and such reservation has been disclosed in detail in the official statement for the Certificates, and (ii) as a condition to any such prepayment there shall be provided to the Insurer a Verification Report as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following any such prepayment.

In the event a forward purchase agreement will be employed in the refunding, 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 Business Days prior to the funding of the escrow.

Amounts paid by the Insurer under the Insurance Policy shall not be deemed paid for purposes of this Trust Agreement and the Certificates relating to such payments shall remain Outstanding and continue to be due and owing until paid by the Corporation in accordance with this Trust Agreement. This Trust Agreement shall not be discharged unless all amounts due or to become due to the Insurer have been paid in full or duly provided for.

Section 14.02 Non-Presentation of Certificates. In the event any Certificate shall not be presented for payment when the principal with respect thereto becomes due, either at maturity, or at the date fixed for prepayment thereof, if moneys sufficient to pay such Certificate shall have been deposited in the Prepayment Fund or Lease Payment Fund, as applicable, all liability of the District to the Owner thereof for payment of such Certificate shall forthwith cease, terminate and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such moneys, without liability for interest thereon, for the benefit of the Owner of such Certificate who shall thereafter be restricted exclusively to such moneys, for any claim of whatever nature on his or her part under this Trust Agreement or on, or with respect to, said Certificate.

Any moneys so deposited with and held by the Trustee not so applied to the payment of Certificates within two (2) years after the date on which the same shall have become due shall be paid by the Trustee to the District (without liability for interest), free from the trusts created by this Trust Agreement. In addition, Trustee shall be indemnified from and against any and all liabilities to third parties resulting from its actions under this Section. Thereafter, Owners shall be entitled to look only to the District for payment, and then only to the extent of the amount so repaid by the Trustee. The District shall not be liable for any interest on the sums paid to it pursuant to this section and shall not be regarded as a trustee or trustees of such money.

Section 14.03 Acquisition of Certificates by District. All Certificates acquired by the District, whether by purchase, gift or otherwise, shall be surrendered by the District to the Trustee for cancellation.

Section 14.04 Records. The Trustee shall keep complete and accurate records of all moneys received and disbursed by it under this Trust Agreement, which shall be available for inspection by the District, the Corporation and any Owner, or the agent of any of them, at any time during regular business hours upon reasonable prior notice.

Section 14.05 Notices. Except as specifically provided otherwise in this Trust Agreement, all written notices to be given under this Trust Agreement shall be given by mail or personal delivery to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party(ies) in writing from time to time.

Notice shall be deemed to have been received upon actual receipt after deposit in the United States mail, postage prepaid or, in the case of personal delivery, upon delivery to the address set forth below:

If to the District:	Willows Unified School District 823 West Laurel Street Willows, California 95988 Attention: Director of Business Services
If to the Corporation:	Public Property Financing Corporation of California 2945 Townsgate Road, Suite 200 Westlake Village, CA 91361 Attention: _____ Facsimile: _____
If to the Trustee:	Zions Bancorporation, National Association 550 South Hope Street, Suite 2875 Los Angeles, California 90071 Attention: _____ Facsimile: _____
If to the Insurer:	[Insurer] [Address] Attn: Policy Nos.: _____ (Insurance Policy) and _____ (Reserve Policy) Telephone: _____ Telecopier: _____ Email:
If to S&P:	Standard & Poor's Rating Services 15 Inverness Way East Englewood, California 80112 Attention: Municipal Finance Department

Section 14.06 Governing Law. This Trust Agreement shall be construed and governed in accordance with the laws of the State.

Section 14.07 Binding Effect; Successors. This Trust Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns. Whenever in this Trust Agreement either the Corporation, the District or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof and all the covenants and agreements in this Trust Agreement contained by or on behalf of the Corporation, the District or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 14.08 Execution in Counterparts. This Trust 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 agreement.

Section 14.09 Headings. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this

Trust Agreement. All references herein to "Articles", "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Trust Agreement; and the words "herein," "hereof," "hereunder" and other words of similar import refer to this Trust Agreement as a whole and not to any particular Article, Section or subdivision hereof.

Section 14.10 Waiver of Notice. Whenever in this Trust Agreement the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 14.11 Severability of Invalid Provisions. In case any one or more of the provisions contained in this Trust Agreement or in the Certificates shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such invalidity, illegality or unenforceability shall not affect any other provision of this Trust Agreement, and this Trust Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The parties hereto hereby declare that they would have entered into this Trust Agreement and each and every other section, paragraph, sentence, clause or phrase hereof and authorized the delivery of the Certificates pursuant thereto irrespective of the fact that any one or more sections, paragraphs, sentences, clauses or phrases of this Trust Agreement may be held illegal, invalid or unenforceable.

Section 14.12 Payment on Business Day. In any case where the date of the payment of interest on or of principal (and premium, if any) of the Certificates or the date fixed for prepayment is other than a Business Day, the payment of interest or principal need not be made on such date but may be made on the next succeeding day which is a Business Day with the same force and effect as if made on the date required, and no interest shall accrue for the period from and after such date.

Section 14.13 Provisions Relating to Certificate Insurance. Notwithstanding anything to the contrary herein, the following provisions shall govern with respect to the Insurer and the Insurance Policy so long as the Insurer is not then in default under the Insurance Policy:

Section 14.14 Interested Parties.

(A) The Insurer as Third Party Beneficiary. The Insurer is hereby deemed a third party beneficiary of this Trust Agreement.

(B) Parties Interested Herein. Nothing in this Trust Agreement expressed or implied is intended or shall be construed to confer upon, or to give grant to any person or entity, other than the District, the Trustee, the Insurer and the Owners of the Certificates, any right, remedy or claim under or by reason of this Trust Agreement or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Trust Agreement contained by and on behalf of the District shall be for the sole and exclusive benefit of the District, the Corporation, the Trustee, the Insurer and the registered owners of the Certificates.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date and year first above written.

ZIONS BANCORPORATION, NATIONAL
ASSOCIATION,
as Trustee

By: _____
[Title]

PUBLIC PROPERTY FINANCING CORPORATION OF
CALIFORNIA

By: _____
[Title]

WILLOWS UNIFIED SCHOOL DISTRICT

By: _____
[Title]

EXHIBIT A

FORM OF CERTIFICATE OF PARTICIPATION

R-___

\$_____

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AS DEFINED IN THE TRUST AGREEMENT) TO THE TRUSTEE FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

**UNITED STATES OF AMERICA
STATE OF CALIFORNIA
COUNTY OF GLENN**

**WILLOWS UNIFIED SCHOOL DISTRICT
(GLENN COUNTY, CALIFORNIA)
2023 CERTIFICATE OF PARTICIPATION**

**Evidencing the Fractional Interest of the Owner Hereof
In Lease Payments to be Made by
WILLOWS UNIFIED SCHOOL DISTRICT
As rental for a certain property
Pursuant to a Lease Agreement with the
PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA**

Interest Rate	Maturity Date	Dated Date	CUSIP
_____%	_____	_____	_____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____ DOLLARS

THIS IS TO CERTIFY THAT the registered owner named above, or registered assigns, as the registered owner (the "Registered Owner") of this Certificate of Participation (the "Certificate") is the owner of a fractional and undivided interest in the right to receive certain Lease Payments and Prepayments thereof under and as defined in that certain Lease Agreement, dated as of _____ 1, 2023 (the "Lease"), by and between the PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the "Corporation") and the WILLOWS UNIFIED SCHOOL DISTRICT, a school district organized and existing under and by virtue of the laws and Constitution of the State of California (the "District"), which Lease Payments and Prepayments and certain other rights and interests

under the Lease have been assigned to ZIONS BANCORPORATION, NATIONAL ASSOCIATION as trustee (the "Trustee") under a Trust Agreement, dated as of _____ 1, 2023 (the "Trust Agreement"), by and among the Trustee, the Corporation and the District, having a corporate trust office in Los Angeles, California.

The Registered Owner of this Certificate is entitled to receive, subject to the terms of the Lease, on the Maturity Date specified above, the Principal Amount specified above, representing a portion of the Lease Payments designated as principal coming due during the preceding twelve months, and to receive on February 1, 2024, and semiannually thereafter on August 1 and February 1 of each year (the "Payment Dates") until payment in full of the Principal Amount, the Registered Owner's portion of the Lease Payments designated as interest coming due during the six months immediately preceding each of the Payment Dates; provided that interest with respect hereto shall be payable from the Payment Date next preceding the date of execution of this Certificate (unless: (i) this Certificate is executed on a Payment Date in which event it should be payable from the date thereof; (ii) this Certificate is executed after the close of business on the fifteenth day of the month preceding a Payment Date (the "Record Date") and prior to the following Payment Date, in which event interest shall be payable from such Payment Date; or (iii) it is executed on or prior to January 15, 2024 in which event interest evidenced thereby shall be payable from the Dated Date specified above; provided however, that if, as of any date, interest has not been paid when due with respect to any Outstanding Certificate, interest evidenced thereby shall be payable from the Payment Date to which interest has previously been paid or made available for payment with respect to Outstanding Certificates). The portion of the Lease Payments designated as interest is computed on the basis of a 360-day year of twelve 30-day months and is the result of the multiplication of the aforesaid portion of the Lease Payments designated as principal by the rate per annum identified above. Said amounts are payable in lawful money of the United States of America. The amount representing principal payable at maturity or upon prepayment in whole or in part is payable to the Registered Owner upon presentation and surrender of this Certificate at the Principal Office. The amounts representing interest are payable by check mailed by the Trustee on each Payment Date by first class mail to the Registered Owner hereof as of the Record Date preceding the Payment Date at the Registered Owner's address as it appears on the registration books of the Trustee. Interest evidenced by any Certificates may, at the option of any Owner of Certificates in an aggregate principal amount of \$1,000,000 or more evidenced by the written request of such Owner to the Trustee, be paid to such Owner by wire transfer to the bank and account number on file with the Trustee as of the Record Date.

This Certificate is one of the \$_____ aggregate principal amount of Willows Unified School District (Glenn County, California) 2023 Certificates of Participation (the "Certificates") which have been executed and delivered by the Trustee pursuant to the terms of the Trust Agreement. The District is authorized to enter into the Lease and the Trust Agreement under the Constitution and laws of the State of California. Reference is hereby made to the Lease and the Trust Agreement (copies of which are on file at the Principal Office) for a description of the terms on which the Certificates are delivered, the rights thereunder of the Owners of the Certificates, the rights, duties and immunities of the Trustee and the rights and obligations of the District under the Lease, to all of the provisions of which Lease and Trust Agreement the Registered Owner of this Certificate, by acceptance hereof, assents and agrees.

The District is obligated to pay Lease Payments from any source of legally available funds, and the District has covenanted in the Lease to make the necessary annual appropriations therefor. The obligation of the District to pay the Lease Payments does not

constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation. The obligation of the District to pay Lease Payments does not constitute a debt of the District, the State of California or any of its political subdivisions within the meaning of any Constitutional or statutory debt limitation or restriction. The District's obligation to pay Lease Payments may be completely or partially abated during any period in which, by reason of material damage, destruction, title defect, or taking by eminent domain or condemnation there is substantial interference with the use and right of possession by the District of the Property. Failure of the District to pay Lease Payments during any such period shall not constitute a default under the Lease, the Trust Agreement or this Certificate.

To the extent and in the manner permitted by the terms of the Trust Agreement, the provisions of the Trust Agreement may be amended by the parties thereto with the written consent of the Owners of at least a majority in aggregate principal amount of the Certificates then Outstanding, and may be amended, without the consent of the Owners under certain circumstances, but in no event such that the interests of the Owners of the Certificates are adversely affected. No such modification or amendment shall: (i) extend or have the effect of extending the fixed maturity of any Certificate or reducing the interest rate with respect thereto or extending the time of payment of interest, or reducing the amount of principal thereof or reducing any premium payable upon the prepayment thereof, or diminish the security afforded by the Insurance Policy, without the express consent of the Owner of such Certificate and the Insurer as and to the extent described in the Trust Agreement; or (ii) reduce or have the effect of reducing the percentage of Certificates required for the affirmative vote or written consent to an amendment or modification of the Trust Agreement; (iii) modify any of the rights or obligations of the Trustee without its written assent thereto; or (iv) amend the section of the Trust Agreement dealing with permitted amendments thereof without the prior written consent of the Owners of all Certificates and the Insurer as and to the extent described in the Trust Agreement.

This Certificate is transferable by the Registered Owner hereof, in person or by his duly authorized attorney, at the Principal Office, but only in the manner, subject to the limitations and upon payment of the charges provided in the Trust Agreement and upon surrender and cancellation of this Certificate. Upon such transfer a new Certificate or Certificates, of an authorized denomination or denominations, for the same aggregate principal amount, maturity and interest rate, will be delivered to the transferee. This Certificate also may be exchanged for a like aggregate principal amount of Certificates of other authorized denominations as prescribed in the Trust Agreement. The District, the Corporation and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes whether or not this Certificate shall be overdue, and the District, the Corporation and the Trustee shall not be affected by any notice to the contrary.

The Trustee shall not be required to transfer any Certificate selected for prepayment or be required to transfer any Certificate during the period in which the Trustee is selecting Certificates for prepayment.

The Certificates are subject to prepayment as provided in the Certificate Purchase Agreement, by and between the District and _____, dated _____, 2023.

The District has certified that all acts, conditions and things required by the laws of the State of California and 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, and that the amount of this Certificate, together with all other Certificates executed and delivered under the Trust Agreement, is not in excess of the amount of Certificates authorized to be executed and delivered thereunder.

Terms used herein which are not otherwise defined shall have the respective meanings assigned thereto in the Trust Agreement.

The Trustee has no obligation or liability to the Registered Owner of this Certificate to make payments of principal or interest evidenced by this Certificate except from Lease Payments paid to the Trustee and from the various funds and accounts established under the Trust Agreement. The Trust Agreement provides that the recitals of facts, covenants and agreements in this Certificate shall be taken as statements, covenants and agreements of the District, and the Trustee assumes no responsibility for the correctness of the same. The Trustee has executed this Certificate solely in its capacity as Trustee under the Trust Agreement and not in its individual or personal capacity.

IN WITNESS WHEREOF, this Certificate has been executed and delivered by Zions Bancorporation, National Association, as Trustee, acting pursuant to the Trust Agreement.

Date of Execution: _____, 2023 ZIONS BANCORPORATION, NATIONAL
ASSOCIATION, Trustee

By: _____
Authorized Signatory

FORM OF ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

(print or typewrite name, address, including postal zip code,
and social security or other identifying number of Transferee)

the within Certificate and all rights thereunder, and hereby irrevocably constitutes and appoints

to transfer the within Certificate on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed

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

NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within Certificate in every particular, without alteration or enlargement or any change whatever.

STATEMENT OF INSURANCE

[To come]

EXHIBIT B-1

FORM OF WRITTEN DELIVERY COST REQUISITION

Zions Bancorporation, National Association
550 South Hope Street, Suite 2875
Los Angeles, California 90071
Attention: Corporate Trust Department

RE: Disbursement from the Delivery Cost Fund pursuant to Section 3.04 of the Trust Agreement related to the Willows Unified School District (Glenn County, California) 2023 Certificates of Participation, dated as of _____, 2023 (the "Agreement"), by and among, ZIONS BANCORPORATION, NATIONAL ASSOCIATION, as trustee (the "Trustee"), PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA (the "Corporation") and the WILLOWS UNIFIED SCHOOL DISTRICT (the "District").

REQUISITION NO. _____

You are hereby instructed to pay to the District, or to _____ at _____ \$_____ as a Delivery Cost from the Delivery Cost Fund as provided in Section 3.04 of the Trust Agreement. This Delivery Cost has been properly incurred, is a proper charge against the Delivery Cost Fund and has not been the basis of any previous disbursements.

The amount remaining in the Delivery Cost Fund, together with interest earnings on the Delivery Cost Fund plus investment earnings will, after payment of the amount set forth in this requisition, be sufficient to pay all remaining Delivery Costs as presently estimated.

Very truly yours,

[form only; no signature required]_____

District Representative

EXHIBIT B-2

FORM OF WRITTEN PROJECT COST REQUISITION

Zions Bancorporation, National Association
550 South Hope Street, Suite 2875
Los Angeles, California 90071
Attention: Corporate Trust Department

RE: Disbursement from the Project Fund pursuant to Section 3.03 of the Trust Agreement related to the Willows Unified School District (Glenn County, California) 2023 Certificates of Participation, dated as of _____, 2023 (the "Agreement"), by and among ZIONS BANCORPORATION, NATIONAL ASSOCIATION, as trustee (the "Trustee"), PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA (the "Corporation") and the WILLOWS UNIFIED SCHOOL DISTRICT (the "District")

REQUISITION NO. _____

You are hereby instructed to pay to the District, or to the payee(s) listed in Exhibit A hereto, the amount(s) set forth in Exhibit A as a Project Cost from the Project Fund as provided in Section 3.03 of the Agreement. This Project Cost has been properly incurred, is a proper charge against the Project Fund and has not been the basis of any previous disbursements.

Very truly yours,

[form only; no signature required]_____

District Representative

EXHIBIT A TO EXHIBIT B-2

<u>Payee</u>	<u>Description</u>	<u>Amount</u>

RECORDING REQUESTED BY:

Willows Unified School District

AND WHEN RECORDED MAIL TO:

Dannis Woliver Kelley
200 California Street, 4th Floor
San Francisco, CA 94111
Attn: Jocelyn Pietsch, Esq.

[Space above for Recorder's use.]

This document is recorded for the benefit of the Willows Unified School District and recording is fee-exempt under § 27383 of the Government Code.

SITE LEASE

by and between

WILLOWS UNIFIED SCHOOL DISTRICT

and

PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA

Dated as of _____1, 2023

Relating to

\$ _____

WILLOWS UNIFIED SCHOOL DISTRICT
(GLENN COUNTY, CALIFORNIA)
2023 CERTIFICATES OF PARTICIPATION

SITE LEASE

This SITE LEASE, executed and entered into as of _____ 1, 2023, by and between the WILLOWS UNIFIED SCHOOL DISTRICT, a school district duly organized and existing under and by virtue of the Constitution and laws of the State of California which acquired title to the Property and is also known as Willows Unified School District of Glenn County, California (the "District"), and the PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA, a nonprofit public benefit corporation duly organized and existing under and by virtue of the laws of the State of California (the "Corporation");

W I T N E S S E T H:

WHEREAS, the Corporation is entering into this Site Lease (the "Site Lease") with the District for the purpose of having the District lease the real property and improvements described in Exhibit A attached hereto and incorporated herein by reference (the "Property"), to the Corporation; and

WHEREAS, the Corporation intends to lease back the Property to the District pursuant to a Lease Agreement to be executed and entered into as of the date hereof and recorded concurrently herewith (the "Lease"); and

WHEREAS, by resolutions duly adopted by their respective governing boards, the District and the Corporation have authorized the execution of this Site Lease, and agreed to delivery of this Site Lease upon performance and compliance by each party with all terms or conditions of this contract to be performed concurrently herewith, including without limitation the delivery of certain certificates of participation designated Willows Unified School District (Glenn County, California) 2023 Certificates of Participation (the "Certificates") executed and delivered pursuant to a Trust Agreement, dated as of the date hereof (the "Trust Agreement"), by and among the District, the Corporation and Zions Bancorporation, National Association, as trustee (the "Trustee"); 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 Site 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 Site Lease;

NOW, THEREFORE, IN CONSIDERATION OF THE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER VALUABLE CONSIDERATION, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

Section 1. Definitions. All terms not otherwise defined herein shall have the definitions given such terms in the Trust Agreement or the Lease.

Section 2. The Property. The District hereby leases the Property to the Corporation and the Corporation hereby leases the Property from the District, on the terms and conditions hereinafter set forth.

Section 3. Term. The term of this Site Lease shall commence as of the date of execution and delivery of the Certificates, which shall be _____, 2023, and shall remain in effect until the last day of the Term (as defined in the Lease); provided, however, that in the event of a default by the District under the Lease and the Corporation's election to

terminate the Lease under Section 9.2(b) thereof, the term of this Site Lease shall not terminate until the earlier of such time as all amounts payable by the District under the Lease and the Trust Agreement, including, without limitation, all amounts owing to the Insurer and the Reserve Insurer, have been paid in full or August 1, 2053.

Section 4. Rental. The Corporation, and any assignee or successor in interest of the Corporation under this Site Lease, shall pay to the Trustee on behalf of the District as prepayment of rental hereunder the sum of \$_____, representing the net proceeds of the sale of the Certificates, by causing a portion of such amount to be deposited to the Project Fund and the Delivery Cost Fund, as described in the Trust Agreement, and a portion of such amount to be paid directly to the Insurer as the premiums on the Policy and the Reserve Policy.

Section 5. Purpose. The Corporation shall use the Property solely for the purpose of leasing back such Property to the District or others pursuant to the Lease and for such purposes as may be incidental thereto; provided, that in the event of default by the District under the Lease or termination pursuant thereto, the Corporation may exercise the remedies of repossession and re-leasing of the Property, as provided in the Lease.

Section 6. Interest in Property. The District warrants and covenants that it has sufficient interest in the Property to lease it hereunder. In the event of a title defect in the Property that impairs the right to use and occupy the Property, the District covenants that it will exercise its condemnation powers to the extent permitted by law to obtain the necessary rights in the Property to cure such defect and limitation of the right to use and occupancy.

Section 7. Assignments and Subleases. The District acknowledges and affirms the assignment by the Corporation of its rights under this Site Lease to the Trustee, under the terms of the Assignment Agreement dated as of the date hereof and recorded concurrently herewith, for the benefit of the Owners of the Certificates and any Additional Certificates. This Site Lease may also be assigned and the Property subleased, as a whole or in part, by the Corporation or the Trustee without necessity of obtaining the consent of the District, if any event of default occurs under the Lease.

Section 8. Termination. The Corporation agrees, upon the termination of this Site Lease, to quit and surrender the Property in the same good order and condition as the same was in at the time of commencement of the term hereunder, reasonable wear and tear excepted, and agrees that any permanent improvements and structures existing upon the Property at the time of the termination of this Site Lease shall remain thereon and title thereto shall vest in the District.

Section 9. Quiet Enjoyment. The Corporation at all times during the term of this Site Lease shall peaceably and quietly have, hold and enjoy all of the Property.

Section 10. Default. In the event the Corporation shall be in default in the performance of any obligation on its part to be performed under the terms of this Site Lease, which default continues for 30 days following the District's written notice to and demand for correction thereof by the Corporation, the District may exercise any and all remedies granted by law; provided, however, that (i) in no event shall the District be permitted to terminate this Site Lease and (ii) no merger of this Site Lease and the Lease shall be deemed to occur as a result of the District's exercise of any remedies hereunder.

Section 11. Taxes. Subject to the provisions of Section 7.7 of the Lease, 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 12. Eminent Domain. In the event the whole or any part of the Property is taken by eminent domain proceedings, the interest of the Corporation shall be recognized and is hereby determined to be the amount of unpaid Lease Payments, Reserve Replenishment Rent and all Additional Payments due the Corporation under the Lease.

Section 13. Partial Invalidity. If any one or more of the terms, provisions, covenants or conditions of this Site Lease shall to any extent be declared invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, the finding or order or decree of which becomes final, none of the remaining terms, provisions, covenants and conditions of this Site Lease shall be affected thereby, and each provision of this Site Lease shall be valid and enforceable to the fullest extent permitted by law.

Section 14. Applicable Law. This Site Lease shall be governed by and construed in accordance with the laws of the State of California.

Section 15. Representatives. Whenever under the provisions of this Site Lease the approval of the Corporation or the District is required, or the Corporation or the District is required to take some action at the request of the other, such approval or such request shall be given for the District by the Superintendent or the Director of Business Services as representative, or his or her written designee as representative, and for the Corporation by its Chairman or Secretary, as representative, or his or her written designee as representative, and any party hereto shall be authorized to rely upon any such approval or request.

Section 16. Captions. The captions or headings in this Site Lease are for convenience only and in no way define, limit or describe the scope or intent of any provision or Section of this Site Lease.

Section 17. Execution in Counterparts. This Site Lease may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which shall constitute but one and the same instrument.

Section 18. Amendments. This Site Lease may be amended, modified or supplemented in writing as may be mutually agreed by the District, the Corporation and the Insurer (with notice to the Trustee); provided, however, that, if Certificates or Additional Certificates have been executed and delivered and are Outstanding, no such amendment which materially adversely affects the rights of the Owners of the Certificates or Additional Certificates shall be effective unless it shall have been consented to by the Trustee and the Owners of a majority in aggregate principal amount of the Certificates and Additional Certificates then Outstanding.

Section 19. Warranties of the District as to the Property. The District represents, covenants and warrants to the Corporation and the Insurer:

(a) That 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 for the financing as contemplated by the Lease;

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

(c) That the Property is necessary to the District in order for the District to perform its governmental functions;

(d) That the Property is properly zoned for its intended purposes;

(e) That it has good and indefeasible marketable fee simple to the real property and all building, property and improvements comprising the Property; and

(f) That it will hold and maintain clean and marketable title to all of the Property during the term of this Site Lease and if necessary, to maintain clear and marketable title to the Property, shall take all actions necessary, including eminent domain or condemnation proceedings, to ensure that title to the Property is clear and marketable.

Section 20. Insurer Consent to Amendment. Any amendment, supplement, modification to, or waiver of, this Site Lease shall be subject to the prior written consent of the Insurer.

Section 21. Further Assurances and Corrective Instruments. The Corporation and the District 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 Site Lease.

Section 22. Insurer and Trustee as Third-Party Beneficiaries. Each of the Insurer and the Trustee shall be recognized as being a third-party beneficiary under this Site Lease and may enforce any right, remedy or claim conferred upon, given or granted hereunder.

Section 23. Extension of Term. The term of this Site Lease shall extend at least 10 years beyond the final maturity date of the Certificates. No termination, assignment (other than to the Trustee in accordance with the Trust Agreement and Assignment Agreement), transfer, release, disposition or sublease of this Site Lease, the Property or any portion thereof shall be permitted without the prior written consent of the Insurer.

Section 24. Insurer Provisions Control. The foregoing insurer provisions shall control and supersede any conflicting or inconsistent provisions in this Site Lease.

Section 25. No Termination. No termination, assignment (other than to the Trustee in accordance with the Assignment Agreement), transfer, release, disposition or sublease of this Site Lease, the Property or any portion thereof shall be permitted without the prior written consent of the Insurer (and with notice to the Trustee).

Section 26. Title. The District represents, warrants and covenants that it has good and indefeasible marketable fee simple title to the Property and all building, property and improvements comprising the Property. The District covenants and agrees to hold and maintain clean and marketable title to the Property during the term of this Site Lease.

IN WITNESS WHEREOF, the parties have caused this Site Lease to be executed by their duly authorized officers as of the date and year first above written.

WILLOWS UNIFIED SCHOOL DISTRICT,
as lessor

By: _____
[Name]
[Title]

PUBLIC PROPERTY FINANCING CORPORATION OF
CALIFORNIA,
as lessee

By: _____
[Name]
[Title]

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

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)

COUNTY OF _____)

) ss.

On May, 2023, before me, _____,

Date

Name and Title of Officer (e.g. "Jane Doe, Notary Public")

personally appeared _____,

Name of Signer

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 paragraphs is true and correct.

WITNESS my hand and official seal.

Place Notary Seal Above

Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form.

CAPACITY(IES) CLAIMED BY SIGNER(S)

DESCRIPTION OF ATTACHED DOCUMENT

- ☐ Individual
☐ Corporate Officer

- ☐ Partner ☐ Limited
☐ General
☐ Attorney-In-Fact
☐ Trustee
☐ Guardian/Conservator
☐ Other: _____

Signer is Representing:
Name of Person or Entity(ies)

Title or Type of Document

Number of Pages

Date of Document

Signer Other Than Named Above

EXHIBIT A

DESCRIPTION OF THE PROPERTY

The land referred to herein is situated in the State of California, County of Glenn, known as the Willows High School campus (with a street address of 203 N. Murdock Avenue, Willows, California 95988) and described as follows:

RECORDING REQUESTED BY:

Willows Unified School District

AND WHEN RECORDED MAIL TO:

Dannis Woliver Kelley
200 California Street, 4th Floor
San Francisco, CA 94111
Attn: Jocelyn Pietsch, Esq.

[Space above for Recorder's use.]

This document is recorded for the benefit of the Willows Unified School District and recording is fee-exempt under § 27383 of the Government Code.

LEASE AGREEMENT

Dated as of _____1, 2023

between

PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA,
as Corporation

and

WILLOWS UNIFIED SCHOOL DISTRICT,
as District

Relating to

\$_____

WILLOWS UNIFIED SCHOOL DISTRICT
(GLENN COUNTY, CALIFORNIA)
2023 CERTIFICATES OF PARTICIPATION

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LEASE AGREEMENT

THIS LEASE AGREEMENT, dated as of _____ 1, 2023 is by and between the PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California, including without limitation Section 5110 *et seq.* of the Corporations Code of the State of California, as lessor (the "Corporation"), and the WILLOWS UNIFIED SCHOOL DISTRICT, a school district duly organized and existing under the Constitution and laws of said State, as lessee (the "District"):

WITNESSETH:

WHEREAS, the District may enter into leases and agreements relating to real property and facilities and improvements to be used by the District; and

WHEREAS, the Corporation and the District wish to provide financing for the acquisition, construction and installation of certain capital improvements, all as described in Exhibit C hereto (collectively, the "Project") by entering into this Lease Agreement (the "Lease") and authorizing and directing the execution and delivery of Certificates of Participation designated Willows Unified School District (Glenn County, California) 2023 Certificates of Participation (the "Certificates"), pursuant to a Trust Agreement, dated as of the date hereof (the "Trust Agreement"), by and among the District, the Corporation and Zions Bancorporation, National Association, as trustee, evidencing proportionate interests in Lease Payments (as defined in the Trust Agreement, the "Lease Payments") to be made by the District under this Lease; and

WHEREAS, the District has entered into a Site Lease of even date herewith which is recorded concurrently herewith (the "Site Lease") with the Corporation under which the District has agreed to lease the real property and improvements described in Exhibit B hereto which is incorporated herein by reference (the "Property") to the Corporation, and which Site Lease provides that the title to the Property shall vest in the District at the expiration of the Site Lease (as provided in Section 8 thereof), and contains other terms and conditions as the governing board of the District deems to be in the best interest of the District; 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 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;

NOW, THEREFORE, in consideration of the above premises and of the mutual covenants hereinafter contained and for other good and valuable consideration, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS AND EXHIBITS

Section 1.1 Definitions and Rules of Construction. Unless the context otherwise requires, the capitalized terms used herein shall, for all purposes of this Lease, have the meanings specified in the Trust Agreement, together with any amendments thereof or

supplements thereto permitted to be made thereunder; and the additional terms defined in this Section shall, for all purposes of this Lease, have the meanings herein specified. Unless the context otherwise indicates, words importing the singular number shall include the plural number and vice versa. The terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms, as used in this Lease, refer to this Lease as a whole.

"Asbestos Containing Materials" shall mean material in friable form containing more than one percent (1%) of the asbestiform varieties of (a) chrysotile (serpentine); (b) crocidolite (ricbeckite); (c) amosite (cummington-itegrinerite); (d) anthophyllite; (e) tremolite; and (f) actinolite.

"Environmental Regulations" shall mean all federal, state and local 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.

"Interest Component" means the portion of the Lease Payments designated in Exhibit A hereto as the Interest Component.

"Permitted Encumbrances" means, as of any particular time: (i) liens for general ad valorem taxes and assessments, if any, or which the District may, pursuant to provisions of Section 7.7 hereof, permit to remain unpaid; (ii) the Assignment Agreement; (iii) this Lease; (iv) the Site Lease; (v) any contested right or claim of any mechanic, laborer, materialman, supplier or vendor filed or perfected in the manner prescribed by law to the extent permitted under Section 7.8(b) hereof; (vi) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the Closing Date and which the District hereby certifies will not materially impair the use of the Property by the District; and (vii) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions established following the date of recordation of this Lease and to which the District certifies in writing do not affect the intended use of the Property or impair the security granted to the Trustee for the benefit of the owners of the Certificates by the Trust Agreement and the Assignment Agreement and to which the Corporation and the Insurer consent in writing.

"Principal Component" means the portion of the Lease Payments designated in Exhibit A hereto as the Principal Component.

"Project" means the Project described in Exhibit C hereto to be financed with the proceeds of the Certificates, and any and all substitutions or additions thereto made as provided in Section 3.4 hereof.

"Property" shall have the meaning given in the Recitals.

"Reserve Replenishment Rent" means Reserve Replenishment Rent payable pursuant to Section 4.4(d) hereof.

"Term" shall have the meaning given in Section 4.2 hereof.

"Vendors" or "Contractors" means the persons with whom the Corporation, or the District as agent of the Corporation, has contracted for the completion of the Project.

Section 1.2 Exhibits. The following Exhibits are attached to, and by reference made a part of, this Lease:

Exhibit A: Schedule of Lease Payments to be paid by the District to the Corporation, showing the dates for each Lease Payment and amount of each Lease Payment.

Exhibit B: Legal Description of the Real Property.

Exhibit C: General Description of the Project.

Exhibit D: Lease Supplement Form.

Exhibit E: Form of Certificate of Addition of Project Component.

ARTICLE II

REPRESENTATIONS, COVENANTS AND WARRANTIES

Section 2.1 Representations, Covenants and Warranties of the District. The District represents, covenants and warrants to the Corporation and the insurer as follows:

(a) Due Organization and Existence. The District is a school district duly organized and existing under the Constitution and laws of the State.

(b) Authorization; Enforceability. The Constitution and laws of the State authorize the District to enter into this Lease, the Site Lease, the Trust Agreement and the Continuing Disclosure Certificate, and to enter into the transactions contemplated by, and to carry out its obligations under, all of the aforesaid leases and agreements; the District has duly authorized and executed all of the aforesaid leases and agreements. This Lease, the Site Lease, the Trust Agreement and the Continuing Disclosure Certificate constitute the legal, valid and binding obligations of the District enforceable in accordance with their respective terms, except to the extent limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles affecting the rights of creditors generally.

(c) No Conflicts or Default; No Liens or Encumbrances. Neither the execution and delivery of this Lease, the Site Lease, the Continuing Disclosure Certificate or the Trust Agreement, nor the fulfillment of or compliance with the terms and conditions hereof or thereof, nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the District is now a party or by which the District is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the

property or assets of the District, or upon the Property except for Permitted Encumbrances and the pledges contained in the Trust Agreement.

(d) Execution and Delivery. The District has duly authorized and executed this Lease, the Site Lease, the Continuing Disclosure Certificate and the Trust Agreement in accordance with the Constitution and laws of the State.

(e) Indemnification of Corporation. The District covenants to defend, indemnify and hold harmless the Corporation and its directors, officers, employees, agents, successors and assigns (collectively, the "Indemnified Party") against any and all losses, claims, damages or liabilities, joint or several, including fees and expenses incurred in connection therewith, to which such Indemnified Party may become subject under any statute or at law or in equity or otherwise in connection with the transactions contemplated by this Lease, and shall reimburse any such Indemnified Party for any legal or other expenses incurred by it in connection with investigating any claims against it and defending any actions, insofar as such losses, claims, damages, liabilities or actions arise out of the transactions contemplated by this Lease. In particular, without limitation, the District shall and hereby agrees to indemnify and save the Indemnified Party harmless from and against all claims, losses and damages, including legal fees and expenses, arising out of (i) the use, maintenance, condition or management of, or from any work or thing done on the Project or the Property by the District, (ii) any breach or default on the part of the District in the performance of any of its obligations under this Lease, (iii) any act of negligence of the District or of any of its agents, contractors, servants, employees or licensees with respect to the Project or the Property, (iv) any act of negligence of any assignee or sublessee of the District with respect to the Project or the Property, or (v) the completion of the Project or the authorization of payment of the Project Costs by the District. No indemnification is made under this Section or elsewhere in this Lease for claims, losses or damages, including legal fees and expenses arising out of the willful misconduct or negligence under this Lease by the Corporation, its directors, officers, agents, employees, successors or assigns.

(f) General Tax and Arbitrage Covenant. The District hereby covenants that, notwithstanding any other provision of this Lease, it shall not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the Interest Component evidenced by the Certificates under Section 103 of the Code. The District shall not, directly or indirectly, use or permit the use of proceeds of the Certificates, or any portion thereof, by any person other than a governmental unit (as such term is used in Section 141 of the Code), in such manner or to such extent as would result in the loss of exclusion from gross income for federal income tax purposes of the Interest Component evidenced by the Certificates.

The District shall not take any action, or fail to take any action, if any such action or failure to take action would cause the Lease Payments evidenced by Certificates to be "private activity bonds" within the meaning of Section 141 of the Code, and in furtherance thereof, shall not make any use of the proceeds of the Certificates, or any portion thereof, or any other funds of the District, that would cause the Lease Payments evidenced by Certificates to be "private activity bonds" within the meaning of Section 141 of the Code. To that end, so long as any Certificates are outstanding, the District, with respect to such proceeds and such other funds, will comply with applicable requirements of the Code and all regulations of the United States Department of the Treasury issued thereunder and under Section 103 of the Code, to the extent such requirements are, at the time, applicable and in effect.

The District shall not, directly or indirectly, use or permit the use of any proceeds of any Certificates, or other funds of the District, or take or omit to take any action, that would

cause the Lease Payments evidenced by Certificates to be "arbitrage bonds" within the meaning of Section 148 of the Code. To that end, the District shall comply with all requirements of Section 148 of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent such requirements are, at the time, in effect and applicable to the Lease Payments evidenced by Certificates.

The District shall not make any use of the proceeds of the Certificates or any other funds of the District, or take or omit to take any other action, that would cause the Lease Payments evidenced by Certificates to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

(g) Essentiality of Property. The District hereby represents that the components of the Property being leased hereunder are essential school district facilities.

(h) Flood Zone. [To the best knowledge of the District, no part of the Property is located in the FEMA 100 year flood plain.]

(h) Fire Zone. [To the best knowledge of the District, the Property is not located in a "very high" fire severity zone, as such zone is designated and currently adopted by the California Department of Forestry and Fire Protection of the California Natural Resources Agency ("CAL FIRE").]

Section 2.2 Representations, Covenants and Warranties of the Corporation. The Corporation represents, covenants and warrants to the District and the Insurer as follows:

(a) Due Organization and Existence; Enforceability. The Corporation is a nonprofit public benefit corporation duly organized, existing and in good standing under and by virtue of the laws of the State, has the power to enter into this Lease, the Assignment Agreement, the Site Lease and the Trust Agreement; is possessed of full power to own and hold real and personal property, and to lease and sell the same; and has duly authorized the execution and delivery of all of the aforesaid leases and agreements. This Lease, the Assignment Agreement, the Site Lease and the Trust Agreement constitute the legal, valid and binding obligations of the Corporation, enforceable in accordance with their respective terms, except to the extent limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles affecting the rights of creditors generally.

(b) No Conflicts or Defaults; No Liens or Encumbrances. Neither the execution and delivery of this Lease, the Assignment Agreement, the Site Lease or the Trust Agreement, nor the fulfillment of or compliance with the terms and conditions hereof or thereof, nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a breach of the terms, conditions or provisions of the Articles of Incorporation or Bylaws of the Corporation or any restriction or any agreement or instrument to which the Corporation is now a party or by which the Corporation is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of the Corporation, or upon the Property except by Permitted Encumbrances and by the pledge contained in the Trust Agreement.

(c) Execution and Delivery. The Corporation has duly authorized and executed this Lease, the Assignment Agreement, the Site Lease and the Trust Agreement in accordance with the laws of the State.

(d) Maintenance of Corporate Existence. To the extent permitted by law, the Corporation agrees that during the Term hereof it will maintain its existence as a corporation, will not dissolve or otherwise dispose of all or substantially all of its assets, if any, will not become a general or limited partner in any partnership and will not combine or consolidate with or merge into any other entity or permit one or more other entities to consolidate with or merge into it.

(e) Qualification in California. The Corporation agrees that throughout the Term hereof it will be qualified to do business in the State.

(f) General Tax and Arbitrage Covenant. To the extent that the Corporation may control the proceeds of the Certificates, the Corporation covenants that, notwithstanding any other provision of this Lease, it shall not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the Interest Component evidenced by the Certificates under Section 103 of the Code. To the extent that the Corporation the proceeds of the Certificates, the Corporation shall not, directly or indirectly, use or permit the use of proceeds of the Certificates, or any portion thereof, by any person other than a governmental unit (as such term is used in Section 141 of the Code), in such manner or to such extent as would result in the loss of exclusion from gross income for federal income tax purposes of the Interest Component evidenced by the Certificates.

To the extent that the Corporation may control the proceeds of the Certificates, the Corporation shall not take any action, or fail to take any action, if any such action or failure to take action would cause the Lease Payments evidenced by Certificates to be "private activity bonds" within the meaning of Section 141 of the Code. In furtherance thereof, to the extent that the Corporation may control the proceeds of the Certificates, the Corporation shall not make any use of the proceeds of the Certificates, or any portion thereof, or any other funds of the District, that would cause the Lease Payments evidenced by Certificates to be "private activity bonds" within the meaning of Section 141 of the Code. To that end, so long as any Certificates evidencing Lease Payments are outstanding, the Corporation, with respect to such proceeds and such other funds, to the extent of its control thereof, will comply with applicable requirements of the Code and all regulations of the United States Department of the Treasury issued thereunder and under Section 103 of the Code, to the extent such requirements are, at the time, applicable and in effect.

To the extent that the Corporation may control the proceeds of the Certificates, the Corporation shall not, directly or indirectly, use or permit the use of any proceeds of any Certificates, or other funds of the District, or take or omit to take any action, that would cause the Lease Payments evidenced by Certificates to be "arbitrage bonds" within the meaning of Section 148 of the Code. To that end, the Corporation shall comply with all requirements of Section 148 of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent such requirements are, at the time, in effect and applicable to the Lease Payments evidenced by Certificates.

To the extent that the Corporation may control the proceeds of the Certificates, the Corporation shall not make any use of the proceeds of the Certificates or any other funds of the Corporation, or take or omit to take any other action, that would cause the Lease Payments evidenced by Certificates to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

(g) Not a Municipal Advisor. The Corporation represents and warrants that it is not acting as a "Municipal Advisor", as such term is defined in Section 15B of the

Securities and Exchange Act of 1934, as amended, and the related final rules, or otherwise serving as an agent or fiduciary of the District.

ARTICLE III

ACQUISITION, CONSTRUCTION AND INSTALLATION OF THE PROJECT

Section 3.1 Deposit of Certificate Proceeds. On the Closing Date for the Certificates, the Corporation agrees to pay or cause to be paid to the District moneys to be deposited with the Trustee as provided in Section 2.07 of the Trust Agreement and in the case of Additional Certificates as provided in any Supplemental Trust Agreement which relates to such Additional Certificates.

Section 3.2 Payment of Project Costs and Delivery Costs. Payment of the Project Costs and Delivery Costs shall be made from the moneys deposited with the Trustee in the Project Fund and the Delivery Cost Fund, respectively, as provided in Section 3.1 hereof and Section 2.07 of the Trust Agreement, which shall be disbursed in accordance and upon compliance with Article III of the Trust Agreement.

Section 3.3 Completion Certification. Upon completion of the Project in a manner satisfactory to the District, the District shall deliver to the Trustee a Certificate of Completion with respect to the Project. On the date of filing the Certificate of Completion, as indicated therein, all or a portion of the excess moneys remaining in the Project Fund shall be transferred by the Trustee in accordance with Section 3.05 of the Trust Agreement.

Section 3.4 Addition to the Project. The District shall have the right to provide for additional components of the Project by providing the Trustee with a written certificate in the form contained in Exhibit E hereto and so long as such addition does not cause, in and of itself, the Interest Component evidenced by the Certificates to be included in gross income for federal income tax purposes, as evidenced by an opinion of Special Counsel.

Section 3.5 Compliance with Law.

(a) Public Bidding. The District shall comply with all applicable provisions for bids and contracts prescribed by law, including, without limitation, the Public Contracts Code, the Education Code, and the Government Code of the State.

(b) Wage Rates and Working Hours. The District shall comply with all provisions relating to prevailing wage rates and working hours applicable to it under the laws of the State with respect to the acquisition, construction and installation of additions to the Project.

(c) Field Act Compliance. If applicable, the District shall acquire, construct and install additions to the Project in such manner as to comply with the Field Act, Sections 39140 *et seq.* of the Education Code of the State.

(d) Plans and Specifications. If applicable, the District shall prepare and adopt plans and specifications for the acquisition, construction and installation of additions to the Project pursuant to the Education Code and Public Contracts Code of the State.

Section 3.6 Further Assurances and Corrective Instruments. The Corporation and the District 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 Lease (with copies to the Trustee).

ARTICLE IV

AGREEMENT TO LEASE; TERM OF LEASE; LEASE PAYMENTS

Section 4.1 Lease. The Corporation hereby leases the Property to the District, and the District hereby leases the Property from the Corporation, upon the terms and conditions set forth herein. This Lease shall not operate as a merger of the District's leasehold estate in the Property pursuant to this Lease and its fee estate in the Property and shall not cause the extinguishment of the leasehold interest granted to the Corporation under the Site Lease.

Section 4.2 Term. The Term of this Lease shall commence on the date of the execution and delivery of the Certificates, which shall be _____, 2023, and shall end on August 1, 2043, unless extended pursuant to Section 4.3, or unless terminated prior thereto upon the earliest of any of the following events:

(a) Default and Termination. A default by the District and the Corporation's election to terminate this Lease under Section 9.2(b) hereof;

(b) Payment of All Lease Payments. The payment by the District of all Lease Payments and Reserve Replenishment Rent required under Section 4.4 hereof and any Additional Payments required under Section 4.11 hereof; or

(c) Prepayment. The deposit of funds or Defeasance Securities with the Trustee in amounts sufficient to pay all Lease Payments evidenced by the Outstanding Certificates as the same shall become due, as provided by Section 10.1 hereof and the Trust Agreement has been discharged as provided by Section 6.04 and Section 14.01 of the Trust Agreement.

Section 4.3 Extension of Lease Term. If on August 1, 2043, the Certificates shall not be fully paid, or amounts shall be due hereunder or under the Trust Agreement to the Insurer with respect to the Insurance Policy or to the Reserve Insurer with respect to the Reserve Policy, or if the Lease Payments hereunder shall have been abated at any time and for any reason, then the Term shall be extended until all Certificates, all Reserve Replenishment Rent and all other such amounts due to the Insurer and the Reserve Insurer shall be fully paid, except that the Term shall in no event be extended beyond August 1, 2053.

Section 4.4 Lease Payments.

(a) Time and Amount. Subject to the provisions of Section 4.10 (regarding abatement in event of loss of use of any portion of the Property) and Article X (regarding prepayment of Lease Payments), the District agrees to pay to the Corporation, its successors and assigns, as annual rental for the use and possession of the Property, the Lease Payments (denominated into the Interest Component and Principal Component, the Interest Component of each Lease Payment being paid semiannually) in the amounts specified in Exhibit A, to be due and payable at the times specified in Exhibit A. Each Lease Payment shall be deposited with the Trustee no later than the Lease Payment Deposit Date

preceding the Certificate Payment Date on which such Lease Payment is due and shall be for the right to use and occupy the Property for the preceding six-month period.

In the event the District does not make a deposit of the Lease Payment due on the respective Lease Payment Deposit Date, the Trustee shall provide prompt written notice to the District of such failure to pay; provided, however, that failure to give such notice shall not excuse any event of default under such Section 9.1 hereof.

(b) Credits. Any amount held in an Account of the Lease Payment Fund on any Lease Payment Deposit Date (other than amounts received by the Trustee under the Insurance Policy and the Reserve Policy, and other than amounts resulting from the prepayment of the Lease Payments in part but not in whole pursuant to Section 10.2 hereof and other amounts required for payment of principal with respect to any Certificates not presented for payment or interest thereon) shall be credited towards the applicable Lease Payment then due and payable. No Lease Payment need be made on any Lease Payment Deposit Date if the amounts then held in the Lease Payment Fund are at least equal to the Lease Payment then required to be paid.

(c) Rate on Overdue Payments. In the event the District should fail to make any of the Lease Payments required in this Section, the Lease Payment in default shall continue as an obligation of the District until the amount in default shall have been fully paid, and the District agrees to pay the same with interest thereon, to the extent permitted by law, from the date such amount was originally payable at the rate equal to the original interest rate payable with respect to each Certificate then Outstanding evidencing an interest in such Lease Payment, or the applicable rate of any Insurance Policy if there is a draw on such Insurance Policy provided that the rate on overdue payments with respect to draws on the Insurance Policy shall be equal to the overdue rates as set forth in Section 14.13 of the Trust Agreement.

(d) Reserve Replenishment Rent. If:

(i) funds have been withdrawn from the Reserve Fund pursuant to a draw on the Reserve Policy in order to pay interest or principal represented by the Certificates, and

(ii) Lease Payments are not in abatement pursuant to Section 4.10 hereof, and

(iii) the amount of such Lease Payments and Additional Payments due in each year is less than the annual fair rental value of the Property, according to an appraisal to be filed with the Trustee,

then the District shall pay from its first legally available moneys after payment of Lease Payments, to the Trustee, Reserve Replenishment Rent in the amount required to reimburse the Reserve Insurer for the amounts drawn on the Reserve Policy plus interest thereon at the Late Payment Rate as provided in Section 6.04 to the Trust Agreement to the date of payment over a period of not more than twelve months, in twelve (12) substantially equal payments; provided, however if such payments would cause the sum of the Lease Payments and the Reserve Replenishment Rent to exceed the fair rental value in a Fiscal Year, then the amount of the Reserve Replenishment Rent shall be reduced so that such fair rental value amount is not exceeded and the remainder of the Reserve Replenishment Rent shall be paid in equal monthly installments in the subsequent Fiscal Year until fully paid.

Section 4.5 No Withholding. Notwithstanding any dispute between the Corporation and the District, including a dispute as to the failure of any portion of the Property in use by or possession of the District to perform the task for which it is leased, the District shall make all Lease Payments, Additional Payments and Reserve Replenishment Rent when due and shall not withhold any Lease Payments, Reserve Replenishment Rent or Additional Payments pending the final resolution of such dispute.

Section 4.6 Fair Rental Value. The Lease Payments, the Reserve Replenishment Rent and the Additional Payments shall be paid by the District in consideration of the right of possession of, and the continued quiet use and enjoyment of, the Property during each such period for which said Lease Payments, Reserve Replenishment Rent and Additional Payments are to be paid. The parties hereto have agreed and determined that the total rental due in each Fiscal Year does not exceed the fair rental value of the Property in such Fiscal Year. In making such determination, consideration has been given to the cost of the acquisition, construction and modernization of the Property, other obligations of the parties under this Lease (including but not limited to costs of maintenance, taxes and insurance), the uses and purposes which may be served by the Property and the benefits therefrom which will accrue to the District and the general public, and the transfer of the Corporation's leasehold interest in the Property at the end of the Term.

Section 4.7 Budget and Appropriation. The District covenants to take such action as may be necessary to include all Lease Payments, Additional Payments and Reserve Replenishment Rent (to the extent the amounts of such Additional Payments and Reserve Replenishment Rent are known to the District at the time its annual budget is proposed) due hereunder in its annual budget and to make the necessary annual appropriations therefor, and to maintain such items to the extent unpaid for that Fiscal Year in its budget throughout such Fiscal Year. To the extent the amount of such payments becomes known after the adoption of the annual budget, such amounts shall be included and maintained in such budget as amended. During the Term, the District will furnish annually, on or before August 1 of each year, to the Trustee a certificate of the District Representative stating that all Lease Payments, Additional Payments and Reserve Replenishment Rent (to the extent the amounts of such Additional Payments and Reserve Replenishment Rent are known to the District at the time its annual budget is proposed) due hereunder for the applicable Fiscal Year have been included in its annual budget and the amount so included. The covenants on the part of the District contained in this Section 4.7 shall be deemed to be and shall be construed to be duties imposed by law and it shall be the ministerial 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 agreed to be carried out and performed by the District.

Section 4.8 Assignment of Lease Payments. Certain of the Corporation's rights under this Lease, including the right to receive and enforce payment of the Lease Payments, Prepayments and Reserve Replenishment Rent to be made by the District hereunder, have been absolutely and irrevocably assigned to the Trustee, subject to certain exceptions, pursuant to the Assignment Agreement which is recorded concurrently herewith, to which assignment the District hereby consents. The Corporation hereby directs the District, and the District hereby agrees, to pay to the Trustee at the Trustee's corporate trust office in Los Angeles, California, or to the Trustee at such other place as the Trustee shall direct in writing, all Lease Payments, Prepayments and Reserve Replenishment Rent payable by the District hereunder. The Corporation will not assign or pledge the Lease Payments, Prepayments or Reserve Replenishment Rent or other amounts derived from the Property and from its other rights under this Lease except as provided under the terms of this Lease,

the Assignment Agreement and the Trust Agreement, or its duties and obligations except as provided under this Lease and any assignment in contravention hereof shall be void.

Section 4.9 Use and Possession. The total Lease Payments, Reserve Replenishment Rent and Additional Payments due in any Fiscal Year shall be for the District's right to use and possess the Property for such Fiscal Year. During the Term of this Lease, the District shall be entitled to the exclusive use and possession of the Property, subject only to the Permitted Encumbrances.

Section 4.10 Abatement of Lease Payments and Additional Payments in Event of Loss of Use.

(a) Period. The obligation of the District to pay Lease Payments, Reserve Replenishment Rent and Additional Payments shall be abated, in whole or in part, during any period in which by reason of damage, destruction, title defect or taking by eminent domain or condemnation with respect to any portion of the Property there is substantial interference with the District's right to use and possession of such portion of the Property.

(b) Amount. The amount of such abatement shall be determined by the District such that the resulting Lease Payments, Reserve Replenishment Rent and Additional Payments represent fair consideration for the District's right to use and possession of the portion of the Property not damaged, destroyed, or interfered with as a result of title defect or taking. Such abatement shall commence with such damage, destruction or interference by title defect or taking and end with the substantial completion of the replacement or work or repair, or the end of the interference by title defect; provided, however, that during abatement, available moneys on deposit in the Reserve Fund and the Lease Payment Fund, and other sources of money that constitute a special fund, including without limitation proceeds of rental interruption or use and occupancy insurance, shall be applied to pay the Lease Payments.

(c) Repair or Replacement. In the event of such abatement, the District will use its best efforts to repair or replace the damaged or destroyed or taken portion of the Property, as the case may be, from Net Proceeds, subject to the requirements of Section 6.1 hereof, or special funds of the District or other moneys the application of which would, in the opinion of Special Counsel addressed to the Trustee, the Insurer, the District and the Corporation, not result in the obligations of the District hereunder constituting indebtedness of the District in contravention of the Constitution and laws of the State.

Section 4.11 Additional Payments. In addition to the Lease Payments and Reserve Replenishment Rent, the District shall also pay such amounts ("Additional Payments") as shall be required for the payment of all administrative costs of the Corporation relating to the Property or the Certificates, including without limitation all expenses, compensation and indemnification of the Trustee payable by the District under the Trust Agreement, taxes of any sort whatsoever payable by the Corporation as a result of its ownership of the Property or undertaking of the transactions contemplated herein or in the Trust Agreement, fees of auditors, accountants, attorneys or engineers, any and all amounts due to the Insurer (including amounts due to the Insurer pursuant to Section 14.13 of the Trust Agreement) and the Reserve Insurer under the Trust Agreement (other than amounts paid by the Insurer and the Reserve Insurer to Certificate Owners under the Policy and the Reserve Policy, which are considered Lease Payments or Reserve Replenishment Rent, as applicable, hereunder), and all other necessary 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 Certificates or of the Trust Agreement, including premiums on insurance maintained

pursuant to Article V hereof or to indemnify the Corporation, the Trustee and their respective employees, officers, agents and directors.

Section 4.12 Net-Net-Net Lease. This Lease shall be deemed and construed to be a "net-net-net lease" and the District hereby agrees that the Lease Payments shall be an absolute net return to the Corporation, free and clear of any expenses, taxes, fees, insurance premiums, rebate payments, reserve deposits, costs associated with the Property, charges or set-offs whatsoever, except as expressly provided herein.

ARTICLE V

INSURANCE

Section 5.1 Public Liability and Property Damage.

(a) Coverage. The District shall maintain or cause to be maintained, throughout the Term hereof, a standard comprehensive general public liability and property damage insurance policy or policies in protection of the District and the Corporation, their 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 operation of any District property or portion thereof.

(b) Limits. 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 each accident or event, and in a minimum amount of \$150,000 (subject to a deductible clause of not to exceed \$75,000) for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy covering all such risks in an amount equal to the liability limits set forth herein.

(c) Joint or Self-Insurance. Such liability insurance, including the deductible, may be maintained as part of or in conjunction with any other insurance coverage carried by the District, and, subject to compliance with Section 5.6(e) hereof, may be maintained in the form of self-insurance by the District.

(d) Payment of Net Proceeds. The net proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the insurance proceeds shall have been paid.

Section 5.2 Workers' Compensation. The District shall also maintain workers' compensation insurance issued by a responsible carrier authorized under the laws of the State to insure its employees against liability for compensation under the Workers' Compensation Insurance and Safety Act now in force in the State, or any act hereafter enacted as an amendment or supplement thereto (with provision for self-insurance of no more than \$1,000,000), or may self-insure for such coverage through another self-insurance plan pursuant to Section 5.6(e) hereof.

Section 5.3 Casualty and Theft Insurance.

(a) Casualty and Theft Insurance: Coverage. The District shall procure and maintain, or cause to be procured and maintained, throughout the Term of this Lease, insurance against loss or damage to any portion of the Property caused by fire and

lightning, with extended coverage and theft, vandalism and malicious mischief insurance. Said extended coverage insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance.

(b) Amount. Such insurance shall be in an amount (except that such insurance may be subject to deductible clauses of not to exceed \$50,000 for any one loss) not less than the greater of (i) the replacement cost of the Property and (ii) the aggregate principal amount of the Certificates at the time Outstanding. Full payment of proceeds up to the required policy dollar limit in connection with damage to the Property shall, under no circumstances, be contingent on the degree of damage at other facilities owned or leased by the District. The policy must explicitly waive any co-insurance penalty.

(c) Joint or Self-Insurance. Such insurance may be maintained as part of or in conjunction with any other insurance carried or required to be carried by the District, and, subject to compliance with Section 5.6(e) hereof, may be maintained in the form of self-insurance by the District.

(d) Payment of Net Proceeds. The Net Proceeds of such insurance shall be paid to the Trustee and deposited in the Net Proceeds Fund and applied as provided in Section 6.1.

Section 5.4 Rental Interruption or Use and Occupancy Insurance.

(a) Coverage and Amount. The District shall maintain or cause to be maintained rental interruption or use and occupancy insurance in an amount not less than the maximum remaining scheduled Lease Payments in any future 24-month period, to insure against loss of rental income from the Property caused by perils covered by the insurance required to be maintained as provided in Section 5.3 hereof. Such rental interruption or use and occupancy insurance shall name the Trustee as loss payee.

(b) Joint Insurance. Such insurance may be maintained as part of or in conjunction with any other rental income or use and occupancy insurance carried by the District.

(c) Payment of Net Proceeds. The Net Proceeds of such rental interruption or use and occupancy insurance shall be paid to the Trustee and deposited (1) in the Reserve Fund (in payment of any Reserve Replenishment Rent) to make up any deficiencies therein, and (2) in the Lease Payment Fund, to be credited towards the payment of the Lease Payments in the order in which such Lease Payments come due and payable.

(d) Rental Interruption or Use and Occupancy Insurance. Evidence of such rental interruption or use and occupancy insurance policy being in effect shall be sent annually at renewal to the Trustee.

(e) No Self-Insurance. No self-insurance will be permitted with respect to the above requirements for rental interruption or use and occupancy insurance.

Section 5.5 Title Insurance. The District shall obtain and, throughout the Term of this Lease, maintain or cause to be maintained title insurance on the Property, in the form of a CLTA title policy, in an amount equal to the aggregate principal amount of the Certificates Outstanding, issued by a company of recognized standing, duly authorized to issue the same, payable to the Trustee for the benefit of the Owners, subject only to

Permitted Encumbrances. Said policy shall insure (a) the District's fee estate in the Property, (b) the Corporation's ground leasehold estate in the Property under the Site Lease, and (c) the District's leasehold estate hereunder in the Property, subject only to Permitted Encumbrances. The Net Proceeds of such insurance shall be applied as provided in Section 6.1. The Trustee shall be provided with a title insurance policy in an amount equal to principal amount of the Certificates. The District, the Corporation, and the Trustee shall be named as additional insureds under the title insurance policy. Said policy may not permit the title insurer to: (i) purchase any Certificates in lieu of providing payment under the policy unless, upon purchase, such Certificates are canceled, or (ii) to settle claims with any person other than the Trustee, acting with the consent of the Insurer.

Section 5.6 General Insurance Provisions.

(a) Form of Policies. All policies of insurance required to be procured and maintained pursuant to this Lease (other than the title insurance required by Section 5.5) and any statements of self-insurance shall be in a form certified by an insurance agent, broker or consultant to the District to comply with the provisions hereof. All such policies shall provide that the District shall give the Trustee thirty (30) days' notice of each expiration, any intended cancellation thereof or reduction of the coverage provided thereby and, for any policy not in effect as of the date of execution and delivery of the Certificates, shall be provided by carriers rated in one of the two highest rating categories, without regard to modifiers, by S&P or Moody's and at least "A" by A.M. Best Company, Inc. unless otherwise consented to by the Insurer. Each policy of insurance required to be procured and maintained pursuant to Section 5.3 (regarding casualty and theft insurance), Section 5.4 (regarding rental interruption or use and occupancy insurance) and Section 5.5 (regarding title insurance) shall provide that all proceeds thereunder shall be payable to the Trustee for the benefit of the Owners and the Trustee shall be the beneficiary under each such policy.

(b) Payment of Premiums. The District shall pay or cause to be paid when due the premiums for all insurance policies required by this Lease, and shall promptly furnish or cause to be furnished to the Trustee a certificate to such effect, as described in paragraph (d) below.

(c) Protection of the Trustee. The Trustee shall not be responsible for the sufficiency or adequacy of any insurance herein required and 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.

(d) Evidence of Insurance. The District shall cause to be delivered to the Trustee and the Insurer annually on or before August 1 a certificate stating that the insurance policies required by this Lease are in full force and effect. The Trustee is entitled to rely on any such certificates as to the District's compliance with this provision and the Trustee has no further duties in that regard.

(e) Self-Insurance. The District may only elect to self-insure pursuant to Sections 5.1, 5.2 and 5.3 hereof, if and to the extent such self-insurance method or plan of protection shall afford reasonable protection to the Corporation and the Trustee, in light of all circumstances, giving consideration to cost, availability and similar plans or methods of protection adopted by other school districts in the State other than the District. Insurance provided through a California joint powers authority of which the District is a member or with which the District contracts for insurance shall not be deemed to be self-insurance for

purposes hereof. Any self-insurance maintained by the District pursuant to this Article V shall comply with the following terms:

(i) The self-insurance program shall be approved in writing by an Independent Insurance Consultant;

(ii) Self-insurance and pooled insurance programs shall be subject to the prior written consent of the Insurer. Any blanket or umbrella insurance policies for property and casualty insurance shall not be permitted unless the Insurer otherwise consents. The Trustee shall be the beneficiary under such policy;

(iii) 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 such fund shall be evaluated on an annual basis by an Independent Insurance Consultant; a certified actuarial statement attesting to the adequacy of such fund shall be delivered to the Trustee on an annual basis and any deficiencies in any self-insured claims reserve fund shall be remedied in accordance with the recommendation of such Independent Insurance Consultant;

(iv) The self-insured claims reserve fund shall be held in a separate trust fund by an independent trustee, which may be the Trustee;

(v) In the event the self-insurance program shall be discontinued, the actuarial soundness of its claims reserve fund, as determined by an Independent Insurance Consultant, shall be maintained; and

(vi) No self-insurance will be permitted with respect to the requirements for title insurance.

Section 5.7 Cooperation. The Corporation shall cooperate fully with the District at the expense of the District in filing any proof of loss with respect to any insurance policy maintained pursuant to this Article and in the prosecution or defense of any prospective or pending condemnation proceeding with respect to the Property or any portion thereof.

ARTICLE VI

DAMAGE, DESTRUCTION AND EMINENT DOMAIN; USE OF NET PROCEEDS

Section 6.1 Application of Net Proceeds.

(a) Deposit in Net Proceeds Fund. The District shall remit promptly to the Trustee any Net Proceeds received by the District and the Trustee, pursuant to Section 7.01 of the Trust Agreement, shall deposit in the Net Proceeds Fund the Net Proceeds of insurance which it receives as provided in Section 5.3 (regarding casualty and theft insurance) and Section 5.5 (regarding title insurance) promptly upon receipt thereof. The District and/or the Corporation shall transfer to the Trustee any other Net Proceeds received by the District and/or Corporation in the event of any accident, destruction, theft or taking by eminent domain or condemnation with respect to the Property, for deposit in the Net Proceeds Fund.

(b) Disbursement for Replacement or Repair of the Property. Upon receipt of the prior written consent of the Insurer and the certification described in paragraph (i) below and the requisition described in paragraph (ii) below, the Trustee shall disburse

moneys in the Net Proceeds Fund to the person, firm or corporation named in the requisition as provided in Section 7.02 of the Trust Agreement.

(i) Certification. The District Representative must certify to the Corporation and the Trustee that:

(A) Sufficiency of Net Proceeds. The Net Proceeds available for such purpose, together with any other funds supplied by the District to the Trustee in a subaccount of the Net Proceeds Fund for such purpose, are expected to equal at least 110% (or such lesser percentage as may be consented to by the Insurer) of the projected costs of replacement or repair, as demonstrated in an attached reconstruction budget, and

(B) Timely Completion. In the event that damage, destruction or interference by title defect or taking results or is expected to result in an abatement of Lease Payments, such replacement or repair can be fully completed within a period not in excess of the period in which rental interruption or use and occupancy insurance proceeds, as described in Section 5.4 together with other identified available moneys, will be available to pay in full all Lease Payments coming due during such period as demonstrated in an attached reconstruction schedule.

(ii) Requisition. The District Representative must state with respect to each payment to be made (1) the requisition number, (2) the name and address of the person, firm or corporation to whom payment is due, (3) the amount to be paid and (4) that each obligation mentioned therein has been properly incurred, is a proper charge against the Net Proceeds Fund, has not been the basis of any previous withdrawal, and specifying in reasonable detail the nature of the obligation. Each such requisition 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.

Any balance of the Net Proceeds remaining in the Net Proceeds Fund after such replacement or repair has been completed shall, with the prior written consent of the Insurer, be disbursed to the District. Any amounts remaining in the Net Proceeds Fund after payment or provision for payment of all Certificates shall be paid to the District as provided in Section 7.02 of the Trust Agreement.

(c) Disbursement for Prepayment. If the District Representative notifies the Trustee in writing of the District's determination that the certification provided in Section 6.1(b)(i) cannot be made or that replacement or repair of any portion of the Property is not economically feasible or in the best interest of the District, then the Trustee shall promptly transfer the Net Proceeds to the Prepayment Fund as provided in Section 7.02 of the Trust Agreement and apply them to prepayment of the Certificates as provided in Section 4.02 of the Trust Agreement and prepayment of Lease Payments as provided in Section 10.2 hereof; provided that in the event of damage or destruction in whole of the Property and in the event such Net Proceeds, together with funds then on hand in the Lease Payment Fund and Reserve Fund, are not sufficient to prepay all the Certificates then Outstanding, then the District shall, in accordance with Section 4.10(c) hereof, use its best efforts to repair or replace the Property from Net Proceeds and other lawfully available funds of the District, unless the Insurer consents to a prepayment of a portion of the Certificates from available Net Proceeds.

ARTICLE VII

COVENANTS WITH RESPECT TO THE PROPERTY

Section 7.1 Use of the Property. The District represents and warrants that it has an immediate need for, and expects to make immediate use of, all of the Property, which need is not temporary or expected to diminish in the foreseeable future.

Section 7.2 Interest in the Property and the Lease.

(a) Corporation Holds Leasehold Interest During Term. During the Term of this Lease, the Corporation does and shall hold a leasehold interest in the Property pursuant to the Site Lease. The District shall take any and all actions reasonably required, including but not limited to executing and filing any and all documents reasonably required, to maintain and evidence such title and interest at all times during the Term of this Lease.

(b) Title Transferred to District at End of Term. Upon expiration of the Term as provided in Section 4.2(b) or 4.2(c) hereof, all right, title and interest of the Corporation in and to all of the Property pursuant to this Lease shall be transferred to and vest in the District, without the necessity of any additional document of transfer.

Section 7.3 No Flood Plain; No Very High Fire Zone. [The District represents, warrants and covenants that neither the Property nor any portion thereof, is (i) located in the FEMA 100 year flood plain, or (ii) located in a "very high" fire severity zone, as such zone is designated and currently adopted by CAL FIRE.]

Section 7.4 Quiet Enjoyment. During the Term, the Corporation shall provide the District with quiet use and enjoyment of the Property, and the District shall during such Term peaceably and quietly have and hold and enjoy the Property, without suit, trouble or hindrance from the Corporation, or any person or entity claiming under or through the Corporation except as expressly set forth in this Lease. The Corporation will, at the request of the District, join in any legal action in which the District asserts its right to such possession and enjoyment to the extent the Corporation may lawfully do so. Notwithstanding the foregoing, the Corporation shall have the right to inspect the Property as provided in Section 7.6 hereof.

Section 7.5 Installation of District's Personal Property. The District may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed other items of equipment or other personal property in or upon any portion of the Property. All such items shall remain the sole personal property of the District, regardless of the manner in which the same may be affixed to such portion of the Property, in which neither the Corporation nor the Trustee shall have any interest, and may be modified or removed by the District at any time; provided that the District shall repair and restore any and all damage to such portion of the Property resulting from the installation, modification or removal of any such items of equipment. Nothing in this Lease shall prevent the District from purchasing items to be installed pursuant to this Section, provided that no lien or security interest shall attach to any part of the Property.

Section 7.6 Access to the Property. The District agrees that the Corporation, any Corporation Representative and the Corporation's successors, assigns or designees shall have the right at all reasonable times to enter upon the Property or any portion thereof to examine and inspect the Property. The District further agrees that the Corporation, any such Corporation Representative, and the Corporation's successors, assigns or designees

shall have such rights of access to the Property as may be reasonably necessary to cause the proper maintenance of the Property in the event of failure by the District to perform its obligations hereunder.

Section 7.7 Maintenance, Utilities, Taxes and Assessments.

(a) Maintenance; Repair and Replacement. Throughout the Term of this Lease, as part of the consideration for the rental of the Property, all 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 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 sublessee thereof. In exchange for the Lease Payments herein provided, the Corporation agrees to provide only the Property, as hereinbefore more specifically set forth. The District waives the benefits of subsections 1 and 2 of Section 1932 and subsection 4 of Section 1933 of the California Civil Code, but such waiver shall not limit any of the rights of the District under the terms of this Lease.

(b) Tax and Assessments; Utility Charges. The District shall also pay or cause to be paid all taxes and assessments, including but not limited to utility charges, of any type or nature charged to the Corporation or the District or levied, assessed or charged against any portion of the Property or the respective interests or estates therein; provided 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 as and when the same become due.

(c) Contests. The District may, at its expense and in its name, in good faith contest any such taxes, assessments, utility and other charges upon notice to the Insurer 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; provided that prior to such nonpayment it shall furnish the Corporation and the Trustee with the opinion of an Independent Counsel acceptable to the Corporation and the Trustee, to the effect that, by nonpayment of any such items, the interest of the Corporation in such portion of the Property will not be materially endangered and that the Property will not be subject to loss or forfeiture. Otherwise, the District shall promptly pay such taxes, assessments or charges or make provisions for the payment thereof in form satisfactory to the Corporation. The Corporation will cooperate fully in such contest, upon the request and at the expense of the District. The District shall pay any contested amount if requested in writing by the Insurer to do so.

Section 7.8 Modification of the Property.

(a) Additions, Modifications and Improvements. The District shall, at its own expense, have the right to make additions, modifications, and improvements to any portion of the Property if such improvements are necessary or beneficial for the use of such portion of the Property. All such additions, modifications and improvements shall thereafter comprise part of the Property and be subject to the provisions of this Lease. Such additions, modifications and improvements shall not in any way cause an abatement of Lease Payments with respect to the Property or cause it to be used for purposes other than those authorized under the provisions of State and federal law or in any way which would impair the State tax-exempt status or the exclusion from gross income for federal income tax purposes of the Interest Component evidenced by the Certificates; and the Property, upon completion of any additions, modifications and improvements made pursuant to this

Section, shall be of a value which is not substantially less than the value of the Property immediately prior to the making of such additions, modifications and improvements.

(b) No Liens. Except for Permitted Encumbrances, the District will not permit any mechanic's or other lien to be established or remain against the Property for labor or materials furnished in connection with any additions, modifications or improvements made by the District pursuant to this Section; provided that if any such lien is established and the District shall first notify or cause to be notified the Corporation of the District's intention to do so, the District may in good faith contest any lien filed or established against the Property, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom and shall provide the Corporation with full security against any loss or forfeiture which might arise from the nonpayment of any such item, in form satisfactory to the Trustee (as assignee of the Corporation). The Corporation will cooperate fully in any such contest, upon the request and at the expense of the District.

(c) Replacements, Redevelopment and Renovation. The District shall, at its own expense, have the right to make replacements, redevelopment or renovation of all or a portion of the Property if the following conditions precedent are satisfied:

(i) The District receives an opinion of Special Counsel, a copy of which the District shall furnish to the Corporation, the Insurer and the Trustee, that (1) such replacement does not adversely affect the exclusion from gross income for federal income tax purposes of the Interest Component evidenced by the Certificates or the State tax-exempt status of the Interest Components evidenced by the Certificates, and (2) the Lease will remain the legal, valid, binding and enforceable obligation of the District;

(ii) In the event such replacement, redevelopment or renovation would result in the temporary abatement of Lease Payments as provided in Section 4.10 hereof, the District shall have notified each rating agency then providing a rating on the Certificates and shall deposit moneys with the Trustee in advance for payment of Lease Payments from special funds of the District or other moneys, the application of which would not, in the opinion of Special Counsel (a copy of which shall have been delivered to the Trustee and the Insurer), result in such Lease Payments constituting indebtedness of the District in contravention of the Constitution and laws of the State;

(iii) The District shall certify to the Trustee and the Insurer that it has sufficient funds to complete such replacement, redevelopment or renovation; and

(iv) In the case of replacement or redevelopment, the District shall certify to the Insurer and the Trustee that the annual fair rental value of the replacements will be at least equal to the lesser of (1) the annual fair rental value of the Property immediately prior to such replacement or redevelopment, or (2) 150% of the maximum annual Lease Payments under the Lease.

(v) In the case of a replacement of the Property, the Insurer shall have consented in writing to such replacement.

Section 7.9 Encumbrances; Alternative Financing Methods.

(a) Encumbrances. Except as provided in this Article VII (including without limitation Section 7.8 hereof and this Section 7.9), the District shall not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, liens, charges,

encumbrances or claims, as applicable, on or with respect to the Property, other than Permitted Encumbrances and other than the respective rights of the Corporation and the District as herein provided. Except as expressly provided in this Article VII, the District shall promptly, at its own expense, take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim, for which it is responsible, if the same shall arise at any time; provided that the District may contest such liens if it desires to do so, if it provides security to the Trustee against any loss or forfeiture. The District shall reimburse the Corporation for any expense incurred by it in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

(b) Alternative Financing Methods. Notwithstanding the foregoing, the District may (with the prior written consent of the Insurer) create or suffer to create any mortgage, pledge, liens, charges, encumbrances or claims upon the Property or any improvements thereto, provided that (1) any such mortgage, pledge, liens, charges, encumbrances or claims shall at any time while any of the Certificates remain Outstanding be and remain subordinate in all respects to the Site Lease and Lease and any security interest given to the Trustee for the benefit of the Owners and (2) the District shall have first delivered to the Trustee and the Insurer an opinion of Special Counsel substantially to the effect that such mortgage, pledge, liens, charges, encumbrances or claims would not result in the inclusion of the Interest Component evidenced by the Certificates in the gross income of the owners of the Certificates for purposes of federal income taxation or impair the State tax-exempt status of such payments.

Section 7.10 Corporation's Disclaimer of Warranties. THE CORPORATION MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR FITNESS FOR THE USE CONTEMPLATED BY THE DISTRICT OF THE PROPERTY, OR ANY PORTION THEREOF. THE DISTRICT ACKNOWLEDGES THAT THE CORPORATION IS NOT A MANUFACTURER OF PORTIONS OF THE PROPERTY, AND THAT THE DISTRICT IS LEASING THE PROPERTY AS IS. In no event shall the Corporation be liable for incidental, indirect, special or consequential damages, in connection with or arising out of this Lease, the Site Lease, the Assignment Agreement or the Trust Agreement for the existence, furnishing, functioning or District's use and possession of the Property.

Section 7.11 District's Right to Enforce Warranties of Vendors or Contractors. The Corporation hereby irrevocably appoints the District as its agent and attorney-in-fact during the Term of this Lease, so long as the District shall not be in default hereunder, to assert from time to time whatever claims and rights, including without limitation, warranty claims, claims for indemnification and claims for breach of any representations, respecting the Property which the Corporation may have against any vendor or contractor. The District's sole remedy for the breach of any such warranty, indemnification or representation shall be against the vendor or contractor with respect thereto, and not against the Corporation, nor shall such matter have any effect whatsoever on the rights and obligations of the Corporation with respect to this Lease, including the right to receive full and timely Lease Payments and all other payments due hereunder. The District shall be entitled to retain any and all amounts recovered as a result of the assertion of any such claims and rights. The Corporation shall, upon the District's request and at the District's expense, do all things and take all such actions as the District may request in connection with the assertion of any such claims and rights.

Section 7.12 Substitution or Release of the Property. The District, with the prior written consent of the Insurer, shall have the right to substitute alternate real property for any portion of the Real Property described in Exhibit B hereto or to release a portion of the

Property described in Exhibit B from the lien of this Lease by providing the Trustee with a supplement to this Lease substantially in the form attached as Exhibit D hereto and by satisfying the conditions set forth in paragraph (a) through (h), inclusively, of this Section 7.12. 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 Lease Payments due from the District hereunder as a result of such substitution or release. No substitution or release shall be permitted hereunder unless:

(a) any substituted property is free from any liens, other than Permitted Encumbrances, as certified by the District in a certificate delivered to the Trustee;

(b) the District provides prior written notice thereof to each rating agency then rating the Certificates;

(c) the District provides a certification to the Insurer and the Trustee to the effect that the real property remaining after such substitution or release (i) has a fair rental value in each Fiscal Year during the remaining Term greater than or equal to the Lease Payments due in such Fiscal Year such that the Lease Payments payable by the District pursuant to this Lease will not be reduced and (ii) has an equivalent or greater useful life as the Property to be released and that the useful life of the substituted real property exceeds the remaining Term;

(d) with respect to a substitution, the District obtains or causes to be obtained an CLTA title insurance policy with endorsement so as to be payable to the Trustee for the benefit of the Owners. Such policy shall comply with Section 5.5 hereof, shall be in a form satisfactory to the Insurer and the Corporation, shall be in the amount equal to the Principal Component of Lease Payments attributable to the substituted real property, and shall insure all interests required under Section 5.5, as applicable, to the substituted real property;

(e) the District provides the Corporation, the Insurer and the Trustee with an opinion of Special Counsel that such substitution or release does not cause, in and of itself, the Interest Component evidenced by the Certificates to be included in gross income for federal income tax purposes;

(f) the District shall give, or cause to be given, any notice of the occurrence of such substitution or release required to be given pursuant to the Continuing Disclosure Certificate;

(g) upon any substitution or release, the District, the Corporation and the Trustee shall execute and the District shall record with the office of the County Recorder, County of Glenn, California, any document necessary to reconvey to the District the portion of the Property being released and to include the substituted real property and/or improvements thereon as all or a portion of the Property; and

(h) the District shall certify to the Trustee and the Insurer that any substituted real property is of approximately the same degree of essentiality to the District as the Property being released.

Section 7.13 Compliance with Law, Regulations, Etc.

(a) 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 applicable law, regulation, code, order, rule, judgment or consent agreement, including, without limitation, 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 (collectively, "Laws and Regulations"). 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 subsections (a) and (b) of this Section or as may have been remediated in accordance with Laws and Regulations, (i) used, treated, stored, transported or disposed of any material amount of 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 District, the Property or the business operations conducted by the District thereon (collectively, "Hazardous Materials") on, from or beneath the Property, (ii) pumped, spilled, leaked, disposed of, emptied, discharged or released (hereinafter collectively referred to as "Release") 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.

(b) Excluded from the representations and warranties in subsection (a) hereof 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 and school related buildings, the use, treatment, storage, transportation and disposal of which has been and shall be in compliance with all Laws and Regulations.

(c) 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.

Section 7.14 Environmental Compliance.

(a) The District shall not 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, and any state equivalent laws and 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 and 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 a unified school district, 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 District shall promptly commence and perform, or cause to be commenced and performed promptly, without cost or liability 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) and only to the extent necessary to maintain the improvements on the Property.

(b) The District 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 notwithstanding that a portion of this covenant is limited to the District's use of its best efforts, the District shall remain solely responsible for ensuring such compliance and such limitation shall not diminish or affect in any way the District's obligations contained in subsection (c) hereof as provided in subsection (c) hereof. Upon receipt of any notice from any person with regard to the Release of Hazardous Materials on, from or beneath the Property, the District shall give prompt written notice thereof to the Trustee 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 7.13 is not true or correct, the District shall, to the extent permitted by law, defend, indemnify and hold harmless the Trustee, the Insurer, the Owners, their partners, depositors and each of their respective employees, agents, officers, directors, trustees, representatives, successors and assigns, from and against any claims, demands, penalties, fines, attorneys' fees (including, without limitation, attorneys' fees and expenses incurred to enforce the indemnification contained in this Section 7.14, consultants' fees, investigation and laboratory fees, liabilities, settlements (five Business Days' prior notice of which the Trustee or the Insurer shall have used reasonable efforts to 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 Business Days' prior notice of which the Trustee shall use reasonable efforts to 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) hereof by it or any of its 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 the District is strictly liable under any Environmental Regulation, its obligation to the Owners 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 Section 7.14(c) shall survive the payment and satisfaction of all Certificates, and with regard to the Trustee the resignation and removal of the Trustee.

(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 7.15 Condemnation of Property. The District hereby covenants and agrees, to the extent it may lawfully do so, that so long as any of the Certificates remain outstanding and unpaid, the District will not exercise the power of condemnation with respect to the Property. The District further covenants and agrees, to the extent it may lawfully do so, that 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, then the appraised value of the Property shall not be less than (i) if such Certificates are then subject to prepayment, the Principal Component and Interest Component of the Certificates outstanding through the date of their prepayment, or (ii) if such Certificates are not then subject to prepayment, the amount necessary to defease the Certificates to the first available prepayment date in accordance with the Trust Agreement.

ARTICLE VIII

ASSIGNMENT, SUBLEASING AND AMENDMENT

Section 8.1 Assignment by the Corporation. Except as provided herein, in the Trust Agreement and the Assignment Agreement, the Corporation will not assign this Lease to any other person, firm or corporation so as to impair or violate the representations, covenants and warranties contained in Section 2.2 hereof and any assignment in contravention hereof shall be void.

Section 8.2 Subleasing by the District. In the event that the Property is subleased by the District, the obligation to make Lease Payments hereunder shall remain the obligation of the District.

The District may sublease all or any portion of the Property (with the prior written consent of the Insurer), so long as such sublease does not, in the opinion of Special Counsel, adversely affect (i) the exemption from State personal income tax or the exclusion from gross income for federal income tax of the Interest Component evidenced by the Certificates or (ii) affect the validity of this Lease, subject to all of the following conditions:

(a) This Lease and the obligation of the District to make Lease Payments hereunder shall remain obligations of the District, as acknowledged in an officer's certificate delivered to the Trustee and the Insurer; and

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

(c) Any sublease of the Property by the District shall expressly 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 in the event of a default by the District; and

(d) No sublease, release, sale, disposition or substitution of the Property subject to (i) the Site Lease or Lease or (ii) any mortgage, deed of trust or other document evidencing a security interest in, or otherwise pledged, directly or indirectly, to secure the Certificates, shall occur without the prior written consent of the Insurer.

The issuance of Additional Certificates shall not constitute a sublease pursuant to this Section.

Section 8.3 Amendments and Modifications. This Lease may be amended or any of its terms modified with the written consent of the District, the Insurer and the Trustee (as assignee of the Corporation), in accordance with Article X of the Trust Agreement.

ARTICLE IX

EVENTS OF DEFAULT AND REMEDIES

Section 9.1 Events of Default Defined. The following shall be "events of default" under this Lease and the terms "events of default" and "default" shall mean, whenever they are used in this Lease, any one or more of the following events:

(a) Payment Default.

(i) Lease Payments. Failure by the District to pay any Lease Payment required to be paid hereunder by the corresponding Lease Payment Deposit Date; and

(ii) Reserve Replenishment Rent. Failure by the District to timely pay any Reserve Replenishment Rent, if and when required by Section 4.4(d) hereof.

(b) Covenant Default. Failure by the District to observe and perform any warranty, covenant, condition or agreement on its part to be observed or performed herein or otherwise with respect hereto or in the Trust Agreement or in the Site Lease, other than as referred to in clause (a) of this Section, for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the District by the Corporation, the Trustee, the Insurer or the Owners of not less than twenty percent (20%) in aggregate principal amount of Certificates then Outstanding; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Corporation or such Owners, as the case may be, shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the District within the applicable period and diligently pursued until the default is corrected, except that such grace period shall not exceed 60 days without the prior written consent of the Insurer.

(c) Bankruptcy or Insolvency. The filing by the District of a case in bankruptcy, or the subjection of any right or interest of the District under this Lease to any execution, garnishment or attachment, or adjudication of the District as a bankrupt, or assignment by the District for the benefit of creditors, or the entry by the District into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the District in any proceedings instituted under the provisions of the federal bankruptcy code, as amended, or under any similar act which may hereafter be enacted.

Section 9.2 Remedies on Default. Whenever any event of default referred to in Section 9.1 hereof shall have happened and be continuing, it shall be lawful for the Corporation to exercise any and all remedies available pursuant to law or granted pursuant to this Lease. Notwithstanding anything herein or in the Trust Agreement to the contrary, THERE SHALL BE NO RIGHT UNDER ANY CIRCUMSTANCES TO ACCELERATE THE LEASE PAYMENTS OR OTHERWISE DECLARE ANY LEASE PAYMENTS NOT THEN IN DEFAULT TO BE IMMEDIATELY DUE AND PAYABLE. After the occurrence of an event of default hereunder, the District will surrender possession of the Property to the Corporation, if requested to do so by the Corporation, the Trustee or the Owners, in accordance with the provisions of this Section 9.2. So long as the Insurer is not in default under the Insurance Policy, the Insurer,

acting alone, shall have the right to direct and control all remedies upon an event of default including, without limitation, the election to terminate or not to terminate this Lease.

(a) No Termination: Repossession and Re-Lease on Behalf of District. In the event the Corporation does not elect to terminate this Lease in the manner hereinafter provided for in subparagraph (b) hereof, the Corporation may, with the consent of the District, which consent is hereby irrevocably given, repossess the Property and re-lease it for the account of the District, in which event the District's obligation will accrue from year to year in accordance with this Lease and the District will continue to receive the value of the use of the Property from year to year in the form of credits against its obligation to pay Lease Payments. The obligations of the District shall remain the same as prior to such default, to pay Lease Payments, Additional Payments and Reserve Replenishment Rent whether the Corporation re-enters or not. The District agrees to and shall remain liable for the payment of all Lease Payments, Additional Payments and Reserve Replenishment Rent and the performance of all conditions contained herein and shall reimburse the Corporation for any deficiency arising out of the re-leasing of the Property, or, in the event the Corporation is unable to re-lease the Property, then for the full amount of all Lease Payments, Additional Payments and Reserve Replenishment Rent to the end of the Term of this Lease, but said Lease Payments, Additional Payments and Reserve Replenishment Rent and/or deficiency shall be payable only at the same time and in the same manner as provided above for the payment of Lease Payments, Additional Payments and Reserve Replenishment Rent hereunder, notwithstanding such repossession by the Corporation or any suit brought by the Corporation for the purpose of effecting such repossession of the Property or the exercise of any other remedy by the Corporation.

The District hereby irrevocably appoints the Corporation as the agent and attorney-in-fact of the District to repossess and re-lease the Property in the event of default by the District in the performance of any covenants contained herein to be performed by the District and to remove all personal property whatsoever situated upon the Property, to place such property in storage or other suitable place in the County of Glenn, for the account of and at the expense of the District, and the District hereby exempts and agrees to save harmless the Corporation from any costs, loss or damage whatsoever arising or occasioned by any such repossession and re-leasing of the Property. The District hereby waives any and all claims for damage caused or which may be caused by the Corporation in repossessing the Property as provided herein and all claims for damages that may result from the destruction of or the injury to the Property and all claims for damages to or loss of any property belonging to the District that may be in or upon the Property.

The District agrees that the terms of this Lease constitute full and sufficient notice of the right of the Corporation to re-lease the Property in the event of such repossession without effecting a surrender of this Lease, and further agrees that no acts of the Corporation in effecting such re-leasing shall constitute a surrender or termination of this Lease irrespective of the term for which such re-leasing is made or the terms and conditions of such re-leasing, or otherwise, but that, on the contrary, in the event of such default by the District the right to terminate this Lease shall vest in the Corporation to be effected in the sole and exclusive manner provided for in subparagraph (b) below.

The District shall retain the portion of rental obtained by the Trustee, as assignee of the Corporation, that is in excess of the Lease Payments, Additional Payments and Reserve Replenishment Rent, the fees, expenses and costs of the Trustee of re-leasing the Property, and all amounts payable by the District under this Lease and the Trust Agreement.

In the event that the liability of the District under this subsection (a) is held by a court of competent jurisdiction to constitute indebtedness or liability in any year exceeding in any year the income and revenue provided for such year, the Corporation, or the Trustee or the Owners, as assignees of the Corporation, shall not exercise the remedies provided in this subsection (a).

(b) Termination: Repossession and Re-Lease. In the event of the termination of this Lease by the Corporation at its option and in the manner hereinafter provided on account of default by the District (and notwithstanding any repossession of the Property by the Corporation in any manner whatsoever or the re-leasing of the Property), the District nevertheless agrees to pay to the Corporation all costs, losses or damages howsoever arising or occurring payable at the same time and in the same manner as is provided herein in the case of payment of Lease Payments, Additional Payments and Reserve Replenishment Rent. Any proceeds of the re-lease or other disposition of the Property by the Corporation shall be deposited into the Lease Payment Fund and be applied in accordance with the provisions of Section 5.03 of the Trust Agreement. Any surplus received by the Trustee, as assignee of the Corporation, from such re-leasing over total Lease Payments, Additional Payments and Reserve Replenishment Rent that would have been due hereunder and the fees, expenses and costs of the Trustee as assignee of the Corporation on re-leasing the Property shall be remitted to the District. Neither notice to pay rent or to deliver up possession of the Property given pursuant to law nor any proceeding taken by the Corporation to recover possession of the Property shall of itself operate to terminate this Lease, and no termination of this Lease on account of default by the District shall be or become effective by operation of law, 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. The District covenants and agrees that no surrender of the Property for the remainder of the Term hereof or any termination of this Lease shall be valid in any manner or for any purpose whatsoever unless stated or accepted by the Corporation by such written notice. No such termination shall be effected either by operation of law or act of the parties hereto, except only in the manner herein expressly provided.

(c) Opinion of Special Counsel. The re-leasing of the Property as provided herein shall be subject to the opinion of Special Counsel that such re-leasing will not cause the Interest Component evidenced by the Certificates to be subject to State personal income tax or adversely affect the exclusion of such Interest Component from gross income for federal income tax purposes.

(d) No Termination: Collection of Lease Payments. In the event the Corporation does not elect to terminate this Lease in the manner provided for in subparagraph (b) above or to exercise its right to re-enter and re-lease in subparagraph (a) above, the Corporation may collect each installment of Lease 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.

(e) Other Remedies. In addition to the other remedies set forth in this Section, upon the occurrence of an event of default, the Corporation and its assignee shall be entitled to proceed to protect and enforce the rights vested in the Corporation and its assignee 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 or its assignee by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction. Without limiting the generality of the foregoing, the Corporation and its assignee 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 or its assignee.

(iii) Mandamus. By mandamus or other suit, action or proceeding at law or in equity to enforce the Corporation's or its assignee'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.

Section 9.3 No Remedy Exclusive. No remedy conferred herein upon or reserved to the Corporation is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Lease or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Corporation to exercise any remedy reserved to it in this Article it shall not be necessary to give any notice, other than such notice as may be required in this Article or by law.

Section 9.4 Agreement to Pay Attorneys' Fees and Expenses. In the event either party to this Lease should default under any of the provisions hereof and the nondefaulting party should employ attorneys or incur other expenses for the collection of moneys or the enforcement of performance or observance of any obligation or agreement on the part of the defaulting party contained herein, the defaulting party agrees that it will pay on demand to the nondefaulting party the reasonable fees of such attorneys and such other expenses so incurred by the nondefaulting party.

Section 9.5 No Additional Waiver Implied by One Waiver. In the event any agreement contained in this Lease should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 9.6 Application of the Proceeds from the Re-Lease of the Property. All amounts received by the Corporation under this Article IX shall, subject to Section 13.03 of the Trust Agreement, be deposited by the Trustee in the Lease Payment Fund and credited towards the Lease Payments in order of Lease Payment Deposit Dates.

Section 9.7 Trustee and Owners to Exercise Rights. Such rights and remedies as are given to the Corporation under this Article IX have been absolutely and irrevocably assigned by the Corporation to the Trustee under the Assignment Agreement, to which assignment the District hereby consents. Such rights and remedies shall be exercised by the Trustee and the Owners as provided in the Trust Agreement. To the extent that this Lease confers upon or gives or grants the Trustee any right, remedy or claim under or by reason of this Lease, the Trustee is hereby explicitly recognized as being a third-party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

Section 9.8 Assignee of Corporation. All references to the Corporation in this Article IX shall refer to its assignee following the Corporation's assignment of its rights hereunder.

ARTICLE X

PREPAYMENT OF LEASE PAYMENTS

Section 10.1 Security Deposit. Notwithstanding any other provision of this Lease, the District may, on any date, secure the payment of Lease Payments and Additional Payments by a deposit by it with the Trustee of cash and/or Defeasance Securities as provided in Section 14.01 of the Trust Agreement. In such event, and provided that the District has paid any other amounts due and owing under this Lease and the Trust Agreement, all obligations of the District under this Lease, and all security provided by this Lease for said obligations, shall cease and terminate, excepting only the obligation of the District to make, or cause to be made, Lease Payments and Additional Payments from such deposit. On the date of said deposit title to the Property shall vest in the District automatically and without further action by the District or the Corporation (except as provided herein). Said deposit shall be deemed to be and shall constitute a special fund for the payment of Lease Payments in accordance with the provisions of this Lease. The Corporation shall execute and deliver such further instruments and take such further action as may reasonably be requested by the District for carrying out the title transfer of the Property.

Section 10.2 Extraordinary Prepayment From Net Proceeds. The District shall be obligated to prepay the Lease Payments in whole or in part on any date, from and to the extent of any Net Proceeds or other moneys theretofore deposited in the Prepayment Fund (at least 45 days prior to the date fixed for prepayment of the Certificates) pursuant to Section 4.02 of the Trust Agreement. The District and the Corporation hereby agree that such Net Proceeds or other moneys shall be credited towards the District's obligations hereunder (except in the case of such prepayment of the Lease Payments in whole) pro rata among Lease Payments so that following Prepayment, the remaining annual Lease Payments will be proportional to the initial annual Lease Payments.

Section 10.3 Prepayment of Lease Payments.

(a) Subject to the terms and conditions of this Section, the Corporation hereby grants an option to the District to prepay the Lease Payments in whole or in part, on the dates and at the prepayment prices set forth in Section 4.03 and Section 4.04(a) of the Trust Agreement. The District and the Corporation agree that such prepayments shall be credited toward the District's obligations hereunder corresponding to the resulting prepayment of the Certificates in accordance with said sections of the Trust Agreement on the dates and at the prepayment prices provided therein.

(b) The District shall execute said options by giving written notice to the Trustee thereof not less than twenty (20) nor more than sixty (60) days' prior to the date of prepayment and depositing with said notice (1) accrued interest on the Principal Component to be prepaid to the date of prepayment, plus (2) any Lease Payments then due but unpaid, plus (3) the prepayment premium described in Section 4.03(a) of the Trust Agreement. In lieu of depositing the amounts set forth above, the District may provide evidence satisfactory to the Trustee that the optional prepayment amounts can be satisfied on the designated prepayment date.

Section 10.4 Credit for Amounts on Deposit. In the event of the securing of or prepayment of the Principal Component of the Lease Payments in full under this Article X such that the Trust Agreement shall be discharged by its terms as a result of such security deposit or prepayment, all amounts then on deposit in the Lease Payment Fund and the Reserve Fund shall be credited toward the amounts then required to be so prepaid (other than amounts therein derived from draws under the Policy or Reserve Policy). In the event of a partial securing of or prepayment of the Principal Component of the Lease Payments under this Article X such that a portion of the Certificates shall be defeased under the Trust Agreement as a result of such prepayment, all amounts then on deposit in the Reserve Fund (other than amounts therein derived from draws under the Policy or Reserve Policy), if any, in excess of the Reserve Requirement following such defeasance, shall be credited toward the amounts then required to be so deposited or prepaid.

Section 10.5 Effect of Prepayment.

(a) In Whole. In the event that the District pays or prepays all remaining Lease Payments either by making a security deposit with the Trustee as provided in Section 10.1 hereof or from Net Proceeds as provided in Section 10.2 hereof or from cash or other legally available moneys deposited by the District as provided in Section 10.3, and the District has paid all Additional Payments and Reserve Replenishment Rent required hereunder, and all the provisions of Section 14.01 of the Trust Agreement have been complied with, then the District's obligations under this Lease shall thereupon cease and terminate, including but not limited to the District's obligation to continue to pay Lease Payments under this Article X (except as provided in Section 10.1 hereof).

(b) In Part. In the event the District prepays less than all of the remaining Principal Component of the Lease Payments pursuant to Section 10.2 or 10.3 hereof (from cash or other legally available moneys deposited by the District), the amount of such prepayment shall be applied to reduce the Principal Component of the remaining Lease Payments in a manner that corresponds to the resulting prepayment of principal with respect to the Certificates as determined in the Trust Agreement.

ARTICLE XI

MISCELLANEOUS

Section 11.1 Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed to have been received on the earlier of the day of actual receipt or five Business Days after deposit in the United States mail in first-class or certified form, postage prepaid, to the District or the Corporation, as the case may be, at the addresses indicated in Section 14.05 of the Trust Agreement. The Corporation, the District and the Trustee, by notice given hereunder, may designate different addresses to which subsequent notices, certificates or other communications will be sent.

Section 11.2 Binding Effect. This Lease shall inure to the benefit of and shall be binding upon the Corporation and the District and their respective successors and assigns.

Section 11.3 Severability. In the event any provision of this Lease shall be held invalid or unenforceable by a court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 11.4 Execution in Counterparts. This Lease may be executed in any number of counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 11.5 Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State.

Section 11.6 Insurer Provisions. [To come]

Section 11.7 No Termination. No termination, assignment (other than to the Trustee in accordance with the Assignment Agreement), transfer or sublease of the Lease or the Site Lease shall be permitted without the prior written consent of the Insurer (with notice to the Trustee).

Section 11.8 No Merger. The parties hereto intend that there shall be no merger of any estate or interest created by this Lease with any other estate or interest in the Property, or any part thereof, by reason of the fact that the same party may acquire or hold all or any part of the estate or interest in the Property created by this Lease as well as another estate or interest in the Property.

Section 11.9 No Termination by District. The District shall have no right to terminate this Lease for default by the Corporation.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, the Corporation has caused this Lease to be executed in its name by its duly authorized officer, and the District has caused this Lease to be executed in its name by its duly authorized officer, as of the date first above written.

PUBLIC PROPERTY FINANCING CORPORATION OF
CALIFORNIA, as Lessor

By: _____
[Name]
[Title]

WILLOWS UNIFIED SCHOOL DISTRICT, as Lessee

By: _____
[Name]
[Title]

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

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)

COUNTY OF _____)

) ss.

On _____, 2023, before me, _____,

Date

Name and Title of Officer (e.g. "Jane Doe, Notary Public")

personally appeared _____,

Name of Signer

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 paragraphs is true and correct.

WITNESS my hand and official seal.

Place Notary Seal Above

Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form.

CAPACITY(IES) CLAIMED BY SIGNER(S)

DESCRIPTION OF ATTACHED DOCUMENT

- ☐ Individual
☐ Corporate Officer

- ☐ Partner ☐ Limited
☐ General
☐ Attorney-In-Fact
☐ Trustee
☐ Guardian/Conservator
☐ Other: _____

Signer is Representing:
Name of Person or Entity(ies)

Title or Type of Document

Number of Pages

Date of Document

Signer Other Than Named Above

CERTIFICATE OF ACCEPTANCE

This is to certify that the interest in the Property conveyed under the foregoing to the Willows Unified School District, a school district duly organized under the laws of the State of California, is hereby accepted by the undersigned officer or agent on behalf of the Board of Education of Willows Unified School District, pursuant to authority conferred by resolutions of the Board of Education adopted on _____, 2023 and the grantee consents to recordation thereof by its duly authorized officer.

Dated: _____, 2023

WILLOWS UNIFIED SCHOOL DISTRICT

By: _____
[Name],
[Title]

EXHIBIT A

SEMI-ANNUAL LEASE PAYMENT DEPOSIT SCHEDULE

Date	Principal Component	Interest Component	Total Lease Payments
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EXHIBIT B

DESCRIPTION OF THE PROPERTY

The land referred to herein is situated in the State of California, County of Glenn, known as the Willows High School campus (with a street address of 203 N. Murdock Avenue, Willows, California 95988) and described as follows:

EXHIBIT C

GENERAL DESCRIPTION OF THE PROJECT

The District plans to apply the portion of the proceeds from the sale of the Certificates deposited to the Project Fund to finance the costs of the acquisition, construction, and installation of certain capital improvements at various District Facilities, including _____.

EXHIBIT D

LEASE SUPPLEMENT FORM

There is hereby [subjected to/released from] the terms of that certain Lease Agreement, dated as of _____ 1, 2023, by and between the Public Property Financing Corporation of California (the "Corporation") and Willows Unified School District (the "District") the following real property:

Description of [Substituted Property/Released Property]

[Insert Description]

I, the District Representative, hereby certify that:

(a) [applicable in the case of Substituted Property] the Substituted Property is free from any liens other than Permitted Encumbrances;

(b) the District has provided prior written notice thereof to each rating agency then rating the Certificates evidencing the Lease Payments under the Lease;

(c) the real property remaining after such substitution or release (i) has a fair rental value in each Fiscal Year during the remaining Term greater than or equal to the Lease Payments due in such Fiscal Year such that the Lease Payments payable by the District pursuant to this Lease will not be reduced and (ii) has an equivalent or greater useful life as the Property to be released and that the useful life of the Substituted Property exceeds the remaining Term;

(d) [applicable in the case of Substituted Property only] the District has obtained or caused to be obtained a CLTA title insurance policy with endorsement so as to be payable to the Trustee for the benefit of the Owners which complies with Section 5.5 of the Lease, is in a form satisfactory to the Trustee and the Corporation, is in the amount equal to the Principal Component of Lease Payments attributable to the Substituted Property, and insures all interest required under Section 5.5, as applicable, to the Substituted Property;

(e) the District has provided the Corporation and the Trustee with an opinion of Special Counsel that such [substitution/release] does not cause, in and of itself, the Interest Component evidenced by the Certificates to be included in gross income for federal income tax purposes;

(f) the District has given, or caused to be given, any notice of the occurrence of such [substitution/release] required to be given pursuant to the Continuing Disclosure Certificate;

(g) the District, the Corporation and the Trustee have executed and the District has recorded with the office of the County Recorder, County of Glenn, California, any document necessary to reconvey to the District the portion of the Property being released and to include the Substituted Property and/or improvements thereon as all or a portion of the Property; and

(h) [applicable in the case of Substituted Property only] the Substituted Property is of approximately the same degree of essentiality to the District as the portion of the Property being released.

I, the District Representative, hereby certify that the portion of the Property being substituted is owned by the District free and clear of all liens or claims of others, except for the lien of the Trust Agreement referred to in the Lease, the rights of the District under the Lease and other Permitted Encumbrances, and that the District will not encumber title to the substituted portion of the Property while the Certificates remain outstanding except as permitted by the Lease.

WILLOWS UNIFIED SCHOOL DISTRICT

By: [form only; no signature required]
District Representative

EXHIBIT E

FORM OF CERTIFICATE OF
ADDITION OF PROJECT COMPONENT

I, Willows Unified School District, (the "District") of the Willows Unified School District hereby certify that _____ project is to become a part of the Project as defined under the Lease Agreement, dated as of _____ 1, 2023 (the "Lease"), by and between the District and the Public Property Financing Corporation of California (the "Corporation") [in addition to the components of the Project as defined in the Lease or in substitution for _____ component of the Project as defined in the Lease]. This Certificate shall be filed with the Trustee under the Trust Agreement, dated as of _____ 1, 2023, by and among the District, the Corporation, and Zions Bancorporation, National Association, as trustee thereunder, until such time as the Lease is terminated.

WILLOWS UNIFIED SCHOOL DISTRICT

By: [form only; no signature required]
District Representative

NEW ISSUE-FULL BOOK-ENTRY

RATINGS:

S&P: Insured: “___”/Underlying: “___”
(See “RATINGS” herein)

In the opinion of Dannis Woliver Kelley, Special Counsel to the District, under existing law, interest represented by the Certificates is exempt from personal income taxes of the State of California, and, assuming continuing compliance after the date of initial delivery of the Certificates with certain covenants contained in the Resolution authorizing the Certificates and subject to the matters set forth under “TAX MATTERS” herein, interest represented by the Certificates for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions will be excludable from the gross income of the owners thereof pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Certificates, and will not be included in computing the alternative minimum taxable income of the owners thereof; however, interest represented by the Certificates is taken into account in determining annual adjusted financial statement income for the purpose of computing the alternative minimum tax imposed on certain corporations. See “TAX MATTERS” herein.

\$11,000,000*

2023 CERTIFICATES OF PARTICIPATION
Evidencing the Fractional Interests of the
Owners Thereof in Lease Payments to be Made by the
WILLOWS UNIFIED SCHOOL DISTRICT
(Glenn County, California)

Dated: Date of Delivery**Due: August 1, as shown on the inside cover hereof**

The Willows Unified School District’s (the “District”) 2023 Certificates of Participation (the “Certificates”) are being executed and delivered pursuant to a Trust Agreement, dated as of _____ 1, 2023 (the “Trust Agreement”), by and among Zions Bancorporation, National Association, as trustee, Public Property Financing Corporation of California (the “Corporation”) and the District to (i) finance certain capital improvements to District facilities, (ii) acquire a municipal bond insurance policy and a debt service reserve surety policy for the Certificates, and (iii) pay the costs related to the execution and delivery of the Certificates, all as further described in the sections “THE PROJECTS” and “ESTIMATED SOURCES AND USES OF PROCEEDS” herein.

Pursuant to a Site Lease, dated as of _____ 1, 2023, the District will lease Willows High School (the “Property”) to the Corporation, and will lease the Property back from the Corporation pursuant to a Lease Agreement, dated as of _____ 1, 2023 (the “Lease”), by and between the Corporation and the District. The Certificates evidence fractional interests in Lease Payments to be made by the District, as lessee under the Lease. The District will covenant to budget and appropriate Lease Payments in each year in consideration of the use and occupancy of the Property from any source of legally available funds, and to take such action as may be necessary to include all Lease Payments in its annual budgets and to make the necessary annual appropriations therefor. See “SECURITY AND SOURCES OF PAYMENT OF THE CERTIFICATES — Lease Payments” herein. The District’s obligation to make Lease Payments is subject to abatement in the event of the taking of, damage to or loss of use and possession of the Property. See “RISK FACTORS — Abatement” herein.

Interest represented by the Certificates is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2024. The Certificates will be delivered as fully registered securities, without coupons, and when delivered will be registered in the name of The Depository Trust Company (“DTC”), New York, New York, or its nominee. DTC will act as securities depository for the Certificates. Ownership interests in the Certificates may be purchased in book-entry form only, in authorized denominations, as described in this Official Statement. See APPENDIX F — “BOOK-ENTRY ONLY SYSTEM”.

The Certificates are subject to prepayment prior to their stated maturity as described herein. See “THE CERTIFICATES — Prepayment” herein.

NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE DISTRICT TO MAKE LEASE PAYMENTS CONSTITUTES A DEBT OF THE DISTRICT, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. THE OBLIGATION OF THE DISTRICT TO MAKE LEASE PAYMENTS IS SUBJECT TO THE DISTRICT’S BENEFICIAL USE AND POSSESSION OF THE PROPERTY.

This cover page of the Official Statement contains information for quick reference only. It is not a complete summary of the Certificates or the Lease. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. See “RISK FACTORS” herein.

The scheduled payment of principal of and interest with respect to the Certificates when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Certificates by [INSURER] (the “Insurer”). See “BOND INSURANCE” herein and APPENDIX G — “SPECIMEN MUNICIPAL BOND INSURANCE POLICY” hereto.

[INSURER LOGO]

The Certificates are offered when, as and if issued, subject to the approval of their legality by Dannis Woliver Kelley, Long Beach, California, Special Counsel, and certain other conditions. Dannis Woliver Kelley, Long Beach, California, is acting also as Disclosure Counsel for the issue. Certain matters will be passed on for the Underwriter by Stradling Yocca Carlson & Rauth, Newport Beach, California for the Corporation by its counsel and for the Trustee by its counsel. It is anticipated that the Certificates will be available for delivery in definitive form in New York, New York, through the facilities of DTC on or about _____, 2023.

[UNDERWRITER LOGO]

Dated: _____, 2023

* Preliminary; subject to change.

MATURITY SCHEDULE

\$11,000,000*

2023 CERTIFICATES OF PARTICIPATION
Evidencing the Fractional Interests of the
Owners Thereof in Lease Payments to be Made by the
WILLOWS UNIFIED SCHOOL DISTRICT
(Glenn County, California)

\$_____ Serial Certificates

<u>Maturity (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP⁽¹⁾ (971263)</u>
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				
2038				
2039				
2040				
2041				
2042				
2043				

\$_____ % Term Certificates due August 1, 20___; Yield _____ %^C; CUSIP¹ 971263

* Preliminary; subject to change.

⁽¹⁾ CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright(c) 2023 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the District, the Underwriter, the Municipal Advisor or their agents or counsel assume responsibility for the accuracy of such numbers. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Certificates as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Certificates.

No dealer, broker, salesperson or other person has been authorized by Willows Unified School District (the "District") to provide any information or to make any representations other than as contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell, the solicitation of an offer to buy, nor shall there be any sale of the Certificates by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Certificates. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly described herein, are intended solely as such and are not to be construed as a representation of facts.

The information and expressions of opinion 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. When used in this Official Statement and in any continuing disclosure by the District in any press release and in any oral statement made with the approval of an authorized officer of the District or any other entity described or referenced in this Official Statement, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "expect," "intend" and similar expressions identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. Although certain information set forth in this Official Statement has been provided by the County of Glenn, the County of Glenn has not approved this Official Statement and is not responsible for the accuracy or completeness of the statements contained in this Official Statement except for the information set forth under the caption "GLENN COUNTY POOLED INVESTMENT FUND."

The Underwriter has reviewed the information in this Official Statement in accordance with, and as 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 the completeness of such information.

IN CONNECTION WITH THE OFFERING OF THE CERTIFICATES, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE CERTIFICATES AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME

The District maintains a website and certain social media accounts. However, the information presented there is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the Certificates.

This Official Statement is submitted in connection with the sale of the Certificates referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

WILLOWS UNIFIED SCHOOL DISTRICT
Glenn County, State of California

Board of Education

Jeromy Geiger, *President*
Gina Taylor, *Vice President*
Lourdes Ruiz, *Clerk*
Kirsten Gray, *Member*
Margaret Parisio, *Member*

District Administrators

Emmett Koerperich, *Superintendent*
Debbie Costello, *Director of Business Services*
Scott Booth, *Director of Curriculum, Instruction & Assessment*

SPECIAL SERVICES

Special Counsel and Disclosure Counsel

Dannis Woliver Kelley
Long Beach, California

Financial Advisor

Eastshore Consulting, LLC
Oakland, California

Trustee

Zions Bancorporation, National Association
Los Angeles, California

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\$11,000,000*
2023 CERTIFICATES OF PARTICIPATION
Evidencing the Fractional Interests of the
Owners Thereof in Lease Payments to be Made by the
WILLOWS UNIFIED SCHOOL DISTRICT
(Glenn County, California)

INTRODUCTION

This Official Statement, which includes the cover page, inside cover and appendices hereto, provides certain information concerning the sale and delivery of the 2023 Certificates of Participation (the “Certificates”), in the aggregate principal amount of \$11,000,000,* evidencing the fractional interests of the registered owners thereof (the “Owners”) in Lease Payments (as hereinafter defined) to be made by the Willows Unified School District (the “District”) pursuant to a Lease Agreement, dated as of ____ 1, 2023 (the “Lease”), by and between the Public Property Financing Corporation of California, as lessor (the “Corporation”), and the District, as lessee, for the use and possession of Willows High School (the “Property”).

This introduction is not a summary of the 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. Capitalized terms not defined herein shall have the meanings set forth in APPENDIX A hereto.

The District

The District, a school district of the State of California (the “State”), was created in 1966, from the unification of five distinct school districts. The District is located in the south-central portion of Glenn County (the “County”) approximately 85 miles north of the City of Sacramento. The District is comprised primarily of the City of Willows and unincorporated areas of the County. The District operates four schools including one elementary school, one middle school, one high school and one community high school providing alternative education services. The District’s budgeted average daily attendance (“ADA”) for fiscal year 2023-24 is _____ students, and the District had a 2022-23 total assessed valuation of \$1,567,012,296. The District’s audited financial statements for the fiscal year ended June 30, 2022 are attached hereto as APPENDIX D. For further information concerning the District, see the caption “WILLOWS UNIFIED SCHOOL DISTRICT” herein.

Purpose of the Certificates

The proceeds received from the sale of the Certificates will be used to (i) finance certain capital improvements to District facilities, (ii) acquire a municipal bond insurance policy and a debt service reserve surety policy for the Certificates, and (iii) pay the costs related to the execution and delivery of the Certificates, all as further described in the sections “THE PROJECTS” and “ESTIMATED SOURCES AND USES OF PROCEEDS” herein.

Security and Source of Payment of the Certificates

The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of ____ 1, 2023 (the “Trust Agreement”), by and among the District, the Corporation and Zions Bancorporation, National Association, as trustee (the “Trustee”). The District is required under the Lease to pay Lease Payments for the use and possession of the Property, which is further described under the caption “THE PROPERTY” herein. The District is also required to pay any taxes and assessments and the cost of maintenance and repair of the Property.

* Preliminary; subject to change.

Pursuant to an Assignment Agreement, dated as of _____ 1, 2023 (the “Assignment Agreement”), by and between the Corporation and the Trustee, the Corporation will assign to the Trustee, for the benefit of the Owners of the Certificates, substantially all of its rights under the Lease and a Site Lease, dated as of _____ 1, 2023 (the “Site Lease”), by and between the District and the Corporation, including its rights to receive and collect Lease Payments, Additional Payments, Reserve Replenishment Rent and Prepayments from the District under the Lease and rights as may be necessary to enforce payment of Lease Payments, Additional Payments, Reserve Replenishment Rent and Prepayments and to exercise all rights and remedies under the Lease following a default. All rights assigned by the Corporation pursuant to the Assignment Agreement shall be administered by the Trustee in accordance with the provisions of the Trust Agreement for the equal and proportionate benefit of all Owners.

The Certificates evidence fractional and undivided interests in the right to receive Lease Payments and Prepayments thereof to be made by the District to the Corporation under the Lease. The Lease Payments are designed to pay, when due, the principal and interest with respect to the Certificates. The District will covenant in the Lease that it will take such action as may be necessary to include the Lease Payments and other payments due under the Lease in its annual budgets and to make the necessary annual appropriations therefor. The District’s obligation to make Lease Payments is subject to abatement in the event of the loss of use and possession of all or a portion of the Property due to its damage, destruction, title defect or taking by eminent domain. See “RISK FACTORS — Abatement” herein.

Neither the Certificates nor the obligation of the District to make Lease Payments constitutes a debt of the District, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction. See “RISK FACTORS” herein.

Description of the Certificates

For a more complete description of the Certificates and the basic documentation pursuant to which they are being sold and delivered, see “THE CERTIFICATES” and APPENDIX A — “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” hereto. The summaries and descriptions in the Official Statement of the Trust Agreement, the Lease, the Site Lease, the Assignment Agreement and other agreements relating to the Certificates are qualified in their entirety by the form thereof and the information with respect thereto included in such documents.

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

Registration, Transfers and Exchanges. The Certificates will be executed and delivered as fully registered Certificates, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be available to actual purchasers of the Certificates (the “Beneficial Owners”) in the denominations set forth above, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Certificates. See “THE CERTIFICATES — Book-Entry Only System” herein. In the event that the book-entry only system described below is no longer used with respect to the Certificates, the Certificates will be registered and transferred in accordance with the provisions of the Trust Agreement. The Certificates are being delivered in the minimum denominations of \$5,000 and any integral multiple thereof.

Payments. Principal and interest due with respect to the Certificates are payable by the Trustee to DTC. Disbursement of such payments to DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of DTC Participants. In the event that the book-entry only system is no longer used with respect to the Certificates, the Beneficial Owners will become the registered owners of the Certificates and will be paid principal and interest by the Trustee, all as described in the Trust Agreement. See “THE CERTIFICATES — General” herein.

Continuing Disclosure

The District will agree in the Continuing Disclosure Agreement for the benefit of Certificate Owners and Beneficial Owners to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain enumerated events in compliance with Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission. The specific nature of the information to be made available and of the event notices to be provided is summarized below under the caption “CONTINUING DISCLOSURE” and APPENDIX E — “FORM OF CONTINUING DISCLOSURE AGREEMENT” hereto. For information concerning the District’s compliance with its continuing disclosure undertakings over the past five years, see “CONTINUING DISCLOSURE” herein.

Professionals Involved in the Offering

Zions Bancorporation, National Association will act as Trustee with respect to the Certificates. The Certificates will be delivered subject to the approval as to their legality by Dannis Woliver Kelley, Long Beach, California, Special Counsel. Dannis Woliver Kelley will also act as the District’s Disclosure Counsel with respect to the Certificates. Certain matters will be passed on for the Underwriter by Stradling Yocca Carlson & Rauth, Newport Beach, California. Certain matters will be passed on for the Corporation by its counsel and for the Trustee by its counsel. Eastshore Consulting, LLC will act as Financial Advisor to the District. The District’s financial statements for the fiscal year ended June 30, 2022 are included as APPENDIX D hereto.

Certificate Owners’ Risks

Certain events could affect the ability of the District to make the Lease Payments when due. See “RISK FACTORS” for a discussion of certain factors that should be considered, in addition to other matters set forth herein, in evaluating an investment in the Certificates.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The sale and delivery of the Certificates to potential investors is made only by means of the Official Statement.

Copies of the Lease, the Site Lease, the Trust Agreement, the Assignment Agreement and the Continuing Disclosure Agreement are available, upon request, and upon payment to the District of a charge for copying, mailing and handling, from the District at 823 West Laurel Street, Willows, California 95988.

This Official Statement contains brief descriptions of, among other things, the District, the Corporation, the Certificates, the Trust Agreement, the Lease, the Assignment Agreement, the Site Lease and certain other matters relating to the security for the Certificates. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to documents and agreements are qualified in their entirety by reference to such documents, and agreements and references herein to the Certificates are qualified in their entirety by reference to the form thereof included in the Trust Agreement. Copies of such documents will be available for inspection at the principal office of the Trustee after delivery of the Certificates. Capitalized terms used but not otherwise defined herein shall have the meanings assigned thereto in the Trust Agreement.

THE PROJECTS

The District expects to apply the net proceeds from the sale of the Certificates to (i) finance certain capital improvements to District facilities (ii) acquire a policy of municipal bond insurance and a debt service reserve surety policy for the Certificates and (iii) pay the costs related to the execution and delivery of the Certificates. See, “THE PROPERTY” herein.

THE PROPERTY

Pursuant to the Site Lease, the District is leasing the Property to the Corporation and leasing the Property back from the Corporation pursuant to the Lease. The Property consists of Willows High School, located at 203 N. Murdock Avenue, in Willows, California. The improvements on the Property currently have a total estimated insured replacement value of approximately \$30,000,000. See also “RISK FACTORS – Property Values” herein.

THE CERTIFICATES

General

The Certificates will be executed in the aggregate principal amount of \$11,000,000. The Certificates will be dated their date of delivery, and will be delivered as registered Certificates without coupons in denominations of \$5,000 each, and any integral multiple thereof. Interest with respect to the Certificates will be payable on each February 1 and August 1, commencing February 1, 2024 (each a “Certificate Payment Date”), at the rates per annum set forth on the inside cover page of this Official Statement. The Certificates will mature on August 1 in the designated years and in the principal amounts as set forth on the inside cover of this Official Statement.

If a Certificate is executed: (i) as of a Certificate Payment Date, interest will be payable from such Certificate Payment Date; (ii) after the close of business on the fifteenth day of the month preceding each Certificate Payment Date (whether or not a business day) (each, a “Record Date”) and before the following Certificate Payment Date, interest will be payable from such following Certificate Payment Date and (iii) on or prior to January 15, 2023, interest evidenced thereby shall be payable from the date of execution and delivery of the Certificates. Interest with respect to the Certificates will be computed on the basis of a 360-day year comprised of twelve 30-day months.

The Certificates evidence and represent fractional and undivided interests of the Owners thereof in the Lease Payments and Prepayments thereof to be made by the District pursuant to the Lease. To the extent Lease Payments are abated or not made under the Lease and insurance proceeds or amounts in or credited to the Reserve Fund are not available to make such Lease Payments, all Certificate Owners will receive a proportionate reduction in their payments. See “RISK FACTORS — Abatement.”

So long as the Certificates are held in book-entry form, principal and interest will be paid to DTC for disbursement to Beneficial Owners of interests in the Certificates in accordance with DTC’s procedures. See “— Book-Entry Only System” below. In the event that the Certificates are no longer held in book-entry form, the following provisions will apply. Principal with respect to the Certificates will be payable upon surrender by the Certificate Owners thereof at the principal office of the Trustee. Interest with respect to the Certificates will be payable by check mailed by first class mail to the Certificate Owners of record at the address shown on the Certificate registration books maintained by the Trustee for such purpose. Certificate Owners in an aggregate principal amount of \$1,000,000 or more may, by providing written instruction to the Trustee, receive interest with respect to the Certificates by wire transfer.

Prepayment*

Optional Prepayment. The Certificates are subject to optional prepayment prior to their stated maturity dates on any date on or after _____, 20__, in whole or in part, at the option of the District, from any lawfully available source in the event the District exercises its option under the Lease to prepay the Principal Component of the Lease Payments (in integral multiples of \$5,000), at a prepayment price equal to the Principal Component of the Lease Payments to be prepaid, plus accrued interest to the date fixed for prepayment, without premium.

* Preliminary; subject to change.

The District may provide a conditional notice to optionally prepay Certificates. In the event the District gives a conditional notice to the Trustee of its intention to exercise such option, but does not deposit with the Trustee on or prior to the prepayment date an amount equal to the prepayment price, the prepayment of the Certificates shall not occur and the District shall not be required to prepay the Certificates and the District will continue to pay the Lease Payments as if no such notice had been given. Within a reasonable time thereafter, the Trustee shall give notice to the Owners that the conditions to prepayment were not met and the prepayment was cancelled.

Extraordinary Prepayment. The Certificates are subject to prepayment prior to their respective maturity dates on any date, in whole or in part, from Net Proceeds which the Trustee shall transfer to the Prepayment Fund as provided in the Lease at least 45 days prior to the date set for prepayment, at a prepayment price equal to the Principal Component of the Lease Payments to be prepaid, together with accrued interest to the date fixed for prepayment, without premium, in the event of certain accidents, destruction, theft or taking by eminent domain or condemnation with respect to the Property as described in the Lease.

Prepayments from Net Proceeds and the resulting redemption of Certificates that were purchased at a price greater than the applicable redemption price could reduce the otherwise expected yield on such Certificates. See “RISK FACTORS – Extraordinary Prepayment from Net Proceeds.”

Selection of Certificates for Prepayment. Whenever provision is made for the optional prepayment of Certificates and less than all Outstanding Certificates are called for prepayment, the Trustee shall select Certificates for optional prepayment from among maturities selected by the District and by lot within any maturity. In connection with an extraordinary prepayment of the Certificates, the Trustee shall select Certificates for prepayment pro rata among maturities and by lot within a maturity. The Trustee will promptly notify the District and the Corporation in writing of the Certificates so selected for prepayment by mailing to the District and the Corporation copies of the notice of prepayment provided.

Prepayment Procedures

Notice of prepayment shall be mailed by first-class mail, postage prepaid, not less than 20 nor more than 60 days before the prepayment date, to the respective Certificates Owners designated for prepayment at their addresses appearing on the Certificate registration books; provided that neither failure to receive such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for prepayment. In addition, notice shall be sent to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access System. Neither failure to send such notice nor any defect in any notice so sent shall affect the sufficiency of the proceedings for the prepayment of the Certificates. Such notice shall specify: (a) the prepayment date, (b) the prepayment price, (c) if less than all of the Outstanding Certificates are to be prepaid, the Certificate numbers (and in the case of partial prepayment, the respective principal amounts), (d) the CUSIP numbers of the Certificates to be prepaid, (e) the place or places where the prepayment will be made, (f) the original date of execution and delivery of the Certificates, (g) the rate of interest payable with respect to each Certificate being prepaid, (h) any other descriptive information regarding the Certificates needed to identify accurately the Certificates being prepaid, and (i) if the notice is conditional, a statement to that effect. Such notice shall further state that on the specified date there shall become due and payable upon each Certificate to be prepaid, the portion of the principal amount of such Certificate to be prepaid, together with interest accrued to said date and that from and after such date, provided that moneys therefor have been deposited with the Trustee, interest with respect thereto shall cease to accrue and be payable.

So long as DTC is the registered Owner of the Certificates, all such notices will be provided only to DTC as the registered Owner, and will not be mailed by the Trustee to the Beneficial Owners of the Certificates. See “— Book-Entry Only System” herein.

Effect of Prepayment. Notice having been given to the Owners of the Certificates in accordance with the Trust Agreement, and the moneys for the prepayment (including the interest to the applicable date of prepayment), having been set aside in the Prepayment Fund, the Certificates shall become due and payable on

the date of prepayment, and upon presentation and surrender thereof at the Principal Office, said Certificates shall be paid at the prepayment price with respect thereto, plus interest accrued and unpaid to said date of prepayment.

If, on the date of prepayment, moneys for the prepayment of all the Certificates to be prepaid, together with interest to the date of prepayment, shall be held by the Trustee so as to be available therefor on such date of prepayment, and, if notice of prepayment thereof shall have been given as provided in the Trust Agreement, then, from and after the date of prepayment, interest with respect to the Certificates to be prepaid shall cease to accrue and become payable. All moneys held by or on behalf of the Trustee for the prepayment of Certificates shall be held in trust for the account of the Owners of the Certificates so to be prepaid, without liability for interest thereon.

Book-Entry Only System

The Certificates will be executed and delivered as one fully registered certificate without coupons for each maturity and, when executed and delivered, will be registered in the name of Cede & Co., as nominee DTC. DTC will act as securities depository of the Certificates. Individual purchases may be made in book-entry form only, in the principal amount of \$5,000 and integral multiples thereof for each maturity. Beneficial Owners will not receive certificates representing their interest in the Certificates purchased. Principal and interest will be paid to DTC, which will in turn remit such principal and interest to its participants for subsequent dispersal to the Beneficial Owners of the Certificates in accordance with DTC's procedures. See APPENDIX F — "BOOK-ENTRY ONLY SYSTEM" hereto.

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CERTIFICATE PAYMENT SCHEDULE

Lease Payments are required to be made by the District under the Lease on or before January 15 and July 15 of each year for the use and possession of the Property for the period commencing as of the Closing Date and terminating as provided in the Lease. The following table summarizes the annual Certificate payments to be made from the Lease Payments of the District assuming no optional or extraordinary prepayments.

ANNUAL CERTIFICATE PAYMENT SCHEDULE

Certificate Year (August 1)	Principal Component	Interest Component	Total Annual Certificate Payments
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
Total			

SECURITY AND SOURCES OF PAYMENT OF THE CERTIFICATES

Neither the Certificates nor the obligation of the District to make Lease Payments constitutes an obligation of the District for which the District is obligated to levy or pledge, or for which the District has levied or pledged, any form of taxation. Neither the Certificates nor the obligation of the District to make Lease Payments constitutes a debt of the District, the State or any of its political subdivisions within the meaning of any constitutional limitation or violates any statutory debt limitation.

General

Each Certificate represents a fractional interest in the Lease Payments and Prepayments to be made by the District to the Trustee pursuant to the Lease. The District is obligated to pay Lease Payments from any source of legally available funds, and will covenant in the Lease, subject to the abatement provisions therein, to include all Lease Payments coming due in its annual budgets and to make the necessary annual appropriations therefor. The Corporation, pursuant to the Assignment Agreement, will assign all of its rights under the Lease (excepting certain rights as specified therein), including the right to receive Lease Payments, Reserve Replenishment Rent and Prepayments, to the Trustee for the benefit of the Certificate Owners. By the fifteenth day of each May and November (if such day is not a Business Day, the next succeeding Business Day), the District must pay to the Trustee a Lease Payment (to the extent required under the Lease) which is

equal to the amount necessary to pay the principal, if any, and interest due with respect to the Certificates on the next succeeding Certificate Payment Date.

Under the Lease, the District will agree to pay certain taxes, assessments, utility charges, and insurance premiums due with respect to the Property and the Certificates and fees and expenses of the Trustee. The District is responsible for repair and maintenance of the Property during the term of the Lease. The District may at its own expense in good faith contest such taxes, assessments and utility and other charges if certain requirements set forth in the Lease are satisfied, including obtaining an opinion of counsel that the Property will not be subjected to loss or forfeiture.

In accordance with the Lease, the District will certify to the Trustee on or before August 1 of each year that the District has included all Lease Payments, Reserve Replenishment Rent and Additional Payments (known as of the date of budget adoption) due under the Lease in the fiscal year covered by its annual budget and the amount so included. If the District fails to certify that it has included all such Lease Payments, Reserve Replenishment Rent and Additional Payments in its annual budget, the Trustee will promptly provide the District written notice specifying that the District has failed to observe and perform its covenant and agreement in the Lease and requesting that such failure be remedied within 30 days, or such failure shall constitute an Event of Default under the Lease.

The District's obligation to make Lease Payments will be abated in the event of, and to the extent of, substantial interference with use and possession of the Property arising from damage, destruction, title defect, or taking by eminent domain or condemnation of the Property. Abatement does not constitute a default under the Lease and the Trustee will not be entitled in such event to pursue remedies against the District. See "RISK FACTORS — Abatement" herein.

Should the District default under the Lease, the Trustee, as assignee of the Corporation, may terminate the Lease and re-lease the Property or may continue the Lease in effect and hold the District liable for all Lease Payments thereunder on an annual basis. So long as it is not in default under its Policy, the Insurer shall have the right to control the exercise of all remedies following an Event of Default by the District. Under no circumstances will the Trustee or the Insurer have the right to accelerate Lease Payments. See "RISK FACTORS — No Acceleration Upon Default" and "— Limited Recourse on Default; Insurer Right to Control Remedies" herein.

Lease Payments

Subject to the provisions of the Lease regarding abatement in the event of loss of use and possession of any portion of the Property (see "RISK FACTORS — Abatement" herein) and prepayment of Lease Payments (see the provisions relating to prepayment under the caption "THE CERTIFICATES" above), the District agrees to pay to the Corporation, its successors and assigns, as annual rental for the use and possession of the Property, the Lease Payments to be due and payable on February 1 and August 1 of each year. Under the Lease, the District is required to deposit the Lease Payments with the Trustee on July 15 and January 15 of each year, or, if such day is not a Business Day, the next succeeding Business Day (each, a "Lease Payment Deposit Date").

Any amounts held in the Lease Payment Fund on any Lease Payment Deposit Date (other than amounts resulting from the prepayment of the Lease Payments in part but not in whole pursuant to the Lease and amounts required for payment of past due principal or interest with respect to any Certificates not presented for payment) shall be credited to the payment of Lease Payments due and payable on such Lease Payment Deposit Date.

The Trust Agreement requires that Lease Payments be deposited in the Lease Payment Fund maintained by the Trustee. Pursuant to the Trust Agreement, on each Certificate Payment Date, the Trustee will apply such amounts in the Lease Payment Fund as are necessary to make interest and principal payments, respectively, with respect to the Certificates as the same shall become due and payable.

Reserve Fund

A Reserve Fund will be established by the Trust Agreement for the Certificates and any Additional Certificates in an amount equal to the least of (i) maximum aggregate annual Lease Payments payable under the Lease in any Certificate Year with respect to the Certificates and any Additional Certificates, (ii) 125% of the average annual aggregate Lease Payments then payable under the Lease (calculated based on Certificate Years) with respect to the Certificates and any Additional Certificates, or (iii) 10% of the original face amount of the Certificates and any Additional Certificates (less original issue discount of in excess of two percent (2%) of the stated Principal Components at maturity) (collectively, the “Reserve Requirement”).

The full amount available in the Reserve Fund may be used by the Trustee in the event that amounts in the Lease Payment Fund are not sufficient to pay the principal or interest due with respect to the Certificates due to abatement or failure by the District to make Lease Payments. Subject to the requirements and restrictions contained in the Trust Agreement, the District may substitute a line of credit, letter of credit, an insurance policy, surety bond or any other comparable credit facility (each, a “Reserve Facility”) or combination thereof in lieu of all or a portion of the initial security funding the Reserve Fund, which in the aggregate makes funds available in the Reserve Fund in an amount equal to the Reserve Requirement; provided, however, other than the Reserve Policy (defined below), the long-term unsecured debt or claim-paying ability, as the case may be, of the provider of any such Reserve Facility, must be rated in one of the two highest rating categories by S&P and/or Moody’s (without regard to qualifiers) at the time of purchase of the Reserve Facility.

The District will initially satisfy the Reserve Requirement with a debt service reserve surety policy (the “Reserve Policy”) issued by the Insurer. Under the Trust Agreement, the Trustee is obligated to draw on the Reserve Policy in the event the amounts held under the Trust Agreement are insufficient to pay the interest and principal represented by the Certificates when due. The amounts available to be drawn under the Reserve Policy will be automatically reduced by the amount of any payment on the Reserve Policy and will be reinstated only to the extent that Reserve Replenishment Rent is paid to the Insurer to reimburse it for previous draws together with interest thereon and expenses. See APPENDIX A — “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS — THE TRUST AGREEMENT — Reserve Fund” hereto.

The Insurer has made a commitment to issue a Reserve Policy for the Reserve Fund with respect to the Certificates, effective as of the date of execution and delivery of such Certificates. Under the terms of the Reserve Policy, Insurer will, subject to the Policy Limits described below, unconditionally and irrevocably guarantee to pay that portion of the scheduled principal and interest with respect to the Certificates that becomes due for payment but shall be unpaid by reason of nonpayment by the District (the “Insured Payments”).

No payment will be made under the Reserve Policy in excess of the Reserve Requirement. Pursuant to the terms of the Reserve Policy, the amount available at any particular time to be paid to the Trustee shall automatically be reduced to the extent of any payment made by Insurer under the Reserve Policy, provided that, to the extent of the reimbursement of such payment by the District to Insurer, the amount available under the Reserve Policy shall be reinstated in full or in part, in an amount not to exceed the limit available under the Reserve Policy, as described above.

The Reserve Policy does not insure against nonpayment caused by the insolvency or negligence of the Trustee.

Additional Payments

The District shall pay such amounts (“Additional Payments”) as shall be required for the payment of all administrative costs of the Corporation relating to the Property or the Certificates, including, without limitation, all expenses, assessments, compensation and indemnification of the Trustee payable by the District under the Trust Agreement, taxes of any sort whatsoever payable by the Corporation as a result of its leasehold

interest in the Property or undertaking of the transactions contemplated in the Lease or in the Trust Agreement, fees of auditors, accountants, attorneys or engineers, any and all amounts due to the Insurer under the Trust Agreement (other than amounts paid by the Insurer to Certificate Owners under the Policy and the Reserve Policy), and all other necessary 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 Certificates or of the Trust Agreement, including premiums on insurance required to be maintained by the Lease or to indemnify the Corporation and its officers and directors.

Insurance

Pursuant to the Lease, the District will obtain a CLTA leasehold title insurance policy (with certain exceptions) on the Property in an amount equal to the aggregate Principal Component of unpaid Lease Payments. The Lease also requires that the District maintain rental interruption insurance to insure against loss of Lease Payments from the Property in an amount not less than the maximum remaining scheduled Lease Payments in any future two-year period. The District is obligated to obtain a standard comprehensive general public liability and property damage insurance policy or policies and workers' compensation insurance or to self-insure against such risks as permitted by the Lease. See APPENDIX A — "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS — THE LEASE — Insurance" and "THE DISTRICT — Insurance" hereto.

The proceeds of any rental interruption or use and occupancy insurance will be deposited to (i) the Reserve Fund to make up any deficiency therein, and (ii) in the Lease Payment Fund to be credited towards the payment of the Lease Payments in the order in which such Lease Payments become due and payable. The Lease requires the District to apply the Net Proceeds of any insurance or condemnation award either to replace or repair the Property or to prepay Certificates if certain certifications with respect to the adequacy of the Net Proceeds to make repairs, and the timing thereof, cannot be made. The amount of Lease Payments will be abated and Lease Payments due under the Lease may be reduced during any period in which a title defect, condemnation, material damage or destruction to all or part of the Property substantially interferes with the District's use and possession thereof. See "RISK FACTORS — Abatement" herein.

Remedies on Default

If the District defaults in performance of its obligations under the Lease, the Trustee, as assignee of the Corporation, may, among other things, elect either (i) to terminate the Lease and re-enter and relet the Leased Premises, or (ii) without terminating the Lease enforce the Lease and hold the District liable for all Lease Payments on an annual basis whether or not it has re-entered and relet the Leased Premises. So long as the Insurer is not in default under the Policy, it will have the right to control all remedies under the Lease and the Trust Agreement. See "RISK FACTORS—Limited Recourse on Default; Insurer Right to Control Remedies" and APPENDIX A — "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS — THE TRUST AGREEMENT — Events of Default and Remedies."

Additional Certificates

Pursuant to the Trust Agreement, the District may cause Additional Certificates to be executed and delivered without the consent of the Owners of the Certificates if certain conditions precedent are satisfied. See "RISK FACTORS — Additional Certificates" and APPENDIX A — "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS — THE TRUST AGREEMENT — Additional Certificates."

BOND INSURANCE

[To come]

ESTIMATED SOURCES AND USES OF PROCEEDS

The estimated sources and uses of proceeds to be received from the sale of the Certificates are as follows:

Sources

Certificate Par Amount
[Net] Original Issue Premium
Total

Uses

Deposit to Project Fund
Costs of Delivery⁽¹⁾
Total

⁽¹⁾ Includes Underwriter's discount, legal fees, financial advisor fees, printing, municipal bond insurance premium, municipal bond debt service reserve surety policy premium, rating agency fees and expenses, and other miscellaneous delivery costs.

RISK FACTORS

The following factors, together with all other information provided in this Official Statement, should be considered by potential investors in evaluating the purchase of the Certificates. The discussion below does not purport to be, nor should it be construed to be, complete nor a summary of all factors which may affect the financial condition of the District, the District's ability to make Lease Payments in the future, the effectiveness of any remedies that the Trustee may have or the circumstances under which Lease Payments may be abated.

No representation is made as to the future financial condition of the District. Payment of the Lease Payments is an obligation of the District payable from legally available funds and the ability of the District to make Lease Payments may be adversely affected by its financial condition as of any particular time. See "STATE OF CALIFORNIA FISCAL ISSUES" herein. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

General Considerations - Security for the Certificates

The obligation of the District to make the Lease 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 does not create a pledge, lien or encumbrance upon the funds of the District, the District is obligated under the Lease to pay the Lease Payments, Reserve Replenishment Rent and Additional Payments from any source of legally available funds and the District will covenant in the Lease that it will take such action as may be necessary to include all Lease Payments, Reserve Replenishment Rent and Additional Payments due under the Lease in its annual budgets and to make necessary annual appropriations for all such rental payments. The District is currently liable and may become liable on other obligations payable from general revenues, some of which may have a priority over the Lease Payments. To the extent that additional obligations are incurred by the District, the funds available to make Lease 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 Lease Payments and other payments due under the Lease.

Extraordinary Prepayment from Net Proceeds

Prepayment of the Certificates from Net Proceeds could be made as provided in the Trust Agreement, and the resulting prepayment of Certificates that were purchased at a price greater than the applicable prepayment price could reduce the otherwise expected yield on such Certificates.

Constitutional and Statutory Limitations on Appropriations

There are limitations on the ability of the District to increase revenues. The ability of the District to increase the ad valorem property tax is limited pursuant to Article XIII A of the State Constitution, which was enacted in 1978. In 1986, California voters approved an initiative statute that attempts to limit the imposition of new or higher taxes by local agencies, including the District. On November 5, 1996, voters approved Proposition 218 – the “Right to Vote on Taxes Act,” which further affects the ability of local agencies to levy and collect existing and future taxes, assessments, fees and charges. On November 3, 2010, California voters approved Proposition 26, which generally expands the definition of “taxes” that are subject to voter approval requirements imposed by Proposition 218. Additionally, Article XIII B of the State Constitution places certain limits on the appropriations the District is permitted to make. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES” herein.

Abatement

The obligation of the District under the Lease to pay Lease Payments is in consideration for the use and possession of the Property. The obligation of the District to make Lease Payments (other than to the extent that funds to make Lease Payments are available in the Lease Payment Fund and the Reserve Fund) may be abated in whole or in part if the District does not have full use and possession of the Property.

The amount of Lease Payments, Additional Payments and Reserve Replenishment Rent due under the Lease will be adjusted or abated during any period in which by reason of damage, destruction, title defect or taking by eminent domain or condemnation, there is substantial interference with the use and possession of any portion of the Property. The amount of such abatement shall be determined by the District such that the resulting Lease Payments, Additional Payments and reserve Replenishment Rent represent fair consideration for the District’s right to use and possession of the portion of the Property not damaged, destroyed or interfered with as a result of title defect or taking. The Reserve Fund will be funded on the date of execution and delivery of the Certificates with the Reserve Policy, in an amount equal to the Reserve Requirement, and amounts available in the Reserve Fund shall be used by the Trustee, together with rental interruption insurance, to make payments in the event Lease Payments received by the Trustee are insufficient to pay principal and interest with respect to the Certificates as such amounts become due.

If damage or destruction, title defect or taking of the Property results in abatement or adjustment of Lease Payments and the resulting Lease Payments, together with moneys in the Reserve Fund, are insufficient to make all payments of principal and interest with respect to the Certificates during the period that the Property is being replaced, repaired or reconstructed, then such payments of principal and interest may not be made, and the only source of funds available to the Trustee or Owners will be any proceeds of rental interruption insurance. Such insurance is required to provide coverage of Lease Payments for up to two years following damage or destruction of the Property with respect to an insured loss. Rental interruption insurance does not cover a loss of use due to uninsured events such as earthquake and flood.

Notwithstanding the provisions of the Lease and the Trust Agreement specifying the extent of abatement in the event of the District’s failure to have use and possession of the Property, such provisions may be superseded by operation of law and, in such event, the resulting Lease Payments of the District may not be sufficient to pay all of the remaining principal and interest with respect to the Certificates Outstanding.

No Initial Cash Reserve

Initially, the Reserve Requirement is being satisfied by the Reserve Policy. In the event that the Insurer were to experience financial difficulties, there would be no cash available for transfer from the Reserve Fund. The obligations of the Insurer under the Reserve Policy are unsecured contractual obligations and in an event of default by the Insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies. See “— Bond Insurance Risk Factors” Below.

Absence of Earthquake Insurance and Flood Insurance

Much of California is seismically active, with numerous faults that could be earthquake sources. The District has no earthquake insurance on the Property and is not obligated under the Lease to procure and maintain, or cause to be procured and maintained, earthquake insurance on the Property. Seismic activity could cause significant damage to the Property and the value of the Property could be adversely affected and an abatement of Lease Payments could occur due to a seismic event. The District is not able to predict whether or to what extent these results might occur.

Public school construction in the State, including the school facilities constructed on the Property, are entitled and approved through the California Division of State Architect (“DSA”), which reviews building plans and calculations based on three sets of criteria: Seismic and Engineering; Fire, Life, Safety; and Access. DSA applies the State building code standards and requires that certain buildings are compliant with the Field Act for Public Schools set forth in Sections 17280 & 81130 *et seq* of the California Education Code (the “Field Act”). The Field Act sets forth structural design standards to enable school buildings meet a higher threshold of seismic safety, ensuring safety for students and building occupants in the event of an earthquake.

The Property is not in a 100-year flood plain. The District has no flood insurance on the Property. [District to confirm]

Other Limitations on Liability

Although the District will covenant to budget and appropriate annually to provide for Lease Payments, the District has not pledged its full faith and credit to such payment. In the event that the District’s revenue sources are less than its total obligations in any year, the District could choose to pay other District expenditures before paying any or all of the annual Lease Payments.

Except as expressly provided in the Trust Agreement, the Corporation shall not have any obligation or liability to the Owners with respect to the payment when due of the Lease 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 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.

No Acceleration upon Default

In the event of a default by the District under the Lease, the remedy of acceleration of the remaining Lease Payments is not available. The District will only be liable for Lease Payments on an annual basis, and, in the event of default, the Trustee would be required to seek a separate judgment each year for that year’s defaulted Lease Payments. Any such suit for money damages would be subject to limitations on legal remedies against school districts in California, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest.

Bond Insurance Risk Factors

In the event of default of the payment of principal or interest with respect to the Certificates when all or some becomes due, any owner of the Certificates shall have a claim under the applicable bond insurance

policy (the “Policy”) for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Certificates by the District which is recovered by the District from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the bond insurer at such time and in such amounts as would have been due absence such prepayment by the District unless the bond insurer (the “Bond Insurer”) chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies and the Bond Insurer’s consent may be required in connection with amendments to any applicable bond documents.

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Certificates are payable solely from the moneys received pursuant to the applicable bond documents. In the event the Bond Insurer becomes obligated to make payments with respect to the Certificates, no assurance is given that such event will not adversely affect the market price of the Certificates or the marketability (liquidity) for the Certificates.

The long-term ratings on the Certificates are dependent in part on the financial strength of the Bond Insurer and its claim paying ability. The Bond Insurer’s financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Bond Insurer and of the ratings on the Certificates insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the market price of the Certificates or the marketability (liquidity) for the Certificates. See “RATINGS” herein.

The obligations of the Bond Insurer are general obligations of the Bond Insurer and in an event of default by the Bond Insurer, the remedies available may be limited by applicable bankruptcy law or other similar laws related to insolvency.

Neither the District or Underwriter have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest with respect to the Certificates and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See “Bond Insurance” herein for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

Limited Recourse on Default; Insurer Right to Control Remedies

The Lease and the Trust Agreement provide that the Trustee may take possession of the Property and re-lease it if there is a default by the District and that, in the event such re-leasing occurs, the District would be liable for any resulting deficiency in the Lease Payments. The Lease provides that the Trustee may have such rights of access to the Property as may be necessary to exercise any remedies. If the Property is determined to be of an essential nature to the District by a court, it is not certain whether such court would permit the exercise of the remedies of repossession and re-leasing of the Property. The Trustee is not empowered to sell the Property for the benefit of the Owners.

Alternatively, the Lease provides that, following an event of default, the Trustee may terminate the Lease with respect to the Property and proceed against the District to recover damages pursuant to the Lease. Any suit for money damages would be subject to limitations on legal remedies against school districts in

California, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest.

The enforceability of the rights and remedies of the Owners of the Certificates, and the obligations incurred by the District, may become subject to the following: the Federal Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under state law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of servicing a significant and legitimate public purpose.

Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, would subject the Owners to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently entail risks of delay, limitation, or modification of their rights with respect to the Certificates. In a bankruptcy case, a plan of adjustment for the District could be confirmed that would allow for enforcement of the Lease, but the priority, interest rate, payment terms, collateral, maturity dates, payment sources, covenants and other terms or provisions of the Lease and the Certificates may be altered by the bankruptcy court. Such a plan could be confirmed even over the objections of the Trustee and the Owners, and without their consent. In addition, if the Lease is determined to constitute a "true lease" by the bankruptcy court (rather than a financing lease providing for the extension of credit), the District could choose not to perform under the Lease and the claim of the Owners could be substantially limited. An allowable claim could be substantially less than the amount of the Certificates outstanding, resulting in the Owners not receiving the full amount of the principal and interest due with respect to the Certificates.

So long as the Policy remains in effect and the Insurer is not in default of its obligations thereunder, the Insurer shall have the right to control all remedies for default under the Lease and the Trust Agreement and shall not be required to obtain the consent of the Owners with respect to the exercise of remedies.

Substitution of Property

The Lease provides that, upon the satisfaction of certain conditions specified therein, the District may substitute other public facilities or real property for all or any portion of the Property and may release a portion of the Property from the Lease. Although the Lease requires, among other things, that the Property, as constituted after such substitution or release, have an annual fair rental value at least equal to the maximum Lease Payments payable by the District in any fiscal year, it does not require that such Property have an annual fair rental value equal to the annual fair rental value of the Property at the time of substitution or release. Thus, a portion of the Property could be replaced with less valuable real property, or could be released altogether. Such a replacement or release could have an adverse impact on the security for the Certificates, particularly if an event requiring abatement of Lease Payments were to occur subsequent to such substitution or release. See APPENDIX A — "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS — THE LEASE AGREEMENT — Substitution or Release of the Property" hereto.

Additional Certificates

The Trust Agreement permits Additional Certificates secured on a parity with the Certificates to be executed and delivered upon compliance with the provisions in the Trust Agreement. In connection with the execution and delivery of any Additional Certificates, the Lease Payments due under the Lease would be increased. The Certificates and any Additional Certificates will be secured on a parity under the Trust Agreement by Lease Payments and other amounts held in the funds established thereunder. See APPENDIX A — "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS — The Trust Agreement — Additional Certificates."

Property Values

The District has estimated the value of the real property constituting the Property. (See “THE PROPERTY” herein). The estimate makes certain assumptions which could affect the estimate of property value. If any of these assumptions are proven incorrect, there could be a negative impact on value. The estimates as to values are merely the opinions of the District as of the date the Property was last insured. The District has not sought the opinion of any appraiser. A different opinion of such value might be rendered by an appraiser.

The fee estate will not be assigned to the Trustee but, rather, the rights of the Corporation under the Lease, which is for a limited term, will be assigned to the Trustee. See APPENDIX A – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.” Thus, the value of the real property constituting the Property and the buildings and improvements thereon are not necessarily an accurate measure of the value of the interest in the Lease assigned to the Trustee.

Cybersecurity

School districts, like other governmental and business entities, face significant risks relating to the use and application of computer software and hardware for educational and operational and management purposes. The District also 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. Given the importance of cybersecurity for school districts, federal lawmakers recently approved the K-12 Cybersecurity Act of 2021 to study cybersecurity risks that school districts face and develop recommended guidelines and an online training toolkit for school district officials to address such cybersecurity risks.

In May of 2022, a cybersecurity attack impacted multiple districts under the County Office of Education, [including the District]. Computer systems were down, requiring schools and administrative offices to teach and perform administrative tasks by hand. The 2022 cybersecurity attack, which affected 75% of the County Office of Education’s districts, stole and then encrypted student records, financial and payroll data and impacted the ability to process checks. While school days were not cancelled, the attack required the County Office of Education to create a second email system and a new financial system.

To protect itself from cybersecurity attacks, the District utilizes firewalls, nightly offsite data backup, anti-virus and anti-malware software, and provides cybersecurity training to District employees. In addition, the District has an informal general technology use policy. As a result, the District expects that any such disruptions caused by a cyberattack would be temporary in nature. The District currently maintains a policy of cyber liability insurance. There can be no assurance that a future cyberattack or attempted cyberattack would not compromise the personal information that the District collects, processes and stores or cause a disruption in District operations, particularly given that students, teachers, and staff are accessing District computer systems and platforms remotely which may increase the risks of intrusion by third parties. The District is also reliant on other entities and service providers, such as the Trustee, in connection with compliance by the District with its continuing disclosure undertakings. No assurance can be given that the District may not be affected by cyber threats and attacks against other entities or service providers in a manner which may affect the Owners of the Certificates, e.g., systems related to the timeliness of payments on their respective Certificates or compliance with disclosure filings pursuant to the Continuing Disclosure Agreement. [District to confirm]

Natural Disasters Impacting Assessed Valuation

Drought Conditions. Water shortfalls resulting from the driest conditions in recorded State history caused a State-wide drought State of Emergency for California in 2014 and the imposition by State regulators of reductions in water usage through 2017 when the State-wide drought ended in almost all California Counties.

During fiscal year 2020-21, fiscal year 2021-22, and continuing during fiscal year 2022-23, much of the State has experienced Severe or Extreme Drought, pursuant to the U.S. Drought Monitor Classification Scheme. On July 8, 2021, Governor Newsom signed Executive Order N-10-21 calling on all Californians to voluntarily reduce water usage by 15%. On October 19, 2021, Governor Newsom declared a State of Emergency due to drought in the State. On January 4, 2022, State Water Board adopted emergency use regulations prohibiting certain wasteful water practices such as watering ornamental landscapes during rain and using potable water to clean hard surfaces and driveways. On June 14, 2022, additional emergency water conservation regulations took effect limiting watering of ornamental grasses in certain locations.

According to the U.S. Drought Monitor, currently, approximately 75% of the State is experiencing no drought conditions, 19% of the State is experiencing Abnormally Dry conditions, and 6% of the State is experiencing Moderate Drought. The County is not currently experiencing drought conditions. The District cannot predict if or when water usage restrictions might be imposed again or what impact such restrictions, if imposed, might have on the assessed valuation of the District and the local economy.

Wildfires. In recent years, certain portions of the State were affected by large wildfires which destroyed both natural lands and residential and commercial properties and resulted in large-scale property value reductions in the impacted areas. The District was not materially impacted by recent wildfires.

Earthquakes. All jurisdictions in California are subject to the effects of damaging earthquakes. Earthquakes are considered a threat to the District due to the highly active seismic region and the proximity of fault zones, which could influence the entire southern coastal portion of the State. An earthquake along one of the faults in the vicinity, either known or unknown, could cause a number of casualties and extensive property damage. The effects of such a quake could be aggravated by aftershocks and secondary effects such as fires, landslides, dam failure, liquefaction and other threats to public health, safety and welfare. The potential direct and indirect consequences of a major earthquake can easily exceed the resources of the District and other local public entities and would require a high level of self-help, coordination and cooperation.

Portions of the District are located in a high risk-level earthquake zone. The County has experienced a total of 63 earthquakes since 1931, with the largest earthquake within 30 miles of the County being a 4.6 magnitude, which occurred in 1995. According to the USGS database, there is a 61% chance of a major earthquake (5.0 magnitude or greater) within 30 miles of the County within the next 50 years.

Climate Change. Climate change caused by human activities may have adverse effects on the property within the boundaries of the District. Climate change can also result in more variable weather patterns throughout the State, which can lead to longer and more severe droughts and wildfires as well as increased risk of flooding and a rise in sea levels. Projections of the impacts of global climate change are complex and depend on many factors that are outside the District's control. The various scientific studies that forecast the amount and timing of adverse impacts of climate change are based on assumptions contained in such studies, but actual events may vary materially. Also, the scientific understanding of climate change and its effects continues to evolve. Accordingly, the District is unable to forecast with certainty when adverse impacts of climate change will occur or the extent of such impacts.

The occurrence of natural disasters within the boundaries of the District could result in substantial damage to property within the District, including the Property, and, in turn, could substantially reduce general fund revenues. Natural disasters could also result in substantial damage to properties within the District. As a result, natural disasters could affect the ability of the District to make Lease Payments or cause an abatement in Lease Payments. Reduced ability to pay Lease Payments could affect the timely payment of the principal of and interest represented by the Certificates.

Impact of COVID-19 on California School Districts

In late 2019, an outbreak of COVID-19, a respiratory virus, spread globally. In March 2020, in response to the COVID-19 outbreak, a national emergency was declared, making available more than \$50

billion in federal resources to combat the spread of COVID-19. Contemporaneously, Congress enacted the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) to provide relief and stimulus to American businesses, state and local governments, and individuals impacted by COVID-19. In December, 2020, Congress enacted the Coronavirus Response and Relief Supplemental Appropriations Act (“CRRSA”) to provide extensions to certain benefits previously provided under the CARES Act, as well as address ongoing economic impacts of the COVID-19 pandemic. In March 2021, President Biden signed a \$1.9 trillion stimulus package (the “American Rescue Package”) into law, authorizing a third round of one-time stimulus payments for qualifying Americans, extending additional unemployment benefits, and providing \$123 billion in new, flexible aid to school districts. In January 2023, the Biden Administration announced that the United States would end its COVID-19 emergency declarations on May 11, 2023.

In March, 2020, Governor Gavin Newsom declared a State of Emergency. Contemporaneously, Governor Newsom issued an Executive Order requiring mandatory shelter-in-place for all non-essential services. To assist school districts respond to the spread of COVID-19, in March 2020, Governor Newsom issued an Executive Order providing school districts that initiate a school closure would continue to receive state funding to support all of the following during the period of closure: (1) continued delivery of high-quality educational opportunities to students through, among other options, distance learning and/or independent study; (2) the provision of school meals in noncongregate settings; (3) arrangement for supervision for students during ordinary school hours; and (4) continued payment of school district employees. The Executive Order also provided that statutory mandated maintenance of schools for a minimum of 175 days was waived for school districts that initiated a school closure to address COVID-19.

The District, in tandem with other school districts in the State, closed its school campuses for the remainder of the 2019-20 school year and implemented a distance learning program. In September 2020, the Governor replaced the Executive Order with the “Blueprint for a Safer Economy” (“Blueprint”) which provided regulations for economic and social activity on a county by county basis related to certain metrics of disease transmission. The District began the 2020-21 school year with a distance learning program and began offering a hybrid model of instruction for all grades beginning in the second half of the 2020-21, when the County moved into a lower risk assessment tier under the Blueprint. The District began the 2021-22 school year offering full time in-person learning, for which the State provided grants to incentivize and assist school districts with re-opening and learning loss mitigation. During the COVID-19 pandemic, the District received approximately \$ _____ million in aggregate relief, including funding from the CARES Act, CRRSA and the American Rescue Package. The District has used such funding for, among other things _____. The Blueprint system was terminated on June 15, 2021 and Governor Newsom ended the State of Emergency relating to COVID-19 on February 28, 2023.

The global outbreak, together with measures undertaken to limit the spread of COVID-19 imposed by local and federal governments, caused volatility in financial markets as well as operating restrictions upon many businesses. The COVID-19 outbreak resulted in the imposition of restrictions on mass gatherings and widespread temporary closings of businesses, universities and schools through much of 2020 and portions of 2021, as well as supply chain issues and increases in inflation as these restrictions and closures have been lifted. As a result of the various regulations imposed in order to slow the spread of COVID-19, economic activity within the State, the County and the community around and within the District suffered episodes of recession and/or depression. The District cannot predict the extent or duration of another COVID-19 outbreak or what impact it may have on the District’s General Fund revenues. See “General Considerations – Security for the Certificates” herein.

THE CORPORATION

The Public Property Financing Corporation of California, a nonprofit public benefit corporation, duly organized and existing under the laws of the State of California was incorporated pursuant to the Nonprofit Public Benefit Corporation Law of the State (Title 1, Division 2, Part 2 of the California Corporation Code). The Corporation was established in order to assist public agencies in financing capital projects and equipment needs.

THE DISTRICT

Introduction

The District's audited financial statements for the fiscal year ended June 30, 2022 are attached hereto as APPENDIX D.

Board of Education

The District is governed by a Board of Education ("Board"), which consists of five members who are elected at large to overlapping four-year terms at elections held in staggered years. If a vacancy arises during any term, the vacancy is filled by either an appointment by the majority vote of the remaining Board members or by a special election. The years in which the current terms for each member of the Board expire are set forth in the following table:

WILLOWS UNIFIED SCHOOL DISTRICT Board of Education

Name	Office	Term Expires December
Jeromy Geiger	President	2024
Gina Taylor	Vice President	2026
Lourdes Ruiz	Clerk	2026
Kirsten Gray	Member	2026
Margaret Parisio	Member	2024

Source: *The District*.

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the District and copies of the most recent and subsequent audited financial statements of the District may be obtained by contacting: Willows Unified School District, 823 West Laurel Street, Willows, California 95988, Attention: Director of Business Services. The District may charge a small fee for copying, mailing and handling.

Key Personnel

The following is a listing of the key administrative personnel of the District and brief biography of the District's Superintendent.

Name	Title
Emmett Koerperich	Superintendent
Debbie Costello	Director of Business Services
Scott Booth	Director of Curriculum, Instruction & Assessment

Emmett Koerperich – Superintendent. Superintendent Koerperich has served as Superintendent of the District since July, 2020. Prior to becoming the Superintendent, Mr. Koerperich was a principal at Anderson Valley Union High School District. He has more than 35 years of experience in public education in a variety of roles, including teacher and school site principal. Mr. Koerperich earned a Bachelor of Applied Science in Biological Sciences from the University of California, Davis and a Master of Arts in Athletic Administration from Chico State University.

Employees and Labor Relations

The District employs approximately ____ full-time equivalent (“FTE”) certificated academic professionals, approximately ____ FTE classified employees, and approximately ____ FTE management/supervisor/confidential employees.

The certificated employees have assigned the Willows Unified Teachers Association (“WUTA”) as their exclusive bargaining agent and the contract between the District and WUTA expires on June 30, 20__.

The classified employees of the District have assigned the California School Employees Association Willows Chapter #119 (“CSEA”) as their exclusive bargaining agent. The contract between the District and CSEA expires on June 30, 20__.

The District has settled salary and benefit negotiations with its confidential and management employees (unrepresented units) through June 30, 20__.

District Retirement Systems

The information set forth below regarding the District’s retirement programs, other than the information provided by the District regarding its annual contributions thereto, has been obtained from publicly available sources which are believed to be reliable but are not guaranteed as to accuracy or completeness, and should not to be construed as a representation by the District.

STRS. All full-time certificated employees, as well as certain classified employees, are members of the State Teachers’ Retirement System (“STRS”). STRS provides retirement, disability and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers’ Retirement Law. For fiscal year 2023-24, the District is required by such statutes to contribute 19.1% of eligible salary expenditures, while participants contribute either 10.25% or 10.205% of their respective salaries. The State also contributes to STRS, currently in an amount equal to 10.328% of teacher payroll for fiscal year 2023-24. The State’s contribution reflects a base contribution of 2.017% and a supplemental contribution that will vary from year-to-year based on statutory criteria.

As part of the 2014-15 State Budget, the Governor signed Assembly Bill 1469 (“AB 1469”) which implemented a new funding strategy for STRS, increasing the employer contribution rate in fiscal year 2014-15 from 8.25% to 8.88% of covered payroll. Such rate increased by 1.85% in fiscal year 2015-16 and will continue to increase annually as further described below. Teacher contributions also increased from 8.00% to a total of 10.25% of pay, over the period from 2014-15 through 2017-18. The State’s total contribution also increased from approximately 3% in fiscal year 2013-14 to 6.30% of payroll in fiscal year 2016-17, plus the continued payment of 2.5% of payroll annually for a supplemental inflation protection program for a total of 8.80%. In addition, AB 1469 provides the State Teachers Retirement Board with authority to modify the percentages paid by employers and employees for fiscal year 2021-22 and each fiscal year thereafter to eliminate the STRS unfunded actuarial obligation with respect to service credited to members of the STRS Defined Benefit Program before July 1, 2014 by June 30, 2046, which is premised upon an actuarially assumed earnings rate of 7.00%. The State Teachers Retirement Board would also have authority to reduce employer and State contributions if they are no longer.

Pursuant to AB 1469, school districts’ employer contribution rates increased over a seven-year phase-in period beginning in 2014-15 through 2019-20 when employer contribution rates reached 16.15% (including certain reductions in the contribution rate for supplemental payments made by the State in fiscal years 2019-20 and 2020-21.)

Subsequent to the increases to the school district’s contribution rates to STRS, AB 1469 requires that for 2021-22 and each fiscal year thereafter, STRS adjust the school districts’ contribution rate to reflect the rate required to eliminate the unfunded liability by July 1, 2046. The 2020-21 State Budget applied certain funds in

fiscal year 2020-21 intended under the 2019-20 State Budget to reduce future obligations to STRS to the school districts' then current obligations to STRS to reduce the school district's contribution rates to STRS in fiscal year 2020-21 from 18.41% to approximately 16.15% and in fiscal year 2021-2022 from 17.9% to 16.02%.

The District contributed \$1,149,523 to STRS for fiscal year 2018-19, \$1,229,703 for fiscal year 2019-20, \$1,777,660 for fiscal year 2020-21, and \$ _____ for fiscal year 2021-22, which amounts equaled 100% of required contributions to STRS. The District projects a contribution of \$ _____ for fiscal year 2022-23 per its Estimated Actuals and has budgeted a contribution of \$1,688,104 for fiscal year 2023-24. With the implementation of AB 1469, the District anticipates that its contributions to STRS will increase in future fiscal years as compared to prior fiscal years. The District, nonetheless, is unable to predict all factors or any changes in law that could affect its required contributions to STRS in future fiscal years.

PERS. Classified employees working four or more hours per day are members of the Public Employees' Retirement System ("PERS"). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended, with the Public Employees' Retirement Laws. The District is currently required to contribute to PERS at an actuarially determined rate, which is 26.68% of eligible salary expenditures for fiscal year 2023-24, while participants enrolled in PERS prior to January 1, 2013 contribute 7% of their respective salaries and those enrolled subsequent to January 1, 2013 contribute 8.00%. See – "California Public Employees' Pension Reform Act of 2013" below.

On April 19, 2017, the Board of Administration of PERS ("PERS Board") adopted new contribution rates for school districts. The revised contribution rates are, as were the previous contribution rates, based on certain demographic assumptions adopted by the PERS Board in February 2014 which took into account longer life spans of public employees from previous assumptions. Such demographic assumptions generally increase costs for the State and public agency employers (including school districts), which costs will be amortized over 20 years and were phased in over three years beginning in fiscal year 2014-15 for the State and amortized over 20 years and phased in over five years beginning in fiscal year 2016-17 for the employers. PERS estimated that the new demographic assumptions would cost public agency employers up to 5% of payroll for miscellaneous employees at the end of the five year phase in period. To the extent, however, that current and future experiences differ from PERS' assumptions, the required employer contributions may vary. The 2017-18 contribution rate also took into account increased payroll over 2016-17, a lowered discount rate (which was approved in December 2016) as well as lower than predicted investment returns in prior years. As a result of payments to be made by the State as part of the 2019-20 State Budget, the estimated future employer contribution rates to PERS were again revised downward for fiscal years 2019-20 through 2025-26 but remain subject to annual adoption by the PERS Board. See "DISTRICT FINANCIAL INFORMATION - State Funding of Education" herein.

On April 18, 2022, the PERS Board set the fiscal year 2022-23 employer contribution rate at 25.37%. The PERS Board also approved an increase in the employee contribution rate for members subject to the Reform Act (defined below) from 7.00% of earnings to 8.00% of earnings for fiscal year 2022-23. From the Basic Financial Statements issued on November 15, 2022, PERS reported a negative 7.5% net return on investments for fiscal year 2021-22, which is PERS' first negative return on investments since fiscal year 2008-09. The negative 7.5% net return on investments is less than the assumed annual rate of return on investments of 6.80%. Most recently, on April 17, 2023, the PERS Board set the fiscal year 2023-24 employer contribution rate at 26.68% and maintained the employee contribution rate for members subject to the Reform Act (defined below) at 8.00%.

PERS estimates future employer contribution rates as follows:

Fiscal Year	Projected Employer Contribution Rates (PERS Actuarial Report)
2024-25	27.70%
2025-26	28.30
2026-27	28.70
2027-28	30.00
2028-29	29.80

The projected rates reflect the preliminary investment loss for fiscal year 2021-22 described above. Projected rates also reflect the anticipated decrease in normal cost due to new hires entering lower cost benefit tiers.

The District contributed \$309,172 to PERS for fiscal year 2018-19, \$350,220 for fiscal year 2019-20, \$406,114 for fiscal year 2020-21, and \$_____ for fiscal year 2021-22, which amounts equaled 100% of required contributions to PERS. The District projects a contribution of \$_____ to PERS for fiscal year 2022-23 per its Estimated Actuals and has budgeted a contribution of \$859,650 for fiscal year 2023-24.

State Pension Trusts. Each of STRS and PERS issues a separate comprehensive financial report that includes financial statements and required supplemental information. Copies of such financial reports may be obtained from each of STRS and PERS as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; (ii) PERS, P.O. Box 942703, Sacramento, California 94229-2703. Moreover, each of STRS and PERS maintains a website, as follows: (i) STRS: www.calstrs.com; (ii) PERS: www.calpers.ca.gov. However, the information presented in such financial reports or on such websites is not incorporated into this Official Statement by any reference.

Both STRS and PERS have substantial statewide unfunded liabilities. The amount of these unfunded liabilities will vary depending on actuarial assumptions, returns on investments, salary scales and participant contributions. The following table summarizes information regarding the actuarially-determined accrued liability for PERS and STRS as of July 1, 2022.

FUNDED STATUS
STRS (DEFINED BENEFIT PROGRAM) and PERS
Actuarial Valuation
(Dollar Amounts in Millions)⁽¹⁾

Plan	Accrued Liability	Market Value of Trust Assets	Unfunded Liability
Public Employees Retirement Fund (PERS)	\$ 116,982	\$ 79,8736	\$ (37,596)
State Teachers' Retirement Fund Defined Benefit Program (STRS)	346,089	283,340	(80,803)

(1) Amounts may not add due to rounding.

Source: *PERS State & Schools Actuarial Valuation*; *STRS Defined Benefit Program Actuarial Valuation*.

Unlike PERS, STRS contribution rates for participant employers, employees hired prior to the Implementation Date (defined herein) and the State are set by statute and do not currently vary from year-to-year based on actuarial valuations. As a result of the Reform Act (defined below), the contribution rate for STRS participants hired after the Implementation Date will vary from year-to-year based on actuarial valuations. See “—California Public Employees’ Pension Reform Act of 2013” below. In recent years, the combined employer, employee and State contributions to STRS have been significantly less than actuarially required amounts. As a result, and due in part to investment losses, the unfunded liability of STRS has increased significantly. AB 1469 is intended to address this unfunded liability. The District can make no

representations regarding the future program liabilities of STRS, or whether the District will be required to make larger contributions to STRS in the future. The District can also provide no assurances that the District's required contributions to PERS will not increase in the future.

California Public Employees' Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employee's Pension Reform Act of 2013 (the "Reform Act"), which made changes to both STRS and PERS, most substantially affecting new employees hired after January 1, 2013 (the "Implementation Date"). For STRS participants hired after the Implementation Date, the Reform Act changed the normal retirement age by increasing the eligibility for the 2% age factor (the age factor is the percent of final compensation to which an employee is entitled to for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. Similarly, for non-safety PERS participants hired after the Implementation Date, the Reform Act changed the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and increased the eligibility requirement for the maximum age factor of 2.5% to age 67. Among the other changes to PERS and STRS, the Reform Act also: (i) requires all new participants enrolled in PERS and STRS after the Implementation Date to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (ii) requires STRS and PERS to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date (currently 12 months for STRS members who retire with 25 years of service), and (iii) caps "pensionable compensation" for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution and benefit base for members participating in Social Security or 120% for members not participating in social security, while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

GASB Statement Nos. 67 and 68. On June 25, 2012, GASB approved Statements Nos. 67 and 68 ("Statements") with respect to pension accounting and financial reporting standards for state and local governments and pension plans. The new Statements, No. 67 and No. 68, replace GASB Statement No. 27 and most of Statements No. 25 and No. 50. The changes impact the accounting treatment of pension plans in which state and local governments participate. Major changes include: (1) the inclusion of unfunded pension liabilities on the government's balance sheet (currently, such unfunded liabilities are typically included as notes to the government's financial statements); (2) more components of full pension costs being shown as expenses regardless of actual contribution levels; (3) lower actuarial discount rates being required to be used for underfunded plans in certain cases for purposes of the financial statements; (4) closed amortization periods for unfunded liabilities being required to be used for certain purposes of the financial statements; and (5) the difference between expected and actual investment returns being recognized over a closed five-year smoothing period. In addition, according to GASB, Statement No. 68 means that, for pensions within the scope of the Statement, a cost-sharing employer that does not have a special funding situation is required to recognize a net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions and pension expense based on its proportionate share of the net pension liability for benefits provided through the pension plan. Because the accounting standards do not require changes in funding policies, the full extent of the effect of the new standards on the District is not known at this time. The reporting requirements for pension plans took effect for the fiscal year beginning July 1, 2013 and the reporting requirements for government employers, including the District, took effect for the fiscal year beginning July 1, 2014.

The District's proportionate shares of the net pension liability of PERS and STRS, as of June 30, 2022, were as shown in the following table.

Pension Plan	Proportionate Share of Net Pension Liability
PERS	\$
STRS	
Total	\$

Source: *The District*.

For further information about the District's contributions to PERS and STRS, see Note ___ in the District's audited financial statements for fiscal year ended June 30, 2022 attached hereto as APPENDIX D.

School districts' retirement 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 determine whether current financial market losses and/or volatility might impact the value of investments held by either PERS or STRS to fund retirement benefits or whether the District's contribution rates to PERS or STRS might increase in the future as a result of any declines in the value of investments.

Other Post-Employment Benefits

In June 2004, the Governmental Accounting Standards Board ("GASB") pronounced Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. The pronouncement required public agency employers providing healthcare benefits to retirees to recognize and account for the costs for providing these benefits on an accrual basis and provide footnote disclosure on the progress toward funding the benefits. In June 2015, GASB replaced Statement No. 45 with Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Employees who are eligible to receive retiree employment benefits other than pensions ("Health & Welfare Benefits" or "OPEB") while in retirement must meet specific criteria, *i.e.*, age and years with the District. The District provides Health & Welfare Benefits to qualified eligible employees and their spouses who retire from the District on or after attaining age 55 with at least 15 years of service to the District for certificated employees, on or after attaining age 55 with at least 20 years of service to the District for classified employees and on or after attaining age 55 with at least 16 years of service to the District for confidential, management and administrative employees. As of the most recent actuarial valuation, July 1, 20__, __ retirees and their beneficiaries were receiving Health and Welfare Benefits and __ employees were active plan members.

The following table shows the changes in the District's net Health and Welfare Benefits as of June 30, 2022.

WILLOWS UNIFIED SCHOOL DISTRICT Health & Welfare Benefit Liability

Total OPEB Liability
Service Cost
Interest on total OPEB liability
Benefit Payments
Net Change in Total OPEB liability

Total OPEB Liability – Beginning

Total OPEB Liability – Ending

Source: *The District*.

Risk Management

The District is exposed to various risks of loss related to tortious liability, theft, damage or destruction of assets, errors or omissions, employee injuries or natural disasters.

The District is a member of three joint powers authorities (“JPAs”); (i) California’s Valued Trust which provides Health & Welfare Benefits, (ii) the Golden State Risk Management Authority , which provides property and liability coverage and (iii) the Schools Excess Liability Fund , which provide excess liability coverage. Each JPA is governed by a board consisting of a representative from each member district. Each governing board controls the operations of its JPA independent of any influence by the District beyond the District’s representation on the governing boards. The relationships between the District and the JPAs are such that none of the JPAs are a component unit of the District for financial reporting purposes.

DISTRICT FINANCIAL INFORMATION

District Investments

The Glenn County Treasurer-Tax Collector (the “Treasurer”) manages, in accordance with California Government Code Section 53600 *et seq.*, funds deposited with the Treasurer by school and community college districts located in the County, various special districts, and some cities within the State of California. State law generally requires that all moneys of the County, school and community college districts and certain special districts located in the County be held in the County’s Pooled Investment Fund.

Financial Statements of the District

The District’s general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State fund apportionments, taxes, use of money and property, and aid from other governmental agencies. The District has not requested its auditor to provide any review or update of such financial statements in connection with their inclusion in this Official Statement. Certain information from the District’s financial statements follows. The District has not requested, and its auditors have not provided, any review or update to such audited financial statements. The District’s audited financial statements for prior and subsequent fiscal years can be obtained by contacting the District at 823 West Laurel Street, Willows, California 95988. The District may impose a charge for copying, mailing and handling.

The District’s financial statements are prepared on a modified accrual basis of accounting in accordance with generally accepted accounting principles as set forth by the Governmental Accounting Standards Board. See “DISTRICT FINANCIAL INFORMATION – General Fund” for more information regarding the District’s financial statements for recent fiscal years.

Funds used by the District are categorized as government funds and fiduciary funds. The general fund of the District, as shown herein, is a combined fund comprised of moneys which are unrestricted and available to finance the legally authorized activities of the District not financed by restricted funds and moneys which are restricted to specific types of programs or purposes. General fund revenues shown thereon are derived from such sources as taxes, aid from other government agencies, charges for current services and other revenue.

The financial statements included herein were prepared by the District using information from the Annual Financial Reports which are prepared by the Director of Business Services for the District and audited by independent certified public accountants each year. The District's audited financial statements for the year ending June 30, 2022 are attached as APPENDIX D hereto.

District Budgets

The fiscal year of the District begins on the first day of July of each year and ends on the 30th day of June of the following year. The District adopts on or before July 1 of each year a fiscal line-item budget setting forth expenditures in priority sequence so that appropriations during the fiscal year can be adjusted if revenues do not meet projections.

The District is required by provisions of the California Education Code to maintain a balanced budget each year, where the sum of expenditures plus the ending fund balance cannot exceed the revenues plus the carry-over fund balance from the previous year. The budget must be submitted to the county superintendent within five days of adoption or by July 1, whichever occurs first. The county superintendent will 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, and will determine if the budget allows the district to meet its current obligations, if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments, whether the budget includes the expenditures necessary to implement a LCAP, and whether the budget's ending fund balance exceeds the minimum recommended reserve for economic uncertainties.

On or before September 15, the county superintendent will approve, conditionally approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district board must be notified by September 15 of the county superintendent's recommendations for revision and reasons for the recommendations. The county superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the superintendent's recommendations. The committee must report its findings no later than September 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. No later than October 22, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budget may be disapproved.

For districts whose budgets have been disapproved, the district must revise and readopt its budget by October 8, reflecting changes in projected income and expense since July 1, including responding to the county superintendent's recommendations. The county superintendent must determine if the budget conforms with the standards and criteria applicable to final district budgets and not later than November 8, will approve or disapprove the revised budgets. If the budget is disapproved, the county superintendent will call for the formation of a budget review committee pursuant to Education Code Section 42127.1. No later than November 8, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budget has been disapproved. Until a district's budget is approved, the district will operate on the lesser of its proposed budget for the current fiscal year or the last budget adopted and reviewed for the prior fiscal year.

California Assembly Bill 1200 ("AB 1200"), effective January 1, 1992, tightened the budget development process and interim financial reporting for school districts, enhancing the authority of the county schools superintendents' offices and establishing guidelines for emergency State aid apportionments. Many

provisions affect the District's operations directly, while others create a foundation from which outside authorities (primarily state and county school officials) may impose actions on the District. Under the provisions of AB 1200, each school district is required to file interim certifications with the county office of education 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 office of education reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the remainder of the fiscal year or subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years. Each certification is based on then-current projections.

The District has not received a qualified or negative certification on any interim reports in the last five fiscal years.

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 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 Superintendent of Public Instruction and the president of the State board or the president's designee will appoint a trustee at the direction of the county superintendent to serve the school district until it has adequate fiscal systems and controls in place. In connection with appointing such a trustee, some or all of the legislative powers of the governing board of such a school district can be suspended until the district achieves fiscal stability.

General Fund Budget. The District's general fund adopted budgets for fiscal years 2018-19 through 2023-24, audited actuals for the fiscal years 2018-19 through 2021-22, and Estimated Actuals for fiscal year 2022-23, are set forth on the following page.

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WILLOWS UNIFIED SCHOOL DISTRICT GENERAL FUND

	Adopted Budget 2018-19 ⁽¹⁾	Audited Actuals 2018-19 ⁽¹⁾	Adopted Budget 2019-20 ⁽¹⁾	Audited Actuals 2019-20 ⁽¹⁾	Adopted Budget 2020-21 ⁽¹⁾	Audited Actuals 2020-21 ⁽¹⁾	Adopted Budget 2021-22 ⁽¹⁾	Audited Actuals 2021-22 ⁽¹⁾	Adopted Budget 2022-23 ⁽²⁾	Estimated Actuals 2022-23 ⁽²⁾	Adopted Budget 2023-24 ⁽²⁾
REVENUES											
LCFF Sources	\$14,524,259	\$14,362,277	\$14,909,240	\$14,840,050	\$13,744,278	\$15,122,266			\$18,993,576	\$19,209,490	\$20,416,928
Federal Sources	522,054	602,050	558,886	742,402	579,379	1,855,417			1,302,209	1,926,296	3,007,699
Other State Sources	895,793	995,473	362,483	755,405	544,822	1,881,372			990,209	4,883,986	2,649,547
Other Local Sources	<u>216,968</u>	<u>478,107</u>	<u>347,948</u>	<u>849,630</u>	<u>350,910</u>	<u>595,639</u>			<u>294,728</u>	<u>373,399</u>	<u>256,100</u>
Total Revenues	16,159,074	16,437,907	16,178,557	17,187,487	15,219,389	19,454,694			21,580,803	26,393,171	26,330,274
EXPENDITURES											
Current											
Certificated Salaries	7,452,550	7,273,582	7,460,695	7,445,518	7,391,994	7,778,252			8,698,931	8,807,813	9,022,698
Classified Salaries	1,829,370	1,813,794	1,826,283	1,846,578	1,885,351	2,362,186			2,945,422	3,393,080	3,760,582
Employee Benefits	3,021,277	2,859,486	3,102,561	2,684,721	2,701,960	2,885,688			3,712,390	3,951,172	4,113,768
Books and Supplies	553,029	610,597	1,020,541	667,429	1,063,538	1,420,595			1,337,778	2,385,563	2,474,941
Services, Other											
Operating Expenses	1,115,986	968,638	1,219,846	1,344,306	1,256,758	1,283,125			1,315,473	2,385,197	2,001,117
Capital Outlay	45,000	73,319	7,006	445,539	114,807	403,271			530,819	991,585	963,750
Other Outgo											
Excl. Transfer ind.	1,914,592	1,838,906	2,118,054	2,204,748	2,544,151	2,280,529			2,779,979	2,779,979	2,766,341
Transfer of ind.	<u>(36,000)</u>	<u>(38,611)</u>	<u>(38,000)</u>	<u>(23,907)</u>	<u>(22,065)</u>	<u>(26,890)</u>			<u>(36,928)</u>	<u>(36,928)</u>	<u>(48,257)</u>
Total Expenditures	15,895,804	15,399,711	16,716,986	16,614,932	19,936,494	18,386,756			21,283,864	24,657,461	25,054,940
Excess (Deficiency) Of Revenues Over (Under) Expenditures	263,270	1,038,196	(538,429)	572,555	(1,717,105)	1,067,938			296,939	1,735,710	1,275,334
OTHER FINANCING SOURCES (USES)											
Transfers in	--	--	--	--	--	--			--	--	--
Transfers out	<u>(187,649)</u>	<u>(922,401)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>(110,000)</u>	<u>(1,190,123)</u>			<u>(300,000)</u>	<u>(800,000)</u>	<u>(400,000)</u>
Net Financing Sources/(Uses)	(187,649)	(922,401)	(50,000)	(50,000)	(110,000)	(1,190,123)			(300,000)	(800,000)	(400,000)
NET CHANGE IN FUND BALANCE	75,621	115,795	(588,429)	522,555	(1,827,105)	(122,085)			3,061	935,710	875,334
Fund Balance, July 1	6,667,451	6,667,451	6,783,246	6,783,246	7,305,800	7,305,800			7,204,749	7,151,992	8,687,702
Fund Balance, June 30	\$6,743,072	\$6,783,246	\$6,194,817	\$7,305,801	\$5,478,695	\$7,183,715			\$7,201,688	\$8,687,702	\$9,653,036

⁽¹⁾ From the audited financial statements of the District for the stated fiscal year.

⁽²⁾ From the adopted budgets of the District for the stated fiscal year.

Source: *The District*.

WILLOWS UNIFIED SCHOOL DISTRICT
GENERAL FUND
Statement of Revenues, Expenditures and Change in Fund Balances
for Fiscal Years 2018-19 through 2021-22

	2018-19 Audit	2019-20 Audit	2020-21 Audit	2021-22 Audit
REVENUES				
LCFF Sources	\$14,362,277	\$14,840,050	\$14,753,526	
Federal Revenues	602,050	646,365	1,808,192	
Other State Revenues	2,164,469	1,651,233	2,621,326	
Other Local Revenues	<u>478,107</u>	<u>945,667</u>	<u>644,384</u>	
TOTAL REVENUES	17,606,903	18,080,315	19,827,428	
EXPENDITURES				
Instruction	9,423,565	9,107,160	10,021,803	
Instruction-Related Services				
Instructional supervision and admin	167,817	258,313	262,154	
Instructional library, media & tech	154,291	166,779	179,362	
School site administration	1,627,613	1,497,870	1,608,736	
Pupil Services				
Home-to-school transportation	248,726	428,359	227,677	
Food services	9,619	64	46,659	
All other pupil services	687,999	634,413	762,543	
General Administration				
Centralized data processing	85,719	93,508	88,118	
All other general administration	949,965	1,241,330	1,474,737	
Plant Services	1,357,445	1,719,086	1,859,044	
Facilities Acquisition and Maintenance	4,854	7,755	130,482	
Ancillary services	12,188	151,375	77,991	
Community services	--	--	106,875	
Transfers to other agencies	1,551,459	1,919,613	1,970,715	
Debt Service – Principal	250,647	253,028	255,431	
Debt Service – Interest	<u>36,800</u>	<u>32,107</u>	<u>58,383</u>	
TOTAL EXPENDITURES	16,568,707	17,510,760	19,130,710	
Excess (Deficiency) of Revenues Over Expenditures	1,038,196	572,555	696,718	
OTHER FINANCING SOURCES/USES				
Transfers in	--	--	--	
Transfers out	<u>(922,401)</u>	<u>(50,000)</u>	<u>(821,283)</u>	
NET FINANCING SOURCES (USES)	(922,401)	(50,000)	(821,283)	
NET CHANGE IN FUND BALANCES	115,795	522,555	(124,565)	
Fund Balance at Beginning of Year	6,667,451	6,783,246	7,420,412	
Fund Balance at End of Year	\$6,783,246	\$7,305,801	\$7,295,847	

Source: *The District.*

State Funding of Education

On June 27, 2013, the State adopted a new method for funding school districts commonly known as the “Local Control Funding Formula.” The Local Control Funding Formula (“LCFF”) was implemented in stages, beginning in fiscal year 2013-14 with full implementation in fiscal year 2018-19. Prior to adoption of the LCFF, the State used a revenue limit system.

Local Control Funding Formula. State Assembly Bill 97 (Stats. 2013, Chapter 47) (“AB 97”), enacted as a part of the 2013-14 State Budget (defined below) enacted the LCFF beginning in fiscal year 2013-14, which replaced the revenue limit funding system and many categorical programs. The LCFF distributes resources to schools through a guaranteed base funding grant (the “Base Grant”) per unit of ADA. The average Base Grant is \$7,643 per unit of ADA, which is \$2,375 more than the average revenue limit. A Base Grant is assigned to each of four grade spans. Additional supplemental funding is made available based on the proportion of English language learners, low-income students and foster youth.

For fiscal year 2022-23, the LCFF provided to school districts and charter schools a Target Base Grant for each Local Education Agency (“LEA”) equivalent to (a) \$9,132 per ADA for kindergarten through grade 3; (b) \$9,269 per ADA for grades 4 through 6; (c) \$9,545 per ADA for grades 7 and 8; and (d) \$11,060 per ADA for grades 9 through 12.

Beginning in fiscal year 2013-14, and in each subsequent year, the Base Grants have been adjusted for cost-of-living increases by applying the implicit price deflator for government goods and services. With full implementation of the LCFF, the provision of cost-of-living-adjustments (“COLA”) is now subject to appropriation for such adjustment in the annual State budget. For fiscal year 2022-23, a 6.56% COLA was included. See “STATE OF CALIFORNIA FISCAL ISSUES – State Budget Measures – 2022-23 State Budget” herein. The differences among Base Grants are linked to differentials in statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels.

The Base Grants for grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in early grades and the provision of career technical education in high schools. Unless collectively bargained for, school districts serving students in grades K-3 must maintain an average class enrollment of 24 or fewer students in grades K-3 at each school site in order to continue receiving the adjustment to the K-3 Base Grant. Additional add-ons are also provided to school districts that received categorical block grant funding pursuant to the Targeted Instructional Improvement and Home-to-School Transportation programs during fiscal year 2012-13.

School districts that serve students of limited English proficiency (“EL” students), students from low income families that are eligible for free or reduced priced meals (“LI” students) and foster youth are eligible to receive additional funding grants. Enrollment counts are unduplicated, such that students may not be counted as both EL and LI (foster youth automatically meet the eligibility requirements for free or reduced priced meals (“FRPM”) and are not discussed separately herein). A supplemental grant add-on (each, a “Supplemental Grant”) is authorized for school districts that serve EL/LI students, equal to 20% of the applicable Base Grant multiplied by such districts’ percentage of unduplicated EL/LI student enrollment. School districts whose EL/LI populations exceed 55% of their total enrollment are eligible for a concentration grant add-on (each, a “Concentration Grant”) equal to 65% of the applicable Base Grant multiplied by the percentage of such district’s unduplicated EL/LI student enrollment in excess of the 55% threshold.

The following table sets forth the historical ADA (at second reporting period) and enrollment for fiscal years 2014-15 through 2021-22.

WILLOWS UNIFIED SCHOOL DISTRICT
Historical ADA and Enrollment
Fiscal Years 2014-15 through 2021-22

<u>Fiscal Year</u>	<u>ADA</u>	<u>Enrollment</u>
2014-15		
2015-16		
2016-17		
2017-18		
2018-19		
2019-20		
2020-21*		
2021-22**		

*Due to the COVID-9 pandemic, ADA was not reported in 2021 and funding was based on ADA at the second reporting period as reported in 2020.

** Funded ADA.

Source: *The District*.

[Discussion of enrollment changes.]

The following table sets forth the funded ADA, enrollment and the percentage of EL/LI enrollment for 2022-23, as budgeted for fiscal year 2023-24 and as projected for fiscal years 2024-25 and 2025-26.

WILLOWS UNIFIED SCHOOL DISTRICT
ADA, English Language/Low Income Enrollment
Fiscal Years 2022-23 through 2025-26

<u>ADA</u>						<u>Total Enrollment</u>	<u>Unduplicated Count (as % of Total Enrollment)</u>
<u>Fiscal Year</u>	<u>TK-3</u>	<u>4-6</u>	<u>7-8</u>	<u>9-12</u>	<u>Total ADA</u>		
2022-23							
2023-24 ⁽¹⁾							
2024-25 ⁽²⁾							
2025-26 ⁽²⁾							

⁽¹⁾ Budgeted.

⁽²⁾ Projected.

Source: *The District*.

The amounts shown in the table above are actual amounts and differ from ADA for funding purposes. Due to the COVID-19 pandemic and related State budget-implementing legislation, California school districts, other than certain charter school districts, were held harmless against any loss of ADA for purposes of calculating apportionment in the 2020-21 fiscal year, with ADA for purposes of calculation of state funding based on ADA for fiscal year 2019-20. Additionally, due to State-wide declining enrollment trends, additional hold harmless measures have been instituted to shelter school districts from large annual revenue losses. Additional changes to LCFF funding were implemented in the fiscal year 2022-23 State budget that permit school districts to use the greater of the current year or prior year ADA or an average of the three prior years' ADA (i.e., fiscal year 2019-20 ADA, fiscal year 2020-21 ADA, and fiscal year 2021-22 ADA) to calculate

LCFF funding going forward . See, “STATE OF CALIFORNIA FISCAL ISSUES – State Budget Measures” for a description of such measures for future measures.

The sum of a school district’s adjusted Base, Supplemental and Concentration Grants will be multiplied by such district’s ADA as of the second principal apportionment period (“P-2 ADA”) for the current or prior year, whichever is greater (with certain adjustments applicable to small school districts). This funding amount, together with any applicable ERT or categorical block grant add-ons, will yield a district’s total LCFF allocation. Generally, the amount of annual State apportionments received by a school district will amount to the difference between such total LCFF allocation and such district’s share of applicable local property taxes. Most school districts receive a significant portion of their funding from such State apportionments. As a result, decreases in State revenues may significantly affect appropriations made by the Legislature to school districts.

Certain schools districts, known as “basic aid” districts, have allocable local property tax collections that equal or exceed such districts’ total LCFF allocation, and result in the receipt of no State apportionment aid. Basic aid school districts receive only special categorical funding, which is deemed to satisfy the “basic aid” requirement of \$120 per student per year guaranteed by Article IX, Section 6 of the State Constitution. The implication for basic aid districts is that the legislatively determined allocations to school districts, and other politically determined factors, are less significant in determining their primary funding sources. Rather, property tax growth and the local economy are the primary determinants. The District does not currently qualify as a basic aid district, and does not expect to in future fiscal years. 2

Accountability. The State Board of Education has promulgated regulations regarding the expenditure of supplemental and concentration funding, including a requirement that school districts increase or improve services for EL/LI students in proportion to the increase in funds apportioned to such district on the basis of the number and concentration of such EL/LI students, as well as the conditions under which school district can use supplemental or concentration funding on a school-wide or district-wide basis.

School districts are also required to adopt local control and accountability plans (“LCAPs”) disclosing annual goals for all students, as well as certain numerically significant student subgroups, to be achieved in eight areas of State priority identified by the LCFF. LCAPs may also specify additional local priorities. LCAPs must specify the actions to be taken to achieve each goal, including actions to correct identified deficiencies with regard to areas of State priority. LCAPs, covering a three-year period are required to be adopted annually

Support and Intervention. AB 97, as amended by SB 91, establishes a new system of support and intervention to assist school districts meet the performance expectations outlined in their respective LCAPs. School districts must adopt their LCAPs (or annual updates thereto) in tandem with their annual operating budgets, and not later than five days thereafter submit such LCAPs or updates to their respective county superintendents of schools. On or before August 15 of each year, a county superintendent may seek clarification regarding the contents of a district’s LCAP (or annual update thereto), and the district is required to respond to such a request within 15 days. Within 15 days of receiving such a response, the county superintendent can submit non-binding recommendations for amending the LCAP or annual update, and such recommendations must be considered by the respective school district at a public hearing within 15 days. A district’s LCAP or annual update must be approved by the county superintendent by October 8 of each year if the superintendent determines that (i) the LCAP or annual update adheres to the State template, and (ii) the district’s budgeted expenditures are sufficient to implement the actions and strategies outlined in the LCAP.

A school district is required to receive additional support if its respective LCAP or annual update thereto is not approved, if the district requests technical assistance from its respective county superintendent, or if the district does not improve student achievement across more than one State priority for one or more student subgroups. Such support can include a review of a district’s strengths and weaknesses in the eight State priority areas, or the assignment of an academic expert to assist the district identify and implement programs designed to improve outcomes. Assistance may be provided by the California Collaborative for Educational Excellence, a state agency created by the LCFF and charged with assisting school districts achieve the goals

set forth in their LCAPs. The State Board of Education has developed rubrics to assess school district performance and the need for support and intervention.

The State Superintendent of Public Instruction (the “State Superintendent”) is further authorized, with the approval of the State Board of Education, to intervene in the management of persistently underperforming school districts. The State Superintendent may intervene directly or assign an academic trustee to act on his or her behalf. In so doing, the State Superintendent is authorized to (i) modify a district’s LCAP, (ii) impose budget revisions designed to improve student outcomes, and (iii) stay or rescind actions of the local governing board that would prevent such district from improving student outcomes; provided, however, that the State Superintendent is not authorized to rescind an action required by a local collective bargaining agreement.

Revenue Sources

The District categorizes its general fund revenues into four sources: LCFF revenues, federal revenues, other state revenues and other local revenues. Each of these revenue sources is briefly described below.

LCFF Sources. State funding under the LCFF consists of Base Grants and supplemental grants as described above. This category also includes local property taxes. See “– State Funding of Education – Local Control Funding Formula” above.

Federal Revenues. The federal government provides funding for several District programs, including special education programs, programs under the Educational Consolidation and Improvement Act, and specialized programs such as Every Child Succeeds.

Other State Revenues. The District receives some other State revenues. These other State revenues are primarily restricted revenues funding items such as the Special Education Master Plan, Economic Impact Aid, School Improvement Program, instructional materials, and various block grants.

The District receives State aid from the California State Lottery (the “Lottery”), which was established by a constitutional amendment approved in the November 1984 general election. Lottery revenues must be used for the education of students and cannot be used for non-instructional purposes such as real property acquisition, facility construction, or the financing of research. Moreover, State Proposition 20 approved in March 2000 requires that 50% of the increase in Lottery revenues over 1997-98 levels must be restricted to use on instructional material.

Other Local Revenues. In addition to property taxes, the District receives additional local revenues from items such as interest earnings, interagency services and other local sources.

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The percentage of total general fund revenue for each source of revenue is shown in the following table for fiscal years 2018-19 through 2022-23.

WILLOWS UNIFIED SCHOOL DISTRICT
Percentage of Revenue by Source
Fiscal Years 2018-19 through 2022-23

Revenue Source	2018-19	2019-20	2020-21	2021-22	2022-23 ⁽¹⁾
LCFF sources	81.57%	82.08%	74.41%		72.78%
Federal revenues	3.42	3.57	9.12		7.30
Other State revenues	12.29	9.13	13.22		18.50
Other local revenues	2.72	5.23	3.25		1.41

⁽¹⁾ Per the District's Estimated Actuals.
Source: *The District*.

Developer Fees

The District receives developer fees per square foot pursuant to Education Code Section 17620 which must be used to fund construction or reconstruction of school facilities. Current developer fees are \$__ per square foot for residential housing and \$__ per square foot for commercial or industrial development. For fiscal years 2019-20, 2020-21, and 2021-22 the District received \$____, \$____, and \$____ in developer fees, respectively. The District has estimated receipt of \$____ in developer fees in fiscal year 2022-23, pursuant to its Estimated Actuals for such fiscal year.

DISTRICT DEBT STRUCTURE

Long-Term Debt

A schedule of changes in long-term debt for the year ended June 30, 2022, is shown below:

	Balance July 1, 2021	Additions	Deductions	Balance June 30, 2022	Balance Due In One Year
General Obligation Bonds					
Qualified Zone Academy Bonds					
Compensated absences					
Net OPEB Obligation					
Total Long-Term liabilities					

Source: *The District*.

Qualified Zone Academy Bonds. The District issued a Qualified Zone Academy Bond (“QZAB”) in the amount of \$3,955,000 through the execution and delivery of a lease agreement with Public Property Financing Corporation of California pursuant to which the District makes semi-annual payments through December, 2030. The QZAB bears interest at 0.95% annually and future payments under the QZAB are as follows:

Year ended June 30	Principal	Interest	Total
2024			
2025			
2026			
2027			
2028			
2029			
2030			

Source: *The District.*

General Obligation Bonds. The District received authorization at an election held on November 8, 2016 by 55% or more of the votes cast by eligible voters within the District to issue \$8,000,000 aggregate principal amount of general obligation bonds (the “2016 Authorization”). On April 11, 2017, the District issued its \$8,000,000 General Obligation Bonds, 2016 Election, 2017 Series A. There are no remaining general obligation bonds to be issued under the 2016 Authorization.

Certificates of Participation. The District has no certificates of participation currently outstanding.

Capital Leases. The District has no capital leases currently outstanding. [District to confirm].

PROPERTY WITHIN THE DISTRICT

The information provided in the tables below has been provided by California Municipal Statistics, Inc., an independent consulting firm. The District has not independently verified this information and does not guarantee its accuracy.

The information in this section describes property taxation, assessed valuation, and other measures of the tax base of the District. Though the Certificates are not payable directly from property taxes, a large portion of the District’s funding under the LCFF is derived from property taxes.

Assessed Valuations

The assessed valuation of property in the District is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the full value of the property, as defined in Article XIII A of the California Constitution. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES” herein.

A State-reimbursed exemption currently provides a credit of \$7,000 of the full value of an owner-occupied dwelling for which application has been made to the County Assessor. The revenue estimated to be lost to local taxing agencies due to the exemption is reimbursed from State sources. Reimbursement is based upon total taxes due upon such exempt value and is not reduced by any amount for estimated or actual delinquencies.

In addition, certain classes of property such as churches, colleges, not-for-profit hospitals and charitable institutions are exempt from property taxation and do not appear on the tax rolls. No reimbursement is made by the State for such exemptions.

Economic and other factors beyond the District's control, such as general market decline in property values, outbreaks of disease, disruption in financial markets that may reduce availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, drought, fire, flood, wildfire, or toxic contamination could cause a reduction in the assessed value of taxable property within the boundaries of the District. See also "RISK FACTORS" herein.

Assessed Valuation by Land Use

The table below sets forth the assessed valuation of the taxable property within the District by land use for fiscal year 2022-23.

WILLOWS UNIFIED SCHOOL DISTRICT 2022-23 Assessed Valuation and Parcels by Land Use

	2022-23 Assessed Valuation ⁽¹⁾	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural/Rural	\$ 668,694,937	42.67%	1,631	32.81%
Commercial	135,162,268	8.63	236	4.75
Vacant Commercial	5,619,771	0.36	72	1.45
Industrial	321,072,514	20.49	12	0.24
Vacant Industrial	59,120	0.00	1	0.02
Mineral Rights	7,818,275	0.50	185	3.72
Recreational	126,254	0.01	4	0.08
Government/Social/Institutional	2,716,134	0.17	45	0.91
Miscellaneous	6,003,928	0.38	39	0.78
Subtotal Non-Residential	\$1,147,273,201	73.21%	2,225	44.76%
Residential:				
Single Family Residence	\$347,301,113	22.16%	2,172	43.69%
Mobile Home	17,039,986	1.09	189	3.80
Mobile Home Park	2,369,927	0.15	4	0.08
2-3 Residential Units	18,143,316	1.16	115	2.31
4+ Residential Units/Apartments	23,513,068	1.50	36	0.72
Miscellaneous Residential	3,503,979	0.22	55	1.11
Vacant Residential	7,867,706	0.50	175	3.52
Subtotal Residential	\$419,739,095	26.79%	2,746	55.24%
Total	\$1,567,012,296	100.00%	4,971	100.00%

⁽¹⁾ Local secured assessed valuation, excluding tax-exempt property.

Source: *California Municipal Statistics, Inc.*

Largest Taxpayers

The table below sets forth the largest local secured taxpayers within the District in fiscal year 2022-23.

WILLOWS UNIFIED SCHOOL DISTRICT 2022-23 Largest Total Secured Taxpayers

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2022-23 Assessed Valuation</u>	<u>% of Total ⁽¹⁾</u>
1.	CalPlant I LLC	Industrial	\$242,454,259	15.47%
2.	Johns Manville International Inc.	Industrial	62,508,596	3.99
3.	California Olive Ranch Inc.	Agricultural	46,569,711	2.97
4.	San Francisco Region Prop Inc.	Agricultural	19,170,326	1.22
5.	Calliopsis LLC	Agricultural	12,968,763	0.83
6.	California Water Service Co.	Water Company	12,010,803	0.77
7.	Walker Creek Partners LLC	Agricultural	11,612,321	0.74
8.	Rumiano Cheese Co.	Industrial	10,322,193	0.66
9.	The 0312 Ramona Apts LP	Apartments	10,228,584	0.65
10.	Walmart Real Estate Business Trust	Commercial	9,784,834	0.62
11.	Michael & Sherry Polit	Agricultural	9,308,558	0.59
12.	Walker Creek Orchards	Agricultural	8,954,636	0.57
13.	Jakob & Gladys Weststeyn, Co-Trustees	Agricultural	8,924,852	0.57
14.	Warmerdam Dairy Inc.	Agricultural	8,356,276	0.53
15.	Farm Credit Leasing Services Corp.	Industrial	8,282,174	0.53
16.	Violich Farms Inc	Agricultural	6,692,474	0.43
17.	Amande Glenn Farms LLC	Agricultural	6,547,557	0.42
18.	Colusa County Farm Supply Inc.	Industrial	6,435,653	0.41
19.	Thunder Nut LLC	Agricultural	6,095,728	0.39
20.	Olive Glen Orchards LLC	Agricultural	6,020,471	0.38
			<u>\$513,248,769</u>	<u>32.75%</u>

⁽¹⁾ 2022-23 local secured assessed valuation: \$1,567,012,296

Source: *California Municipal Statistics, Inc.*

The top 20 taxpayers on the secured roll for 2022-23 account for 32.75% of the secured assessed value in the District which is \$1,567,012,296. According to California Municipal Statistics, Inc., the largest secured taxpayer in the District for fiscal year 2022-23 was CalPlant I LLC, accounting for 15.47% of the total secured assessed value in the District. No other secured taxpayer accounted for more than 3.99% of the total secured assessed value in the District. 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.

Tax Rates

The following table sets forth typical tax rates levied in Tax Rate Area 2-001 by the County within the District for fiscal years 2018-19 through 2022-23:

WILLOWS UNIFIED SCHOOL DISTRICT
Typical Tax Rate per \$100 Assessed Valuation
(TRAs 2-001 ⁽¹⁾)

	2018-19	2019-20	2020-21	2021-22	2022-23
General Tax Rate	\$1.000000	\$1.000000	\$1.000000	\$1.000000	\$1.000000
Butte-Glenn Community College District	.041317	.041129	.041353	.033120	.035529
Willows Unified School District	<u>.024356</u>	<u>.041902</u>	<u>.027513</u>	<u>.033956</u>	<u>.032028</u>
Total Tax Rate	\$1.065673	\$1.083031	\$1.068866	\$1.067076	\$1.067557

⁽¹⁾2022-23 assessed valuation of TRA 2-001 is \$226,741,704 which is 13.91% of the district's total assessed valuation.

Source: California Municipal Statistics, Inc.

The Teeter Plan

The Board of Supervisors of the County has approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. Under the Teeter Plan for the County, the County apportions secured property taxes on an accrual basis when due (irrespective of actual collections) to its local political subdivisions, including the District, for which the County acts as the tax-levying or tax-collecting agency.

The Teeter Plan for the County is applicable to all tax levies for which the County acts as the tax-levying or tax-collecting agency, or for which the County Treasury is the legal depository of tax collections.

Under the Teeter Plan, the District will receive 100% of its *ad valorem* property tax levied on the secured roll with respect to the Certificates irrespective of actual delinquencies in the collection of property taxes by the County.

The Teeter Plan of the County is to remain in effect unless the Board of Supervisors of the County orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors of the County receives a petition for its discontinuance joined in by a resolution adopted by at least two-thirds of the participating revenue districts in the County. In the event the Board of Supervisors of the County orders discontinuance of its Teeter Plan, only those secured property taxes actually collected would be allocated to political subdivisions (including the District) for which the County acts as the tax-levying or tax-collecting agency. In addition, if the delinquency rate for all *ad valorem* property taxes levied within the District exceeds 3%, the Board of Supervisors can terminate the Teeter Plan with respect to the District. In the event that the Teeter Plan were terminated with regard to the secured tax roll, the amount of the levy of *ad valorem* property taxes would depend upon the collection of *ad valorem* property taxes and delinquency rates experienced with respect to the parcels within the District.

There can be no assurance that the County will always maintain the Teeter Plan or will have sufficient funds available to distribute the full amount of the District’s share of property tax collections to the District. The ability of the County to maintain the Teeter Plan may depend on its financial resources and may be affected by future property tax delinquencies. Property tax delinquencies may be impacted by economic and other factors beyond the District’s or the County’s control, including the ability or willingness of property owners to pay property taxes during an economic recession or depression. An economic recession or

depression could be caused by many factors outside the control of the District, including high interest rates, reduced consumer confidence, reduced real wages or reduced economic activity as a result of the spread of COVID-19 or other pandemic or natural or manmade disaster. See “RISK FACTORS – COVID-19 Outbreak and its Economic Impact” herein.

The District is not aware of any petitions for the discontinuance of the Teeter Plan now pending in the County.

Direct and Overlapping Debt

Numerous local agencies that provide public services overlap the District’s service area. These local agencies have outstanding debt in the form of general obligation, lease revenue and special assessment bonds. The following table shows the District’s estimated direct and overlapping bonded debt. The statement excludes self-supporting revenue bonds, tax allocation bonds and non-bonded capital lease obligations. The District has not reviewed this table and there can be no assurance as to the accuracy of the information contained in the table; inquiries concerning the scope and methodology of procedures carried out to compile the information presented should be directed to California Municipal Statistics, Inc.

The following table is a statement of the District’s direct and estimated overlapping bonded debt, dated July 13, 2023, for debt outstanding as of August 15, 2023:

WILLOWS UNIFIED SCHOOL DISTRICT
Direct and Overlapping Bonded Indebtedness

2022-23 Assessed Valuation: \$1,629,747,997

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 8/15/23</u>
Butte-Glenn Community College District	5.468%	\$ 8,820,599
Willows Unified School District	100.000	<u>6,855,000</u>⁽¹⁾
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$15,675,599
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Glenn County Certificates of Participation	39.162%	\$ 812,612
Willows Unified School District General Fund Obligations	100.000	2,173,489
City of Willows General Fund Obligations	100.000	617,105
City of Willows Pension Obligation Bonds	100.000	<u>6,855,000</u>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$10,458,206
 COMBINED TOTAL DEBT		 \$26,133,805 ⁽²⁾

Ratios to 2022-23 Assessed Valuation:

Direct Debt (\$6,855,000)	0.42%
Total Overlapping Tax and Assessment Debt	0.96%
Combined Direct Debt (\$9,028,489)	0.55%
Combined Total Debt	1.60%

⁽¹⁾ Excludes Certificates to be sold.

⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: *California Municipal Statistics, Inc.*

GLENN COUNTY POOLED INVESTMENT FUND

The following information concerning the Glenn County Pooled Investment Fund has been provided by the Treasurer and has not been confirmed or verified by the District. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date.

Under California law, the District is required to pay all monies received from any source into the Glenn County Treasury to be held on behalf of the District. The Treasurer has authority to implement and oversee the investment of funds on deposit in commingled funds of the Treasury.

Decisions on the investment of funds in the Pooled Investment Fund are made by the Treasurer and his deputies in accordance with established policy guidelines. In the County, investment decisions are governed by California Government Code Sections 53601 and 53635, *et seq.*, which govern legal investments by local agencies in the State of California, and a more restrictive Investment Policy proposed by the Treasurer and adopted by the County Board of Supervisors on an annual basis. The Investment Policy is reviewed and approved annually by the County Board of Supervisors. The Treasurer's compliance with the Investment Policy is also audited annually by an independent certified public accountant. See APPENDIX E hereto for the Glenn County Investment Policy Statement.

GLENN COUNTY POOL SUMMARY AS OF _____, 2023

[To come]

Source: *County Treasurer.*

The District has not made an independent investigation of the investments in the Pooled Investment Fund and has made no assessment of the current County Investment Policy. The value of the various investments in the Pooled Investment Fund will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the County Treasurer, after a review by the Committee and approval by the Board may change the County Investment Policy at any time. Therefore, there can be no assurance that the values of the various investments in the Pooled Investment Fund will not vary significantly from the values described therein.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES

Article XIII A of the California Constitution

Article XIII A of the State Constitution ("Article XIII A") limits the amount of *ad valorem* taxes on real property to 1% of "full cash value" as determined by the County assessor. Article XIII A defines "full cash value" to mean "the county assessor's valuation of real property as shown on the 1975-76 bill under 'full cash value,' or thereafter, the appraised value of real property when purchased, newly constructed or a change in ownership has occurred after the 1975 assessment," subject to exemptions in certain circumstances of property transfer or reconstruction. Determined in this manner, the full cash value is also referred to as the "base year value." The "full cash value" is subject to annual adjustment to reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors.

Article XIII A has been amended to allow for temporary reductions of assessed value in instances where the fair market value of real property falls below the base year value. Proposition 8—approved by the

voters in November of 1978—provides for the enrollment of the lesser of the base year value or the market value of real property, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a similar decline. In these instances, the market value is required to be reviewed annually until the market value exceeds the base year value. Reductions in assessed value could result in a corresponding increase in the annual tax rate levied by the County to pay debt service on outstanding general obligation bonds of the District.

Article XIII A requires a vote of two-thirds of the qualified electorate of a city, county, special district or other public agency to impose special taxes, while totally precluding the imposition of any additional *ad valorem*, sales or transaction tax on real property. Article XIII A exempts from the 1% tax limitation any taxes above that level required to pay debt service (a) on any indebtedness approved by the voters prior to July 1, 1978, or (b) as the result of an amendment approved by State voters on June 3, 1986, on any bonded indebtedness approved by two-thirds or more of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978, or (c) on 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% or more of the votes cast on the proposition, but only if certain accountability measures are included in the proposition. In addition, Article XIII A requires the approval of two-thirds or more of all members of the State Legislature to change any State taxes for the purpose of increasing tax revenues.

Property Tax Base Transfer Constitutional Amendment. On November 3, 2020, voters in the State approved a constitutional amendment entitled Property Tax Transfers, Exemptions and Revenue for Wildfire Agencies and Counties Amendment. Proposition 19: (i) expands special rules that give property tax savings to homeowners that are over the age of 55, severely disabled, or whose property has been impacted by a natural disaster or contamination, when they buy a different home; (ii) narrows existing special rules for inherited properties; and (iii) broadens the scope of legal entity ownership changes that trigger reassessment of properties. The District cannot make any assurance as to what effect the implementation of Proposition 19 will have on assessed valuation of real property in the District.

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 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the annual adjustment not to exceed 2% 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.

Beginning in fiscal year 1981-82, assessors in California no longer record property values on tax rolls at the assessed value of 25% of market value which was expressed as \$4 per \$100 of assessed value. All taxable property is now shown at 100% of assessed value on the tax rolls. Consequently, 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 taxable value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

Both the United States Supreme Court and the California State Supreme Court have upheld the general validity of Article XIII A.

Unitary Property

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions (“unitary property”). Under the State Constitution, such property is assessed by the State Board of Equalization (“SBE”) as part of a “going concern” rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the County by SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year.

The California electric utility industry has been undergoing significant changes in its structure and in the way in which components of the industry are regulated and owned. Sale of electric generation assets to largely unregulated, nonutility companies may affect how those assets are assessed, and which local agencies are to receive the property taxes. The District is unable to predict the impact of these changes on its utility property tax revenues, or whether legislation may be proposed or adopted in response to industry restructuring, or whether any future litigation may affect ownership of utility assets or the State’s methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the District. Because the District is not a basic aid district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State’s school financing formula. See “DISTRICT FINANCIAL INFORMATION – State Funding of Education” herein.

Article XIII B of the California Constitution

Article XIII B of the State Constitution (“Article XIII B”), as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies. As amended, Article XIII B defines

- (a) “change in the cost of living” with respect to school districts to mean the percentage change in California per capita income from the preceding year, and
- (b) “change in population” with respect to a school district to mean the percentage change in the average daily attendance of the school district from the preceding fiscal year.

For fiscal years beginning on or after July 1, 1990, the appropriations limit of each entity of government shall be the appropriations limit for the 1986-87 fiscal year adjusted for the changes made from that fiscal year pursuant to the provisions of Article XIII B, as amended.

The appropriations of an entity of local government subject to Article XIII B limitations include the proceeds of taxes levied by or for that entity and the proceeds of certain state subventions to that entity. “Proceeds of taxes” include, but are not limited to, all tax revenues and the proceeds to the entity from (a) regulatory licenses, user charges and user fees (but only to the extent that these proceeds exceed the reasonable costs in providing the regulation, product or service), and (b) the investment of tax revenues.

Appropriations subject to limitation do not include (a) refunds of taxes, (b) appropriations for certain debt service, (c) appropriations required to comply with certain mandates of the courts or the federal government, (d) appropriations of certain special districts, (e) appropriations for all qualified capital outlay projects as defined by the Legislature, (f) appropriations derived from certain fuel and vehicle taxes and (g) appropriations derived from certain taxes on tobacco products.

Article XIII B includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years. However, if a school district's revenues exceed its spending limit, such school district may in any fiscal year increase its appropriations limit to equal its spending by borrowing appropriations limit from the State.

Article XIII B also includes a requirement that 50% of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund pursuant to Section 8.5 of Article XVI of the State Constitution. See “–Proposition 98” and “–Proposition 111” below.

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 (respectively, “Article XIII C” and “Article XIII D”), which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges.

According to the “Title and Summary” of Proposition 218 prepared by the California Attorney General, Proposition 218 limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.” Among other things, Article XIII C establishes that every tax is either a “general tax” (imposed for general governmental purposes) or a “special tax” (imposed for specific purposes), prohibits special purpose government agencies such as school districts and community college 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 XIII C 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 XIII D deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIII C or XIII D 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 County 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.

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIII C of the State Constitution to expand the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local

government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIIIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

Proposition 98

On November 8, 1988, California voters approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act"). Certain provisions of the Accountability Act have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changes 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 school districts and community college districts (hereinafter referred to collectively as "K-14 school districts") at a level equal to the greater of (a) the same percentage of the State general fund revenues as the percentage appropriated to such districts in 1986-87, or (b) the amount actually appropriated to such districts from the State general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the Legislature to suspend this formula for a one-year period.

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 school districts. Any such transfer to K-14 school districts would be excluded from the appropriations limit for K-14 school districts and the K-14 school district appropriations limit 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 school districts for subsequent years, creating further pressure on other portions of the State budget, particularly if revenues decline in a year following an Article XIIIIB surplus. The maximum amount of excess tax revenues which could be transferred to K-14 school districts is 4% of the minimum State spending for education mandated by the Accountability Act.

Since the Accountability Act is unclear in some details, there can be no assurances that the Legislature or a court might not interpret the Accountability Act to require a different percentage of State general fund revenues to be allocated to K-14 school districts, or to apply the relevant percentage to the State's budgets in a different way than is proposed in the Governor's Budget.

Proposition 111

On June 5, 1990, the voters of California approved the Traffic Congestion Relief and Spending Limitation Act of 1990 ("Proposition 111"), which modified the State Constitution to alter the Article XIIIIB spending limit and the education funding provisions of Proposition 98. Proposition 111 took effect on July 1, 1990.

The most significant provisions of Proposition 111 are summarized as follows:

a. Annual Adjustments to Spending Limit. The annual adjustments to the Article XIIIIB spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in California

per capita personal income. The definition of “change in population” specifies that a portion of the State’s spending limit is to be adjusted to reflect changes in school attendance.

b. Treatment of Excess Tax Revenues. “Excess” tax revenues with respect to Article XIII B are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess is to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools’ minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts’ base expenditures for calculating their entitlement for State aid in the next year, and the State’s appropriations limit is not to be increased by this amount.

c. Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIII B spending limit. First, there are excluded all appropriations for “qualified capital outlay projects” as defined by the Legislature. Second, there are excluded any increases in gasoline taxes above 1990 levels (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the Legislature and the Governor, which expected to raise over \$15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

d. Recalculation of Appropriations Limit. The Article XIII B appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.

e. School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues (the “first test”) or (2) 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, schools will receive the greater of (1) the first test, (2) the second test, or (3) a third test, which will replace the second test in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in California per capita personal income. Under the third test, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test will become a “credit” to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 39

On November 7, 2000, California voters approved an amendment (commonly known as Proposition 39) to the California Constitution. This amendment (1) allows school facilities bond measures to be approved by 55% (rather than two-thirds) of the voters in local elections and permits property taxes to exceed the current 1% limit in order to repay the bonds and (2) changes existing statutory law regarding charter school facilities. As adopted, the constitutional amendment may be changed only with another Statewide vote of the people. The statutory provisions could be changed by a majority vote of both houses of the Legislature and approval by the Governor, but only to further the purposes of the proposition. The local school jurisdictions affected by this proposition are K-12 school districts, including the District, community college districts, and county offices of education. As noted above, the California Constitution previously limited property taxes to 1% of the value of property, and property taxes could only exceed this limit to pay for (1) any local government debts

approved by the voters prior to July 1, 1978 or (2) bonds to buy or improve real property that receive two-thirds voter approval after July 1, 1978.

The 55% vote requirement applies only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 placed certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that the tax rate per \$100,000 of taxable property value projected to be levied as the result of any single election be no more than \$60 (for a unified school district), \$30 (for a high school or elementary school district), or \$25 (for a community college district), when assessed valuation is projected to increase in accordance with Article XIII A of the Constitution. These requirements are not part of Proposition 39 and can be changed with a majority vote of both houses of the Legislature and approval by the Governor.

Jarvis v. Connell

On May 29, 2002, the California Court of Appeal for the Second District decided the case of *Howard Jarvis Taxpayers Association, et al. v. Kathleen Connell* (as Controller of the State of California (the “Controller”)). The Court of Appeal held that either a final budget bill, an emergency appropriation, a self-executing authorization pursuant to state statutes (such as continuing appropriations) or the California Constitution or a federal mandate is necessary for the Controller to disburse funds. The foregoing requirement could apply to amounts budgeted by the District as being received from the State. To the extent the holding in such case would apply to State payments reflected in the District’s budget, the requirement that there be either a final budget bill or an emergency appropriation may result in the delay of such payments to the District if such required legislative action is delayed, unless the payments are self-executing authorizations or are subject to a federal mandate. On May 1, 2003, the California Supreme Court upheld the holding of the Court of Appeal, stating that the Controller is not authorized under State law to disburse funds prior to the enactment of a budget or other proper appropriation, but under federal law, the Controller is required, notwithstanding a budget impasse and the limitations imposed by State law, to timely pay those State employees who are subject to the minimum wage and overtime compensation provisions of the federal Fair Labor Standards Act.

Proposition 1A and Proposition 22

On November 2, 2004, California voters approved Proposition 1A, which amends the State constitution to significantly reduce the State’s authority over major local government revenue sources. Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-third approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amends the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on November 2, 2010, prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies and eliminates the State’s authority to shift property taxes temporarily during a severe financial hardship of the State. In addition, Proposition 22 restricts

the State's authority to use State fuel tax revenues to pay debt service on state transportation bonds, to borrow or change the distribution of state fuel tax revenues, and to use vehicle license fee revenues to reimburse local governments for state mandated costs. Proposition 22 impacts resources in the State's general fund and transportation funds, the State's main funding source for schools and community colleges, as well as universities, prisons and health and social services programs. According to an analysis of Proposition 22 submitted by the Legislative Analyst's Office (the "LAO") on July 15, 2010, the expected reduction in resources available for the State to spend on these other programs as a consequence of the passage of Proposition 22 was expected to be approximately \$1 billion in fiscal year 2010-11, with an estimated immediate fiscal effect equal to approximately 1% of the State's total general fund spending. The longer-term effect of Proposition 22, according to the LAO analysis, will be an increase in the State's general fund costs by approximately \$1 billion annually for several decades.

On December 30, 2011, the California Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos*, finding ABx1 26, a trailer bill to the 2011-12 State budget, to be constitutional. As a result, all redevelopment agencies in California were dissolved as of February 1, 2012, and all net tax increment revenues, after payment of redevelopment bonds debt service and administrative costs, will be distributed to cities, counties, special districts and school districts. The Court also found that ABx1 27, a companion bill to ABx1 26, violated the California Constitution, as amended by Proposition 22. ABx1 27 would have permitted redevelopment agencies to continue operations provided their establishing cities or counties agreed to make specified payments to school districts and county offices of education, totaling \$1.7 billion statewide. ABx1 26 was modified by Assembly Bill No. 1484 (Chapter 26, Statutes of 2011-12), which, together with ABx1 26, is referred to herein as the "Dissolution Act." The Dissolution Act provides that all rights, powers, duties and obligations of a redevelopment agency that have not been repealed, restricted or revised pursuant to ABx1 26 will be vested in a successor agency, generally the county or city that authorized the creation of the redevelopment agency (each, a "Successor Agency"). All property tax revenues that would have been allocated to such redevelopment agency will be allocated to the Successor Agency, to be used for the payment of pass-through payments to local taxing entities and to any other "enforceable obligations" (as defined in the Dissolution Act), as well to pay certain administrative costs. The Dissolution Act defines "enforceable obligations" to include bonds, loans, legally requirement payments, judgments or settlements, legal binding and enforceable obligations, and certain other obligations. Tax revenues in excess of such amounts, if any, will be distributed to local taxing entities in the same proportions as other tax revenues.

The District can make no representations as to the extent to which its property tax apportionments may be offset by the future receipt of pass through tax increment revenues, or any other surplus property tax revenues pursuant to the Dissolution Act.

Proposition 30

On November 6, 2012, voters approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"), which temporarily increased the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposed an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposed an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017, for storage, use, or other consumption in the State. This excise tax was levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending January 1, 2019, Proposition 30 increased the marginal personal income tax rate by: (i) 1% for taxable income over \$250,000 but less than \$300,000 for single filers (over \$500,000 but less than \$600,001 for joint filers and over \$340,000 but less than \$408,001 for head-of-household filers), (ii) 2% for taxable income over \$300,000 but less than \$500,001 for single filers (over \$600,000 but less than \$1,000,001 for joint filers and over \$408,000 but less than \$680,001 for head-of-

household filers), and (iii) 3% for taxable income over \$500,000 for single filers (over \$1,000,000 for joint filers and over \$680,000 for head-of-household filers).

The revenues generated from the temporary tax increases were included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES – Proposition 98” and “— Proposition 111” herein. From an accounting perspective, the revenues generated from the temporary tax increases were deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the “EPA”). Pursuant to Proposition 30, funds in the EPA were and will be allocated quarterly, with 89% of such funds provided to schools districts and 11% provided to community college districts. The funds are distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than \$200 per unit of ADA and no community college district will receive less than \$100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that, the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing boards are prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

Proposition 55

At the November 8, 2016 general election, the voters in the State approved the Tax Extension of Education and Healthcare Initiative (“Proposition 55”) which extends the increase in personal income tax on high-income taxpayers imposed under Proposition 30 until 2030. Proposition 55 did not extend the sales and use tax increases imposed under Proposition 30 which expired in the end of 2016.

Proposition 51

The Kindergarten through Community College Public Education Facilities Bond Act of 2016 (also known as Proposition 51) was a voter initiative that was approved by voters in the State on November 8, 2016. Proposition 51 authorizes the sale and issuance of \$9 billion in general obligation bonds by the State for the new construction and modernization of K-14 facilities.

K-12 School Facilities. Proposition 51 includes \$3 billion for the new construction of K-12 facilities and an additional \$3 billion for the modernization of existing K-12 facilities. K-12 school districts will be required to pay for 50% of the new construction costs and 40% of the modernization costs with local revenues. If a school district lacks sufficient local funding, it may apply for additional state grant funding, up to 100% of the project costs. In addition, a total of \$1 billion will be available for the modernization and new construction of charter school (\$500 million) and technical education (\$500 million) facilities. Generally, 50% of modernization and new construction project costs for charter school and technical education facilities must come from local revenues. However, schools that cannot cover their local share for these two types of projects may apply for state loans. State loans must be repaid over a maximum of 30 years for charter school facilities and 15 years for career technical education facilities. For career technical education facilities, state grants are capped at \$3 million for a new facility and \$1.5 million for a modernized facility. Charter schools must be deemed financially sound before project approval.

Community College Facilities. Proposition 51 includes \$2 billion for community college district facility projects, including buying land, constructing new buildings, modernizing existing buildings, and purchasing equipment. In order to receive funding, community college districts must submit project proposals to the Chancellor of the community college system, who then decides which projects to submit to the State legislature and Governor based on a scoring system that factors in the amount of local funds contributed to the project. The Governor and State legislature will select among eligible projects as part of the annual state budget process.

The District makes no representation that it will either pursue or qualify for Proposition 51 State facilities funding.

Proposition 2

Proposition 2, a legislatively referred Constitutional amendment approved by the voters in November, 2014 (“Proposition 2”), changed the way in which the State pays off existing debts, funds its reserves and draws from those reserves in times of economic slowdowns, as well as requires that reserves be set aside for schools and community colleges under certain circumstances. In addition, as a result of the passage of Proposition 2, new rules for school district reserves were implemented.

Under Proposition 2, the State is required annually to deposit 1.5% of general fund revenues into the Budget Stabilization Account (“BSA”). From fiscal year 2015-16 through 2029-30, under Proposition 2, one half of the amount required to be deposited to the BSA must be applied to the payment of debts for pension and retiree benefits and specified debts to local governments and certain other State accounts. In years when capital gains tax revenues exceed 8% of general fund revenues, a portion of such excess capital gains tax revenue is also required to be applied to the pay down of State debt. Deposits to the BSA are required until the amount on hand in the BSA reaches 10% of general fund revenues. Once the maximum has been reached, the required deposit amount may be applied to other expenditures.

In the event the Governor were to declare a budget emergency, Proposition 2 would permit a smaller deposit to the BSA. A budget emergency may be called if there is a natural disaster such as an earthquake or flood or general fund revenues reach a certain minimum level. Withdrawals from the BSA, under Proposition 2, are permitted upon a majority vote of the legislature only when the Governor has declared a budget emergency. If a budget emergency is called for two straight years in a row, in the second budget emergency year, the entire amount on hand might be withdrawn.

Public School System Stabilization Account. In the event capital gains tax revenues collected by the State in any given fiscal year exceed 8% of general fund revenues, a portion of such excess is required to be deposited into the State’s Public School System Stabilization Account (the “PSSSA”) which serves as a reserve account for school funding in years when the State budget is smaller. See “STATE OF CALIFORNIA FISCAL ISSUES – State Budget Measures – 2022-23 State Budget” below for information regarding the deposit of funds to the PSSSA in fiscal year 2022-23.

SB 858 and SB 751. State regulations require school districts to budget a reserve for economic uncertainties. The recommended minimum amounts vary from 1% to 5% of total expenditures and other financing uses, depending on the district’s ADA. SB 858, adopted in June 2014, imposed limitations relating to ending fund balances for school districts. Beginning in 2015–16, a school district that proposes to adopt or revise a budget that includes an ending fund balance that is two to three times higher than the state’s minimum recommended reserve for economic uncertainties must substantiate the need for the higher balance. SB 751, which was adopted in October 2017 and amended Section 42127.01 of the Education Code, placed certain restrictions on the amount of a school district’s ending fund balances if a certain amount of funds is available in the PSSSA. In a fiscal year in which the amount of moneys in the PSSSA is equal to or exceeds 3% of the combined total of general fund revenues appropriated for school districts for that fiscal year, (see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES – Proposition 98”), a school district’s adopted or revised budget may not contain an assigned or unassigned ending fund balance higher than 10% of expenditures and other financing uses. A county superintendent could waive the prohibition, pursuant to specified conditions, for up to two consecutive years within a three-year period. SB 751 does not apply to school districts with an ADA of less than 2,501 students and basic aid school districts.

If the cap is triggered, unless exempted, a school district would be required to increase expenditures in order to bring its ending fund balance down to the maximum level. The PSSSA appears to be intended to provide a substitute for local reserves in the event of a future economic downturn.

The District is required to maintain a reserve for economic uncertainties at least equal to 3.0% of general fund expenditures and other financing uses. On June 30, 2022, the District had available reserves of \$_____ or _____% of general fund expenditures and other financing uses. The District is unable to predict what the effect on its budget will be following implementation of these new rules. It is anticipated that if the cap is triggered, it will materially change the District's current policies on reserves.

Proposition 28. On November 8, 2022, voters approved The Arts and Music in Schools- Funding Guarantee and Accountability Act which provides additional funding for arts and music education in all K–12 public schools (including charter schools) by annually allocating from the State general fund an amount equal to 1% of total State and local revenues received by public schools in the preceding fiscal year under Proposition 98. Amounts provided under Proposition 28 are in addition to and not considered a part of the Proposition 98 guarantee. Funds appropriated under Proposition 28 are to be allocated 70% based on a school district's share of Statewide enrollment and 30% based on such school district's share of Statewide enrollment of economically disadvantaged students and must be distributed to school sites following such allocation. School districts must expend funds received pursuant to Proposition 28 within three years or such funds revert to CDE for reallocation under Proposition 28.

As a condition to receipt of funds under Proposition 28, school districts must certify that funds are to be used for arts education and that funds received in the prior fiscal year were, in fact, used for those purposes. Additionally, no more than 1% of Proposition 28 funds may be used for administrative purposes in implementing Proposition 28 programs. Schools with 500 or more students must certify that at least 80% of the funding is to be used to employ teachers and that the remainder will be spent on training, supplies, and education partnerships. Amounts appropriated under Proposition 28 in a given year may be reduced if the State legislature suspends the Proposition 98 guarantee but only in an amount equal to the percent reduction of the Proposition 98 guarantee. See "STATE OF CALIFORNIA FISCAL ISSUES – State Budget Measures – Proposed 2023-24 State Budget" for information regarding Proposition 28 in the Proposed 2023-24 State Budget.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C and Article XIII D of the California Constitution and Propositions 26, 98, 111 and 28 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. The nature and impact of these measures cannot be anticipated by the District.

STATE OF CALIFORNIA FISCAL ISSUES

State Budget Measures

The following information concerning the State's budgets has been obtained from publicly available information which the District believes to be reliable; however, the District does not guaranty the accuracy or completeness of this information and has not independently verified such information.

2022-23 State Budget. Governor Newsom signed legislation which enacted the budget for the State for fiscal year 2022-23 (the "2022-23 State Budget") on June 30, 2022. The 2022-23 State Budget projected approximately \$219.7 billion in general fund revenues with a prior year balance of \$22.5 billion for total resources of \$242.2 billion, and \$234.4 billion in expenditures for fiscal year 2022-23. For fiscal year 2021-22, the 2022-23 State Budget estimated \$265.4 billion in resources and \$242.9 billion in expenditures. The

2022-23 State Budget projected \$37.2 billion in reserves, including \$23.3 billion in the Budget Stabilization Account (the “BSA”) for fiscal emergencies, \$900 million in the Safety Net Reserve, \$9.5 billion in the PSSSA, and an estimated \$3.5 billion in the State’s operating reserve. The BSA is at its constitutional maximum (10% of general fund revenues) requiring \$465 million to be dedicated for infrastructure investments in fiscal year 2022-23. Over the multi-year forecast period, the 2022-23 State Budget reflected \$8 billion in supplemental deposits split evenly between the BSA and the Safety Net Reserve. As a result of the deposits to the PSSSA, the 10% cap on school district reserves was projected to be applicable in fiscal year 2022-23. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES – Proposition 2” herein for more information regarding school district reserves.

The 2022-23 State Budget prioritized one-time spending over ongoing spending, allocating 93% of discretionary funds to one-time spending. The 2022-23 State Budget provided an over \$17 billion broad-based relief package, including a refund of up to \$1,050 to benefit millions of Californians based on income level and the size of household. The relief package also included increased grants for the State’s lowest income families and individuals, and additional funding for food banks.

The 2022-23 State Budget also addressed environmental matters facing California. The 2022-23 State Budget included \$1.2 billion to advance wildfire prevention and forest resilience investments and funded an additional 1,265 new positions to expand the State’s wildfire response capacity. \$1.2 billion was included for immediate drought support with an additional \$1.5 billion deferred for allocation for long-term water resilience. The 2022-23 State Budget also allocated \$4.3 billion to provide energy reliability insurance through the development of a strategic reserve, protection to ratepayers, and accelerated deployment of clean energy projects, with an additional \$3.8 billion deferred for allocation in the summer of 2022 to further reliability and affordability and accelerate the State’s clean energy future.

With respect to K-12 education, the 2022-23 State Budget included total funding of \$128.6 billion (\$78.6 billion general fund and \$50 billion other funds) for all K-12 education programs. The 2022-23 State Budget estimated Proposition 98 funds of \$96.1 billion in fiscal year 2020-21, \$110.2 billion in fiscal year 2021-22, and \$110.4 billion in fiscal year 2022-23 for K-14 education programs. For K-12 schools, the result was Proposition 98 per pupil spending of \$16,993 in 2022-23, a \$3,017 increase over the fiscal year 2021-22 per pupil spending levels. Additionally, in the same period, per pupil spending from all sources increased to \$22,893 under the 2022-23 State Budget.

The 2022-23 State Budget included an LCFF COLA of 6.56%. Additionally, the 2022-23 State Budget included \$4.32 billion ongoing Proposition 98 funds to increase LCFF base funding by an additional 6.28%. The 2022-23 State Budget also included \$101.2 million ongoing Proposition 98 funds to augment LCFF funding for county offices of education.

To support school districts with a declining student population, the 2022-23 State Budget provided that school districts might use the greater of the current year or prior year ADA or an average of the three prior years’ ADA to calculate LCFF funding. Further, to minimize reductions in LCFF funding that would otherwise occur due to increased absences in fiscal year 2021-22, the 2022-23 State Budget enabled school districts that can demonstrate they provided independent study offerings during fiscal year 2021-22 to be funded at the greater of their current year ADA or their current year enrollment adjusted for pre-COVID-19 absence rates in the 2021-22 fiscal year. The 2022-23 State Budget included \$2.8 billion of ongoing funding under Proposition 98 and \$413 million in one-time funding under Proposition 98 to implement these school fiscal stabilization policies.

Additional significant provisions of the 2022-23 State Budget relating to K-12 education included the following:

- *Learning Recovery Emergency Fund* – \$7.9 billion in one-time Proposition 98 funds to support learning recovery initiatives through the 2027–28 school year.

- *Arts, Music, and Instructional Materials Discretionary Block Grant* – \$3.6 billion one-time Proposition 98 funds for arts and music programs, standards-aligned professional development, instructional materials, developing diverse book collections, operational costs, and expenses related to the COVID-19 Pandemic.
- *Expanded Community School Model* – \$1.1 billion in Proposition 98 funds to expand the community school model and provide grants for high needs schools in communities with high levels of poverty.
- *Educator Workforce* – \$48.1 million for training and retention of well-prepared educators including waiving certain teacher examination fees, grants for integrated teacher preparation programs and operations support for the Commission on Teacher Credentialing.
- *Teacher and School Counsel Residencies* – \$250 million one-time Proposition 98 funds to expand residency slots for teachers and school counselors and eligibility for the Golden State Teacher Grant Program.
- *Educator Support for Science, Technology, Engineering, and Mathematics (STEM) Instruction* – \$85 million one-time Proposition 98 funds for the Next Generation Science Standards, the California Math Framework, the California Computer Science Standards, and the math and science domains of the California Preschool Learning Foundations.
- *State Preschool* – \$312.7 million in Proposition 98 funds and \$172.3 million in other funds to increase State Preschool Program adjustment factors for students with disabilities, dual language learners, and childhood mental health, \$250 million one-time Proposition 98 funds to support the Inclusive Early Education Expansion Program, \$300 million one-time Proposition 98 funds for planning and implementation grants, \$166.2 million Proposition 98 funds to support the full-year costs of State preschool rate increases and \$148.7 million one-time funds to maintain reimbursement rate increases.
- *Transitional Kindergarten* – \$614 million in Proposition 98 funds for the first year of expanded eligibility for transitional kindergarten and \$383 million Proposition 98 funds to add one additional staff person to every transitional kindergarten class.
- *Expanded Learning Opportunities Program* – \$3 billion Proposition 98 funds to accelerate expanded-day, full-year instruction and enrichment focused on school districts with the highest concentrations of low-income students, English language learners, and youth in foster care.
- *Community Engagement Initiative* – \$100 million in Proposition 98 funds to further positive relationship building between school districts and local communities.
- *Special Education* – \$500 million in Proposition 98 funds for the special education funding formula, amending the special education funding formula to calculate special education base funding allocations at the local educational agency level, and consolidating the special education extraordinary cost pools into a single cost pool to simplify the current funding formula.
- *College and Career Pathways* – \$500 million in Proposition 98 funds to support the development of pathway programs focused on technology, health care, education, and climate-related fields and \$200 million in Proposition 98 funds to strengthen and expand student access and participation in dual enrollment opportunities.
- *Home-to-School Transportation* – \$637 million in Proposition 98 funds to reimburse school districts for up to 60% of their transportation costs in the prior year.

- *Zero Emission School Buses* – \$1.5 billion in Proposition 98 general funds for greening school bus fleets.
- *Nutrition* – \$596 million in Proposition 98 funds for universal subsidized school meals, \$611.8 million in Proposition 98 funds to augment the state meal reimbursement rate, \$600 million in Proposition 98 funds for school kitchen infrastructure upgrades and equipment, food service employee training, and compensation related to serving fresh, minimally processed California-grown foods, and \$100 million in Proposition 98 funds for procurement practices for plant-based, restricted diet meals, California-grown or California-produced, sustainably grown, or whole or minimally processed foods, or to prepare meals fresh onsite.
- *K-12 School Facilities* – Approximately \$1.4 billion in Proposition 51 funds for school construction projects as well as \$1.3 billion in fiscal year 2021-22, \$2.1 billion in fiscal year 2023-24 and \$875 million in fiscal year 2024-25 for new construction and modernization projects, and \$100 million in fiscal year 2021-22 and \$550 million in fiscal year 2023-24 for the California Preschool, Transitional Kindergarten and Full-Day Kindergarten Facilities Grant Program.

2023-24 State Budget. The fiscal year 2023-24 budget for the State (“2023-24 State Budget”) was passed by the State legislature on June 15, 2023. On June 28, 2023, the Governor signed Senate Bill 101, the State Budget Act of 2023 and on July 10, 2023, the Governor signed additional trailer bills, including Senate Bill 114 and Senate Bill 115, forming the complete substantive agreement of the 2023-24 State Budget. The 2023-24 State Budget, for the first time in several years, foresees a downturn in revenues and addresses an approximate \$31.7 billion budget shortfall. A balanced budget is accomplished through spending reductions and pullbacks of previously planned spending, delays in spending, fund shifts, alternative revenues and borrowing and a withdrawal from the Safety Net Reserve.

The 2023-24 State Budget projects approximately \$208.7 billion in general fund revenues with a prior year balance of \$26.4 billion for total resources of \$235 billion, and \$225.9 billion in expenditures for fiscal year 2023-24. For fiscal year 2022-23, the 2023-24 State Budget estimated \$260.9 billion in resources and \$234.6 billion in expenditures. The 2023-24 State Budget projects a historic level of reserves, setting aside a total of \$37.8 billion including \$22.3 billion in the BSA for fiscal emergencies, \$900 million in the Safety Net Reserve, \$10.8 billion in the PSSSA, and an estimated \$3.8 billion in the State’s Special Fund for Economic Uncertainties. The \$9.9 billion balance in the PSSSA in fiscal year 2022-23 will trigger the 10% cap on school district reserves beginning in fiscal year 2023-24. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING SCHOOL DISTRICTS – Proposition 2” herein for more information regarding school district reserves.

The 2023-24 State Budget provides total K-12 funding of \$129.2 billion (\$79.5 general fund and \$49.7 billion from other funds). The projected decrease in State revenues under the 2023-24 State Budget lowers the Proposition 98 guarantee to \$110.6 billion in fiscal year 2021-22, \$107.4 billion in fiscal year 2022-23 and \$108.3 billion in fiscal year 2023-24.

The LCFF under the 2023-24 State Budget receives a COLA of 8.22%, the largest COLA since the implementation of the LCFF. The 2023-24 State Budget includes \$300 million ongoing Proposition 98 funds to establish an equity multiplier as an add-on to the LCFF to augment resources for the highest-need schools in the State.

Additional significant provisions of the 2023-24 State Budget relating to K-12 education include the following:

- *Literacy* — \$250 million one-time Proposition 98 funds to build upon the existing Literacy Coaches and Reading Specialists Grant Program, which funds high-poverty schools to train and hire literacy coaches and reading specialists. Requires screening of students in kindergarten

through second grade for risk of reading difficulties, including dyslexia, by the 2025-26 school year and provides \$1 million to convene a panel to create a list of approved screening instruments.

- *State Pre-School* — (1) \$343.1 million Proposition 98 funds and \$20,000 non-Proposition 98 funds from the 2022-23 fiscal year, (2) \$369.3 million Proposition 98 funds and \$126.1 million General Fund from the 2023-24 fiscal year, and (3) \$445.7 million Proposition 98 funds and \$186.5 million General Fund from the 2024-25 fiscal year. Suspends the annual COLA applicable to the State Preschool Program in fiscal years 2023-24 and 2024-25. Revises the family fee schedule for the State Preschool Program beginning October 1, 2023, to: (1) limit family fees to one percent of a family's monthly income, and (2) prohibit the assessment of a fee for families with an adjusted monthly income below 75% of the state median income. Authorizes State Preschool Program family fee debt that accrued but remained uncollected prior to October 1, 2023 to be forgiven.
- *Educator Workforce* — \$10 million one-time Proposition 98 funds for grants to provide culturally relevant support and mentorship for educators to become school administrators.
- *Transitional Kindergarten* — \$357 million ongoing Proposition 98 funds to support the first year of expanded eligibility for TK and \$283 million Proposition 98 funds to support the first year of adding one additional certificated or classified staff person to every TKtk class, \$597 million ongoing Proposition 98 funds to support the second year (2023-24 school year) of expanded eligibility for transitional kindergarten and \$165 million Proposition 98 funds to support the second year of adding one additional certificated or classified staff person to every transitional kindergarten class.
- *Arts, Music, and Instructional Materials Discretionary Block Grant* — Decreases one-time Proposition 98 fund for the grant by \$200 million, reducing total one-time program support from approximately \$3.5 billion to approximately \$3.3 billion. The Arts and Music in Schools: Funding Guarantee and Accountability Act (Proposition 28) will provide approximately \$938 million ongoing Proposition 98 General Fund beginning in fiscal year 2023-24.
- *Learning Recovery Emergency Block Grant* — Delays approximately \$1.1 billion one-time Proposition 98 funds for the Learning Recovery Emergency Block Grant to fiscal years 2025-26, 2026-27, and 2027-28.
- *Zero-Emission School Buses* — Delays \$1 billion one-time Proposition 98 funds to support greening school bus fleets through programs operated by the California Air Resources Board and the California Energy Commission to fiscal years 2024-25 and 2025-26.
- *California Preschool, Transitional Kindergarten and Full-Day Kindergarten Facilities Grant Program* — Delays planned fiscal year 2023-24 \$550 million investment to fiscal year 2024-25.
- *School Facility Program* — Approximately \$2 billion one-time General Fund to support the School Facility Program in fiscal year 2023-24.
- *Nutrition* — Additional \$154 million ongoing Proposition 98 funds and an additional \$110 million one-time Proposition 98 funds to fully fund the universal school meals program in fiscal years 2022-23 and 2023-24.

- *Bipartisan Safer Communities Act, Stronger Connections Program* — \$119.6 million one-time federal funds to support LEA activities related to improving school climate and safety through the Stronger Connections Program.
- *Charter School Facility Grant Program* — one-time investment of \$30 million Proposition 98 funds to support eligible facilities costs, consistent with the 2022-23 State Budget.
- *Bilingual Teacher Professional Development Program* — \$20 million one-time Proposition 98 funds, to be available through fiscal year 2028-29 fiscal year.
- *Commercial Dishwasher Grants* — \$15 million one-time Proposition 98 funds to support grants to acquire and install commercial dishwashers.
- *Restorative Justice Practices* — \$7 million one-time Proposition 98 funds to provide support for local educational agencies opting to implement certain restorative justice best practices.
- *Golden State Teacher Grant Program* — \$6 million one-time federal funds to support grants to teacher candidates enrolled in a special education teacher preparation program who agree to teach at a high-need school site.
- *K-12 High Speed Network* — \$3.8 million ongoing Proposition 98 funds to support the K-12 High Speed Network program.
- *Reversing Opioid Overdoses* — \$3.5 million ongoing Proposition 98 funds for all middle schools, high schools, and adult school sites to maintain at least two doses of naloxone hydrochloride or another medication to reverse an opioid overdose on campus for emergency aid.

Future Actions. The State has in past years experienced budgetary difficulties and has balanced its budget by requiring local political subdivisions to fund certain costs theretofore borne by the State. No prediction can be made as to whether the State will, in the future, take further measures which would, in turn, adversely affect the District. Further State actions taken to address any budgetary difficulties could have the effect of reducing District support indirectly, and the District is unable to predict the nature, extent or effect of such reductions.

The District cannot predict the extent to which the State will encounter budgetary difficulties and what budget actions will be taken to resolve those difficulties in future fiscal years. The District also cannot predict the impact future State Budgets will have on District finances and operations or what actions the State Legislature and the Governor may take to respond to changing State revenues and expenditures. Current and future State Budgets will be affected by national and State economic conditions and other factors which the District cannot control.

Certain actions or results could produce a significant shortfall of revenue and cash, and could consequently impair the State's ability to fund schools. The COVID-19 pandemic resulted in significant negative economic effects at State and federal levels, and additional negative economic effects are possible, each of which could negatively impact anticipated State revenue levels. In addition, the pandemic could also result in higher State expenditures, of both a direct nature (such as those related to managing the outbreak) and an indirect nature (such as higher public usage of need-based programs resulting from unemployment or disability). See "RISK FACTORS – COVID-19 Outbreak and its Economic Impact" "– Impact of COVID-19 on California School Districts" herein. The District also cannot predict whether the federal government will provide additional funding in amounts sufficient to offset any future fiscal impacts of another COVID-19 outbreak.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of the Owners of the Certificates to provide certain financial information and operating data relating to the District (the “Annual Report”) by not later than 9 months following the end of the District’s fiscal year (currently ending June 30), which date would be April 1, commencing with the report for the 2022-23 fiscal year, which would be due on April 1, 2024, and to provide notices of the occurrence of certain enumerated events. The District has entered into a Continuing Disclosure Agreement (“Continuing Disclosure Agreement”) for the benefit of the Owners of the Certificates. The Annual Report and each notice of enumerated events will be filed by the District with the Electronic Municipal Markets Access system (“EMMA”) of the Municipal Securities Rulemaking Board (the “MSRB”), or any other repository then recognized by the Securities and Exchange Commission. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is set forth in APPENDIX E – “FORM OF CONTINUING DISCLOSURE AGREEMENT” hereto. These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”).

During the previous five years, _____.

TAX MATTERS

The delivery of the Certificates is subject to delivery of the opinion of Special Counsel, to the effect that interest represented by the Certificates for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Certificates (the “Code”), of the owners thereof pursuant to section 103 of the Code, (2) will not be included in computing alternative minimum taxable income for purposes of the federal alternative minimum tax imposed on individuals, and (3) will be taken into account in determining adjusted financial statement income for the alternative minimum tax imposed on certain corporations. The delivery of the Certificates is also subject to the delivery of the opinion of Special Counsel, based upon existing provisions of the laws of the State of California, that interest represented by the Certificates is exempt from personal income taxes of the State of California. The form of Special Counsel’s anticipated opinion respecting the Certificates is included in APPENDIX C. The statutes, regulations, rulings, and court decisions on which such opinions will be based are subject to change.

In rendering the foregoing opinions, Special Counsel will rely upon the representations and certifications of the District made in a certificate (the “Tax Certificate”) of even date with the initial delivery of the Certificates pertaining to the use, expenditure, and investment of the proceeds of the Certificates and will assume continuing compliance with the provisions of the Resolution by the District subsequent to the execution and delivery of the Certificates. The Tax Certificate contains covenants by the District with respect to, among other matters, the use of the proceeds of the Certificates and the facilities and equipment financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Certificates are to be invested, if required, the calculation and payment to the United States Treasury of any “arbitrage profits” and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants could cause interest represented by the Certificates to be includable in the gross income of the owners thereof from the date of the execution and delivery of the Certificates.

Except as described above, Special Counsel will express no other opinion with respect to any other federal, State or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest represented by, or the acquisition or disposition of, the Certificates. Prospective purchasers of the Certificates should be aware that the ownership of tax-exempt obligations such as the Certificates may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in

a financial asset securitization investment trust, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Special Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the District described above. No ruling has been sought from the Internal Revenue Service ("IRS" or the "Service") or the State of California with respect to the matters addressed in the opinion of Special Counsel, and Special Counsel's opinion is not binding on the Service or the State of California. The Service has an ongoing program of auditing the tax status of the interest on municipal obligations. If an audit of the Certificates is commenced, under current procedures, the Service is likely to treat the District as the "taxpayer," and the owners of the Certificates would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest represented by the Certificates, the District may have different or conflicting interests from the owners of the respective Certificates. Public awareness of any future audit of the Certificates could adversely affect the value and liquidity of the Certificates during the pendency of the audit, regardless of its ultimate outcome.

Tax Accounting Treatment of Discount and Premium on Certain of the Certificates

The initial public offering price of certain of the Certificates (the "Discount Certificates") may be less than the amount payable on such Certificates at maturity. An amount equal to the difference between the initial public offering price of a Discount Certificate (assuming that a substantial amount of the Certificates of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Certificate. The tax rules requiring inclusion in income annually by the holder of a debt instrument having original issue discount of the daily portion of original issue discount for each day during a taxable year in which such holder held such debt instrument is inapplicable to the Certificates. A portion of such original issue discount, allocable to the holding period of such Discount Certificate by the initial purchaser, will, upon the disposition of such Discount Certificate (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, and will be added to the holder's basis in the Discount Certificate, for federal income tax purposes, on the same terms and conditions as those for other interest on the bonds described above under "TAX MATTERS." Such interest is considered to be accrued in accordance with the constant-yield-to-maturity method over the life of a Discount Certificate taking into account the semiannual compounding of accrued interest at the yield to maturity on such Discount Certificate, and generally will be allocated to an original purchaser in a different amount from the amount of the payment denominated as interest actually received by the original purchaser during the tax year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Certificate by the initial Owner prior to maturity, the amount realized by such Owner in excess of the basis of such Discount Certificate in the hands of such Owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Certificate was held) is includable in gross income.

Owners of Discount Certificates should consult with their own tax advisors with respect to the determination for federal income tax purposes of accrued interest upon disposition of Discount Certificates and

with respect to the state and local tax consequences of owning Discount Certificates. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest represented by the Discount Certificates may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial offering price of certain Certificates (the “Premium Certificates”), may be greater than the amount payable on such Certificates at maturity. An amount equal to the difference between the initial public offering price of a Premium Certificate (assuming that a substantial amount of the Certificates of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Certificates. The basis for federal income tax purposes of a Premium Certificate in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Certificate. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser’s yield to maturity. Purchasers of the Premium Certificates should consult with their own tax advisors with respect to the determination of amortizable bond premium with respect to the Premium Certificates for federal income purposes and with respect to the state and local tax consequences of owning Premium Certificates.

Form of Special Counsel Opinion. The form of the proposed opinion of Special Counsel relating to the Certificates is attached to this Official Statement as APPENDIX C.

CERTAIN LEGAL MATTERS

Dannis Woliver Kelley, Long Beach, California, Special Counsel, will render an opinion with respect to the Certificates substantially in the form attached hereto as APPENDIX C. Copies of such approving opinion will be available at the time of delivery of the Certificates. Certain matters will also be passed on for the District by Dannis Woliver Kelley, as Disclosure Counsel, for the Underwriter by Stradling Yocca Carlson & Rauth, Newport Beach, California, and for the Corporation and the Trustee by their respective counsels. Dannis Woliver Kelley expresses no opinion to the Owners of the Certificates as to the accuracy, completeness or fairness of this Official Statement.

ABSENCE OF MATERIAL LITIGATION

At the time of delivery of and payment for the Certificates, the District and the Corporation will each certify that there is no action, suit, litigation, inquiry or investigation before or by any court, governmental agency, public board or body served, or to the best knowledge of the District or the Corporation threatened, against the District or the Corporation in any material respect affecting the existence of the District or the Corporation or the titles of their officers to their respective offices or seeking to prohibit, restrain or enjoin the sale, execution or delivery of the Certificates or the payment of Lease Payments or challenging, directly or indirectly, the validity or enforceability of the proceedings to have the District lease the Property to the Corporation and lease it back from the Corporation, or the validity or enforceability of the Trust Agreement, the Lease, the Assignment Agreement or the Site Lease.

The District does have claims pending against it. The aggregate amount of the uninsured liabilities of the District which may result from all claims will not, in the opinion of the District, materially affect the District’s finances or impair its ability to make Lease Payments under the Lease.

RATINGS

S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) has assigned its municipal bond insured rating of “___” to the Certificates with the expectation that the Insurer will

issue and deliver the Policy at closing. S&P has also assigned its underlying municipal bond rating of “___” to the Certificates without regards to the Policy. Such ratings reflects only the views of S&P and an explanation of the significance of such rating may be obtained as follows: S&P at Municipal Finance Department, 55 Water Street, New York, New York 10041, tel. (212) 208-8000. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Certificates.

Generally, rating agencies base their ratings on information and materials furnished to them (which may include information and material from the District which is not included in this Official Statement) and on investigations, studies and assumptions by the rating agencies.

UNDERWRITING

Piper Sandler & Co. (the “Underwriter”), has agreed to purchase the Certificates at the purchase price of \$_____ (reflecting the principal amount represented by the Certificates, plus [net] original issue premium of \$_____, less an Underwriter’s discount of \$_____), at the rates and yields shown on the inside cover page hereof. The Underwriter may offer and sell the Certificates to certain dealers and others at yields other than the yields stated on the inside cover page. The offering prices may be changed from time to time by the Underwriter.

ADDITIONAL INFORMATION

The references herein to the Lease, the Site Lease, the Trust Agreement and the Assignment Agreement are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and for full and complete statements of such provisions reference is made to said documents. Copies of the documents mentioned under this heading are available for inspection at the District and following delivery of the Certificates will be on file at the Principal Office of the Trustee in Los Angeles, California.

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive. Reference is made to such documents and reports for full and complete statements of the content thereof.

Any statement in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or Owners of any of the Certificates.

The execution and delivery of this Official Statement has been duly authorized by the District.

WILLOWS UNIFIED SCHOOL DISTRICT

By: _____
Superintendent

APPENDIX A
SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

APPENDIX B

ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE COUNTY

The Certificates are not obligations of the County of Glenn (the “County”) and do not represent a lien or charge against any funds or property of the County. The following information is provided only to give prospective investors an overview of the general economic condition of the Willows Unified School District (the “District”) and the County. The following information has been obtained from sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District.

The historical data and results presented in the tables that follow may differ materially from future results as a result of economic or other factors, including as a result of the impact of COVID-19. For more information on the impact of the COVID-19 pandemic, see “DISTRICT FINANCIAL INFORMATION – COVID-19 Outbreak and its Economic Impact” and “– Impact of COVID-19 on California School Districts” herein.

The District lies in the County of Glenn. Glenn County is located in the State of California about half way between Sacramento and Redding in Northern California. Glenn County is primarily an agricultural community with mountains on the west, the Interstate 5 corridor running through farmland, and the Sacramento River bounding the east side of the County. With over 1,188 farms, agriculture remains the primary source of Glenn County's economy. Major commodities include rice, almonds, milk products, prunes and livestock. The County's population reached approximately 28,636 as of January 1, 2023.

Population

The following table provides official population estimates for cities within the County, the County of Glenn, and the State of California.

POPULATION
Cities of the County, County of Glenn, and the State of California
Calendar Years 2019 through 2023

Area	2019	2020	2021	2022	2023
Orland	8,374	8,243	8,331	8,294	8,252
Willows	6,243	6,398	6,378	6,443	6,395
Balance Of County	14,965	14,276	14,094	14,041	13,989
Incorporated	14,617	14,641	14,709	14,737	14,647
County Total	29,582	28,917	28,803	28,778	28,636
California State Total	39,605,361	39,648,938	39,303,157	39,078,674	38,940,231

Source: State of California, Department of Finance, *E-4 Population Estimates for Cities, Counties, and the State, 2022-2023, with 2020 Census Benchmark* and *E-4 Population Estimates for Cities, Counties, and the State, 2011-2020, with 2010 Census Benchmark*. Sacramento, California, May 2022.

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Employment

The table below provides the California Employment Development Department's estimates of total annual civilian nonagricultural wage and salary employment by number of employees in each major industry in the County from calendar years 2018 through 2022 by annual average as of January 1st.

WAGE AND SALARY EMPLOYMENT County of Glenn Calendar Years 2018 through 2022

	2018	2019	2020	2021	2022
Civilian Labor Force	12,770	13,010	12,780	12,630	12,860
Civilian Employment	11,930	12,210	11,630	11,740	12,180
Civilian Unemployment	840	800	1,150	890	690
Civilian Unemployment Rate	6.6%	6.2%	9.0%	7.0%	5.3%
Total Wage and Salary	9,230	9,670	9,410	9,490	9,860
Total Farm	2,250	2,440	2,430	2,250	2,230
Total Nonfarm	6,980	7,230	6,980	7,240	7,620
Total Private	4,880	5,070	4,980	5,180	5,470
Goods Producing	1,040	1,100	1,100	1,140	1,230
Mining Logging Construction	330	360	380	360	360
Manufacturing	710	740	730	790	870
Durable Goods	410	420	460	520	570
Nondurable Goods	300	320	270	270	300
Service Providing	5,940	6,130	5,880	6,100	6,390
Private Sector	3,830	3,970	3,880	4,040	4,240
Trade Transportation Utilities	1,640	1,720	1,720	1,790	1,860
Wholesale Trade	330	340	340	330	340
Retail Trade	800	850	870	970	990
Transportation Warehousing Ut.	510	540	510	490	540
Financial Activities	160	150	150	160	160
Business and Services	230	230	270	240	240
Private Education and Health	890	960	950	950	1,040
Leisure and Hospitality	730	760	650	750	790
Government	2,100	2,160	2,010	2,060	2,150
Federal Government	200	200	200	180	180
Total State and Local Govt.	1,910	1,960	1,810	1,880	1,970
State Government	80	80	80	70	60
Local Government	1,830	1,880	1,730	1,810	1,910

Source: State of California Employment Development Department, Labor Market Information Division, *Employment by Industry Data* based on March 2021 benchmark.

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The following table summarizes the labor force, employment and unemployment figures for the County, the State and the United States from 2018 through 2022.

LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT⁽¹⁾
County of Glenn, State of California and United States
2018 through 2022

Year and Area	Labor Force	Employment	Unemployment	Unemployment Rate ⁽¹⁾
2018				
Glenn County	12,270	11,930	840	6.6
California	19,289,500	18,468,100	821,400	4.3
United States	162,075,000	155,761,000	6,314,000	3.9
2019				
Glenn County	13,010	12,210	900	6.2
California	19,409,400	18,612,600	796,800	4.1
United States	163,539,000	157,538,000	6,001,000	3.7
2020				
Glenn County	12,780	11,630	1,150	9.0
California	18,931,100	16,996,700	1,934,500	10.2
United States	160,742,000	147,795,000	12,947,000	8.1
2021				
Glenn County	12,630	11,740	890	7.0
California	18,923,200	17,541,900	1,381,200	7.3
United States	161,204,000	152,581,000	8,623,000	5.3
2022				
Glenn County	12,860	12,180	690	5.3
California	19,252,000	18,440,900	811,100	4.2
United States	164,287,000	158,291,000	5,996,000	3.6

⁽¹⁾ Unemployment rate is calculated using unrounded data.

Source: State of California Employment Development Department, Labor Market Information Division, *Employment by Industry Data* based on March 2021 benchmark and Bureau of Labor Statistics, *Employment status of the civilian noninstitutional population, 1950s to date*, last modified January 25, 2023.

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Personal Income

The following tables show the personal income and per capita personal income for the County, the State and United States from 2017 through 2021.

PERSONAL INCOME
County of Glenn, State of California, and United States
2017 through 2021
(Dollars in Thousands)

Year	County	State	United States
2017	\$1,148,098	\$ 2,318,280,905	\$ 16,837,337,000
2018	1,214,555	2,431,773,865	17,671,054,000
2019	1,263,456	2,567,425,620	18,575,467,000
2020	1,428,881	2,790,523,455	19,812,171,000
2021	1,458,277	3,006,183,929	21,288,709,000

Note: All dollar estimates are in current dollars and not adjusted for inflation.

Source: U.S. Bureau of Economic Analysis, *SAINCI State annual personal income summary: personal income, population, per capita personal income* and *CAINCI County and MSA personal income summary: personal income, population, per capita personal income* (accessed June 20, 2023).

PER CAPITA PERSONAL INCOME⁽¹⁾
County of Glenn, State of California, and United States
2017 through 2021

Year	County	State	United States
2017	\$40,576	\$ 58,804	\$ 51,550
2018	42,802	61,508	53,786
2019	43,581	64,919	56,250
2020	49,454	70,647	59,765
2021	50,626	76,614	64,143

⁽¹⁾ Per capita personal income is the total personal income divided by the total midyear population estimates of the U.S. Bureau of the Census. All dollar estimates are not adjusted for inflation.

Note: All dollar estimates are in current dollars and not adjusted for inflation.

Source: U.S. Bureau of Economic Analysis, *SAINCI State annual personal income summary: personal income, population, per capita personal income* and *CAINCI County and MSA personal income summary: personal income, population, per capita personal income* (accessed June 20, 2023).

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Major Employers

The following table sets forth the ten largest employers in the County in 2022.

MAJOR EMPLOYERS County of Glenn By Alphabetical Order

Employer	City	Industry
Brenda Cabral Farm Labor Contr	Hamilton City	Labor Contractors
Department of Child Family Svc	Orland	Government-Individual/Family Social Svcs
Glen County Mental Health	Willows	Government Offices-County
Glenn County	Willows	Government Offices-County
Glenn County Emergency Svc	Willows	County Government-Public Order & Safety
Glenn County Office-Emergency	Willows	Government Offices-County
Glenn County Office-Emergency	Willows	Government Offices-County
Glenn County Planning & Public	Willows	Government Offices-County
Glenn County Sheriff's Civil	Willows	Sheriff
Glenn County Sheriff's Office	Willows	Sheriff
Glenn Medical Ctr	Willows	Hospitals
Glenn Medical Ctr	Willows	Physicians & Surgeons
Glenn-Colusa Irrigation Dist	Willows	Irrigation Companies
Head Start	Orland	Child Care Service
Johns Manville	Willows	Building Materials-Manufacturers
Lassen Land Co	Orland	Farm Management Service
Mill Street School	Orland	Schools
Murdock Elementary School	Willows	Schools
Olson Meat Co	Orland	Meat-Retail
Omega Walnuts	Orland	Nuts-Edible-Processing
Orland Unified School District	Orland	School Districts
Rumiano Cheese Co	Willows	Cheese Processors (mfrs)
Sierra Nevada Cheese Co	Willows	Cheese
Sun Bridge Ctr of Willows	Willows	Convalescent Homes
Sunsweet Dryers	Orland	Fruits-Dried (whls)
Walmart Supercenter	Willows	Department Stores

Source: California State Employment Development Department, extracted from the *America's Labor Market Information System (ALMIS) Employer Database, 2022 1st Edition*.

Commercial Activity

A summary of taxable sales within the County from 2018 through 2022, the most recent data available, is shown in the following table.

TAXABLE SALES COUNTY OF GLENN 2018 THROUGH 2022

	Retail and Food Services		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2018	658	\$276,400,750	1,026	\$114,784,455
2019	634	294,571,813	1,022	120,511,211
2020	669	296,748,029	1,089	123,454,212
2021	569	346,734,512	955	149,733,353
2022	590	379,852,448	996	151,755,312

Source: California Department of Tax and Fee Administration, *Taxable Sales - Counties by Type of Business (Taxable Table 3)*, January 20, 2023.

APPENDIX C

PROPOSED FORM OF OPINION OF SPECIAL COUNSEL

[closing date]

Board of Education
Willows Unified School District

APPROVING OPINION: \$ _____ 2023 Certificates of Participation Evidencing the Fractional Interests of the Owners thereof in Lease Payments to be Made by the Willows Unified School District (Glenn County, California)

Members of the Board:

We have reviewed the Constitution and the laws of the State of California and certain proceedings taken by the Willows Unified School District (the “District”) in connection with the authorization, execution and delivery by the District of that certain Lease Agreement, dated as of _____ 1, 2023 (the “Lease”), by and between the Public Property Financing Corporation of California (the “Corporation”) and the District. We have also reviewed that certain Trust Agreement, dated as of _____ 1, 2023 (the “Trust Agreement”), by and among Zions Bancorporation, N.A., as trustee (the “Trustee”), the Corporation and the District. All capitalized terms used herein shall have the meaning given them in the Trust Agreement unless otherwise defined.

Pursuant to the Trust Agreement, the Trustee will execute and deliver the \$ _____ 2023 Certificates of Participation (the “Certificates”) evidencing undivided proportionate interests of the owners of the Certificates in lease payments (the “Lease Payments”) to be made by the District pursuant to the Lease. Pursuant to that certain Assignment Agreement, dated as of _____ 1, 2023 (the “Assignment Agreement”), the Corporation has assigned to the Trustee the Corporation’s right to receive Lease Payments and certain other amounts paid by the District under the Lease.

The Certificates are dated their date of delivery. The Certificates mature on the dates and in the amounts set forth in the Trust Agreement. Interest due with respect to the Certificates is payable on the dates and at the rates per annum set forth in the Trust Agreement. The Certificates are registered Certificates in the form set forth in the Trust Agreement and are subject to optional and extraordinary prepayment prior to maturity in the manner and upon the terms set forth in the Trust Agreement.

In rendering the opinions set forth below, we have examined certified copies of the proceedings of the District and the Corporation, and other information submitted to us relative to the execution and delivery of the Certificates. We have examined originals, or copies identified to our satisfaction as being true copies, of the Trust Agreement, the Lease, the Site Lease, dated as of _____ 1, 2023 (the “Site Lease”), by and between the Corporation and the District, the resolutions of the District and the Corporation adopted with respect to the Certificates, and such other documents, agreements, opinions and matters as we have considered necessary or appropriate under the circumstances to render the opinions set forth herein.

We have assumed the genuineness of all documents and signatures presented to us, the authenticity of documents submitted as originals and the conformity to originals of documents submitted as copies. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions referred to in the preceding paragraph of this opinion. Furthermore, we have assumed compliance with all covenants and agreements contained in the Trust Agreement, the Lease and the Tax Certificate, including (without limitation)

covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause the interest due with respect to the Certificates to be included in gross income for federal income tax purposes.

Based upon our examination of the foregoing, and in reliance thereon and on all matters of fact as we deem relevant under the circumstances, and upon consideration of applicable laws, we are of the opinion that:

- (1) The District is duly organized and legally existing under the laws of the State of California.
- (2) The obligation of the District to pay Lease Payments in accordance with the terms of the Lease is a legal, valid and binding obligation payable from the funds of the District lawfully available therefor, except as the same may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights, by equitable principles, by the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against school districts in the State of California. The obligation of the District to make Lease Payments under the Lease does not constitute a debt of the District, the State of California or any political subdivision thereof within the meaning of any statutory or constitutional debt limitation or restriction and does not constitute a pledge of the faith and credit or taxing power of the District, the State of California or any political subdivision thereof.
- (3) The Lease, the Site Lease and the Trust Agreement have been duly authorized, executed and delivered by the District and constitute valid and legally binding agreements of the District enforceable against the District in accordance with their terms, except as the same may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights, by equitable principles, by the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against school districts in the State of California, except that we express no opinion as to any provisions in the Lease or the Trust Agreement with respect to indemnification, penalty, contribution, choice of law, choice of forum or waiver provisions contained therein.
- (4) Interest with respect to the Certificates is excluded from the gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended.
- (5) Interest with respect to the Certificates is exempt from personal income taxes of the State of California.

Ownership of tax-exempt obligations such as the Certificates may result in collateral tax consequences. The nature and extent of these other tax consequences will depend upon the particular tax status of the owner of the Certificates or such owner's other items of income or deduction. We express no opinion with respect to any federal, state, or local tax consequences, under present law or any proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Certificates.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Our opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of results.

Certain agreements, requirements and procedures contained or referred to in the Trust Agreement and the Tax Certificate and other documents related to the Certificates may be changed and certain actions may be taken or omitted, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. We express no opinion as to the effect on the exclusion from gross income for federal income tax purposes of the portion of each Certificate constituting interest if any such change occurs or action is taken or omitted upon advice or approval of counsel other than Dannis Woliver Kelley.

We have not made or undertaken to make an investigation of the state of title to any of the real property described in the Lease, the Site Lease and the Assignment Agreement or of the accuracy or sufficiency of the description of such property contained therein, and we express no opinion with respect to such matters.

Our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

The opinions expressed herein are based upon our analysis and interpretation of existing statutes, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken (or not taken) or do occur (or do not occur). Our engagement as Special Counsel terminates upon the execution and delivery of the Certificates.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Preliminary Official Statement relating to the Certificates or other offering material relating to the Certificates and expressly disclaim any duty to advise the owners of the Certificates with respect to matters contained in the Preliminary Official Statement.

Respectfully submitted,

DANNIS WOLIVER KELLEY

APPENDIX D

**DISTRICT'S AUDITED FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2022**

APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this “Disclosure Agreement”) is executed and delivered by the Willows Unified School District (the “District”) in connection with the execution and delivery of \$_____ of the District’s 2023 Certificates of Participation (the “Certificates”). The Certificates are being issued pursuant to a Resolution adopted by the Board of Education of the District on _____, 2023 (the “Resolution”). Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Resolution.

In consideration of the execution and delivery of the Certificates by the District and the purchase of such Certificates by the Underwriter described below, the District hereby covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the District for the benefit of the Bondholders and in order to assist the participating underwriter (the “Underwriter”) in complying with Rule 15c2-12(b)(5) (the “Rule”) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

SECTION 2. Additional Definitions. In addition to the above definitions and the definitions set forth in the Resolution, 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 4 and 5 of this Disclosure Agreement.

“Bondholder” or “Holder” means any holder of the Certificates or any beneficial owner of the Certificates so long as they are immobilized with DTC.

“Dissemination Agent” shall mean any Dissemination Agent, or any alternate or successor Dissemination Agent, designated in writing by the Superintendent (or otherwise by the District), which Agent has evidenced its acceptance in writing. The initial Dissemination Agent shall be Eastshore Consulting, LLC.

“Financial Obligation” shall mean 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 to which a final official statement has been provided to the MSRB consistent with the Rule.

“Listed Event” means any of the events listed in Section 6 of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board, through its electronic municipal market access system, which can be found at <http://emma.msrb.org/>, or any repository of disclosure information that may be designated by the Securities and Exchange Commission for purposes of the Rule.

SECTION 3. CUSIP Numbers and Final Official Statement. The CUSIP Numbers for the Certificates have been assigned. The Final Official Statement relating to the Certificates is dated _____, 2023 (“Final Official Statement”).

SECTION 4. Provision of Annual Reports.

(a) The District shall cause the Dissemination Agent, not later than 9 months after the end of the District’s fiscal year (currently ending June 30), which date would be April 1, commencing with the report for the fiscal year ending June 30, 2023, which would be due on April 1, 2024, to provide to the MSRB an Annual Report which is consistent with the requirements of Section 5 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and

may cross-reference other information as provided in Section 5 of this Disclosure Agreement; provided that the audited financial statements of the District may be submitted, when and if available, separately from the balance of the relevant Annual Report.

(b) If the District is unable to provide to the MSRB an Annual Report by the date required in paragraph (a) above, the District, in a timely manner, shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

- (i) determine the name and address of the MSRB each year prior to the date established hereunder for providing the Annual Report; and
- (ii) if the Dissemination Agent is other than the District or an official of the District, the Dissemination Agent shall file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 5. Content of Annual Report. The District's Annual Report shall contain or incorporate by reference the following:

(a) Financial information including the general purpose financial statements of the District for the preceding fiscal year, prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. If audited financial information is not available by the time the Annual Report is required to be filed pursuant to Section 4(a) hereof, the financial information included in the Annual Report may be unaudited, and the District will provide audited financial information to the MSRB as soon as practical after it has been made available to the District.

(b) Operating data, including the following information with respect to the District's preceding fiscal year (to the extent not included in the audited financial statements described in paragraph (a) above):

- (i) Adopted general fund budget for the current fiscal year;
- (ii) Assessed valuations, as shown on the most recent equalized assessment role;
- (iii) 20 largest local secured taxpayers as shown on the most recent equalized assessment roll; and
- (iv) Secured tax charges and delinquencies, only if the County terminates or discontinues the Teeter Plan within the District.

(c) Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the District or related public entities, which have been submitted to each of the Repositories or to the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each other document so incorporated by reference.

SECTION 6. Reporting of Significant Events.

(a) The District agrees to provide or cause to be provided to the MSRB, in readable PDF or other electronic format as prescribed by the MSRB, notice of the occurrence of any of the following events with respect to the Certificates not later than ten (10) Business Days after the occurrence of the event:

- (i) Principal and interest payment delinquencies.
- (ii) Unscheduled draws on any debt service reserves reflecting financial difficulties.
- (iii) Unscheduled draws on any credit enhancements reflecting financial difficulties.
- (iv) Substitution of or failure to perform by any credit provider.
- (v) Adverse tax opinions with respect to the tax status of the Certificates or the issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB) with respect to the Certificates;
- (vi) Tender Offers;
- (vii) Defeasances;
- (viii) Rating changes;
- (ix) Bankruptcy, insolvency, receivership or similar event of the obligated person; or
- (x) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person which reflect financial difficulties.

(b) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Certificates, if material, not later than ten (10) Business Days after the occurrence of the event:

- (i) Unless described in paragraph 6(a)(v) hereof, other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Certificates or other material events affecting the tax status of the Certificates;
- (ii) Modifications of rights to Bond holders;
- (iii) Bond calls;
- (iv) Release, substitution or sale of property securing repayment of the securities;
- (v) Non-payment related defaults;
- (vi) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, 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;

- (vii) Appointment of a successor or additional Paying Agent or Trustee or the change of name of a Paying Agent or Trustee; and
- (viii) Incurrence of a Financial Obligation of the obligated person or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders;

(c) The District shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 4 hereof, as provided in Section 4(b) hereof.

(d) Whenever the District obtains knowledge of the occurrence of a Listed Event described in Section 6(a) hereof, or determines that knowledge of a Listed Event described in Section 6(b) hereof would be material under applicable federal securities laws, the District shall within ten (10) Business Days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsection (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Certificates pursuant to the Resolution.

SECTION 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Agreement shall terminate when the District is no longer an obligated person with respect to the Certificates, as provided in the Rule, upon the defeasance, prior redemption or payment in full of all of the Certificates.

SECTION 8. Dissemination Agent. The Superintendent may, from time to time, appoint or engage an alternate or successor Dissemination Agent to assist in carrying out the District's obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

The Dissemination Agent shall be entitled to the protections, limitations from liability, immunities and indemnities provided to the Paying Agent as set forth in the Resolution which are incorporated by reference herein. The Dissemination Agent agrees to perform only those duties of the Dissemination Agent specifically set forth in the Agreement, and no implied duties, covenants or obligations shall be read into this Agreement against the Dissemination Agent.

The Dissemination Agent shall have no duty or obligation to review the Annual Report nor shall the Dissemination Agent be responsible for filing any Annual Report not provided to it by the District in a timely manner in a form suitable for filing. In accepting the appointment under this Agreement, the Dissemination Agent is not acting in a fiduciary capacity to the registered holders or beneficial owners of the Certificates, the District, or any other party or person.

The Dissemination Agent may consult with counsel of its choice and shall be protected in any action taken or not taken by it in accordance with the advice or opinion of such counsel. No provision of this Agreement shall require the Dissemination Agent to risk or advance or expend its own funds or incur any financial liability. The Dissemination Agent shall have the right to resign from its duties as Dissemination Agent under this Agreement upon thirty days' written notice to the District. The Dissemination Agent shall be entitled to compensation for its services as Dissemination Agent and reimbursement for its out-of-pocket expenses, attorney's fees, costs and advances made or incurred in the performance of its duties under this Agreement in accordance with its written fee schedule provided to the District, as such fee schedule may be amended from time to time in writing. The District agrees to indemnify and hold the Dissemination Agent harmless from and against any cost, claim, expense, cost or liability related to or arising from the acceptance of

and performance of the duties of the Dissemination Agent hereunder, provided the Dissemination Agent shall not be indemnified to the extent of its willful misconduct or negligence. The obligations of the District under this Section shall survive the termination or discharge of this Agreement and the Certificates.

SECTION 9. Amendment. Notwithstanding any other provision of this Disclosure Agreement, the District may amend this Disclosure Agreement under the following conditions, provided no amendment to this Agreement shall be made that affects the rights, duties or obligations of the Dissemination Agent without its written consent:

(a) The amendment may be made only 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 obligated person, or type of business conducted;

(b) This Disclosure Agreement, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment does not materially impair the interests of Holders, as determined either by parties unaffiliated with the District or another obligated person (such as the Special Counsel) or by the written approval of the Bondholders; provided, that the Annual Report containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

SECTION 10. Additional Information. If the District chooses to include any information from any document or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the District shall have no obligation under this Disclosure Agreement to update such information or to include it in any future disclosure or notice of occurrence of a Listed Event.

Nothing in this Disclosure Agreement shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement.

SECTION 11. Default. The District shall give notice to the MSRB of any failure to provide the Annual Report when the same is due hereunder, which notice shall be given prior to July 1 of that year. In the event of a failure of the District to comply with any provision of this Disclosure Agreement, any Bondholder 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 Agreement. A default under this Disclosure Agreement shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Agreement in the event of any failure of the District to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the District, the Dissemination Agent, the Underwriter and Holders from time to time of the Certificates, and shall create no rights in any other person or entity.

SECTION 13. Governing Law. This Disclosure Agreement shall be governed by the laws of the State, applicable to contracts made and performed in such State.

Dated: _____, 2023

WILLOWS UNIFIED SCHOOL DISTRICT

By: _____
Superintendent

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Willows Unified School District

Name of Issue: \$_____ Willows Unified School District (Glenn County, California) 2023
Certificates of Participation

Date of Issuance: _____, 2023

NOTICE IS HEREBY GIVEN that the above-named Issuer has not provided an Annual Report with respect to the above-named Certificates as required by Section 4(a) of the Continuing Disclosure Agreement dated _____, 2023. The Issuer anticipates that the Annual Report will be filed by _____.

Dated: _____

[ISSUER/DISSEMINATION AGENT]

By: _____

APPENDIX F

BOOK ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Certificates, payment of principal, premium, if any, and interest with respect to the Certificates to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Certificates and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Reference made to www.dtcc.com <http://www.dtcc.com> is presented as a link for additional information regarding DTC and is not a part of this Official Statement.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Certificates (the "Certificates"). The Certificates will be issued 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 Security certificate will be issued for each maturity of the Certificates in the aggregate principal amount of such maturity, 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 is rated AA+ by Standard & Poor's. 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.

3. Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Security ("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 are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

4. To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to

whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as prepayments, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Prepayment notices shall be sent to DTC. If less than all of the Certificates within a maturity are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity 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 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Principal, prepayment price and interest payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent, on 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 Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, prepayment price and interest payments 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 Paying Agent, 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. A Certificate Owner shall give notice to elect to have its Certificates purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Certificates by causing the Direct Participant to transfer the Participant's interest in the Certificates, on DTC's records, to the Trustee. The requirement for physical delivery of Certificates in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Certificates are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Certificates to the Trustee's DTC account.

10. DTC may discontinue providing its services as depository with respect to the Certificates at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical Certificates are required to be printed and delivered.

11. 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.

AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE CERTIFICATES, THE TRUSTEE WILL SEND ANY NOTICE OF PREPAYMENT OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE PREPAYMENT OF THE CERTIFICATES CALLED FOR PREPAYMENT OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

APPENDIX G

SPECIMEN MUNICIPAL BOND INSURANCE POLICY