

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 26, 2019

NEW ISSUE - FULL BOOK-ENTRY

RATING: Moody's: "____"
See "RATING" herein.

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS."

\$23,000,000*
General Obligation Bonds of
School Facilities Improvement District No. 3 of
TRACY UNIFIED SCHOOL DISTRICT
(San Joaquin County, California)
2014 Election, Series 2019

Dated: Date of Delivery

Due: August 1, as shown on inside front cover

Authority and Purposes. The General Obligation Bonds of School Facilities Improvement District No. 3 of Tracy Unified School District 2014 Election, Series 2019 (the "Bonds") are being issued by the Tracy Unified School District (the "School District") on behalf of School Facilities Improvement District No. 3 of the School District (the "Improvement District"), pursuant to certain provisions of the California Government Code, a resolution of the Board of Education of the School District adopted on September 10, 2019 (the "Bond Resolution") and a Paying Agent Agreement, by and between the School District and The Bank of New York Mellon Trust Company, N.A., as paying agent (the "Paying Agent"). The Bonds were authorized at an election of the registered voters of the Improvement District held on June 3, 2014, which authorized the issuance of \$82,000,000 principal amount of general obligation bonds for the purpose of financing the construction of school facilities. The Bonds are the third series of bonds to be issued under such authorization. See "THE BONDS – Authority For Issuance" and "THE FINANCING PLAN" herein.

Security. The Bonds are general obligations of the School District, payable solely from *ad valorem* property taxes levied on taxable property within the Improvement District and collected by San Joaquin County (the "County"). The County Board of Supervisors is empowered and is obligated to annually levy *ad valorem* taxes for the payment of interest on, and principal of, the Bonds upon all property subject to taxation by the Improvement District, without limitation of rate or amount (except certain personal property which is taxable at limited rates). There are currently other series of general obligation bonds in the Improvement District that are similarly secured by *ad valorem* property tax levied on parcels in the Improvement District. See "SECURITY FOR THE BONDS."

Book-Entry Only. The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"). Purchasers will not receive physical certificates representing their interests in the Bonds. See "THE BONDS" and "APPENDIX F - DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Payments. The Bonds are dated the date of delivery and are issued as current interest bonds. The Bonds accrue interest at the rates set forth on the inside cover page hereof, payable semiannually on each February 1 and August 1 until maturity, commencing February 1, 2020. Payments of principal of and interest on the Bonds will be paid by the Paying Agent, to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds. See "THE BONDS - Description of the Bonds."

Redemption. The Bonds are subject to redemption prior to maturity as described herein. See "THE BONDS – Optional Redemption" and "-Mandatory Sinking Fund Redemption."

MATURITY SCHEDULE

(See inside cover)

Cover Page. This cover page contains certain information for general reference only. It is not a summary of all the provisions of the Bonds. Prospective investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Bonds will be offered when, as and if issued and accepted by the Underwriter, subject to the approval as to legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel to the School District, and subject to certain other conditions. Jones Hall is also serving as Disclosure Counsel to the School District. Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, Sacramento, California is serving as Underwriter's Counsel. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of DTC on or about October 17, 2019.

RAYMOND JAMES®

The date of this Official Statement is _____, 2019.

*Preliminary; subject to change.

MATURITY SCHEDULE

\$23,000,000
General Obligation Bonds of
School Facilities Improvement District No. 3 of
TRACY UNIFIED SCHOOL DISTRICT
(San Joaquin County, California)
2014 Election, Series 2019

| Maturity Date (August 1) | Principal Amount | Interest Rate | Yield | CUSIP[†] |
|-------------------------------------|-----------------------------|----------------------|--------------|--------------------------|
|-------------------------------------|-----------------------------|----------------------|--------------|--------------------------|

[†] CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. None of the School District, the County or the Underwriter takes any responsibility for the accuracy of the CUSIP data.

**TRACY UNIFIED SCHOOL DISTRICT
(SAN JOAQUIN COUNTY)
STATE OF CALIFORNIA**

BOARD OF EDUCATION

Steve Abercrombie, *President*

Brian Pekari, *Vice President*

Jill Costa, *Clerk*

Ameni Alexander, *Member*

Simran Kaur, *Member*

Jeremy Silcox, *Member*

Lori Souza, *Member*

DISTRICT ADMINISTRATIVE STAFF

Dr. Brian R. Stephens, *Superintendent*

Dr. Casey J. Goodall, *Associate Superintendent of Business Services*

FINANCIAL ADVISOR

Isom Advisors, a Division of Urban Futures

Walnut Creek, California

BOND COUNSEL and DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation

San Francisco, California

PAYING AGENT

The Bank of New York Mellon Trust Company, N.A.

Dallas, Texas

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract between any bond owner and the School District or the Underwriter.

No Offering Except by This Official Statement. No dealer, broker, salesperson or other person has been authorized by the School District or the Underwriter to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by the School District or the Underwriter.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor may there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Information in Official Statement. The information set forth in this Official Statement has been furnished by the School District and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness.

Estimates and Forecasts. When used in this Official Statement and in any continuing disclosure by the School District in any press release and in any oral statement made with the approval of an authorized officer of the School District or any other entity described or referenced herein, 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. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the School District or any other entity described or referenced herein since the date hereof.

Involvement of Underwriter. The Underwriter has provided the following statement for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Stabilization of and Changes to Offering Prices. The Underwriter may overallocate or take other steps that stabilize or maintain the market prices of the Bonds at levels above that which might otherwise prevail in the open market. If commenced, the Underwriter may discontinue such market stabilization at any time. The Underwriter may offer and sell the Bonds to certain securities dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

Document Summaries. All summaries of the Bond Resolution or other documents referred to in this Official Statement are made subject to the provisions of such documents and qualified in their entirety to reference to such documents, and do not purport to be complete statements of any or all of such provisions.

No Securities Laws Registration. The Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon exceptions therein for the issuance and sale of municipal securities. The Bonds have not been registered or qualified under the securities laws of any state.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds will, under any circumstances, give rise to any implication that there has been no change in the affairs of the School District, the County, the other parties described in this Official Statement, or the condition of the property within the School District since the date of this Official Statement.

Website. The School District maintains a website. However, the information presented on the website is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds.

TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| INTRODUCTION | 2 |
| THE FINANCING PLAN | 4 |
| SOURCES AND USES OF FUNDS | 4 |
| APPLICATION OF PROCEEDS OF BONDS | 5 |
| Building Fund | 5 |
| Debt Service Fund | 5 |
| Investment of Proceeds of Bonds | 5 |
| THE BONDS | 6 |
| Authority for Issuance | 6 |
| Description of the Bonds | 6 |
| Redemption | 7 |
| Registration, Transfer and Exchange of Bonds | 8 |
| Defeasance and Discharge of Paying Agent Agreement | 9 |
| DEBT SERVICE SCHEDULES | 11 |
| SECURITY FOR THE BONDS | 13 |
| <i>Ad Valorem</i> Taxes | 13 |
| Not a County Obligation | 14 |
| PROPERTY TAXATION | 14 |
| Property Tax Collection Procedures | 14 |
| Taxation of State-Assessed Utility Property | 15 |
| Historic Assessed Valuations in Improvement District | 15 |
| Parcels by Land Use | 17 |
| Per Parcel Assessed Valuation of Single-Family Homes | 18 |
| Appeals and Adjustments of Assessed Value | 18 |
| Teeter Plan; Property Tax Collections | 19 |
| Tax Rates | 21 |
| Top 20 Property Owners | 22 |
| Direct and Overlapping Debt Obligations | 23 |
| TAX MATTERS | 24 |
| CERTAIN LEGAL MATTERS | 25 |
| Absence of Litigation | 25 |
| Compensation of Certain Professionals | 26 |
| CONTINUING DISCLOSURE | 26 |
| RATING | 27 |
| UNDERWRITING | 27 |
| ADDITIONAL INFORMATION | 27 |
| EXECUTION | 28 |
| | |
| APPENDIX A - TRACY UNIFIED SCHOOL DISTRICT AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2017-18 | A-1 |
| APPENDIX B - GENERAL AND FINANCIAL INFORMATION FOR THE TRACY UNIFIED UNIFIED SCHOOL DISTRICT | B-1 |
| APPENDIX C - ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF TRACY AND SAN JOAQUIN COUNTY | C-1 |
| APPENDIX D - PROPOSED FORM OF OPINION OF BOND COUNSEL | D-1 |
| APPENDIX E - FORM OF CONTINUING DISCLOSURE CERTIFICATE | E-1 |
| APPENDIX F - DTC AND THE BOOK-ENTRY ONLY SYSTEM | F-1 |
| APPENDIX G - SAN JOAQUIN COUNTY INVESTMENT POLICY AND MONTHLY REPORT | G-1 |

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\$23,000,000*
**General Obligation Bonds of School
Facilities Improvement District No. 3 of
TRACY UNIFIED SCHOOL DISTRICT**
(San Joaquin County, California)
2014 Election, Series 2019

*The purpose of this Official Statement, which includes the cover page, inside cover page and attached appendices, is to set forth certain information concerning the sale and delivery of the general obligation bonds captioned above (the “**Bonds**”) by the Tracy Unified School District (the “**School District**”), with respect to School Facilities Improvement District No. 3 of Tracy Unified School District (the “**Improvement District**”).*

INTRODUCTION

This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement and the documents summarized or described in this Official Statement. A full review should be made of the entire Official Statement. The offering of Bonds to potential investors is made only by means of the entire Official Statement.

The School District. The School District, which covers approximately 425 square miles located in San Joaquin County (the “**County**”, or “**San Joaquin County**”), provides educational services to the residents of the City of Tracy (the “**City**”) and surrounding unincorporated areas.

The School District was formerly known as the “Tracy Joint Unified School District” during the period when the service area of the School District included properties in both San Joaquin County and Alameda County. However, as a result of reorganization proceedings which were completed in 2010, resulting in the removal of the Alameda County portion of the School District from its boundaries, the School District name has been changed to “Tracy Unified School District.”

The School District currently operates seven kindergarten through fifth grade elementary schools, four kindergarten through eighth grade elementary schools, two middle schools, three comprehensive high schools, two alternative education schools, one adult school and one community day school. Total enrollment for the 2017-18 school year is 16,237 students (including charter school enrollment). For more information regarding the School District and its finances, see Appendix A and Appendix B attached hereto. See also Appendix C hereto for demographic and other statistical information regarding the City and the County.

The Improvement District. The Improvement District was formed on April 8, 2008 by the Board of Education of the School District following a public hearing, pursuant to the provisions of Chapter 2 (commencing with Section 15300) of Part 10 of Division 1 of the California Education Code (the “**Act**”) and proceedings taken by the School District. The Improvement District has a fiscal year 2018-19 assessed value of \$_____, which is approximately ___% of the School District’s 2018-19 total assessed valuation of \$_____. See “THE FINANCING PLAN” and “THE BONDS – Authority for Issuance.”

**Preliminary; subject to change.*

Authority for Issuance of the Bonds. On June 3, 2014, the electors of the Improvement District approved the issuance of \$82 million in bonds on behalf of the Improvement District by a 65.03% vote in favor of such issuance (which exceeded the requisite 55% plurality) (the “**2014 Authorization**”). The Bonds are the third series of general obligation bonds being issued under the 2014 Authorization.

The Bonds will be issued pursuant to certain provisions of the Government Code of the State, commencing with Section 53506 thereof (the “**Bond Law**”), pursuant to a resolution adopted by the Board of Education of the School District on September 10, 2019 (the “**Bond Resolution**”), and a Paying Agent Agreement dated as of October 1, 2019 (the “**Paying Agent Agreement**”), by and between the School District and The Bank of New York Mellon Trust Company, N.A., as paying agent (the “**Paying Agent**”). See “THE BONDS - Authority for Issuance” herein.

Payment and Registration of the Bonds. The Bonds are being issued as current interest bonds. The Bonds mature in the years and in the amounts as set forth on the inside cover page hereof. The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. Purchasers will not receive physical certificates representing their interest in the Bonds. See “THE BONDS” and “APPENDIX F - DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

Redemption. The Bonds are subject to redemption prior to maturity as described herein. See “THE BONDS – Optional Redemption” and “– Mandatory Sinking Fund Redemption.”

Security and Sources of Payment for the Bonds. The Bonds are general obligation bonds of the School District payable solely from *ad valorem* property taxes levied on taxable property located in the Improvement District and collected by the County. The County is empowered and is obligated to annually levy *ad valorem* taxes for the payment of interest on, and principal of, the Bonds upon all property subject to taxation by the Improvement District, without limitation of rate or amount (except with respect to certain personal property which is taxable at limited rates). See “SECURITY FOR THE BONDS.”

Tax-Exempt Status. In the opinion of Jones Hall, A Professional Law Corporation, bond counsel to the School District (“**Bond Counsel**”), interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal individual alternative minimum tax. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See “TAX MATTERS” and Appendix D hereto for the form of Bond Counsel’s opinion to be delivered concurrently with the Bonds.

Continuing Disclosure. The School District will execute a Continuing Disclosure Certificate in connection with the issuance of the Bonds in the form attached hereto as Appendix E. See “CONTINUING DISCLOSURE.”

Other Information. This Official Statement speaks only as of its date, and the information contained in this Official Statement is subject to change. Copies of documents referred to in this Official Statement and information concerning the Bonds are available from the School District from the Facilities Office at 1875 West Lowell Avenue, Tracy, California 95376; telephone (209) 830-3245. The School District may impose a charge for copying, mailing and handling.

END OF INTRODUCTION

THE FINANCING PLAN

The proceeds of the Bonds will be used to finance projects approved by the voters under the 2014 Authorization, including the payment of related costs of issuance. The abbreviated ballot measure (limited to 75 words or less) presented to voters for the 2014 Authorization, which received a 65% affirmative vote, was:

“To continue the renovation and modernization of Tracy schools by upgrading older classrooms, libraries and computer labs, replacing leaking and deteriorating roofs, updating heating, plumbing and electrical systems and improving school safety and security, shall Tracy Unified School District be authorized to issue \$82,000,000 in bonds for School Facilities Improvement District No. 3, at legal interest rates, with all expenditures monitored by an Independent Citizens’ Oversight Committee and no funds spent on administrators?”

The School District will spend the proceeds of the Bonds on projects located in the Improvement District that are set forth on the Full Text of the Project List presented to voters.

SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the Bonds are as follows:

Sources of Funds

Principal Amount of Bonds
Net Original Issue Premium/(Discount)
Total Sources

Uses of Funds

Building Fund
Debt Service Fund
Costs of Issuance⁽¹⁾
Total Uses

(1) All estimated costs of issuance including, but not limited to, Underwriter’s discount, printing costs, and fees of Bond Counsel, Disclosure Counsel, the financial advisor, the Paying Agent, and the rating agency.

APPLICATION OF PROCEEDS OF BONDS

Building Fund

The proceeds from the sale of the Bonds, to the extent of the principal amount thereof, will be paid to the County to the credit of a fund created and established pursuant to the Resolution and known as the “2014 Election, Series 2019 Tracy USD (SFID 3) Building Fund” (the “**Building Fund**”), which will be accounted for as separate and distinct from all other School District and County funds. The proceeds will be used solely for the purposes for the projects presented to voters pursuant to the 2014 Authorization, and for payment of permissible costs of issuance. Any excess proceeds of the Bonds not needed for the applicable authorized purposes for which the Bonds are being issued will be transferred to the Debt Service Fund (defined below) and applied to the payment of principal of and interest on the Bonds. If, after payment in full of the Bonds, there remains excess proceeds in the Building Fund, any such excess amounts shall be transferred to the general fund of the School District. Interest earnings on the investment of monies held in the Building Fund will be retained in the Building Fund.

Debt Service Fund

The accrued interest and any premium, if any, received by the County from the sale of the Bonds will be deposited in a fund created and established in the Bond Resolution and known as the “2014 Election, Series 2019 Tracy USD (SFID 3) General Obligation Bond Debt Service Fund” (the “**Debt Service Fund**”) which, together with the collections of *ad valorem* taxes, will be used only for payment of principal of and interest on the Bonds. Interest earnings on the investment of monies held in the Debt Service Fund will be retained in the Debt Service Fund and used by the County to pay the principal of and interest on the Bonds when due. Interest earnings on the investment of monies held in the Debt Service Fund will be retained in the Debt Service Fund and used by the County to pay the principal of and interest on the Bonds when due.

Investment of Proceeds of Bonds

Under California law, the School District is generally required to pay all monies received from any source into the County Treasury to be held on behalf of the School District. The proceeds of the Bonds to be deposited in the respective Building Funds and the Debt Service Funds initially will be deposited in the Treasury of the County which is administered by the Treasurer-Tax Collector (the “**County Treasurer**”). All moneys held in any of the accounts established with the County shall be invested in accordance with the investment policies of the County, as such policies exist at the time of investment. Obligations purchased as an investment of moneys in any fund or account will be deemed to be part of such fund or account. All interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder will be deposited in the fund or account from which such investment was made, and will be expended for the purposes thereof.

For a description of the County’s investment policy, see “APPENDIX G – SAN JOAQUIN COUNTY INVESTMENT POLICY AND MONTHLY REPORT.” Money on deposit in the Building Funds and the Debt Service Funds will be accounted for separately from other moneys held by the County Treasurer.

THE BONDS

Authority for Issuance

The Bonds are issued pursuant to the 2014 Authorization, the Bond Resolution, the Paying Agent Agreement and the Bond Law.

On July 9, 2015, the School District issued its \$29,000,000 aggregate principal amount of General Obligation Bonds, 2014 Election, Series 2015 (the “**Series 2015 Bonds**”) pursuant to the 2014 Authorization. On May 9, 2018, the School District issued its \$30,000,000 aggregate principal amount of General Obligation Bonds, 2014 Election, Series 2018 (the “**Series 2018 Bonds**”) pursuant to the 2014 Authorization. The Bonds are the third series of bonds to be issued under the 2014 Authorization.

Description of the Bonds

Book-Entry Form. The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“**DTC**”). Purchasers of the Bonds (the “**Beneficial Owners**”) will not receive physical certificates representing their interest in the Bonds. Payments of principal of and interest on the Bonds will be paid by the Paying Agent to DTC for subsequent disbursement to DTC Participants which will remit such payments to the Beneficial Owners of the Bonds.

As long as DTC’s book-entry method is used for the Bonds, the Paying Agent 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 such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the prepayment of the Bonds called for redemption or of any other action premised on such notice. See “APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

The Paying Agent, the School District, and the purchasers of the Bonds have no responsibility or liability for any aspects of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership, of interests in the Bonds.

Principal and Interest Payments. The Bonds will be dated the date of delivery, and will bear interest payable semiannually each February 1 and August 1 (each, an “**Interest Payment Date**”), commencing February 1, 2020, at the interest rates shown on the inside front cover page of this Official Statement. The Bonds will mature on August 1 in each of the years and in the principal amounts shown on the inside front cover page of this Official Statement. Interest on the Bonds will be computed on the basis of a 360-day year of twelve 30-day months. Each Bond authenticated on or before January 15, 2020, shall bear interest from the date of the Bonds. Each Bond authenticated during the period between the 15th calendar day of the month preceding any Interest Payment Date, whether or not such day is a business day (each, a “**Record Date**”) and that Interest Payment Date shall bear interest from that Interest Payment Date. Any other Bond shall bear interest from the Interest Payment Date immediately preceding the date of its authentication. If an Interest Payment Date does not fall on a business day, the interest, principal or redemption payment due on such Interest Payment Date will be paid on the next business day. If at the time of authentication of a Bond interest is in default thereon, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. The Bonds will be issued in the denomination of \$5,000 principal amount each

or any integral multiple thereof. See the maturity schedule on the inside cover page of this Official Statement and "DEBT SERVICE SCHEDULES" herein.

Redemption

Optional Redemption. The Bonds maturing on or before August 1, 20__ are not subject to redemption prior to their respective maturity dates. Bonds maturing on or after August 1, 20__, shall be subject to redemption at the option of the School District on any date prior to their respective maturity dates as a whole or in part, in a manner designated by the School District and, absent any such designation, pro rata among maturities and by lot within a maturity, from moneys provided by the School District, in each case on and after August 1, 20__, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the date of redemption, without premium.

Mandatory Sinking Fund Redemption. The Bonds maturing on August 1, 20__ (the "Term Bonds") are subject to mandatory sinking fund redemption on August 1, 20__ and each August 1 thereafter in accordance with the schedule set forth below. The Term Bonds so called for mandatory sinking fund redemption shall be redeemed in the sinking fund payments amounts and on the dates set forth below, without premium, together with interest accrued thereon to the redemption date. If any Term Bonds are redeemed under the foregoing optional redemption provisions, the total amount of all future sinking fund payments with respect to such Term Bonds will be reduced by the aggregate principal amount of such Term Bonds so redeemed, to be allocated among such payments on a pro rata basis in integral multiples of \$5,000.

Term Bonds Maturing August 1, 20__

| Redemption Date (August 1) | Sinking Fund Redemption |
|-------------------------------|----------------------------|
|-------------------------------|----------------------------|

Selection of Bonds for Redemption. Whenever less than all of the Bonds of any one maturity are designated for redemption, the Paying Agent will select the outstanding Bonds of such maturity to be redeemed by lot in any manner which the Paying Agent in its sole discretion deems appropriate. For purposes of such selection, each Bond will be deemed to consist of individual Bonds of \$5,000 denominations each, which may be separately redeemed.

Notice of Redemption. The Paying Agent shall cause notice of any redemption to be mailed, first class mail, postage prepaid, at least 30 days but not more than 60 days prior to the date fixed for redemption, to the respective owners of any Bonds designated for redemption, at their addresses appearing on the Registration Books. Such mailing shall not be a condition precedent to such redemption and failure to mail or to receive any such notice shall not affect the validity of the proceedings for the redemption of such Bonds.

Such notice shall (i) state the redemption date and the redemption price, (ii) if less than all of the then outstanding Bonds are to be called for redemption, designate the serial numbers of the Bonds to be redeemed by giving the individual number of each Bond or by stating that all Bonds between two stated numbers, both inclusive, or by stating that all of the Bonds of one or more maturities have been called for redemption, (iii) require that such Bonds be then surrendered at the principal office of the Paying Agent currently located in Dallas, Texas (the "**Principal**

Office”) for redemption at the said redemption price, and (iv) state that further interest on such Bonds will not accrue from and after the redemption date.

Any redemption notice for an optional redemption of the Bonds may be conditional, and, if any condition stated in the redemption notice shall not have been satisfied on or prior to the redemption date: (i) the redemption notice shall be of no force and effect, (ii) the School District shall not be required to redeem such Bonds, (iii) the redemption shall not be made, and (iv) the Paying Agent shall within a reasonable time thereafter give notice to the persons in the manner in which the conditional redemption notice was given that such condition or conditions were not met and that the redemption was canceled.

Partial Redemption. Upon surrender of Bonds redeemed in part only, the School District will execute and the Paying Agent will authenticate and deliver to the owner, at the expense of the School District, a new Bond or Bonds, of the same maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond or Bonds.

Effect of Redemption. From and after the date fixed for redemption, if notice of such redemption has been duly given and funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption have been duly provided, such Bonds so called will cease to be entitled to any benefit under the Paying Agent Agreement, other than the right to receive payment of the redemption price, and no interest will accrue thereon on or after the redemption date specified in such notice.

Right to Rescind Notice of Redemption. The School District has the right to rescind any notice of the optional redemption of Bonds by written notice to the Paying Agent on or prior to the date fixed for redemption. Any notice of optional redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under the Paying Agent Agreement. The School District and the Paying Agent have no liability to the owners of the Bonds or any other party related to or arising from such rescission of redemption. The Paying Agent shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent under the Paying Agent Agreement.

Registration, Transfer and Exchange of Bonds

If the book-entry system as described above and in Appendix F is no longer used with respect to the Bonds, the following provisions will govern the registration, transfer, and exchange of the Bonds.

Registration Books. The Paying Agent will keep or cause to be kept sufficient books for the registration and transfer of the Bonds (the “**Registration Books**”), which will at all times be open to inspection by the School District upon reasonable notice; and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, the Bonds.

Transfer. Any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the Principal Office of the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed.

Whenever any Bond or Bonds are surrendered for transfer, the School District will execute and the Paying Agent will authenticate and deliver a new Bond or Bonds, for like aggregate principal amount. No transfers will be required to be made (a) 15 days prior to a date established for selection of Bonds for redemption and (b) with respect to a Bond that has been selected for redemption.

Exchange. Bonds may be exchanged at the Principal Office of the Paying Agent for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity. The School District may charge a reasonable sum for each new Bond issued upon any exchange. No exchanges will be required to be made (a) 15 days prior to a date established for selection of Bonds for redemption and (b) with respect to a Bond that has been selected for redemption.

Defeasance and Discharge of Paying Agent Agreement

Any or all of the Bonds may be paid by the School District in any one or more of the following ways:

- (a) by paying or causing to be paid the principal or redemption price of and interest on such Bonds, as and when the same become due and payable;
- (b) by irrevocably depositing, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Paying Agent Agreement) to pay or redeem such Bonds; or
- (c) by delivering such Bonds to the Paying Agent for cancellation by it.

Whenever in the Paying Agent Agreement it is provided or permitted that there be deposited with or held in trust by the Paying Agent money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may be held by the Paying Agent or by any other fiduciary. Such money or securities may include money or securities held by the Paying Agent in the funds and accounts established under the Paying Agent Agreement and will be:

- (i) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption is given as provided in the Paying Agent Agreement or provision satisfactory to the Paying Agent is made for the giving of such notice, the amount to be deposited or held will be the principal amount or redemption price of such Bonds and all unpaid interest thereon to the redemption date; or
- (ii) Federal Securities (not callable by the issuer thereof prior to maturity) the principal of and interest on which when due, in the opinion of a certified public accountant delivered to the School District, will provide money sufficient to pay the principal or redemption price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal or redemption price and interest become due, provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been

given as provided in the Paying Agent Agreement or provision satisfactory to the Paying Agent shall have been made for the giving of such notice.

Upon the deposit, in trust, at or before maturity, of money or securities in the necessary amount to pay or redeem any outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption shall have been given as provided in the Paying Agent Agreement or provision satisfactory to the Paying Agent shall have been made for the giving of such notice, then all liability of the School District in respect of such Bond shall cease and be completely discharged, except only that thereafter the owner thereof shall be entitled only to payment of the principal of and interest on such Bond by the School District, and the School District shall remain liable for such payment, but only out of such money or securities deposited with the Paying Agent as aforesaid for such payment.

As used in the foregoing provisions and as defined in the Bond Resolution, the term “**Federal Securities**” means United States Treasury notes, bonds, bills or certificates of indebtedness, or any other obligations the timely payment of which is directly or indirectly guaranteed by the faith and credit of the United States of America.

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DEBT SERVICE SCHEDULES

The Bonds. The following table shows the debt service schedules with respect to the Bonds, assuming no optional redemptions.

**TRACY UNIFIED SCHOOL DISTRICT
2014 Election, Series 2019 Bonds
Debt Service Schedule**

| Bond Year Ending August 1 | Principal | Interest | Total Debt Service |
|--|------------------|-----------------|-------------------------------|
|--|------------------|-----------------|-------------------------------|

Combined General Obligation Bonds Debt Service. The following table shows the combined debt service schedule with respect to general obligation bond indebtedness of the School District, including indebtedness secured on a School District-wide basis together with general obligation bonds secured solely by the area of the Improvement District (assuming no optional redemptions). See Appendix B – “School District General and Financial Information – Long-Term Debt” for additional information on outstanding indebtedness.

**TRACY UNIFIED SCHOOL DISTRICT
Combined General Obligation Bonds Debt Service Schedule**

| Bond Year Ending August 1 | 2006 Authorization⁽¹⁾ | 2008 Authorization⁽²⁾ | 2014 Authorization⁽²⁾ | The Bonds | Total Debt Service |
|--|---|---|---|------------------|-------------------------------|
| 2020 | | | | | |
| 2021 | | | | | |
| 2022 | | | | | |
| 2023 | | | | | |
| 2024 | | | | | |
| 2025 | | | | | |
| 2026 | | | | | |
| 2027 | | | | | |
| 2028 | | | | | |
| 2029 | | | | | |
| 2030 | | | | | |
| 2031 | | | | | |
| 2032 | | | | | |
| 2033 | | | | | |
| 2034 | | | | | |
| 2035 | | | | | |
| 2036 | | | | | |
| 2037 | | | | | |
| 2038 | | | | | |
| 2039 | | | | | |
| 2040 | | | | | |
| 2041 | | | | | |
| 2042 | | | | | |
| 2043 | | | | | |
| 2044 | | | | | |
| 2045 | | | | | |
| 2046 | | | | | |
| Total | | | | | |

(1) School District-wide bonds.

(2) Bonds of the Improvement District.

SECURITY FOR THE BONDS

Ad Valorem Taxes

Bonds Payable from Ad Valorem Property Taxes. The Bonds are general obligations of the School District, payable solely from *ad valorem* property taxes levied on taxable property within the Improvement District and collected by the County. The County is empowered and is obligated to annually levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property within the Improvement District subject to taxation by the School District, without limitation of rate or amount (except certain personal property which is taxable at limited rates). There are other series of general obligation bonds outstanding of the Improvement District. See “THE BONDS - Authority for Issuance,” “- Other General Obligation Bond Indebtedness” and “PROPERTY TAXATION - Direct and Overlapping Debt Obligations.”

Other Debt Payable from Ad Valorem Property Taxes. There is other debt issued by entities which includes the jurisdiction in the Improvement District, which is payable from *ad valorem* taxes levied on parcels in the Improvement District. See “PROPERTY TAXATION – Tax Rates” and “- Direct and Overlapping Debt Obligations” below.

Levy and Collection. The County will levy and collect such *ad valorem* taxes in such amounts and at such times as is necessary to ensure the timely payment of debt service of principal of and interest on the Bonds. Such taxes, when collected, will be deposited into debt service funds for the Bonds, which are maintained by the County and which are irrevocably pledged for the payment of principal of and interest on the respective series of Bonds when due.

Ad valorem property taxes securing repayment of the Bonds are assessed and collected by the County in the same manner and at the same time, and in the same installments as other *ad valorem* taxes on real property, and will have the same priority, become delinquent at the same times and in the same proportionate amounts, and bear the same proportionate penalties and interest after delinquency, as do the other *ad valorem* taxes on real property.

Annual Tax Rates. The amount of the annual *ad valorem* tax levied by the County to repay the Bonds will be determined by the relationship between the assessed valuation of taxable property in the Improvement District and the amount of debt service due on the Bonds. Fluctuations in the annual debt service on the Bonds and the assessed value of taxable property in the Improvement District may cause the annual tax rate to fluctuate.

Economic and other factors beyond the School District’s control, such as economic recession, deflation of property values, a relocation out of the Improvement District or financial difficulty or bankruptcy by one or more major property taxpayers, or the complete or partial destruction of taxable property caused by, among other eventualities, earthquake, flood, fire, drought, or other natural disaster, could cause a reduction in the assessed value within the Improvement District and necessitate a corresponding increase in the annual tax rate.

Not a County Obligation

The Bonds are payable solely from the proceeds of *ad valorem* taxes levied and collected by the County in the Improvement District, for the payment of principal and interest on the Bonds. Although the County is obligated to collect the *ad valorem* tax for the payment of the Bonds, the Bonds are not a debt of the County.

PROPERTY TAXATION

Property Tax Collection Procedures

In California, property which is subject to *ad valorem* taxes is classified as “secured” or “unsecured.” The “secured roll” is that part of the assessment roll containing (1) state assessed public utilities’ property and (2) property the taxes on which are a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. A tax levied on unsecured property does not become a lien against such unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens arising pursuant to State law on such secured property, regardless of the time of the creation of the other liens. Secured and unsecured property are entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1-1/2% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the County.

Property taxes are levied for each fiscal year on taxable real and personal property situated in the taxing jurisdiction as of the preceding January 1. A bill enacted in 1983, SB813 (Statutes of 1983, Chapter 498), however, provided for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Thus, this legislation eliminated delays in the realization of increased property taxes from new assessments. As amended, SB813 provided increased revenue to taxing jurisdictions to the extent that supplemental assessments of new construction or changes of ownership occur subsequent to the January 1 lien date and result in increased assessed value.

Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent, if unpaid on the following August 31. A 10% penalty is also attached to delinquent taxes in respect of property on the unsecured roll, and further, an additional penalty of 1-1/2% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the county recorder’s office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements

or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes in respect of property on the secured roll is the sale of the property securing the taxes for the amount of taxes which are delinquent.

Taxation of State-Assessed Utility Property

The State Constitution provides that most classes of property owned or used by regulated utilities be assessed by the State Board of Equalization (“**SBE**”) and taxed locally. Property valued by the SBE as an operating unit in a primary function of the utility taxpayer is known as “unitary property”, a concept designed to permit assessment of the utility as a going concern rather than assessment of each individual element of real and personal property owned by the utility taxpayer. State-assessed unitary and “operating nonunitary” property (which excludes nonunitary property of regulated railways) is allocated to the counties based on the situs of the various components of the unitary property. Except for unitary property of regulated railways and certain other excepted property, all unitary and operating nonunitary property is taxed at special county-wide rates and tax proceeds are distributed to taxing jurisdictions according to statutory formulae generally based on the distribution of taxes in the prior year.

Historic Assessed Valuations in Improvement District

The assessed valuation of property in the Improvement District is established by the respective Assessors of the Counties, except for public utility property which is assessed by the State Board of Equalization, as described above. Assessed valuations are reported at 100% of the “full value” of the property, as defined in Article XIII A of the California Constitution. For a discussion of how properties currently are assessed, see Appendix B under the heading “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS.”

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.

The following table sets forth a history of the assessed value in the Improvement District since its formation in April 2008.

**SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 3
OF THE TRACY UNIFIED SCHOOL DISTRICT
Assessed Valuations
Fiscal Years 2008-09 through 2019-20**

| Fiscal Year | Local Secured | Utility | Unsecured | Total | % Change |
|--------------------|----------------------|----------------|------------------|-----------------|-----------------|
| 2008-09 | \$7,807,719,618 | \$11,299,535 | \$296,812,793 | \$8,115,831,946 | -- |
| 2009-10 | 6,543,051,267 | 11,807,621 | 302,361,758 | 6,857,220,646 | (15.5)% |
| 2010-11 | 6,374,552,303 | 11,807,621 | 296,723,590 | 6,683,083,514 | (2.5) |
| 2011-12 | 6,096,002,387 | 11,807,621 | 291,350,982 | 6,399,160,990 | (4.2) |
| 2012-13 | 6,025,216,329 | 11,807,621 | 295,450,719 | 6,332,474,669 | (1.0) |
| 2013-14 | 6,518,058,931 | 11,885,600 | 298,662,890 | 6,828,607,421 | 7.8 |
| 2014-15 | 7,233,465,272 | 11,885,600 | 379,395,991 | 7,624,746,863 | 11.7 |
| 2015-16 | 7,675,793,077 | 11,855,600 | 403,358,587 | 8,091,037,264 | 6.1 |
| 2016-17 | 8,067,879,645 | 11,673,100 | 534,955,761 | 8,614,508,506 | 6.5 |
| 2017-18 | 8,571,173,387 | 11,673,100 | 509,469,606 | 9,092,316,093 | 5.5 |
| 2018-19 | | | | | |
| 2019-20* | | | | | |

*The total assessed value of the School District in fiscal year 2019-20 is \$ _____. The Improvement District consists of approximately 55% of School District-wide assessed value.

Source: California Municipal Statistics, Inc.

Factors Relating to Increases/Decreases in Assessed Value. As indicated in the previous table, assessed valuations are subject to change in each year. Increases or decreases in assessed valuation result from a variety of factors including but not limited to general economic conditions, supply and demand for real property in the area, government regulations such as zoning, and man-made or natural disasters such as earthquakes, fires, floods and drought. Notable natural disasters in recent years include drought conditions throughout the State, which ended in 2017 due to record-level precipitation in late 2016 and early 2017, and wildfires in different regions of the State, and related flooding and mudslides. The most destructive of the recent wildfires, which have burned thousands of acres and destroyed thousands of homes and structures, have originated in wildlands adjacent to urban areas. Seismic activity is also a risk in the region where the School District is located. Although recent California wildfires have not occurred within District boundaries, the School District cannot predict or make any representations regarding the effects that wildfires or any other type of natural or manmade disasters and related conditions have or may have on the value of taxable property within the School District, or to what extent the effects said disasters might have on economic activity in the School District or throughout the State.

Parcels by Land Use

The following table shows a breakdown of local secured property assessed value and parcels within the Improvement District by land use for fiscal year 2019-20

**SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 3
OF THE TRACY UNIFIED SCHOOL DISTRICT
Local Secured Property Assessed Valuation and Parcels by Land Use
Fiscal Year 2019-20**

| <u>Non-Residential:</u> | <u>2019-20 Assessed Valuation ⁽¹⁾</u> | <u>% of Total</u> | <u>No. of Parcels</u> | <u>% of Total</u> |
|-------------------------|--|-----------------------|---------------------------|-----------------------|
|-------------------------|--|-----------------------|---------------------------|-----------------------|

Residential:

Total

(1) Local secured assessed valuation; excluding tax-exempt property.
Source: *California Municipal Statistics, Inc.*

Per Parcel Assessed Valuation of Single-Family Homes

The following table sets forth the per parcel assessed valuation of single-family homes in the Improvement District for fiscal year 2019-20.

SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 3 OF THE TRACY UNIFIED SCHOOL DISTRICT Per Parcel Assessed Valuation of Single-Family Homes Fiscal Year 2019-20

| Single Family Residential | <u>No. of Parcels</u> | <u>2019-20 Assessed Valuation</u> | <u>Average Assessed Valuation</u> | <u>Median Assessed Valuation</u> | | |
|---------------------------|---------------------------------------|--|---------------------------------------|--------------------------------------|----------------------------|-----------------------|
| | <u>2019-20 Assessed Valuation</u> | <u>No. of Parcels ⁽¹⁾</u> | <u>% of Total</u> | <u>Cumulative % of Total</u> | <u>Total Valuation</u> | <u>% of Total</u> |

(1) Improved single family residential parcels. Excludes condominiums and parcels with multiple family units.
Source: California Municipal Statistics, Inc.

Appeals and Adjustments of Assessed Value

There are two types of appeals of assessed values that could adversely impact property tax revenues within the Improvement District.

Appeals may be based on Proposition 8 of November 1978, which requires that for each January 1 lien date, the taxable value of real property must be the lesser of its base year value, annually adjusted by the inflation factor pursuant to Article XIII A of the State Constitution, or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" in Appendix B.

Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the County board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value.

Proposition 8 reductions may also be unilaterally applied by the County Assessor. While County Assessors typically attempt to consider declines in value and to assess all property at the

lesser of market value or factored base year each year for every parcel, when there is widespread decline in property value, the County Assessor may elect to reduce assessed values without assessing individual properties, a practice known as “blanket” Proposition 8 reductions.

Such reductions in the assessment ultimately granted pursuant to Proposition 8 applies to the year for which application is made and during which the written application was filed. These reductions are subject to yearly reappraisals and are adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS” in Appendix B.

A second type of assessment appeal involves a challenge to the base year value of an assessed property. Appeals for reduction in the base year value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

The School District cannot predict the changes in assessed values that might result from pending or future appeals by taxpayers or reductions initiated by the County Assessor. Any reduction in aggregate Improvement District assessed valuation due to appeals, as with any reduction in assessed valuation due to other causes, will cause the tax rate levied to repay the Bonds to increase accordingly, so that the fixed debt service on the Bonds (and other outstanding general obligation bonds, if any) may be paid.

Teeter Plan; Property Tax Collections

General. The Board of Supervisors of the County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “**Teeter Plan**”), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. Under the Teeter Plan, each entity levying property taxes in the County may draw on the amount of uncollected secured taxes credited to its fund, in the same manner as if the amount credited had been collected. The School District participates in the County’s Teeter Plan, and thus receives 100% of secured property taxes levied in exchange for foregoing any interest and penalties collected on delinquent taxes.

So long as the Teeter Plan remains in effect, the Improvement District’s receipt of revenues with respect to the levy of *ad valorem* property taxes on the secured roll will not be dependent upon actual collections of the *ad valorem* property taxes by the County. However, under the statute creating the Teeter Plan, the Board of Supervisors can under certain circumstances terminate the Teeter Plan in part or in its entirety with respect to the entire County and, in addition, the Board of Supervisors can terminate the Teeter Plan with respect to the Improvement District if the delinquency rate for all *ad valorem* property taxes levied within the Improvement District in any year exceeds 3%. In the event that the Teeter Plan were terminated, the amount of the levy of *ad valorem* property taxes in the Improvement District would depend upon the collections of the *ad valorem* property taxes and delinquency rates experienced with respect to the parcels within the Improvement District.

Certain Risks Associated with Teeter Plan. The current practice of the County under the Teeter Plan is to provide 100% of the *ad valorem* taxes on the secured roll payable annually

to the Improvement District in connection with general obligation bond indebtedness and to retain any penalties or delinquencies collected to offset such gross payment. *There can be no assurances that the County will continue this practice in the future, or that the County will not discontinue the Teeter Plan or remove the Improvement District from the Teeter Plan in the future.*

On September 13, 2011, the County Auditor-Controller recommended to the Board of Supervisors that all direct assessments be removed from the Teeter Plan for fiscal year 2011-12 and thereafter. The County Auditor-Controller's recommendation did not apply to the collection of *ad valorem* taxes levied to pay general obligation bonds. The Board of Supervisors, at its September 13, 2011 meeting, postponed making a decision on the County Auditor-Controller's recommendation and directed the County Auditor-Controller to work with appropriate County officials and staff to recommend the appropriate method of removing direct assessments from the Teeter Plan. After discussions and surveys of the affected agencies and meetings with County officials and staff, the County Auditor-Controller recommended to the Board of Supervisors at its June 26, 2012 meeting to remove code enforcement/civil penalties/administrative citation direct assessments, the City of Lathrop's Community Facilities District (CFD) 2006-1, and the non-public safety portion of the City of Lathrop's Community Facilities District 2006-2 from the Teeter Plan. The School District is not aware of any further changes to the Teeter Plan at this time.

Improvement District Secured Tax Charges and Delinquencies. Notwithstanding that the tax levies on the secured roll to secure the Bonds described herein are covered by the Teeter Plan described herein, the following table shows a five-year history of secured tax charges and delinquencies in the Improvement District with respect to the Improvement District's general obligation bond debt levy.

**SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 3
OF THE TRACY UNIFIED SCHOOL DISTRICT
Secured Tax Charges and Delinquencies⁽¹⁾
Fiscal Years 2012-13 through 2018-19**

| <u>Fiscal Year</u> | <u>Secured Tax Charge⁽²⁾</u> | <u>Amt. Del. June 30</u> | <u>% Del. June 30</u> |
|--------------------|---|------------------------------|---------------------------|
| 2012-13 | \$1,420,006 | \$22,871 | 1.61% |
| 2013-14 | 1,443,186 | 13,972 | 0.97 |
| 2014-15 | 1,496,367 | 13,814 | 0.92 |
| 2015-16 | 5,323,923 | 40,419 | 0.76 |
| 2016-17 | 5,338,380 | 42,716 | 0.80 |
| 2017-18 | | | |
| 2018-19 | | | |

(1) San Joaquin County utilizes the Teeter Plan for assessment levy and distribution. This method guarantees distribution of 100% of the assessments levied to the taxing entity, with the County retaining all penalties and interest due to delinquencies.

(2) Improvement District's bond debt service levy only.

Source: *California Municipal Statistics, Inc.*

Tax Rates

The table below summarizes the total *ad valorem* tax rates levied by all taxing entities in Tax Rate Area 4-73 (a typical tax rate area in the Improvement District) for five fiscal. The 2019-20 assessed valuation of TRA 4-73 is \$_____, representing about 1.7% of the assessed valuation in the Improvement District.

**SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 3
OF THE TRACY UNIFIED SCHOOL DISTRICT
Typical Total Tax Rates per \$100 of Assessed Valuation (TRA 4-73)
Fiscal Years 2015-16 through 2019-20**

| | <u>2015-16</u> | <u>2016-17</u> | <u>2017-18</u> | <u>2018-19</u> | <u>2019-20</u> |
|--|----------------|----------------|----------------|----------------|----------------|
| General Tax Rate | \$1.0000 | \$1.0000 | \$1.0000 | | |
| Tracy Unified School District | .0213 | .0185 | .0172 | | |
| Tracy Unified School District SFID No. 3 | .0212 | .0669 | .0332 | | |
| San Joaquin Delta CCD | <u>.0233</u> | <u>.0180</u> | <u>.0180</u> | | |
| Total Tax Rate | \$1.1100 | \$1.1034 | \$1.0684 | | |

Source: California Municipal Statistics Inc.

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Top 20 Property Owners

The twenty taxpayers in the Improvement District with the greatest combined assessed valuation of taxable property on the fiscal year 2019-20 tax roll, and the assessed valuations thereof, are shown below.

The more property (by assessed value) which is owned by a single taxpayer in the Improvement District, the greater amount of tax collections are exposed to weaknesses in the taxpayer's financial situation and ability or willingness to pay property taxes. Each taxpayer listed below is a unique name listed on the tax rolls. The School District cannot determine from County assessment records whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table below.

**SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 3
OF THE TRACY UNIFIED SCHOOL DISTRICT
Top 20 Secured Property Taxpayers
Fiscal Year 2019-20**

| <u>Property Owner</u> | <u>Primary Land Use</u> | <u>2019-20 Assessed Valuation</u> | <u>% of Total ⁽¹⁾</u> |
|-----------------------|-------------------------|---------------------------------------|--------------------------------------|
|-----------------------|-------------------------|---------------------------------------|--------------------------------------|

(1) 2019-20 local secured assessed valuation: \$ _____.
Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt Obligations

Set forth below is a direct and overlapping debt report (the “**Debt Report**”) prepared by California Municipal Statistics, Inc. and dated as of October 1, 2019. The Debt Report is included for general information purposes only. The School District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the Improvement District in whole or in part. Such long-term obligations generally are not payable from revenues of the Improvement District (except as indicated) nor are they necessarily obligations secured by land within the Improvement District. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

**SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 3
OF THE TRACY UNIFIED SCHOOL DISTRICT
Statement of Direct and Overlapping Bonded Debt
Dated As of October 1, 2019**

Source: California Municipal Statistics, Inc.

TAX MATTERS

Federal Tax Status. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. The opinions set forth in the preceding sentence are subject to the condition that the School District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "**Tax Code**") that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The School District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds.

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public at which a Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. *De minimis* original issue discount and original issue premium are disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Bonds who purchase the Bonds after the initial offering of a substantial amount of such maturity. Owners of such Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Bond (said term being the shorter of the Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Bond is amortized each year over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Bond premium is not deductible for federal income tax purposes. Owners of premium Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Bonds.

California Tax Status. In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

Other Tax Considerations. Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, such legislation would apply to bonds issued prior to enactment.

The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of such opinion, and Bond Counsel has expressed no opinion with respect to any proposed legislation or as to the tax treatment of interest on the Bonds, or as to the consequences of owning or receiving interest on the Bonds, as of any future date. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may have federal or state tax consequences other than as described above. Other than as expressly described above, Bond Counsel expresses no opinion regarding other federal or state tax consequences arising with respect to the Bonds, the ownership, sale or disposition of the Bonds, or the amount, accrual or receipt of interest on the Bonds.

Form of Opinion. A copy of the proposed form of opinion of Bond Counsel for the Bonds is attached hereto as APPENDIX D.

CERTAIN LEGAL MATTERS

Absence of Litigation

No litigation is pending or threatened concerning the validity of the Bonds, and a certificate to that effect will be furnished to purchasers at the time of the original delivery of the Bonds. The School District is not aware of any litigation pending or threatened that (i) questions the political existence of the School District or the formation of the Improvement District, (ii) contests the School District's ability to receive *ad valorem* taxes from the territory of the Improvement District or to collect other revenues or (iii) contests the School District's ability to issue and retire the Bonds.

The School District may be or may become a party to lawsuits and claims which are unrelated to the Bonds or actions taken with respect to the Bonds and which have arisen in the normal course of operating the School District. The School District maintains certain insurance policies which provide coverage under certain circumstances and with respect to certain types of incidents. There currently are no claims or actions pending which could have a material adverse

affect on the financial position or operations of the School District. The School District cannot predict what types of claims may arise in the future.

Compensation of Certain Professionals

Payment of the fees and expenses of Jones Hall, A Professional Law Corporation, as Bond Counsel and Disclosure Counsel to the School District, Isom Advisors, A Division of Urban Futures, Walnut Creek, California as financial advisor to the School District, and Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, Sacramento, California, as Underwriter's Counsel, is contingent upon issuance of the Bonds.

CONTINUING DISCLOSURE

The School District will execute a Continuing Disclosure Certificate in connection with the issuance of the Bonds in the form attached hereto as Appendix E. The School District has covenanted therein, for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the School District (an "**Annual Report**") to the Municipal Securities Rulemaking Board not later than nine months after the end of the School District's fiscal year (which currently would be April 1), commencing March 31, 2020 with the report for the 2018-19 fiscal year, and to provide notices of the occurrence of certain enumerated events. Such notices will be filed by the School District with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in an Annual Report or the notices of enumerated events is set forth in "APPENDIX E – FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriter of the Bonds in complying with S.E.C. Rule 15c2-12(b)(5) (the "**Rule**").

The School District has existing disclosure undertakings that have been made pursuant to the Rule in connection with the issuance of other outstanding general obligation bonds. See Appendix B under the heading "FINANCIAL INFORMATION – Long-Term Debt." Instances of non-compliance with undertakings in the previous five years are _____.

The School District currently contracts with Isom Advisors, A Division of Urban Futures, Inc., to serve as dissemination agent with respect to its undertakings, including the undertaking with respect to the Bonds.

Neither the County nor any other entity other than the School District shall have any obligation or incur any liability whatsoever with respect to the performance of the School District's duties regarding continuing disclosure.

RATING

Moody's Investors Services ("Moody's") has assigned a rating of "___" to the Bonds. The School District has provided certain additional information and materials to Moody's (some of which does not appear in this Official Statement). Such rating reflects only the view of Moody's and an explanation of the significance of such rating and outlook may be obtained only from Moody's. There is no assurance that any credit ratings given to the Bonds will be maintained for any period of time or that the rating may not be lowered or withdrawn entirely by Moody's if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

UNDERWRITING

The Bonds are being purchased by Raymond James & Associates, Inc. (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a price of \$_____ which is equal to the initial principal amount of the Bonds of \$_____, plus original issue premium of \$_____ less an Underwriter's discount of \$_____.

The purchase contract relating to the Bonds provides that the Underwriter will purchase all of the Bonds (if any are purchased), and provides that the Underwriter's obligation to purchase is subject to certain terms and conditions, including the approval of certain legal matters by counsel.

The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed by the Underwriter.

ADDITIONAL INFORMATION

The discussions herein about the Bond Resolution, the Paying Agent Agreement, and the Continuing Disclosure Certificate 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 such documents. Copies of these documents mentioned are available from the Underwriter and following delivery of the Bonds will be on file at the offices of the Paying Agent in Dallas, Texas.

References are also made herein to certain documents and reports relating to the School District; such references are brief summaries and do not purport to be complete or definitive. Copies of such documents are available upon written request to the School District. The School District may impose charges for copying, mailing and handling.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the School District and the purchasers or Owners of any of the Bonds.

EXECUTION

The execution and delivery of this Official Statement have been duly authorized by the School District.

TRACY UNIFIED SCHOOL DISTRICT

By: _____
Associate Superintendent of Business Services

APPENDIX A
TRACY UNIFIED SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2017-18

APPENDIX B

GENERAL AND FINANCIAL INFORMATION ABOUT THE SCHOOL DISTRICT

The information in this and other sections concerning the School District's operations and operating budget is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of and interest on the Bonds is payable from the General Fund of the School District. The Bonds are payable from the proceeds of an ad valorem tax required to be levied by the County in an amount sufficient for the payment thereof. See "SECURITY FOR THE BONDS" in the front half of the Official Statement.

General Information

The School District, which covers approximately 425 square miles located in San Joaquin County (the "**County**" or "**San Joaquin County**"), provides educational services to the residents of the City of Tracy (the "**City**") and surrounding unincorporated areas.

The School District was formerly known as the Tracy Joint Unified School District when the service area of the School District included properties in more than one county. However, as a result of reorganization proceedings, the only elementary school district in Alameda County for which the School District provided high school services was redirected to a different school district for such services, making San Joaquin County the area serviced by of the School District. Subsequently, the School District formally removed the word "Joint" from its name. Notwithstanding that the Alameda County portion of the School District was removed from the School District's service area, the reorganization proceedings provided that, for existing general obligation bonded indebtedness, the land in Alameda County that had formerly been part of the School District would continue to subject to the levy and collection of taxes to pay debt service on such bonds, including bonds issued to refund such bonds. The term "**Original Area**" is used in this Official Statement to describe the territory of the School District at the time it included both San Joaquin and Alameda County portions, prior to the reorganization proceedings. The Original Area is not subject to taxation for payment of the Bonds.

The School District currently operates seven kindergarten through fifth grade elementary schools, four kindergarten through eighth grade elementary schools, two middle schools, three comprehensive high schools, two alternative education schools, one adult school and one community day school. Total enrollment for the 2019-20 school year is estimated to be 14,534 (not including charter school enrollment of ____ students described in the following paragraph). See also Appendix C hereto for demographic and other statistical information regarding the City and San Joaquin County.

The School District has approved charters for three charter schools pursuant to Education Code Section 47605. The charter schools are operated by Tracy Learning Center, which is not considered a component unit of the School District. The School District receives revenue on behalf of the charter schools which it passes on to the charters. This activity is not accounted for in District funds.

The Improvement District

The Improvement District was formed on April 8, 2008 by the Board of Education of the School District following a public hearing, pursuant to the provisions of Chapter 2 (commencing with Section 15300) of Part 10 of Division 1 of the California Education Code (the “**Act**”) and proceedings taken by the School District. The Improvement District consists of approximately 55% of the School District’s fiscal year 2019-20 total assessed valuation. Two bond elections have been held within the boundaries of the Improvement District for the purpose of financing school facilities within the boundaries of the Improvement District. See “THE FINANCING PLAN” and “THE BONDS – Authority for Issuance.”

Administration

Board of Education. The governing board of the School District is called the Board of Education (the “**Board**”). The Board includes seven voting members elected by the voters of the School District. Elections for positions to the Board are held every two years, alternating between three and four available positions. The current voting Board members are as follows:

| Name | Board Position | Term Expires |
|-------------------|-----------------------|---------------------|
| Steve Abercrombie | President | December 20__ |
| Brian Pekari | Vice-President | December 20__ |
| Jill Costa | Clerk | December 2020 |
| Ameni Alexander | Member | December 20__ |
| Simran Kaur | Member | December 20__ |
| Jeremy Silcox | Member | December 20__ |
| Lori Souza | Member | December 20__ |

Superintendent and Administrative Personnel. The Superintendent of the School District is appointed by the Board and reports to the Board. The Superintendent is responsible for the day-to-day management of the School District’s operations and supervises the work of other key District employees.

Dr. Brian Stephens serves as Superintendent for the School District. He received a Bachelor of Arts degree from the University of California at Davis, a Teaching Credential from Sonoma State University, an Administrative Credential from Humboldt State University, a Masters of Arts in Education from Humboldt State University, and a Doctorate of Education in Organizational Leadership from the University of La Verne.

Dr. Stephens’ educational career has included positions from 1991 to present as Teacher, Assistant Principal and Principal, Assistant Superintendent and Superintendent, first serving as Superintendent in Delhi Unified School District starting in 2011, and now with the School District commencing in 2014.

Dr. Casey Goodall serves as Associate Superintendent of Business Services. Dr. Goodall received a Bachelor of Science in English from Utah State University, a Masters Degree in Business Administration from Utah State University, and a Doctorate in School Business Management from the University of La Verne. Dr. Goodall served in the United States Navy from 1985 to 1993, and has served as the School District’s Associate Superintendent, Business Services since 1994.

Enrollment Trends

The following tables show enrollment history for the School District.

ANNUAL ENROLLMENT INCLUDING CHARTER SCHOOLS Fiscal Years 2004-05 through 2019-20⁽¹⁾ Tracy Unified School District

| School Year | Enrollment | Percent Change |
|------------------------|------------|----------------|
| 2004-05 | 17,011 | -- |
| 2005-06 | 17,186 | 1.0% |
| 2006-07 | 17,375 | 1.1 |
| 2007-08 | 17,333 | (0.2) |
| 2008-09 | 17,342 | 0.1 |
| 2009-10 | 17,494 | 0.9 |
| 2010-11 | 17,530 | 0.2 |
| 2011-12 | 17,422 | (0.6) |
| 2012-13 | 17,405 | (0.1) |
| 2013-14 | 17,442 | 0.2 |
| 2014-15 ⁽²⁾ | 16,935 | (2.9) |
| 2015-16 ⁽²⁾ | 16,702 | (1.4) |
| 2016-17 ⁽³⁾ | 16,426 | (1.7) |
| 2017-18 ⁽³⁾ | 16,237 | (1.2) |
| 2018-19 | 15,906 | (2.0) |
| 2019-20 ⁽¹⁾ | 14,534 | (8.6) |

(1) Projected.

(2) Enrollment declines in such fiscal years attributed to the opening of a high school in Lammersville Joint Unified School District, formerly a feeder elementary school district to the School District.

(3) Enrollment declines in such fiscal years attributed to large graduating classes and relatively small incoming kindergarten classes.

Source: California Department of Education for 2004-05 through 2018-19, Tracy Unified School District for subsequent years.

Employee Relations

In fiscal year 2019-20, the School District has budgeted for 701.4 full-time equivalent certificated (non-management) employees, 535.0 full-time equivalent classified (non-management) employees, and 148.2 full-time equivalent management, supervisor, and confidential positions. District employees are represented by two bargaining agents: Tracy Educators' Association ("**TEA**"), which is the exclusive bargaining agent for all certificated non-management employees of the School District, and the California School Employees' Association ("**CSEA**") which is the bargaining agent for all classified or uncertificated personnel within the School District.

The following table summarizes the bargaining agreements and the date through which current contracts extend.

CONTRACTS WITH BARGAINING UNITS Tracy Unified School District

| Bargaining Unit | Employees Covered | Expiration Date |
|--|--------------------------|------------------------|
| Tracy Educators' Association | Certificated | June 30, 20__ |
| California School Employees' Association | Classified | June 30, 20__ |

[*Parties operate pursuant to expired terms pending settlement.]
Source: Tracy Unified School District.

Risk Management

The School District is a member of the San Joaquin County Schools Workers' Compensation public entity risk pool (the "**Pool**") and San Joaquin County Schools Data Processing joint powers authority (the "**JPA**"). The School District pays an annual premium to the applicable entity for its workers' compensation coverage and information technology support. The relationships between the School District, the Pool, and the JPA are such that they are not component units of the School District for financial reporting purposes. During the year ended June 30, 2018, the School District made payments of \$1,803,087 to the Pool and \$540,696 to the JPA.

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of asset, errors and omissions, injuries to employees and natural disasters. During fiscal year 2017-18, the School District continued its contract with Northern California Regional Liability Excess Fund ("**NorCal Relief**") for building and personal property and SAFER for excess property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. For worker's compensation coverage, the School District participates in the San Joaquin County Schools Worker's Compensation ("**SJCSWC**"), an insurance purchasing pool. Coverage is summarized as follows:

INSURANCE COVERAGE
Tracy Unified School District

| <u>Insurance Program</u> | <u>Type of Coverage</u> | <u>Limits</u> |
|--------------------------|-------------------------|----------------|
| SJCSWC | Worker's Compensation | \$1 million |
| NorCal Relief | Liability | \$1 million |
| | Auto | \$1 million |
| | Property | \$250 million |
| SAFER | Excess Liability | \$1-25 million |

Source: Tracy Unified School District.

Employee Medical Benefits. The School District has contracted with the Central Valley Schools Health and Welfare Trusts to provide employee medical and surgical benefits. The Trust was established as a combined effort of District Superintendents and labor representatives of both the California Teachers Association and the California School Employees Association. The purpose of the trust is to pool the resources of smaller school districts to achieve health care benefits similar to those available to larger districts. Rates are set through an annual calculation process. The School District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

Participation in Joint Powers Agency for Facilities Improvements

The Tracy Area Public Facilities Financing Agency (the “**Agency**”) was created pursuant to a Joint Powers Agreement between the City of Tracy, Tracy School District, Tracy Joint Union High School District (which now operates as the School District following unification in 1997) and Jefferson School District for the purpose of forming a community facilities district under the provisions of the Mello-Roos Community Facility Act of 1982. The Agency has established Community Facilities District Number 1987-1 for the purpose of financing, constructing, and acquiring school facilities for each of the school districts and public facilities for the City. The Agency currently has no employees or property and equipment, and its powers are limited to implementation of the Mello-Roos financing plans contemplated in the Joint Powers Agreement.

The Agency and its Community Facilities District are controlled by a governing board consisting of seven members: two members of the City of Tracy City Council, three members of the School District Board, and two members of the school board of the Jefferson School District. All such members of the Agency’s governing board are independently elected to their respective member entities. Oversight responsibility, the ability to conduct independent financial affairs, issue debt instruments, approve budget, sign contracts, levy taxes, and otherwise influence operations and account for fiscal matters, is exercised by the Agency’s governing board. As such, the Agency is considered to be a separate reporting entity for financial reporting purposes and the June 30, 2018, audited accompanying financial information reflects only the assets, liabilities, fund balances, revenues and expenditures of the Agency. See also below under the heading “- Existing Debt Obligations - Other Debt.”

DISTRICT FINANCIAL INFORMATION

Education Funding Generally

School districts in California receive operating income primarily from two sources: the State funded portion which is derived from the State's general fund, and a locally funded portion, being the district's share of the one percent general *ad valorem* tax levy authorized by the California Constitution. As a result, decreases or deferrals in education funding by the State could significantly affect a school district's revenues and operations.

From 1973-74 to 2012-13, California school districts operated under general purpose revenue limits established by the State Legislature. In general, revenue limits were calculated for each school district by multiplying (1) the average daily attendance ("**ADA**") for such district by (2) a base revenue limit per unit of ADA. The revenue limit calculations were adjusted annually in accordance with a number of factors designated primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type. Funding of the School District's revenue limit was provided by a mix of local property taxes and State apportionments of basic and equalization aid. Generally, the State apportionments amounted to the difference between the School District's revenue limit and its local property tax revenues.

The fiscal year 2013-14 State budget package replaced the previous K-12 finance system with a new formula known as the Local Control Funding Formula (the "**LCFF**"). Under the LCFF, revenue limits and most state categorical programs were eliminated. School districts instead receive funding based on the demographic profile of the students they serve and gain greater flexibility to use these funds to improve outcomes of students. The LCFF creates funding targets based on student characteristics. For school districts and charter schools, the LCFF funding targets consist of grade span-specific base grants plus supplemental and concentration grants that reflect student demographic factors. The LCFF includes the following components:

- A base grant for each local education agency per unit of ADA, which varies with respect to different grade spans. The base grant is \$2,375 more than the average revenue limit provided prior to LCFF implementation. The base grants will be adjusted upward each year to reflect cost-of-living increases. In addition, 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 grades K-3 and the provision of career technical education in grades 9-12.
- A 20% supplemental grant for English learners, students from low-income families and foster youth to reflect increased costs associated with educating those students.
- An additional concentration grant of up to 50% of a local education agency's base grant, based on the number of English learners, students from low-income families and foster youth served by the local agency that comprise more than 55% of enrollment.
- An economic recovery target to ensure that almost every local education agency receives at least their pre-recession funding level, adjusted for inflation, at full implementation of the LCFF.

The LCFF was implemented for fiscal year 2013-14 and was phased in gradually. Beginning in fiscal year 2013-14, an annual transition adjustment was required to be calculated for each school district, equal to each district’s proportionate share of the appropriations included in the State budget (based on the percentage of each district’s students who are low-income, English learners, and foster youth (“**Targeted Students**”)), to close the gap between the prior-year funding level and the target allocation at full implementation of LCFF. In each year, districts had the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district’s funding gap. Full implementation occurred in fiscal year 2018-19.

Funding levels used in the LCFF “Target Entitlement” calculations for fiscal year 2019-20 are set forth in the following table.

**Fiscal Year 2019-20 Base Grant* Under LCFF by Grade Span
(Targeted Entitlement)**

| Grade Span | 2018-19 Base Grant Per ADA | 2019-20 COLA (3.26%) | Grade Span Adjustments (K-3: 10.4%; 9-12: 2.6%) | 2019-20 Base Grant/Adjusted Base Grant Per ADA |
|------------|----------------------------|----------------------|---|--|
| K-3 | \$7,459 | \$243 | \$801 | \$8,503 |
| 4-6 | 7,571 | 247 | n/a | 7,818 |
| 7-8 | 7,796 | 254 | n/a | 8,050 |
| 9-12 | 9,043 | 295 | 243 | 9,572 |

*Does not include supplemental and concentration grant funding entitlements.
Source: California Department of Education.

The legislation implementing LCFF included a “hold harmless” provision which provided that a district or charter school would maintain total revenue limit and categorical funding at least equal to its 2012-13 level, unadjusted for changes in ADA or cost of living adjustments.

The LCFF includes an accountability component. Districts are required to increase or improve services for English language learners, low income, and foster youth students in proportion to supplemental and concentration grant funding received. All school districts, county offices of education, and charter schools are required to develop and adopt local control and accountability plans, which identify local goals in areas that are priorities for the State, including pupil achievement, parent engagement, and school climate.

County superintendents review and provide support to the districts under their jurisdiction, and the Superintendent of Public Instruction performs a corresponding role for county offices of education. In addition, the 2013-14 Budget created the California Collaborative for Education Excellence to advise and assist school districts, county offices of education, and charter schools in achieving the goals identified in their plans. Under the LCFF and related legislation, the State will continue to measure student achievement through statewide assessments, produce an Academic Performance Index for schools and subgroups of students, determine the contents of the school accountability report card, and establish policies to implement the federal accountability system.

District Accounting Practices

The accounting practices of the School District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to Section 41010 of the California Education Code, is to be followed by all California school districts.

District accounting is organized on the basis of fund groups, with each group consisting of a separate set of self-balancing accounts containing assets, liabilities, fund balances, revenues and expenditures. The major fund classification is the general fund which accounts for all financial resources not requiring a special fund placement. The School District's fiscal year begins on July 1 and ends on June 30.

District expenditures are accrued at the end of the fiscal year to reflect the receipt of goods and services in that year. Revenues generally are recorded on a cash basis, except for items that are susceptible to accrual (measurable and/or available to finance operations). Current taxes are considered susceptible to accrual. Revenues from specific state and federally funded projects are recognized when qualified expenditures have been incurred. State block grant apportionments are accrued to the extent that they are measurable and predictable. The State Department of Education sends the School District updated information from time to time explaining the acceptable accounting treatment of revenue and expenditure categories.

The Governmental Accounting Standards Board (“**GASB**”) published its Statement No. 34 “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments” on June 30, 1999. Statement No. 34 provides guidelines to auditors, state and local governments and special purpose governments such as school districts and public utilities, on new requirements for financial reporting for all governmental agencies in the United States. Generally, the basic financial statements and required supplementary information should include (i) Management’s Discussion and Analysis; (ii) financial statements prepared using the economic measurement focus and the accrual basis of accounting, (iii) fund financial statements prepared using the current financial resources measurement focus and the modified accrual method of accounting and (iv) required supplementary information.

Financial Statements

General. The School District's general fund finances the legally authorized activities of the School District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. The School District's June 30, 2018 Audited Financial Statements were prepared by Vavrinek, Trine, Day & Co., LLP, Pleasanton, California and are attached hereto as Appendix A. Audited financial statements for the School District for prior fiscal years are on file with the School District and available for public inspection at the Office of the Chief Business Official of the School District, Tracy Unified School District, 1875 West Lowell Avenue, Tracy, California 95376; phone (209) 830-3200. The School District has not requested, and the auditor has not provided, any review or update of such Financial Statements in connection with inclusion in this Official Statement. Copies of such financial statements will be mailed to prospective investors and their representatives upon written request to the School District. This District may impose a charge for copying, mailing and handling.

General Fund Revenues, Expenditures and Changes in Fund Balance. The following table shows the audited income and expense statements for the School District's General Fund for fiscal years 2013-14 through 2017-18.

GENERAL FUND - REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
Fiscal Years 2013-14 through 2017-18⁽¹⁾
Tracy Unified School District

| | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| | Audited | Audited | Audited | Audited | Audited |
| Revenues | | | | | |
| LCFF sources | \$103,621,529 | \$112,662,374 | \$123,581,374 | \$128,713,520 | \$130,020,847 |
| Federal Revenue | 6,107,336 | 6,228,655 | 5,812,113 | 5,322,483 | 7,322,169 |
| Other State Revenue | 11,829,933 | 8,550,764 | 19,123,094 | 15,981,128 | 13,502,652 |
| Other Local Revenue | 8,109,123 | 7,884,947 | 6,389,904 | 5,874,445 | 9,135,381 |
| Total Revenue | 129,667,921 | 135,326,740 | 154,906,485 | 155,891,576 | 159,981,049 |
| Expenditures | | | | | |
| Instruction | 81,415,274 | 80,575,262 | 84,391,540 | 92,516,225 | 92,411,202 |
| Instruction-related activities: | | | | | |
| Supervision of instruction | 3,393,122 | 4,179,729 | 4,620,475 | 4,901,676 | 6,205,905 |
| Library, media and technology | 9,223,674 | 3,329,652 | 4,790,160 | 5,175,882 | 5,853,766 |
| School site administration | 8,822,082 | 8,849,253 | 9,520,800 | 11,120,176 | 11,244,500 |
| Pupil services: | | | | | |
| Home-to-school transportation | 4,359,340 | 3,809,697 | 3,733,114 | 3,850,953 | 4,262,128 |
| Food services | 13,077 | 7,927 | -- | -- | -- |
| All other pupil services | 5,147,771 | 5,561,095 | 5,823,735 | 6,957,820 | 6,810,567 |
| General administration | 5,609,730 | 5,299,605 | 6,015,626 | 6,535,668 | 6,252,735 |
| Plant services | 14,450,342 | 13,509,931 | 14,334,770 | 15,672,097 | 16,751,538 |
| Facility acquisition and construction | 820,701 | 2,107,858 | 3,856,747 | 5,186,187 | 1,238,937 |
| Ancillary services | 1,055,823 | 1,070,499 | 1,217,563 | 1,317,853 | 154,656 |
| Community services | 141,307 | 143,094 | 152,586 | 165,561 | 2,509,719 |
| Other Outgo | 1,902,729 | 1,831,657 | 1,926,629 | 2,183,920 | 7,104,308 |
| Debt service: Principal | 63,396 | 58,047 | 53,794 | 43,561 | 43,484 |
| Debt Service: Interest | 315 | -- | -- | -- | -- |
| Total Expenditures | 136,418,683 | 130,333,316 | 140,437,539 | 155,627,579 | 160,843,445 |
| Excess of Revenues Over (Under) Expenditures | (6,750,762) | 4,993,424 | 14,468,946 | 263,997 | (862,396) |
| Other Financing Sources (Uses) | | | | | |
| Transfer In | 95,046 | 17,880 | 13,448 | 35,878 | 16,865 |
| Other sources | 42,542 | -- | -- | -- | -- |
| Transfers out | -- | -- | -- | -- | -- |
| Total Other Sources & Uses | 137,588 | 17,880 | 13,448 | 35,878 | 16,865 |
| Net Change in Fund Balance | (6,613,174) | 5,011,304 | 14,482,394 | 299,875 | (845,531) |
| Fund Balance, Beginning of Year | 39,276,932 | 32,663,758 | 37,675,062 | 52,175,456 | 52,457,331 |
| Fund Balance, End of Year | \$32,663,758 | \$37,675,062 | \$52,157,456 | \$52,457,331 | \$51,611,800 |

(1) Totals may not foot due to rounding.
Source: Tracy Unified School District.

District Budget and Interim Financial Reporting

Budgeting and Interim Reporting Procedures. State law requires school districts to maintain a balanced budget in each fiscal year. The State Department of Education imposes a uniform budgeting and accounting format for school districts.

Under current law, a school district governing board must adopt and file with the county superintendent of schools a tentative budget by July 1 in each fiscal year. The School District is under the jurisdiction of the San Joaquin Superintendent of Schools (the “**County Superintendent**”).

The County Superintendent must review and approve or disapprove the budget no later than August 15. The County Superintendent is required to examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance with the established standards. If the budget is disapproved, it is returned to the School District with recommendations for revision. The School District is then required to revise the budget, hold a public hearing thereon, adopt the revised budget and file it with the County Superintendent no later than September 8. Pursuant to State law, the County Superintendent has available various remedies by which to impose and enforce a budget that complies with State criteria, depending on the circumstances, if a budget is disapproved. After approval of an adopted budget, the school district's administration may submit budget revisions for governing board approval.

Subsequent to approval, the County Superintendent will monitor each district under its jurisdiction throughout the fiscal year pursuant to its adopted budget to determine on an ongoing basis if the district can meet its current or subsequent year financial obligations. If the County Superintendent determines that a district cannot meet its current or subsequent year obligations, the County Superintendent will notify the district's governing board of the determination and may then do either or both of the following: (a) assign a fiscal advisor to enable the district to meet those obligations or (b) if a study and recommendations are made and a district fails to take appropriate action to meet its financial obligations, the County Superintendent will so notify the State Superintendent of Public Instruction, and then may do any or all of the following for the remainder of the fiscal year: (i) request additional information regarding the district's budget and operations; (ii) after also consulting with the district's board, develop and impose revisions to the budget that will enable the district to meet its financial obligations; and (iii) stay or rescind any action inconsistent with such revisions. However, the County Superintendent may not abrogate any provision of a collective bargaining agreement that was entered into prior to the date upon which the County Superintendent assumed authority.

A State law adopted in 1991 (“**A.B. 1200**”) imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 1200, each school district is required to file interim certifications with the County Superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The County Superintendent reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that 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 is deemed unable to meet its financial obligations for the remainder of the current fiscal year or the 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.

Under California law, any school district and office of education that has a qualified or negative certification in any fiscal year may not issue, in that fiscal year or in the next succeeding fiscal year, certificates of participation, tax anticipation notes, revenue bonds or any other debt instruments that do not require the approval of the voters of the district, unless the applicable county superintendent of schools determines that the district's repayment of indebtedness is probable.

District's Budget Approval/Disapproval and Certification History. During the past five years, each of the School District's adopted budgets has been approved by the County Superintendent, and the School District has certified each of its interim reports as positive.

Copies of the School District's budget, interim reports and certifications may be obtained upon request from the Facilities Office at Tracy Unified School District, 1875 West Lowell Avenue, Tracy, California 95376; telephone (209) 830-3245. The School District may impose charges for copying, mailing and handling.

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School District's Fiscal Year 2018-19 (Estimated Actuals) and 2019-20 (Budgeted) General Fund. The following table shows the general fund income and expense statements for the School District for fiscal years 2018-19 (Estimated Actuals) and 2019-20 (Budgeted).

REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE⁽¹⁾
Fiscal Year 2018-19 (Estimated Actuals)
2019-20 (Budgeted)
Tracy Unified School District

| | Estimated Actuals 2018-19 | Budgeted 2019-20 |
|--|--------------------------------------|-----------------------------|
| <u>Revenues</u> | | |
| LCFF Sources | \$137,828,034 | \$142,606,640 |
| Federal revenues | 8,224,347 | 5,896,632 |
| Other state revenues | 13,901,016 | 9,573,991 |
| Other local revenues | 6,366,390 | 3,518,993 |
| Total Revenues | 166,319,787 | 161,596,256 |
| <u>Expenses</u> | | |
| Certificated Salaries | 70,843,330 | 73,335,766 |
| Classified Salaries | 23,570,085 | 25,270,858 |
| Employee Benefits | 36,811,212 | 39,853,108 |
| Books and Supplies | 11,109,109 | 12,770,646 |
| Services and Other Operating Expenses | 21,531,455 | 18,216,048 |
| Capital Outlay | 4,079,256 | 205,000 |
| Other Outgo | 2,871,546 | 3,004,986 |
| Other Outgo- Transfers of Indirect Costs | (283,843) | (338,957) |
| Total Expenses | 170,532,150 | 172,317,455 |
| Excess of Revenues Over/(Under) Expenses | (4,212,363) | (10,721,199) |
| <u>Other Financing Sources (Uses)</u> | | |
| Operating Transfers In | 15,800 | 10,000 |
| Operating Transfers Out | (4,000,000) | -- |
| Contributions | -- | -- |
| Total Other Financing Sources (Uses) | (3,984,200) | 10,000 |
| Net Change in Fund Balance | (8,196,563) | (10,711,199) |
| Fund Balance, July 1⁽¹⁾ | 42,476,051 | 34,279,488 |
| Fund Balance, June 30* | \$34,279,488 | \$23,568,289 |

*Totals may not foot due to rounding.

(1) Fund balance as set forth in the School District's internal budgeting reports. Balances are not directly comparable to audited financials shown on the previous table because the audits include certain reserves within the general fund, that the School District accounts for outside of the general fund for its own budgeting purposes.

Source: Tracy Unified School District.

District Reserves. The School District's ending fund balance is the accumulation of surpluses from prior years. This fund balance is used to meet the State's minimum required reserve of 3% of expenditures, plus any other allocation or reserve which might be approved as

an expenditure by the School District in the future. The School District maintains an unrestricted reserve which meets the State's minimum requirements.

In connection with legislation adopted in connection with the State's fiscal year 2014-15 Budget ("**SB 858**"), the Education Code was amended to provide that, beginning in fiscal year 2015-16, if a district's proposed budget includes a local reserve above the minimum recommended level, the governing board must provide the information for review at the annual public hearing on its proposed budget. In addition, SB 858 included a provision, which became effective upon the passage of Proposition 2 at the November 4, 2014 statewide election, which limits the amount of reserves which may be maintained at the school district level. Specifically, the legislation, among other things, enacted Education Code Section 42127.01, which became operative December 15, 2014, and provides that in any fiscal year immediately after a fiscal year in which a transfer is made to the State's Public School System Stabilization Account (the Proposition 98 reserve), a school district may not adopt a budget that contains a reserve for economic uncertainties in excess of twice the applicable minimum recommended reserve for economic uncertainties established by the State Board (for school districts with ADA over 400,000, the limit is three times the amount). Exemptions can be granted by the County Superintendent under certain circumstances.

Effective January 1, 2018, Senate Bill 751, which was signed by the Governor on October 11, 2017, amends Section 42127.01 of the Education Code to raise the reserve cap to no more than 10% of a school district's combined assigned or unassigned ending general fund balance. In addition, the amendment provides that the reserve cap will be effective only if there is a minimum balance of 3% in the Proposition 98 reserve referenced in the preceding paragraph. Basic aid school districts and small districts with 2,500 or fewer ADA are exempted from the reserve cap contained in Education Code Section 42127.01. The School District cannot predict how the foregoing legislation and reserve caps could impact its reserves and future spending.

The adopted State Budget for fiscal year 2019-20 provides for an initial deposit into the Public School System Stabilization Account of the State of approximately \$376.5 million. This amount is not sufficient to trigger the reserve cap provided for by SB 858, as amended by SB 751. See also STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS - 2019-20 Adopted State Budget.

The School District cannot predict when or how any additional changes to legal provisions governing the reserve cap would impact its reserves and future spending. See "STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS - 2019-20 State Budget."

Attendance - Revenue Limit and LCFF Funding

General. As described herein, prior to fiscal year 2013-14, school districts in California derived most State funding based on a formula which considered a revenue limit per unit of average daily attendance (“**ADA**”). With the implementation of the LCFF, commencing in fiscal year 2013-14, school districts receive base funding based on ADA, and may also be entitled to supplemental and concentration funding based on Targeted Student enrollment (unduplicated count) and funding based on an economic recovery target.

Funding Trends Under LCFF. The following table sets forth historical LCFF funding for the School District for fiscal year 2014-15 through 2019-20 (Projected).

AVERAGE DAILY ATTENDANCE AND TOTAL LCFF FUNDING Fiscal Years 2014-15 through 2019-20 Tracy Unified School District

| <u>Fiscal Year</u> | <u>ADA</u> | <u>Total LCFF Funding</u> |
|------------------------|------------|---------------------------|
| 2014-15 | 15,019 | \$111,862,373 |
| 2015-16 | 14,724 | 119,681,374 |
| 2016-17 | 14,397 | 127,428,520 |
| 2017-18 | 14,201 | 127,795,847 |
| 2018-19 ⁽¹⁾ | 14,142 | 137,828,034 |
| 2019-20 ⁽²⁾ | 13,953 | 142,606,640 |

(1) Estimated Actual.

(2) Budgeted.

Source: Tracy Unified School District.

Unduplicated Student Count for LCFF. The School District has a Target Student unduplicated count of approximately [59] percent in fiscal year 2019-20. Because this percentage is over 55 percent, the School District qualifies for supplemental funding, and a small amount of concentration grant funding under LCFF.

Revenue Sources

The School District categorizes its general fund revenues into four sources, being LCFF, Federal Revenues, Other State Revenues and Local Revenues. Each of these revenue sources is described below.

LCFF Sources. District funding is provided by a mix of (1) local property taxes and (2) State apportionments of funding under the LCFF. Generally, the State apportionments will amount to the difference between the School District's LCFF funding entitlement and its local property tax revenues.

Beginning in 1978-79, Proposition 13 and its implementing legislation provided for each county to levy (except for levies to support prior voter-approved indebtedness) and collect all property taxes, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each county.

The principal component of local revenues is the school district's property tax revenues, i.e., the district's share of the local 1% property tax, received pursuant to Sections 75 and following and Sections 95 and following of the California Revenue and Taxation Code. Education Code

Section 42238(h) itemizes the local revenues that are counted towards the base revenue limit before calculating how much the State must provide in equalization aid. Historically, the more local property taxes a district received, the less State equalization aid it is entitled to.

Federal Revenues. The federal government provides funding for several District programs, including special education programs, programs under Every Child Succeeds Act, the Individuals With Disabilities Education Act, and specialized programs such as Drug Free Schools.

Other State Revenues. As discussed above, the School District receives State apportionment of basic and equalization aid in an amount equal to the difference between the School District's revenue limit and its property tax revenues. In addition to such apportionment revenue, the School District receives other State revenues.

The School 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 instruction material. For additional discussion of State aid to school districts, see "-State Funding of Education."

Other Local Revenues. In addition to local property taxes, the School District receives additional local revenues from items such as interest earnings and other local sources.

District Retirement Systems

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System ("**STRS**") and classified employees are members of the Public Employees' Retirement System ("**PERS**").

Implementation of GASB Nos. 68 and 71. Commencing with fiscal year ended June 30, 2015, the School District implemented the provisions of GASB Statement Nos. 68 and 71 which require certain new pension disclosures in the notes to its audited financial statements commencing with the audit for fiscal year 2014-15. Statement No. 68 generally requires the School District to recognize its proportionate share of the unfunded pension obligation for STRS and PERS by recognizing a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. As a result of the implementation of GASB Statement Nos. 68 and 71, the School District was required to reflect a restatement of its beginning net position as of July 1, 2014. See "APPENDIX A - AUDITED FINANCIAL STATEMENTS OF THE SCHOOL DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2018."

STRS. All full-time certificated employees participate in STRS, a cost-sharing, multiple-employer contributory public employee retirement system. STRS provides retirement, disability and survivor benefits to plan members and beneficiaries under a defined benefit program. Benefit provisions and contribution amounts are established by State statutes, as legislatively amended. The program is funded through a combination of investment earnings and statutorily set contributions from three sources: employees, employers and the State. The School District's employer contributions to STRS for recent fiscal years are set forth in the following table.

STRS CONTRIBUTIONS
Fiscal Years 2014-15 through 2019-20 (Projected)
Tracy Unified School District

| Fiscal Year | Amount |
|------------------------|-------------|
| 2014-15 | \$5,352,373 |
| 2015-16 | 6,681,371 |
| 2016-17 | 8,351,418 |
| 2017-18 | 9,301,542 |
| 2018-19 ⁽¹⁾ | 16,730,293 |
| 2019-20 ⁽²⁾ | 18,452,027 |

(1) Estimated Actual.
(2) Budgeted.
Source: Tracy Unified School District.

Historically, employee, employer and State contribution rates did not vary annually to account for funding shortfalls or surpluses in the STRS plan. In recent years, the combination of investment earnings and statutory contributions were not sufficient to pay actuarially required amounts. As a result, the STRS defined benefit program showed an estimated unfunded actuarial liability of approximately \$107.2 billion as of June 30, 2018 (the date of the last actuarial valuation). In connection with the State’s adoption of its fiscal year 2014-15 Budget, the Governor signed into law Assembly Bill 1469 (“**AB 1469**”), which represents a legislative effort to fund the unfunded actuarial obligation with respect to service credited members of the STRS Defined Benefit Program before July 1, 2014, within 32 years. AB 1469 addressed the funding gap by increasing contributions by employees, employers and the State. In particular, employer contribution rates are scheduled to increase through at least fiscal year 2020-21, from a contribution rate of 8.88% in fiscal year 2013-14 to 19.1% in fiscal year 2020-21. Thereafter, employer contribution rates will be determined by the STRS board to reflect the contribution required to eliminate unfunded liabilities by June 30, 2046.

The School District’s employer contribution rates for fiscal years 2015-16, 2016-17, 2017-18, and 2018-19 were 10.73%, 12.58%, 14.43% and 16.28% respectively. Projected employer contribution rates for school districts (including the School District) for fiscal year 2019-20 through fiscal year 2022-23 are set forth in the following table.

EMPLOYER CONTRIBUTION RATES (STRS)
Fiscal Years 2019-20 through 2022-23

| Fiscal Year | Employer Contribution Rate ⁽¹⁾ |
|------------------------|---|
| 2019-20 ⁽²⁾ | 17.10% |
| 2020-21 ⁽²⁾ | 18.40 |
| 2021-22 | 18.60 |
| 2022-23 | 18.10 |

(1) Expressed as a percentage of covered payroll. Rates may change based on actual experience and other factors.
(2). Fiscal year 2019-20 and 2020-21 employer contribution rates have been reduced as of adoption of the fiscal year 2019-20 State Budget. See the following paragraph.
Source: AB 1469.

The State’s fiscal year 2019-20 budget includes certain pension relief provisions in the form of contributions by the State to STRS and PERS to relieve and reduce the employer contribution rates in the next two years. The STRS employer contribution rate for fiscal year 2019-20 is expected to be 17.1% (reduced from 18.13%) and for fiscal year 2020-21 is expected to be 18.4% (reduced from 19.10%).

PERS. All full-time and some part-time classified employees participate in PERS, an agent multiple-employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State. PERS provides retirement, disability, and death benefits to plan members and beneficiaries. The School District is part of a cost-sharing pool within PERS known as the “Schools Pool.” Benefit provisions are established by State statutes, as legislatively amended. Contributions to PERS are made by employers and employees. Each fiscal year, the School District is required to contribute an amount based on an actuarially determined employer rate. The School District’s employer contributions to PERS for recent fiscal years are set forth in the following table.

**PERS Contributions
Tracy Unified School District
Fiscal Years 2014-15 through 2019-20 (Projected)**

| Fiscal Year | Amount |
|------------------------|-------------|
| 2014-15 | \$2,278,186 |
| 2015-16 | 2,495,988 |
| 2016-17 | 3,050,759 |
| 2017-18 | 3,651,878 |
| 2018-19 ⁽¹⁾ | 4,365,368 |
| 2019-20 ⁽²⁾ | 5,416,071 |

(1) Estimated Actual.
(2) Budgeted.
Source: Tracy Unified School District.

Like the STRS program, the PERS program has experienced an unfunded liability in recent years. The PERS unfunded liability, on a market value of assets basis, was approximately \$27.2 billion as of June 30, 2018 (the date of the last actuarial valuation). To address this issue, the PERS board has taken a number of actions. In April 2013, for example, the PERS board approved changes to the PERS amortization and smoothing policy intended to reduce volatility in employer contribution rates. In addition, in April 2014, PERS set new contribution rates, reflecting new demographic assumptions and other changes in actuarial assumptions. In November 2015, PERS adopted a funding risk mitigation policy intended to incrementally lower its discount rate (its assumed rate of investment return) in years of good investment returns, help pay down the pension fund's unfunded liability, and provide greater predictability and less volatility in contribution rates for employers. In December 2016, PERS voted to lower its discount rate from the current 7.5% to 7.0% over the next subsequent three years according to the following schedule.

**PERS Discount Rate
Fiscal Years 2018-19 through 2020-21**

| Fiscal Year | Amount |
|-------------|--------|
| 2018-19 | 7.375% |
| 2019-20 | 7.250 |
| 2020-21 | 7.000 |

Source: PERS.

The new rates and underlying assumptions, which are aimed at eliminating the unfunded liability of PERS in approximately 30 years, was implemented for school districts beginning in fiscal year 2016-17, with the costs spread over 20 years and the increases phased in over the first five years.

The School District's employer contribution rates for fiscal years 2015-16, 2016-17, 2017-18, and 2018-19 were 11.847%, 13.888%, 15.531%, and 18.062% respectively. Projected employer contribution rates for school districts (including the School District) for fiscal year 2019-20 through fiscal year 2020-21 are set forth in the following table.

**EMPLOYER CONTRIBUTION RATES (PERS)
Fiscal Years 2019-20 through 2020-21⁽¹⁾**

| Fiscal Year | Employer Contribution Rate ⁽²⁾ |
|-------------|--|
| 2019-20 | 19.721% |
| 2020-21 | 22.700 |

(1) The PERS board is expected to approve official employer contribution rates for each fiscal year shown during the immediately preceding fiscal year.

(2) Expressed as a percentage of covered payroll. Rates have been reduced following adoption of the fiscal year 2019-20 State Budget. See the following paragraph

Source: PERS

The State's fiscal year 2019-20 budget includes certain pension relief provisions in the form of contributions by the State to STRS and PERS to relieve and reduce the employer contribution rates in the next two years. As a result of the State contributions, the employer contribution rates are expected to be approximately 1% less than previously identified by PERS.

California Public Employees' Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employees' Pension Reform Act of 2013 ("PEPRA"), which impacted various aspects of public retirement systems in the State, including the STRS and PERS programs. In general, PEPRA (i) increased the retirement age for public employees depending on job function, (ii) capped the annual pension benefit payouts for public employees hired after January 1, 2013, (iii) required public employees hired after January 1, 2013 to pay at least 50% of the costs of their pension benefits (as described in more detail below), (iv) required final compensation for public employees hired after January 1, 2013 to be determined based on the highest average annual pensionable compensation earned over a period of at least 36 consecutive months, and (v) attempted to address other perceived abuses in the public retirement systems in the State. PEPRA applies to all public employee retirement systems in the State, *except* the retirement systems of the University of California, and charter cities and charter counties whose pension plans are not governed by State law. PEPRA's provisions went into

effect on January 1, 2013 with respect to new State, school, and city and local agency employees hired on or after that date; existing employees who are members of employee associations, including employee associations of the School District, have a five-year window to negotiate compliance with PEPRA through collective bargaining.

PERS has predicted that the impact of PEPRA on employees and employers, including the School District and other employers in the PERS system, will vary, based on each employer's current level of benefits. As a result of the implementation of PEPRA, new members must pay at least 50% of the normal costs of the plan, which can fluctuate from year to year. To the extent that the new formulas lower retirement benefits, employer contribution rates could decrease over time as current employees retire and employees subject to the new formulas make up a larger percentage of the workforce. This change would, in some circumstances, result in a lower retirement benefit for employees than they currently earn.

With respect to the STRS pension program, employees hired after January 1, 2013 will pay the greater of either (1) fifty percent of the normal cost of their retirement plan, rounded to the nearest one-quarter percent, or (2) the contribution rate paid by then-current members (i.e., employees in the STRS plan as of January 1, 2013). The member contribution rate could be increased from this level through collective bargaining or may be adjusted based on other factors. Employers will pay at least the normal cost rate, after subtracting the member's contribution.

The School District is unable to predict the amount of future contributions it will have to make to PERS and STRS as a result of the implementation of PEPRA, and as a result of negotiations with its employee associations, or, notwithstanding the adoption of PEPRA, resulting from any legislative changes regarding the PERS and STRS employer contributions that may be adopted in the future.

Additional Information. Additional information regarding the School District's retirement programs is available in Note 12 to the School District's audited financial statements attached hereto as APPENDIX A. In addition, both STRS and PERS issue separate comprehensive financial reports that include financial statements and required supplemental information. Copies of such reports may be obtained from STRS and PERS, respectively, as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; and (ii) PERS, 400 Q Street, Sacramento, California 95811. More information regarding STRS and PERS can also be obtained at their websites, www.calstrs.com and www.calpers.ca.gov, respectively. *The references to these Internet websites are shown for reference and convenience only and the information contained on such websites is not incorporated by reference into this Official Statement. The information contained on these websites may not be current and has not been reviewed by the School District or the Underwriter for accuracy or completeness.*

Other Post-Employment Retirement Benefits

Other Post-Employment Retirement Benefits

Plan Description. The School District's governing board administers the Post-Employment Benefits Plan (the "**Plan**"). The Plan is a single employer defined benefit plan that is used to provide post-employment benefits other than pensions ("**OPEB**") for eligible retirees and their spouses. Membership of the Plan consists of 70 retirees and beneficiaries currently receiving benefits and 1,205 active plan members.

Benefits Provided. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The School District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contributions. The benefit payment requirements of the Plan members and the School District are established and may be amended by the School District, the Tracy Educators Association (TEA), the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the School District, TEA, CSEA, and the unrepresented groups. For fiscal year 2017-2018, the School District paid \$674,498 in benefits.

Actuarial Assumptions and Other Inputs. The School District's total OPEB liability of \$19,153,058 was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified: inflation 2.75%, salary increases 2.75%, average, including inflation, discount rate 3.5%, and healthcare cost trend rates 4.00% for 2017. The discount rate was based on the Bond Buyer 20-Bond General Obligation Index. Mortality rates were based on the 2009 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actual assumptions used in the June 30, 2017 valuation were based on the results of an actual experience study for the period July 1, 2016 to June 30, 2017.

Changes in OPEB Liability of the School District. The changes in OPEB liability of the School District as of June 30, 2018, is shown in the following table:

**CHANGES IN TOTAL OPEB LIABILITY
Chatom Union School District**

| | Total OPEB Liability |
|--------------------------|---------------------------------|
| Balance at June 30, 2016 | \$17,398,434 |
| Service Cost | 1,785,248 |
| Interest | 627,805 |
| Benefit payments | <u>(658,429)</u> |
| Net changes | 1,754,624 |
| Balance at June 30, 2017 | \$19,153,058 |

Source: Source: Tracy Unified School District.

OPEB Expense. For the year ended June 30, 2018, the School District recognized an OPEB expense of \$2,413,053.

For more information regarding the School District’s OPEB and assumptions used in its most recent actuarial study, see Note 9 of Appendix A to the Official Statement.

Existing Debt Obligations

In addition to the School District’s ongoing obligations with respect to retirement plans and OPEB described above, the School District has outstanding general obligation bond indebtedness, as well as certificates of participation payable from the general fund and an energy retrofit agreement. The School District has never defaulted on the payment of principal or interest on any of its long-term indebtedness. See “APPENDIX A - Audited Financial Statements of the School District – Note 7 - General Long-Term Debt” for summaries and expected debt service requirements of the School District’s long-term debt. See also “DEBT SERVICE SCHEDULES” in the body of this Official Statement.

Summary of General Obligation Bonds. The following table summarizes the School District’s outstanding general obligation bonds.

GENERAL OBLIGATION BOND INDEBTEDNESS Tracy Unified School District

| Issue Date | Name of General Obligation Bond Issue | Original Principal Amount | Final Maturity | Principal Outstanding Sept. 1, 2019 |
|------------|--|---------------------------------|-------------------|---|
| 05/05/2009 | SFID No. 3, Election of 2008, Series 2009 | \$12,000,000 | 2019 | |
| 05/10/2011 | SFID No. 3, Election of 2008, Series 2011A | 16,000,000 | 2026 | |
| 05/10/2011 | SFID No. 3, Election of 2008, Series 2011B | 5,999,637 | 2041 | |
| 05/05/2014 | 2014 Refunding GO Bonds | 27,460,000 | 2032 | |
| 03/11/2015 | 2015 Refunding GO Bonds | 14,910,000 | 2029 | |
| 07/09/2015 | SFID No. 3, Election of 2008, Series 2015 | 9,100,000 | 2041 | |
| 07/09/2015 | SFID No. 3, Election of 2014, Series 2015 | 29,000,000 | 2040 | |
| 04/21/2016 | SFID No. 3, 2016 Refunding GO Bonds | 11,940,000 | 2035 | |
| Total | | \$126,409,637 | | |

See “DEBT SERVICE SCHEDULES” in the body of this Official Statement for the future debt service (assuming no optional redemptions) due on the School District’s outstanding general obligation bonds.

Long-Term Lease Obligation. The School District has entered into agreements to lease various facilities and equipment. The School District’s liability on outstanding lease agreements was \$111,435 as of June 30, 2018.

Other Debt. The School District has non-obligatory debt relating to bonds issued by a joint powers agency (the “Agency”) with respect to a Community Facilities District (“CFD”) pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, and the Mark-Roos Local Bond Pooling Act of 1985, as amended, which are payable exclusively from special taxes levied on property within the CFD according to a methodology approved by voters within the CFD. The Agency and the CFD were formed for the purpose of financing collective public facilities for the City of Tracy and school facilities for each of the member school districts. The issuer of such debt is the Tracy Area Public Facilities Financing Agency.

Investment of School District Funds

In accordance with Government Code Section 53600 *et seq.*, the County Treasurer manages funds deposited with it by the School District. The County is required to invest such funds in accordance with California Government Code Sections 53601 *et seq.* In addition, counties are required to establish their own investment policies which may impose limitations beyond those required by the Government Code. For further information concerning County investments, access the County's website: www.sjgov.org/Treasurer. Investment information can be found under the link to the County Treasurer-Tax Collector. The information contained in such website has not been reviewed by the School District or the Purchaser and is not incorporated in this Official Statement by reference. The County's currently adopted investment policy is attached here to as Appendix G. See "APPENDIX G - SAN JOAQUIN COUNTY INVESTMENT POLICY AND MONTHLY REPORT."

Effect of State Budget on Revenues

Public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts generally receive the majority of their operating revenues from various State sources. The primary source of funding for school districts is LCFF funding, which is derived from a combination of State funds and local property taxes (see "—State Funding of Education – Revenue Limits" above). State funds typically make up the majority of a district's LCFF funding. School districts also receive funding from the State for some specialized programs such as special education.

The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures (see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" below), the condition of the State economy (which affects total revenue available to the State general fund), and the annual State budget process. The School District cannot predict how education funding may further be changed in the future, or the state of the economy which in turn can impact the amounts of funds available from the State for education funding.

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STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS

General. The State requires that from all State revenues there first shall be set apart the moneys to be applied for support of the public school system and public institutions of higher education. Public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts receive an average of about 55% of their operating revenues from various State sources. The primary source of funding for school districts are revenues under the LCFF, which are a combination of State funds and local property taxes (see "DISTRICT FINANCIAL INFORMATION - Education Funding Generally" above). State funds typically make up the majority of a district's LCFF allocation, although Basic Aid school districts derive most of their revenues from local property taxes. School districts also receive substantial funding from the State for various categorical programs.

The following information concerning the State's budgets for the current and most recent preceding years has been compiled from publicly-available information provided by the State. Neither the School District, the Underwriter or the County is responsible for the information relating to the State's budgets provided in this section. Further information is available from the Public Finance Division of the State Treasurer's Office.

The Budget Process. The State's fiscal year begins on July 1 and ends on June 30. The annual budget is proposed by the Governor by January 10 of each year for the next fiscal year (the "**Governor's Budget**"). Under State law, the annual proposed Governor's Budget cannot provide for projected expenditures in excess of projected revenues and balances available from prior fiscal years. Following the submission of the Governor's Budget, the Legislature takes up the proposal.

Under the State Constitution, money may be drawn from the State Treasury only through an appropriation made by law. The primary source of the annual expenditure authorizations is the Budget Act as approved by the Legislature and signed by the Governor. The Budget Act must be approved by a majority vote of each house of the Legislature. The Governor may reduce or eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line-item vetoes are subject to override by a two-thirds majority vote of each house of the Legislature.

Appropriations also may be included in legislation other than the Budget Act. Bills containing appropriations (including for K-14 education) must be approved by a majority vote in each house of the Legislature, unless such appropriations require tax increases, in which case they must be approved by a two-thirds vote of each house of the Legislature and be signed by the Governor. Continuing appropriations, available without regard to fiscal year, may also be provided by statute or the State Constitution.

Funds necessary to meet an appropriation need not be in the State Treasury at the time such appropriation is enacted; revenues may be appropriated in anticipation of their receipt.

Recent State Budgets

Certain information about the State budgeting process and the State Budget is available through several State of California sources. A convenient source of information is the State's website, where recent official statements for State bonds are posted. *The references to internet websites shown below are shown for reference and convenience only, the information contained*

within the websites may not be current and has not been reviewed by the School District and is not incorporated herein by reference.

- The California State Treasurer Internet home page at www.treasurer.ca.gov, under the heading “Bond Finance” and sub-heading “-Public Finance Division”, (1) posts various State of California Official Statements, many of which contain a summary of the current State Budget, past State Budgets, and the impact of those budgets on school districts in the State, and (2) also posts various financial documents for the State under the “-Financial Information” link.
- The California Department of Finance’s Internet home page at www.dof.ca.gov, under the heading “California Budget”, includes the text of proposed and adopted State Budgets.
- The State Legislative Analyst’s Office prepares analyses of the proposed and adopted State budgets. The analyses are accessible on the Legislative Analyst’s Internet home page at www.lao.ca.gov under the headings “The Budget” and “State Budget Condition.”

Prior Years’ Budgeting Techniques. Declining revenues and fiscal difficulties which arose in the State commencing in fiscal year 2008-09 led the State to undertake a number of budgeting strategies, which had subsequent impacts on local agencies within the State. These techniques included the issuance of IOUs in lieu of warrants (checks), the enactment of statutes deferring amounts owed to public schools until a later date in the fiscal year or even into the following fiscal year (known as statutory deferrals), trigger reductions, which were budget cutting measures which were implemented or could have been implemented if certain State budgeting goals were not met, and the dissolution of local redevelopment agencies in part to make available additional funding for local agencies. Although the fiscal year 2018-19 State budget is balanced and projects a balanced budget for the foreseeable future, largely attributable to the additional revenues generated due to the passage of Proposition 30 at the November 2, 2012 statewide election and Proposition 55 at the November 8, 2016 statewide election, there can be no certainty that budget-cutting strategies such as those used in recent years will not be used in the future should the State budget again be stressed and if projections included in such budget do not materialize.

2013-14 State Budget: Significant Change in Education Funding. As described previously herein, the 2013-14 State Budget and its related implementing legislation enacted significant reforms to the State’s system of K-12 education finance with the enactment of the LCFF. Significant reforms such as the LCFF and other changes in law may have significant impacts on the School District’s finances.

2019-20 State Budget

On June 27, 2019, the Governor signed the 2019-20 State budget (the “**2019-20 State Budget**”) into law. The 2019-20 State Budget calls for total spending of \$214.8 billion, with \$147.8 billion in general fund spending. The 2019-20 State Budget provides for \$81.1 billion of funding through Proposition 98, the primary source of funding for K-12 school districts and community college districts, an increase of \$2.7 billion, or 3.4%, from the 2018-19 State budget. Of that \$81.1 billion, \$62.9 billion will be distributed to K-12 school districts through the LCFF, which will be fully funded during fiscal year 2019-20, restoring every school district in the State to at least pre-recession funding levels.

The 2019-20 State Budget continues to build State reserves, with the rainy-day fund balance projected to grow to \$16.5 billion by the end of the budget year. Additionally, revenues have been set aside in new savings funds, including a \$900 million reserve for safety net programs. Other significant features of the 2019-20 State Budget include:

- \$1.5 billion anticipated in Proposition 51 bond funds for school facilities and an additional \$1.2 million of ongoing Proposition 51 bond funds;
- \$5 million one-time funding for a long-term strategic plan to provide childcare and preschool for children from birth through age twelve;
- \$300 million one-time funding to construct new or retrofit existing facilities to support full-day kindergarten programs;
- \$645.3 million ongoing funding for special education, including \$152.6 million to provide all Special Education Local Plan Areas with at least the statewide target rate for base special education funding.
- \$147.4 million one-time and ongoing funding to address the shortage of teachers;
- \$918 million in additional funding to identify and implement recommendations and solutions to reduce wildfire risk, bolster the state's emergency preparedness capacity and protect vulnerable communities;
- \$518,000 one-time funding to reimburse cities, counties and special districts for 2018-2019 property tax losses and a corresponding \$530,000 that will be used to backfill property tax revenue losses for K-14 schools in those cities, counties and districts;
- \$460 million one-time general funding to increase the quality and availability of child care, including \$263 million for child care and preschool facilities expansion and \$195 million for childcare and preschool workforce development;
- one-time funding of \$750 million to support local governments in increasing and accelerating housing production; and
- one-time funding of \$650 million to support local governments in addressing homelessness, to be used for emergency shelters and navigation centers, rapid rehousing, permanent supportive housing, job programs and hotel/motel conversions.

Disclaimer Regarding State Budgets. The implementation of the foregoing 2019-20 State Budget and any future State budgets may be affected by numerous factors, including but not limited to: (i) shifts in costs from the federal government to the State, (ii) national, State and international economic conditions, (iii) litigation risks associated with proposed spending reductions, (iv) rising health care costs and/or other unfunded liabilities, such as pension or OPEB, and (v) numerous other factors, all or any of which could cause the revenue and spending

projections included in such budgets to be unattainable. The School District cannot predict the impact that the 2019-20 State Budget, or subsequent state budgets, will have on its own finances and operations. However, the Bonds are secured by *ad valorem* taxes levied and collected on taxable property in the School District, without limit as to rate or amount, and are not secured by a pledge of revenues of the School District or its general fund.

The State has not entered into any contractual commitments with the School District, the County, the Underwriter or the owners of the Bonds to provide State budget information to the School District or the owners of the Bonds. Although they believe the sources of information listed below are reliable, neither the School District nor the Underwriter assumes any responsibility for the accuracy of State budget information set forth or referred to or incorporated in this Official Statement.

Availability of State Budgets. The complete 2019-20 State Budget is available from the California Department of Finance website at www.ebudget.ca.gov. Impartial analyses of these documents are published by the Legislative Analyst Office, and can be accessed at www.lao.ca.gov/budget. The School District can take no responsibility for the continued accuracy of internet addresses referenced herein or for the accuracy, completeness or timeliness of information posted on these sites, and such information is not incorporated in this Official Statement by these references. The information referred to above should not be relied upon when making an investment decision with respect to the Bonds.

Uncertainty Regarding Future State Budgets. The School District cannot predict what actions will be taken in future years by the State legislature or the Governor to address the State's current or future revenues and expenditures, or possible future budget deficits. Future State budgets will be affected by national and State economic conditions and other factors over which the School District has no control. The School District cannot predict what impact any future budget proposals will have on the financial condition of the School District. To the extent that the State budget process results in reduced revenues to the School District, the School District will be required to make adjustments to its own budgets.

Legal Challenges to State Funding of Education

The application of Proposition 98 (as discussed below) and other statutory regulations has been the subject of various legal challenges in the past. The School District cannot predict if or when there will be changes to education funding or legal challenges which may arise relating thereto.

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CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Principal of and interest on the Bonds are payable from the proceeds of an *ad valorem* tax levied by the County for the payment thereof. Articles XIII A, XIII B, XIII C, and XIII D of the State Constitution, Propositions 62, 98, 111, 39 and 218, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the School District to levy taxes and spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the School District to levy taxes for payment of the Bonds. The tax levied by the County for payment of the Bonds was approved by the School District's voters in compliance with Article XIII A and all applicable laws.

Constitutionally Required Funding of Education

The State Constitution requires that from all State revenues, there shall be first set apart the moneys to be applied by the State for the support of the public school system and public institutions of higher education. School districts receive a significant portion of their funding from State appropriations. As a result, decreases and increases in State revenues can significantly affect appropriations made by the State Legislature to school districts.

Article XIII A of the California Constitution

Basic Property Tax Levy. On June 6, 1978, California voters approved Proposition 13 ("**Proposition 13**"), which added Article XIII A to the State Constitution ("**Article XIII A**"). Article XIII A limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) (as a result of an amendment to Article XIII A approved by State voters on June 3, 1986) on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness (which provided the authority for the issuance of the Refunded Bonds), and (iii) (as a result of an amendment to Article XIII A approved by State voters on November 7, 2000) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. All of the School District's outstanding general obligation bonds were authorized pursuant to clause (iii) above. Article XIII A defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment". This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

Article XIII A has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster and in other minor or technical ways.

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.

Inflationary Adjustment of Assessed Valuation. As described above, the assessed value of a property may be increased at a rate not to exceed 2% per year to account for inflation. On December 27, 2001, the Orange County Superior Court, in *County of Orange v. Orange County Assessment Appeals Board No. 3*, held that where a home's taxable value did not increase for two years, due to a flat real estate market, the Orange County assessor violated the 2% inflation adjustment provision of Article XIII A, when the assessor tried to "recapture" the tax value of the property by increasing its assessed value by 4% in a single year. The assessors in most California counties, including the County, use a similar methodology in raising the taxable values of property beyond 2% in a single year. The State Board of Equalization has approved this methodology for increasing assessed values. On appeal, the Appellate Court held that the trial court erred in ruling that assessments are always limited to no more than 2% of the previous year's assessment. On May 10, 2004 a petition for review was filed with the California Supreme Court. The petition has been denied by the California Supreme Court. As a result of this litigation, the "recapture" provision described above may continue to be employed in determining the full cash value of property for property tax purposes.

Article XIII B of the California Constitution

Article XIII B ("**Article XIII B**") of the State Constitution, 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. 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 under 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 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, in the event that a school district's revenues exceed its spending limit, the 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 under Section 8.5 of Article XVI of the State Constitution.

Unitary Property

Some amount of property tax revenue of the School 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 counties by SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the School District) according to statutory formulae generally based on the distribution of taxes in the prior year.

Articles XIII C and XIII D

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 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.

On November 2, 2010, Proposition 26 was approved by State voters, which amended Article XIII C 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 XIID. 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.

Article XIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIC or XIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

While the provisions of Proposition 218 may have an indirect effect on the School District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the School District (thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the School District), the School District does not believe that Proposition 218 will directly impact the revenues available to pay debt service on the Bonds.

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 general fund revenues as the percentage appropriated to such districts in 1986-87, and (b) the amount actually appropriated to such districts from the 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 XIIB

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.

Proposition 111

On June 5, 1990, the voters approved Proposition 111 (Senate Constitutional Amendment No. 1) called the "Traffic Congestion Relief and Spending Limit Act of 1990" ("**Proposition 111**") which further modified Article XIII B and Sections 8 and 8.5 of Article XVI of the State Constitution with respect to appropriations limitations and school funding priority and allocation.

The most significant provisions of Proposition 111 are summarized as follows:

Annual Adjustments to Spending Limit. The annual adjustments to the Article XIII B 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.

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 are 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.

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 the 1990 level (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.

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.

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 (the “**third test**”). 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 amendments 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, community college districts, including the School District, and county offices of education. As noted above, the California Constitution previously limited property taxes to 1% of the value of property. Prior to the approval of Proposition 39, 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 acquire or improve real property that receive two-thirds voter approval after July 1, 1978.

The 55% vote requirement authorized by Proposition 39 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 places certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that the tax rate levied as the result of any single election be no more than \$60 (for a unified school district), \$30 (for an elementary school district or high school district), or \$25 (for a community college district), per \$100,000 of taxable property value. These requirements are not part of this proposition and can be changed with a majority vote of both houses of the Legislature and approval by the Governor.

Proposition 30 and Proposition 55

Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as “**Proposition 30**”), which temporarily increases the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposes 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 imposes 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. This

excise tax will be 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 December 31, 2018, Proposition 30 increases 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 \$600,000 for joint filers and over \$340,000 but less than \$408,000 for head-of-household filers), (ii) 2% for taxable income over \$300,000 but less than \$500,000 for single filers (over \$600,000 but less than \$1,000,000 for joint filers and over \$408,000 but less than \$680,000 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 will be included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See “-Proposition 98” and “-Proposition 111” above. From an accounting perspective, the revenues generated from the temporary tax increases will be 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 will be allocated quarterly, with 89% of such funds provided to school districts and 11% provided to community college districts. The funds will be 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.

The California Children’s Education and Health Care Protection Act of 2016, also known as Proposition 55, was a constitutional amendment initiative that was approved on the November 8, 2016 general election ballot in California. Proposition 55 extends the increases to personal income tax rates for high-income taxpayers that were approved as part of Proposition 30 through 2030, instead of the scheduled expiration date of December 31, 2018. Tax revenue received under Proposition 55 is to be allocated 89% to K-12 schools and 11% to community colleges. Proposition 55 did not extend the sales tax increases of Proposition 30.

Proposition 1A and Proposition 22

On November 2, 2004, California voters approved Proposition 1A, which amended 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-thirds approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Under Proposition 1A, beginning, in 2008-09, the State may shift to schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including: (i) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State, and (ii) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. 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 amended 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, a constitutional initiative entitled the “Local Taxpayer, Public Safety, and Transportation Protection Act of 2010,” approved on November 2, 2010, superseded many of the provisions of Proposition 1A. This initiative amends the State constitution to prohibit the legislature from diverting or shifting revenues that are dedicated to funding services provided by local government or funds dedicated to transportation improvement projects and services. Under this proposition, the State is not allowed to take revenue derived from locally imposed taxes, such as hotel taxes, parcel taxes, utility taxes and sales taxes, and local public transit and transportation funds. Further, in the event that a local governmental agency sues the State alleging a violation of these provisions and wins, then the State must automatically appropriate the funds needed to pay that local government. This Proposition was intended to, among other things, stabilize local government revenue sources by restricting the State’s control over local property taxes. Proposition 22 did not prevent the California State Legislature from dissolving State redevelopment agencies pursuant to AB 1X26, as confirmed by the decision of the California Supreme Court decision in *California Redevelopment Association v. Matosantos* (2011).

Because Proposition 22 reduces the State’s authority to use or reallocate certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget, such as reducing State spending or increasing State taxes, and school and college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State’s general fund.

California Senate Bill 222

Senate Bill 222 (“**SB 222**”) was signed by the California Governor on July 13, 2015 and became effective on January 1, 2016. SB 222 amended Section 15251 of the California Education Code and added Section 52515 to the California Government Code to provide that voter-approved general obligation bonds which are secured by *ad valorem* tax collections such as the Bonds are secured by a statutory lien on all revenues received pursuant to the levy and collection of the property tax imposed to service those bonds. Said lien shall attach automatically and is valid and binding from the time the bonds are executed and delivered. The lien is enforceable against the issuer, its successors, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any further act. The effect of SB 222 is the treatment of general obligation bonds as secured debt in bankruptcy due to the existence of a statutory lien.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C and Article XIII D of the California Constitution and Propositions 98, 22, 26, 30 and 39 were each adopted as measures that qualified for the ballot under the State’s initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the School District’s ability to expend revenues. The nature and impact of these measures cannot be anticipated by the School District.

APPENDIX C

ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF TRACY AND SAN JOAQUIN COUNTY

The following information concerning the City of Tracy (the “City”) and San Joaquin County (the “County”) and is included only for the purpose of supplying general information regarding the area of the School District. The Refunding Bonds are not a debt of the City, the County, the State of California (the “State”) or any of its political subdivisions, and neither the City, the County, the State nor any of its political subdivisions is liable therefor.

General Information

The City. The City is located on the western edge of the Central Valley in the County and situated within a triangle formed by three interstate freeways: I-5, I-205 and I-580. The City is 60 miles east of San Francisco and 70 miles south of Sacramento, covering approximately 14.3 square miles. City services include public safety (police and fire protection), highways and streets, sanitation, culture-recreation, public improvements, planning and zoning, general administration services, and redevelopment.

The City was incorporated as a general law city in 1910 and operates under the council-manager form of government. Policy-making and legislative authority are vested in the City Council, which consists of a mayor and a four-member Council. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring the City Manager and the City Attorney. The City Manager is responsible carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the government, and for appointing the heads of the government’s departments. Council members are elected to four-year staggered terms, with two Council members elected every two years. The mayor is elected every two years.

The County. The County is one of California’s original counties and was created at the time of statehood in 1850. The County covers an area of approximately 1,436 square miles, consisting of 1,399 square miles of land and 27 square miles of water. Captain Charles M. Weber was instrumental in developing the City of Stockton as the County Seat and as a Port of Entry. Today, ships still deliver cargo to the Port of Stockton by the channel Captain Weber had dug in the 1800s.

The County is adjacent to Stanislaus County to the south and southeast, Alameda and Contra Costa Counties to the west, Sacramento County to the north, Amador County to the northeast, Calaveras County to the east and a corner of Santa Clara County to the southwest.

Population

Population figures for the City, the County, and the State for the last five years are shown in the following table.

**CITY OF TRACY, SAN JOAQUIN COUNTY AND THE STATE OF CALIFORNIA
Population Estimates
Calendar Years 2015 through 2019 as of January 1**

| Calendar Year | City of Tracy | San Joaquin County | State of California |
|--------------------------|--------------------------|-------------------------------|--------------------------------|
| 2015 | 86,420 | 736,027 | 38,952,462 |
| 2016 | 87,829 | 736,027 | 39,214,803 |
| 2017 | 87,829 | 747,579 | 39,504,609 |
| 2018 | 90,832 | 757,279 | 39,740,508 |
| 2019 | 90,832 | 770,385 | 39,927,315 |

Source: State Department of Finance estimates.

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Employment and Industry

The School District is included in the Stockton-Lodi Metropolitan Statistical Area (“**MSA**”), which includes all of the County. The unemployment rate in the San Joaquin County was 6.3 percent in July 2019, up from a revised 5.9 percent in June 2019, and above the year-ago estimate of 6.1 percent. This compares with an unadjusted unemployment rate of 4.4 percent for California and 4.0 percent for the nation during the same period.

Set forth below is data from calendar years 2014 to 2018 reflecting the County’s civilian labor force, employment and unemployment. These figures are county-wide statistics and may not necessarily accurately reflect employment trends in the School District.

**STOCKTON-LODI MSA
(San Joaquin County)
Annual Average Labor Force and Employment by Industry
Calendar Years 2014 through 2018
(March 2018 Benchmark)**

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|----------------|----------------|----------------|----------------|----------------|
| Civilian Labor Force ⁽¹⁾ | 312,000 | 314,600 | 318,500 | 323,600 | 326,400 |
| Employment | 279,200 | 286,600 | 292,600 | 301,100 | 306,800 |
| Unemployment | 32,900 | 28,000 | 25,900 | 22,600 | 19,600 |
| Unemployment Rate | 10.5% | 8.9% | 8.1% | 7.0% | 6.0% |
| <u>Wage and Salary Employment:</u> ⁽²⁾ | | | | | |
| Agriculture | 15,700 | 16,700 | 16,600 | 16,300 | 16,100 |
| Mining and Logging | 100 | 100 | 100 | 100 | 100 |
| Construction | 8,900 | 10,100 | 11,100 | 11,700 | 12,700 |
| Manufacturing | 18,600 | 18,700 | 18,900 | 19,400 | 19,700 |
| Wholesale Trade | 11,000 | 11,300 | 11,600 | 12,000 | 12,600 |
| Retail Trade | 25,700 | 26,000 | 26,500 | 26,800 | 26,600 |
| Transportation, Warehousing and Utilities | 18,300 | 20,400 | 23,600 | 26,700 | 28,400 |
| Information | 2,100 | 1,900 | 2,000 | 1,800 | 1,800 |
| Financial Activities | 7,500 | 7,400 | 7,500 | 7,800 | 8,100 |
| Professional and Business Services | 18,300 | 19,400 | 19,600 | 19,200 | 19,600 |
| Educational and Health Services | 35,900 | 36,500 | 36,400 | 38,200 | 38,500 |
| Leisure and Hospitality | 19,100 | 19,700 | 20,500 | 21,500 | 22,000 |
| Other Services | 6,900 | 7,200 | 7,500 | 7,600 | 7,600 |
| Federal Government | 3,100 | 3,000 | 3,000 | 3,100 | 3,100 |
| State Government | 5,800 | 6,200 | 6,400 | 6,600 | 6,700 |
| Local Government | 29,600 | 30,400 | 31,400 | 32,800 | 33,700 |
| Total All Industries ⁽³⁾ | 226,700 | 234,900 | 242,600 | 251,600 | 257,300 |

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(3) Totals may not add due to rounding.

Source: State of California Employment Development Department.

Major Employers

The following table lists the major employers within the City.

CITY OF TRACY Principal Employers

| <u>Name</u> | <u>Number of Employees</u> | <u>Specialty</u> |
|--|----------------------------|-----------------------------|
| Adesa Golden Gate | 360 | Car Auction |
| Winco Foods | 200 | Retail |
| Target | 322 | Retail |
| Safeway | 108 | Retail |
| Costco Wholesale | 121 | Retail |
| Save Mart | 139 | Retail |
| Macy's | 159 | Retail |
| Kaiser Permanente - Tracy | 125 | Medical Care |
| Sutter Tracy Community Hospital | 568 | Medical Care |
| Costco Cold Storage | 131 | Distribution Perishable |
| Costco Distribution Center | 329 | Distribution Perishable |
| Crate & Barrel | 98 | Distribution |
| Home Depot Distribution | 300 | Distribution |
| Kelloggs-Keebler/APL Logistics | 104 | Distribution |
| McLane Food Service | 108 | Distribution |
| Orchard Supply Hardware | 258 | Distribution |
| Pepsi/Gatorade - Jacobson Distribution | 124 | Distribution |
| Restoration Hardware | 115 | Distribution |
| Safeway Distribution Center | 2,000 | Distribution Perishable |
| Yellow Freight | 195 | Trucking Freight |
| Costco Meats | 182 | Wholesale Meat Processing |
| Leprino Foods | 311 | Mozzarella Cheese Processor |
| Musco Olive Products | 230 | Ripe Olive Processor |
| Taylor Farms Pacific | 408 | Food Processor |
| Ameron International | 192 | Concrete Pipe |
| Barbosa Cabinets | 194 | Cabinet Makers |
| Basalite Block | 120 | Manufacturing |
| Temple Inland | 197 | Corrugated Containers |
| Owens-Illinois of NA | 400 | Glass Container Mfg. |
| CA Department of Water Resources | 140 | Water Services |
| City of Tracy | 461 | Municipal Services |
| Defense Distribution Depot San Joaquin | 1,375 | Government Agency |
| Deuel Vocational Institute | 1,300 | State Prison Facility |
| Tracy Unified School District | 1,600 | Education |

Source: City of Tracy, Top Employers, August 2019.

The following table lists the major employers within the County, as of August 2019, in alphabetical order.

**SAN JOAQUIN COUNTY
Major Employers
August 2019**

| Employer Name | Location | Industry |
|--------------------------------|-----------------|--|
| A Sambado & Sons Inc | Linden | Nuts-Edible |
| Amazon Corpnet | Tracy | Internet & Catalog Shopping |
| Amazon Fulfillment Ctr | Stockton | Mail Order Fulfillment Service |
| Blue Shield of California | Lodi | Insurance |
| Dameron Hospital Assn | Stockton | Hospitals |
| Deuel Vocational Institution | Tracy | City Govt-Correctional Institutions |
| Foster Care Svc | Stockton | Government Offices-County |
| Leprino Foods Co | Tracy | Cheese Processors (mfrs) |
| Lodi Health Home Health Agency | Lodi | Home Health Service |
| Lodi Memorial Hospital | Lodi | Hospitals |
| Morada Produce | Stockton | Fruits & Vegetables-Growers & Shippers |
| NA Chaderjian Youth | Stockton | State Govt-Correctional Institutions |
| O-G Packing & Cold Storage Co | Stockton | Fruits & Vegetables-Growers & Shippers |
| Pacific Coast Producers | Lodi | Canning (mfrs) |
| Prima Frutta Packing Inc | Linden | Fruit & Produce Packers |
| Safeway Distribution Ctr | Tracy | Distribution Centers (whls) |
| San Joaquin County Human Svc | Stockton | Government Offices-County |
| San Joaquin County Sch | Stockton | Schools |
| San Joaquin General Hospital | French Camp | Hospitals |
| San Joaquin Sheriff's Office | French Camp | Government Offices-County |
| Sjgov | Stockton | Government Offices-County |
| St Joseph's Cancer Ctr | Stockton | Cancer Treatment Centers |
| Stockton Unified School Dist | Stockton | School Districts |
| University of the Pacific | Stockton | Schools-Universities & Colleges Academic |
| Walmart Supercenter | Stockton | Department Stores |

Source: State of California Employment Development Department, extracted from America's Labor Market Information System (ALMIS) Employer Database, 2019 2nd Edition.

Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and nontax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor’s income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

The following table summarizes the median household effective buying income for the County, the State and the United States for the period 2015 through 2019.

**CITY OF TRACY, SAN JOAQUIN COUNTY, THE STATE OF CALIFORNIA
AND THE UNITED STATES
MEDIAN HOUSEHOLD EFFECTIVE BUYING INCOME
2015 through 2019**

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|--------------------|-------------|-------------|-------------|-------------|-------------|
| City of Tracy | \$60,154 | \$64,225 | \$ 65,371 | \$ 68,295 | \$73,172 |
| San Joaquin County | 44,235 | 46,491 | 48,149 | 49,883 | 55,534 |
| California | 50,072 | 53,589 | 55,681 | 59,646 | 62,637 |
| United States | 45,448 | 46,738 | 48,043 | 50,735 | 52,841 |

Source: The Nielsen Company (US), Inc for years 2015 through 2018; Claritas, LLC for 2019.

Commercial Activity

Summaries of historic taxable sales within the City and the County during the past five years in which data is available are shown in the following tables. Figures are yet not available for calendar year 2018.

Total taxable sales during the first quarter of calendar year 2018 in the City were \$520,182,175, a 12.49% increase over the total taxable sales of \$462,441,930 reported during the first quarter of calendar year 2017.

CITY OF TRACY
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

| | Retail Stores | | Total All Outlets | |
|---------------------|-------------------|----------------------|-------------------|----------------------|
| | Number of Permits | Taxable Transactions | Number of Permits | Taxable Transactions |
| 2013 | 972 | \$1,139,346 | 1,382 | \$1,339,394 |
| 2014 | 1,010 | 1,188,945 | 1,441 | 1,387,154 |
| 2015 ⁽¹⁾ | 1,057 | 1,223,481 | 1,641 | 1,421,064 |
| 2016 | 1,088 | 1,280,961 | 1,715 | 1,536,173 |
| 2017 | 1,150 | 1,371,679 | 1,803 | 2,042,411 |

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Total taxable sales during the first quarter of calendar year 2018 in the County were \$3,019,083,970, a 10.74% increase over the total taxable sales of \$2,726,400,144 reported during the first quarter of calendar year 2017.

SAN JOAQUIN COUNTY
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

| | Retail Stores | | Total All Outlets | |
|---------------------|-------------------|----------------------|-------------------|----------------------|
| | Number of Permits | Taxable Transactions | Number of Permits | Taxable Transactions |
| 2013 | 8,754 | \$6,519,537 | 12,752 | \$9,466,015 |
| 2014 | 8,900 | 6,780,160 | 12,865 | 10,031,845 |
| 2015 ⁽¹⁾ | 4,958 | 6,986,878 | 14,255 | 10,467,214 |
| 2016 | 9,480 | 7,380,226 | 14,682 | 10,922,271 |
| 2017 | 9,506 | 7,994,473 | 14,758 | 12,153,268 |

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax)

Building Activity

The tables below summarize building activity in the City and the County for the past five available years.

CITY OF TRACY Building Permit Activity For Calendar Years 2014 through 2018 (Dollars in Thousands)

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
|----------------------------|-----------------|------------------|------------------|-----------------|-----------------|
| <u>Permit Valuation</u> | | | | | |
| New Single-family | \$44,538.3 | \$62,319.4 | \$87,820.2 | \$98,767.2 | \$214,928.9 |
| New Multi-family | 0.0 | 0.0 | 34,038.7 | 9,686.4 | 84,832.3 |
| Res. Alterations/Additions | <u>44,884.6</u> | <u>5,381.8</u> | <u>2,281.8</u> | <u>2,982.3</u> | <u>6,058.5</u> |
| Total Residential | 89,422.9 | 67,701.2 | 124,140.7 | 111,435.9 | 305,819.7 |
| | | | | | |
| New Commercial | 2,354.3 | 113,546.0 | 194,539.0 | 184,438.3 | 331,633.7 |
| New Industrial | 0.0 | 49,162.0 | 57,441.7 | 38,978.1 | 74,814.4 |
| New Other | 2,363.6 | 12,340.6 | 11,494.0 | 4,769.2 | 8,265.5 |
| Com. Alterations/Additions | <u>18,846.3</u> | <u>127,941.0</u> | <u>138,604.1</u> | <u>93,059.7</u> | <u>60,479.7</u> |
| Total Nonresidential | 23,564.2 | 302,989.6 | 402,078.8 | 321,245.3 | 475,193.3 |
| | | | | | |
| <u>New Dwelling Units</u> | | | | | |
| Single Family | 135 | 183 | 216 | 236 | 534 |
| Multiple Family | <u>0</u> | <u>0</u> | <u>432</u> | <u>65</u> | <u>507</u> |
| TOTAL | 135 | 183 | 648 | 301 | 1,041 |

Source: Construction Industry Research Board, Building Permit Summary.

SAN JOAQUIN COUNTY Building Permit Activity For Calendar Years 2014 through 2018 (Dollars in Thousands)

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
|----------------------------|-----------------|------------------|------------------|------------------|------------------|
| <u>Permit Valuation</u> | | | | | |
| New Single-family | \$318,760.2 | \$455,877.1 | \$467,494.7 | \$652,308.1 | \$883,071.1 |
| New Multi-family | 4,726.9 | 48,792.9 | 66,794.5 | 62,635.8 | 99,601.4 |
| Res. Alterations/Additions | <u>78,511.0</u> | <u>42,764.8</u> | <u>99,049.9</u> | <u>86,516.1</u> | <u>95,073.4</u> |
| Total Residential | 401,998.1 | 547,343.8 | 633,339.1 | 801,460.0 | 1,077,745.9 |
| | | | | | |
| New Commercial | 57,241.2 | 177,272.0 | 218,485.4 | 357,856.9 | 498,359.0 |
| New Industrial | 29,357.3 | 85,322.6 | 61,687.0 | 179,728.4 | 240,073.7 |
| New Other | 27,555.0 | 44,373.1 | 46,379.4 | 27,794.7 | 31,904.4 |
| Com. Alterations/Additions | <u>89,630.8</u> | <u>193,659.3</u> | <u>298,721.9</u> | <u>269,172.8</u> | <u>249,142.4</u> |
| Total Nonresidential | 203,784.3 | 500,627.0 | 625,273.7 | 834,552.8 | 1,019,479.5 |
| | | | | | |
| <u>New Dwelling Units</u> | | | | | |
| Single Family | 1,214 | 1,698 | 1,754 | 2,078 | 2,765 |
| Multiple Family | <u>19</u> | <u>387</u> | <u>550</u> | <u>516</u> | <u>593</u> |
| TOTAL | 1,233 | 2,085 | 2,304 | 2,594 | 3,358 |

Source: Construction Industry Research Board, Building Permit Summary.

Transportation

The City. Tracy is served by several bus services. Locally, the TRACER bus system runs four lines that serve as circulators between major transit hubs, shopping, school, residential and downtown areas. San Joaquin Regional Transit District (SMART) runs two local routes that connect the city with other San Joaquin County communities and six commuter services that run to Dublin/Pleasanton BART station and job centers in the South Bay and Livermore. Naglee Park and Ride Lot by the West Valley Mall serve as major commuter hubs to BART and jobs in the South Bay. Greyhound, Tracer, and SMART all connect with taxis, bike stations, and parking at the Tracy Transit Center, a transit station built in 2010.

Amtrak Buses serve the City's Amtrak Bus Station with six daily trips to the South Bay and two to San Francisco, all of which stop at BART and job centers in Livermore.

The County. Major highways in the County include: Interstate 5, Interstate 205, Interstate 580, State Route 99, State Route 4 (Crosstown Freeway/California Delta Highway) and State Route 120. The San Joaquin Regional Transit District provides bus service within the City of Stockton in addition to routes throughout the County and commuter routes to Livermore, Pleasanton, Sacramento and Santa Clara County. Greyhound and Amtrak also provide service. The Stockton Metropolitan Airport serves the San Joaquin Valley with passenger and air freight facilities.

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APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

[LETTERHEAD OF JONES HALL]

October 17, 2019

Board of Education
Tracy Unified School District
1875 West Lowell Avenue
Tracy, California 95376

OPINION: \$23,000,000 Bonds of School Facilities Improvement District No. 3
of Tracy Unified School District, 2014 Election, Series 2019

Members of the Board of Education:

We have acted as bond counsel to the Tracy Unified School District (“the District”) in connection with the issuance by the District of \$23,000,000 principal amount of Bonds of School Facilities Improvement District No. 3 of Tracy Unified School District, 2014 Election, Series 2019 (the “Bonds”), under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the “Act”), a resolution adopted by the Board of Trustees of the District (the “Board”) on September 10, 2019 (the “Bond Resolution”) and a Paying Agent Agreement, dated as of October 1, 2019, by and between the District and The Bank of New York Mellon Trust Company, N.A. We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Board contained in the Bond Resolution and in the certified proceedings and other certifications furnished to us, without undertaking to verify such facts by independent investigation.

Based upon our examination, we are of the opinion, under existing law, as follows:

1. The District is a duly created and validly existing school district with the power to adopt the Resolution, enter into the Paying Agent Agreement, perform the agreements on its part contained therein, and issue the Bonds with respect to the Improvement District.

2. The Bond Resolution has been duly adopted by the Board, and the Bond Resolution and the Paying Agent Agreement constitute valid and binding obligations of the District enforceable against the District in accordance with their terms.

3. The Bonds have been duly authorized and executed by the District, and are valid and binding general obligations of the District.

4. The Board of Supervisors of San Joaquin County is obligated to levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property within the Improvement District subject to taxation by the District, without limitation as to rate or amount.

5. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinions set forth in the preceding sentence are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Respectfully submitted,

A Professional Law Corporation

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$23,000,000
General Obligation Bonds of School Facilities
Improvement District No. 3 of
TRACY UNIFIED SCHOOL DISTRICT
(San Joaquin County, California)
2014 Election, Series 2019

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this “**Disclosure Certificate**”) is executed and delivered by the Tracy Unified School District (the “**District**”) in connection with the execution and delivery of the captioned bonds (the “**Bonds**”). The Bonds are being executed and delivered pursuant to a Paying Agent Agreement, dated the date hereof, by and between the District and the Bank of New York Mellon Trust Company, N.A., as paying agent (the “**Paying Agent**”).

The District hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth above and in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

“*Annual Report*” means any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Annual Report Date*” means the date not later than nine months after the end of each fiscal year of the District (currently June 30th), or April 1.

“*Dissemination Agent*” means, initially, Isom Advisors, A Division of Urban Futures, Inc. or any successor Dissemination Agent designated in writing by the District and which has filed with the District and the Paying Agent a written acceptance of such designation.

“*Improvement District*” means School Facilities Improvement District No. 3 of the District.

“*Listed Events*” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information which may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“*Official Statement*” means the final official statement executed by the District in connection with the issuance of the Bonds.

“*Paying Agent*” means The Bank of New York Mellon Trust Company, N.A., Los Angeles, California, or any successor thereto.

“*Participating Underwriter*” means the original Underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“*Rule*” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2020 with the report for the 2018-19 fiscal year, provide to the MSRB in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the District’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

(b) If the District does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the District shall provide (or cause the Dissemination Agent to provide) to the MSRB, in a timely manner, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A, with a copy to the Paying Agent.

(c) With respect to each Annual Report, the Dissemination Agent shall:

- (i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and
- (ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The District's Annual Report shall contain or incorporate by reference the following:

(a) Audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the District, as follows:

- (i) assessed valuation of taxable properties in the Improvement District for the then-current fiscal year;
- (ii) assessed valuation of properties in the Improvement District of the top twenty taxpayers for the then-current fiscal year;
- (iii) if the District is no longer a participant in the County of San Joaquin's Teeter Plan, property tax collection delinquencies for the Improvement District for the most recently available fiscal year, and
- (iv) the District's most recently adopted budget or approved interim report which is available at the time of filing the Annual Report; and
- (v) such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(c) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's internet web site or filed with the Securities and Exchange Commission. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The District shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.

- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the District.
- (13) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (15) Incurrence of a financial obligation of the obligated person, if material, 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, if material.
- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event.

(c) The District acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14) and (a)(15) of this Section contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The District shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Whenever the District obtains knowledge of the occurrence of any of these Listed Events, the District will as soon as possible determine if such event would be material

under applicable federal securities law. If such event is determined to be material, the District will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(e) For purposes of Section 5(a)(15) and (a)(16), the term “financial obligation” means 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 Municipal Securities Rulemaking Board consistent with the Rule.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Isom Advisors, A Division of Urban Futures, Inc. Any Dissemination Agent may resign by providing 30 days’ written notice to the District and the Paying Agent.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after

taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Resolution for amendments to the Resolution with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto 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.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the District fails to comply with any provision of this Disclosure Certificate, any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the District, the Bondholders or any other party. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: October 17, 2019

TRACY UNIFIED SCHOOL DISTRICT

By: _____

Name: _____

Title: _____

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Tracy Unified School District (the "District")

Name of Bond Issues: \$23,000,000 General Obligation Bonds of School Facilities Improvement District No. 3 of Tracy Unified School District (San Joaquin County, California), 2014 Election, Series 2019

Date of Issuance: October 17, 2019

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate, dated as of October 17, 2019. The District anticipates that the Annual Report will be filed by _____.

Dated: _____

DISSEMINATION AGENT:

By: _____
Its: _____

cc: Paying Agent and Participating Underwriter

APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the School District nor the Paying Agent take any responsibility for the information contained in this Section.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (in this Appendix, the “Bonds”). The Bonds 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 Bond will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any maturity exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned

subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“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 Bonds 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 Bonds representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

4. To facilitate subsequent transfers, all Bonds 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 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds 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 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds 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 the notices be provided directly to them.

6. Redemption notices will be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting

rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and interest payments on the Bonds 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 District or 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 nor its nominee, Paying Agent, or District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of District or 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. DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to District or Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered.

10. The School District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that District believes to be reliable, but District takes no responsibility for the accuracy thereof.

APPENDIX G

SAN JOAQUIN COUNTY
INVESTMENT POLICY AND MONTHLY REPORT

PAYING AGENT AGREEMENT

Relating to the Issuance of

\$23,000,000

General Obligation Bonds of

School Facilities Improvement District No. 3 of

TRACY UNIFIED SCHOOL DISTRICT

(San Joaquin County, California)

2014 Election, Series 2019

This PAYING AGENT AGREEMENT (this "Agreement"), dated as of October 1, 2019, is between the TRACY UNIFIED SCHOOL DISTRICT, a unified school district organized and existing under the laws of the State of California (the "District") and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association organized and existing under the laws of the United States of America, as paying agent (the "Paying Agent").

B A C K G R O U N D :

1. An election was duly and regularly held in School Facilities Improvement District No. 3 (the "Improvement District") of the District on June 3, 2014 (the "2014 Election") for the purpose of submitting to the qualified electors of Improvement District the question whether general obligation bonds should be issued in the aggregate principal amount of \$82,000,000, at which election more than fifty-five percent of the votes cast were in favor of the issuance of such bonds (the "Bonds").
2. The Board of Trustees of the District is authorized to provide for the issuance and sale of any series of the Bonds on behalf of the District under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Bond Law").
3. The District has authorized the issuance of the above-captioned bonds (the "Series 2019 Bonds" pursuant to the Bond Law, a Resolution adopted by the governing board of the District on September 10, 2019, and this Agreement.
4. The Paying Agent is a national banking corporation with a corporate trust department qualified to provide paying agent services with respect to publicly offered bonds such as the Bonds.
5. The District has requested the Paying Agent to enter into this Agreement for the purpose of providing the terms and provisions upon which the Series 2019 Bonds will be issued.

AGREEMENT:

In consideration of the foregoing and the material covenants hereinafter contained, the District and the Paying Agent formally covenant, agree and bind themselves as follows:

ARTICLE I

DEFINITIONS; AUTHORITY

SECTION 1.01. *Definitions.* The terms defined in this Section, as used and capitalized herein, shall, for all purposes of this Agreement, have the meanings given them below, unless the context clearly requires some other meaning.

“Agreement” means this Paying Agent Agreement between the District and the Paying Agent, as originally executed and including all amendments hereto and supplements hereof which are duly executed and delivered by the District and the Paying Agent from time to time in accordance herewith.

“Board” means the Board of Education of the District.

“Bond Counsel” means (a) the firm of Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys nationally recognized for expertise in rendering opinions as to the legality and tax exempt status of securities issued by public entities.

“Bond Law” means Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code as in effect on the date of adoption hereof and as amended hereafter, as amended from time to time.

“Bond Measure” means Measure B submitted to, and approved by more than 55% of the voters of the Improvement District under which the issuance of the Series 2019 Bonds has been authorized.

“Building Fund” means the fund established and held by the County under Section 3.03.

“Business Day” means a day other than a Saturday, Sunday or legal holiday, on which banking institutions are not closed or authorized to be closed in New York New York, in the State of California or in any other state in which the Principal Office of the Paying Agent is located.

“Closing Date” means October 17, 2019, being the date upon which there is a physical delivery of the Series 2019 Bonds in exchange for the amount representing the purchase price of the Series 2019 Bonds by the Underwriter.

“Costs of Issuance” means all items of expense directly or indirectly reimbursable to the District relating to the execution and delivery of the Series 2019 Bonds, including but not limited to, filing and recording costs, settlement costs, printing costs, reproduction

and binding costs, legal fees and charges, fees and expenses of the Paying Agent, financial and other professional consultant fees, and costs of obtaining credit ratings.

“Costs of Issuance Account” means the account of that name established and held by the Paying Agent as provided in Section 4.05.

“County” means the County of San Joaquin, a political subdivision of the State of California, duly organized and existing under the Constitution and laws of the State of California.

“County Treasurer” means the Treasurer-Tax Collector of the County.

“Debt Service Fund” means the account established and held by the County Treasurer under Section 4.02.

“District” means the Tracy Unified School District, a unified school district organized under the Constitution and laws of the State of California, and any successor thereto.

“District Representative” means the President of the Board, the Superintendent, the Associate Superintendent, Business Services, the Director of Facilities and Planning, the Clerk and the Secretary of the Board, or any other duly appointed officer of the District authorized by resolution of the Board to act as a representative of the District hereunder.

“Depository” means (a) initially, DTC, and (b) any other Securities Depository acting as Depository under Section 2.04.

“Depository System Participant” means any participant in the Depository’s book-entry system.

“DTC” means The Depository Trust Company, and its successors and assigns.

“Excess Investment Earnings” means the amount of excess investment earnings determined to be subject to rebate to the United States of America with respect to the investment of the gross proceeds of the Series 2019 Bonds, determined under Section 148(f) of the Tax Code.

“Federal Securities” means United States Treasury notes, bonds, bills or certificates of indebtedness, or any other obligations the timely payment of which is directly or indirectly guaranteed by the full faith and credit of the United States of America.

“Improvement District” means School Facilities Improvement District No. 3 of the District established by the District pursuant to the provisions of the California Education Code.

“Interest Payment Date” means, each February 1 and August 1, commencing February 1, 2020, and continuing so long as any of the Series 2019 Bonds remain unpaid.

“Nominee” means (a) initially, Cede & Co. as nominee of DTC, and (b) any other nominee of the Depository designated under Section 2.04(a).

“Outstanding,” when used as of any particular time with reference to Series 2019 Bonds, means all Series 2019 Bonds except: (a) Series 2019 Bonds theretofore canceled by the Paying Agent or surrendered to the Paying Agent for cancellation; (b) Series 2019 Bonds paid or deemed to have been paid within the meaning of Section 9.02; and (c) Series 2019 Bonds in lieu of or in substitution for which other Series 2019 Bonds shall have been authorized, executed, issued and delivered by the District under this Agreement.

“Owner”, whenever used with respect to a Series 2019 Bond, means the person in whose name the ownership of such Series 2019 Bond is registered on the Registration Books.

“Paying Agent” means The Bank of New York Mellon Trust Company, N.A., as paying agent, registrar and authenticating agent for the Series 2019 Bonds, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in Section 6.01.

“Principal Office” means the office or offices of the Paying Agent for the payment of the Series 2019 Bonds and the administration of its duties hereunder, as such office or offices shall be identified in a written notice filed with the District by the Paying Agent.

“Record Date” means the 15th calendar day of the month immediately preceding an Interest Payment Date, whether or not such day is a Business Day.

“Registration Books” means the records maintained by the Paying Agent for the registration of ownership and registration of transfer of the Series 2019 Bonds under Section 2.09.

“Securities Depositories” means DTC; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the District may designate.

“Series 2019 Bonds” means the \$23,000,000 aggregate principal amount of General Obligation Bonds of School Facilities Improvement District No. 3 of Tracy Unified School District (San Joaquin County, California) 2014 Election, Series 2019, at any time Outstanding.

“Supplemental Agreement” means any agreement which is supplemental to or amendatory of this Agreement, which has been duly authorized, executed and delivered by the District and the Paying Agent in accordance with Article VIII.

“Tax Code” means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Series 2019 Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Series 2019 Bonds, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under said Code.

“Term Bonds” means the Series 2019 Bonds maturing on August 1, 20__.

“Underwriter” means Raymond James & Associates, Inc., as underwriter of the Series B Bonds upon the negotiated sale thereof.

“Written Request of the District” means an instrument in writing signed by a District Representative or by any other officer of the District duly authorized to act on behalf of the District pursuant to a written certificate of a District Representative.

SECTION 1.02. *Interpretation.*

(a) Unless the context otherwise indicates, words expressed in the singular include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and do not affect the meaning, construction or effect hereof.

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

SECTION 1.03. *Authority for this Agreement; Findings.* This Agreement is entered into under the provisions of the Bond Law. The Board hereby certifies that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of the Series 2019 Bonds do exist, have happened or have been performed in due and regular time and manner as required by the laws of the State of California, and that the amount of the Series 2019 Bonds, together with all other indebtedness of the District, does not exceed any applicable limit prescribed by any laws of the State of California.

ARTICLE II

TERMS OF SERIES 2019 BONDS

SECTION 2.01. *Authorization.* The Series 2019 Bonds shall be issued in the aggregate principal amount of \$23,000,000 under the provisions of the Bond Law and this Agreement for the purpose of raising money to finance educational facilities for which the Bonds have been authorized under the Bond Measure. This Agreement constitutes a continuing agreement between the District and the Owners of all of the Outstanding Series 2019 Bonds to secure the District’s full and final payment of principal and interest on the Series 2019 Bonds, subject to the covenants, agreements, provisions and conditions herein contained. The Series 2019 Bonds are designated the “General Obligation Bonds of School Facilities Improvement District No. 3 of Tracy Unified School District (San Joaquin County, California) 2014 Election, Series 2019”.

SECTION 2.02. *Terms of Series 2019 Bonds.* Each Series 2019 Bond shall be dated as of the Closing Date and shall be issued in fully registered form without coupons. The Series 2019 Bonds shall mature on August 1 in each of the years, and shall bear interest at the respective rates of interest per annum, as set forth in the following table:

| <u>Maturity Date</u> <u>(August 1)</u> | <u>Principal</u> <u>Amount</u> | <u>Annual</u> <u>Interest Rate</u> | <u>Maturity Date</u> <u>(August 1)</u> | <u>Principal</u> <u>Amount</u> | <u>Annual</u> <u>Interest Rate</u> |
|---|-----------------------------------|---------------------------------------|---|-----------------------------------|---------------------------------------|
|---|-----------------------------------|---------------------------------------|---|-----------------------------------|---------------------------------------|

Interest on the Series 2019 Bonds is payable by the District from the Interest Payment Date next preceding the date of authentication thereof unless:

- (i) a Series 2019 Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from such Interest Payment Date,
- (ii) a Series 2019 Bond is authenticated on or before the first Record Date, in which event thereon will be payable by the District from the Closing Date, or
- (iii) interest on any Series 2019 Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable by the District from the date to which interest has been paid in full.

Interest on the Series 2019 Bonds (including the final interest payment upon maturity) is payable by check or draft of the Paying Agent mailed to the Owner thereof at such Owner's address as it appears on the Registration Books at the close of business on the preceding Record Date; except that at the written request of the Owner of at least \$1,000,000 aggregate principal amount of the Series 2019 Bonds, which written request is on file with the Paying Agent as of any Record Date, interest on such Series 2019 Bonds shall be paid on the succeeding Interest Payment Date to such account as shall be specified in such written request. The principal of the Series 2019 Bonds at maturity is payable in lawful money of the United States of America upon presentation and surrender at the Principal Office of the Paying Agent.

SECTION 2.03. *Redemption of Series 2019 Bonds.*

(a) Optional Redemption of Series 2019 Bonds. The Series 2019 Bonds maturing on or before August 1, 20__ are not subject to redemption prior to their respective stated maturities. The Series 2019 Bonds maturing on or after August 1, 20__ are subject to redemption prior to maturity, as a whole or in part, in order of maturity as designated by

the District, or if not designated, pro-rata among maturities and by lot within a maturity, at the option of the District, from any available source of funds, on August 1, 20__ and on any date thereafter, at a redemption price equal to the principal amount thereof together with accrued interest thereon to the date fixed for redemption, without premium. For the purpose of selection for optional redemption, Series 2019 Bonds will be deemed to consist of \$5,000 portions.

The District shall give the Paying Agent written notice of its intention to redeem Series 2019 Bonds under this subsection (a), and the manner of selecting such Series 2019 Bonds for redemption from among the maturities thereof, in sufficient time to enable the Paying Agent to give notice of such redemption in accordance with subsection (d) of this Section.

(b) Mandatory Sinking Redemption. The Term Bonds are subject to mandatory redemption, in whole or in part by lot, at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate respective amounts and on August 1 in the respective years as set forth in the following table; *provided, however,* that if some but not all of the Term Bonds have been redeemed under subsection (a) of this Section, the total amount of all future sinking fund payments shall be reduced by the aggregate principal amount of the Term Bonds so redeemed, to be allocated among such sinking fund payments on such basis as the District may designate in a Written Request of the District filed with the Paying Agent.

Term Bonds Maturing August 1, 2042

| Redemption Date (August 1) | Sinking Fund Redemption |
|-------------------------------|----------------------------|
|-------------------------------|----------------------------|

(c) Selection of Bonds for Redemption. Whenever less than all of the Outstanding Series 2019 Bonds of the same maturity are designated for redemption, the Paying Agent shall select the Outstanding Series 2019 Bonds of such maturity to be redeemed by lot in any manner deemed fair by the Paying Agent. For purposes of such selection, each Series 2019 Bond will be deemed to consist of individual bonds of \$5,000 denominations each which may be separately redeemed.

(d) Redemption Procedure. The Paying Agent on behalf and at the expense of the District shall mail (by first class mail) notice of any redemption to the respective Owners of any Series 2019 Bonds designated for redemption at their respective addresses appearing on the Registration Books, and to the Securities Depositories and to the Municipal Securities Rulemaking Board, at least 30 but not more than 60 days prior to the date fixed for redemption; *provided, however,* that neither failure to receive any such notice so mailed nor any defect therein will affect the validity of the proceedings for the redemption of such Series 2019 Bonds or the cessation of the accrual of interest thereon.

Such notice shall state the date of the notice, the redemption date, the redemption place and the redemption price and shall designate the CUSIP numbers, the bond numbers (if less than all Series 2019 Bonds of a maturity are to be redeemed) and the maturity or maturities (in the event of redemption of all of the Series 2019 Bonds of such

maturity or maturities in whole) of the Series 2019 Bonds to be redeemed, and shall require that such Series 2019 Bonds be then surrendered at the Principal Office of the Paying Agent identified in such notice for redemption at the redemption price, giving notice also that further interest on such Series 2019 Bonds will not accrue from and after the redemption date. In addition, the redemption notice shall state that the District has the right to rescind the notice as provided in subsection (f) of this Section.

Upon surrender of Series 2019 Bonds redeemed in part only, the District shall execute and the Paying Agent shall authenticate and deliver to the Owner, at the expense of the District, a new Series 2019 Bond or Bonds, of the same maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Series 2019 Bond or Bonds.

From and after the date fixed for redemption, if notice of such redemption has been duly given and funds available for the payment of the principal of and interest on the Series 2019 Bonds so called for redemption have been duly provided, the Series 2019 Bonds called for redemption will cease to be entitled to any benefit under this Agreement other than the right to receive payment of the redemption price, and no interest will accrue thereon on or after the redemption date specified in the notice. The Paying Agent will cancel all Series 2019 Bonds redeemed under this Section and will furnish a certificate of cancellation to the District.

(e) Right to Rescind Notice of Redemption. The District has the right to rescind any notice of the optional redemption of Series 2019 Bonds under subsections (a), (b) or (c) of this Section by written notice to the Paying Agent on or prior to the dated fixed for redemption. Any notice of optional redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Series 2019 Bonds then called for redemption, and such cancellation shall not constitute an Event of Default. The District and the Paying Agent have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Paying Agent shall mail notice of such rescission of redemption to the respective Owners of any Series 2019 Bonds designated for redemption at their respective addresses appearing on the Registration Books, and to the Securities Depositories and to the Municipal Securities Rulemaking Board.

SECTION 2.04. *Book Entry System.*

(a) Original Delivery. The Series 2019 Bonds will be initially delivered in the form of a separate single fully registered bond (which may be typewritten) for each maturity of the Series 2019 Bonds. Upon initial delivery, the Paying Agent shall register the ownership of each Bond on the Registration Books in the name of the Nominee. Except as provided in subsection (c), the ownership of all of the Outstanding Series 2019 Bonds shall be registered in the name of the Nominee on the Registration Books.

With respect to Series 2019 Bonds the ownership of which is registered in the name of the Nominee, the District and the Paying Agent have no responsibility or obligation to any Depository System Participant or to any person on behalf of which the Nominee holds an interest in the Series 2019 Bonds. Without limiting the generality of the immediately preceding sentence, the District and the Paying Agent have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Depository System Participant with respect to any ownership interest in the Series

2019 Bonds, (ii) the delivery to any Depository System Participant or any other person, other than a Series 2019 Bond Owner as shown in the Registration Books, of any notice with respect to the Series 2019 Bonds, including any notice of redemption, (iii) the selection by the Depository of the beneficial interests in the Series 2019 Bonds to be redeemed if the District elects to redeem the Series 2019 Bonds in part, (iv) the payment to any Depository System Participant or any other person, other than a Series 2019 Bond Owner as shown in the Registration Books, of any amount with respect to principal or interest on the Series 2019 Bonds or (v) any consent given or other action taken by the Depository as Owner of the Series 2019 Bonds. The District and the Paying Agent may treat and consider the person in whose name each Series 2019 Bond is registered as the absolute owner of such Series 2019 Bond for the purpose of payment of principal of and interest of such Series 2019 Bond, for the purpose of giving notices of redemption and other matters with respect to such Series 2019 Bond, for the purpose of registering transfers of ownership of such Series 2019 Bond, and for all other purposes whatsoever. The Paying Agent shall pay the principal of and interest of the Series 2019 Bonds only to the respective Owners or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with respect to payment of principal of and interest of the Series 2019 Bonds to the extent of the sum or sums so paid. No person other than a Series 2019 Bond Owner shall receive a Series 2019 Bond evidencing the obligation of the District to make payments of principal and interest under this Agreement. Upon delivery by the Depository to the District of written notice to the effect that the Depository has determined to substitute a new Nominee in its place, and subject to the provisions herein with respect to Record Dates, such new nominee shall become the Nominee hereunder for all purposes; and upon receipt of such a notice the District shall promptly deliver a copy of the same to the Paying Agent.

(b) Representation Letter. In order to qualify the Series 2019 Bonds for the Depository's book-entry system, the District shall execute and deliver to such Depository a letter representing such matters as may be necessary to so qualify the Series 2019 Bonds. The execution and delivery of such letter shall not in any way limit the provisions of subsection (a) above or in any other way impose upon the District or the Paying Agent any obligation whatsoever with respect to persons having interests in the Series 2019 Bonds other than the Series 2019 Bond Owners. Upon the written acceptance by the Paying Agent, the Paying Agent agrees to take all action reasonably necessary for all representations of the Paying Agent in such letter with respect to the Paying Agent to at all times be complied with. In addition to the execution and delivery of such letter, the District may take any other actions, not inconsistent with this Agreement, to qualify the Series 2019 Bonds for the Depository's book-entry program.

(c) Transfers Outside Book-Entry System. If either (i) the Depository determines not to continue to act as Depository for the Series 2019 Bonds, or (ii) the District determines to terminate the Depository as such, then the District shall thereupon discontinue the book-entry system with such Depository. In that event, the Depository shall cooperate with the District and the Paying Agent in the issuance of replacement Series 2019 Bonds by providing the Paying Agent with a list showing the interests of the Depository System Participants in the Series 2019 Bonds, and by surrendering the Series 2019 Bonds, registered in the name of the Nominee, to the Paying Agent on or before the date such replacement Series 2019 Bonds are to be issued. The Depository, by accepting delivery of the Series 2019 Bonds, agrees to be bound by the provisions of this subsection (c). If, prior to the termination of the Depository acting as such, the District fails to identify another Securities Depository to replace the Depository, then the Series 2019 Bonds are

no longer required to be registered in the Registration Books in the name of the Nominee, but will be registered in whatever name or names the Owners transferring or exchanging Series 2019 Bonds may designate, in accordance with the provisions hereof.

If the District determines that it is in the best interests of the beneficial owners of the Series 2019 Bonds that they be able to obtain certificated bonds, the District may notify the Depository System Participants of the availability of such certificated bonds through the Depository. In such event, the Paying Agent will issue, transfer and exchange Series 2019 Bonds as required by the Depository and others in appropriate amounts; and whenever the Depository requests, the Paying Agent and the District shall cooperate with the Depository in taking appropriate action (i) to make available one or more separate certificates evidencing the Series 2019 Bonds to any Depository System Participant having Series 2019 Bonds credited to its account with the Depository, or (ii) to arrange for another Securities Depository to maintain custody of a single certificate evidencing such Series 2019 Bonds, all at the District's expense.

(d) Payments to the Nominee. Notwithstanding any other provision of this Agreement to the contrary, so long as any Series 2019 Bond is registered in the name of the Nominee, all payments of principal of and interest of that Series 2019 Bond and all notices with respect to that Series 2019 Bond shall be made and given, respectively, as provided in the letter described in subsection (b) of this Section or as otherwise instructed by the Depository.

SECTION 2.05. *Form of Series 2019 Bonds.* The Series 2019 Bonds, the form of the Paying Agent's certificate of authentication and registration and the form of assignment to appear thereon shall be substantially in the forms, respectively, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Agreement, as set forth in Appendix A.

SECTION 2.06. *Execution of Series 2019 Bonds.* The Series 2019 Bonds shall be signed by the facsimile signature of the President of the Board and shall be attested by the facsimile signature of the Secretary/Clerk of the Board. No Series 2019 Bond shall be valid or obligatory for any purpose or shall be entitled to any security or benefit under this Agreement unless and until the certificate of authentication printed on the Series 2019 Bond is signed by the Paying Agent as authenticating agent.

Only those Series 2019 Bonds bearing a certificate of authentication and registration in the form set forth in Appendix A, executed and dated by the Paying Agent, shall be valid or obligatory for any purpose or entitled to the benefits of this Agreement, and such certificate of the Paying Agent shall be conclusive evidence that the Series 2019 Bonds so registered have been duly authenticated, registered and delivered hereunder and are entitled to the benefits of this Agreement.

SECTION 2.07. *Transfer of Series 2019 Bonds.* Any Series 2019 Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by a duly authorized attorney, upon surrender of such Series 2019 Bond for cancellation at the Principal Office at the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed. The District may charge a reasonable sum for each new Series 2019 Bond issued upon any transfer. Whenever any Series 2019 Bond is

surrendered for transfer, the District shall execute and the Paying Agent shall authenticate and deliver a new Series 2019 Bond or Bonds, for like aggregate principal amount.

SECTION 2.08. *Exchange of Series 2019 Bonds.* Series 2019 Bonds may be exchanged at the Principal Office of the Paying Agent for a like aggregate principal amount of Series 2019 Bonds of authorized denominations and of the same maturity. Series B The District may charge a reasonable sum for each new Series 2019 Bond issued upon any exchange.

SECTION 2.09. *Registration Books.* The Paying Agent shall keep or cause to be kept sufficient books for the registration and transfer of the Series 2019 Bonds, which shall at all times be open to inspection by the District upon reasonable notice; and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Series 2019 Bonds as herein before provided.

ARTICLE III

SALE OF SERIES 2019 BONDS; APPLICATION OF PROCEEDS

SECTION 3.01. *Issuance of Series 2019 Bonds.* Upon the execution and delivery of this Agreement on the Closing Date, the District shall execute and deliver Series 2019 Bonds in the aggregate principal amount of \$23,000,000 to the Paying Agent and the Paying Agent shall authenticate and deliver the Series 2019 Bonds to the Underwriter.

SECTION 3.02. *Deposit and Application of Proceeds.* On the Closing Date, the net proceeds of sale of the Series 2019 Bonds in the amount of \$_____ (being the principal amount of the Series 2019 Bonds of \$23,000,000, plus original issue premium of \$_____, less Underwriter's discount of \$_____) shall be paid by the Underwriter as follows:

- (a) the amount of \$_____ representing premium received by the District on the sale of the Series 2019 Bonds, shall be paid to the County and deposited by the County into the Debt Service Fund, to be applied for the sole purpose of paying interest next coming due and payable on the Series 2019 Bonds;
- (b) the amount of \$_____ shall be paid to the County and deposited by the County into the Building Fund to be applied for the purposes set forth in Section 3.03; and
- (c) the amount of \$_____ shall be paid to the Paying Agent and deposited by the Paying Agent in the Costs of Issuance Account established pursuant to Section 3.04.

SECTION 3.03. *Building Fund.* The District hereby requests the County Treasurer to establish, hold and maintain a fund to be known as the "Tracy USD (SFID 3) Series 2019 Building Fund", which the County Treasurer shall maintain as a separate account, distinct from all other funds of the County and the District. The proceeds from the sale of

the Series 2019 Bonds shall be transferred to the County Treasurer to be credited to the Building Fund as set forth in Section 3.02(b). Amounts on deposit in the Building Fund shall be expended by the District solely to finance school facilities for which the Series 2019 Bond proceeds are authorized to be expended under the Measure B, subject to the provisions hereof relating to federal tax covenants. All interest and other gain arising from the investment of amounts deposited to the Building Fund shall be retained in the Building Fund and used for the purposes thereof.

SECTION 3.03. *Costs of Issuance Account.* There is hereby established as a separate account the Costs of Issuance Account, to be held by the Paying Agent. There shall be deposited into the Costs of Issuance Account the amount specified in Section 3.02(c). The moneys in the Cost of Issuance Account shall be used solely for the purpose of the payment of Costs of Issuance upon receipt by the Paying Agent of invoices approved by the District, on or after the Closing Date. Any funds remaining in the Cost of Issuance Account 180 days after the Closing Date, shall be transferred by the Paying Agent to the County Treasurer, for deposit to the Building Fund.

ARTICLE IV

SECURITY FOR THE SERIES 2019 BONDS; PAYMENT OF DEBT SERVICE

SECTION 4.01. *Security for the Series 2019 Bonds.* (a) The Series 2019 Bonds are general obligations of the District payable by the District from the levy of *ad valorem* taxes upon all property within the Improvement District subject to taxation by the District, without limitation as to rate or amount, for the District's payment of the Series 2019 Bonds and the interest thereon. In accordance with Section 15250 of the Education Code, the District hereby requests the County to levy on all the taxable property in the Improvement District, in addition to all other taxes, a continuing direct and *ad valorem* tax annually during the period the Series 2019 Bonds are Outstanding in an amount sufficient for the District to pay the principal of and interest on the Series 2019 Bonds when due, including the principal amount of the Term Bonds which is required to be paid upon the mandatory sinking fund redemption thereof, which moneys when collected will be placed in the Debt Service Fund. Amounts held by the County Treasurer in the Debt Service Fund under Section 4.02 shall be credited towards the amount of *ad valorem* property taxes which is required to be levied by the County in any Fiscal Year during the term of the Series 2019 Bonds.

(b) No part of any fund or account of the County is pledged or obligated to the payment of the Series 2019 Bonds. The principal of and interest on the Series 2019 Bonds do not constitute a debt (or a pledge of the full faith and credit) of the County, the State of California, or any of its political subdivisions other than the District, or any of the officers, agents or employees thereof, and neither the County, the State of California, any of its political subdivisions nor any of the officers, agents or employees thereof shall be liable thereon. In no event are the principal of and interest of the Series 2019 Bonds payable out of any funds or properties of the District other than *ad valorem* taxes levied upon all taxable property in the District, except as provided in this Section.

(c) Nothing in this Agreement is intended or shall be construed to limit the ability of the District to pay any portion of the principal of or interest due on the Series B Bonds from any source of legally available funds of the District. Any amounts so paid by the District shall be deposited in the Debt Service Fund and credited towards the levy of *ad valorem* property taxes next required to be made under this Section.

SECTION 4.02. *Establishment of Debt Service Fund.* The District hereby requests the County Treasurer to establish, hold and maintain a fund to be known as the "Tracy USD (SFID 3) Series 2019 Debt Service Fund", to be maintained by the County Treasurer as a separate account, distinct from all other funds of the County and the District. All taxes levied by the County, as requested by the District herein, for the District's payment of the principal of and interest on the Series 2019 Bonds in accordance with Section 4.01 shall be deposited in the Debt Service Fund by the County Treasurer promptly upon apportionment of said levy. The District hereby irrevocably pledges the Debt Service Fund for the District's payment of the principal of and interest on the Series 2019 Bonds, including the principal amount of the Term Bonds which is required to be paid upon the mandatory sinking fund redemption thereof, when and as the same become due. The County Treasurer shall transfer amounts in the Debt Service Fund to the Paying Agent, to the extent necessary for the District to pay the principal of and interest on the Series 2019 Bonds, as the same become due and payable.

SECTION 4.03. *Disbursements From Debt Service Fund.* The County Treasurer shall administer the Debt Service Fund and make disbursements therefrom in the manner set forth in this Section. The County Treasurer shall transfer amounts on deposit in the Debt Service Fund, to the extent necessary for the District to pay the principal of and interest on the Series 2019 Bonds, including the principal amount of the Term Bonds which is required to be paid upon the mandatory sinking fund redemption thereof, when due and payable, to the Paying Agent which, in turn, shall apply such moneys to pay such principal of and interest on the Series 2019 Bonds. Any moneys remaining in the Debt Service Fund after the Series 2019 Bonds and the interest thereon have been paid, or provision for such payment has been made, shall be transferred to the General Fund of the District, as provided in Section 15234 of the Education Code.

As provided in Section 15232 of the Education Code, amounts in the Debt Service Fund shall also be applied to pay the expense of paying the Series 2019 Bonds elsewhere than at the office of the County Treasurer. Pursuant to such provision, the District hereby authorizes the application of amounts in the Debt Service Fund to reimburse the County Treasurer for all costs and expenses incurred by it in processing the District's payments from time to time for the services of the Paying Agent which is designated for the Series 2019 Bonds under Section 6.01.

SECTION 4.04. *Pledge of Taxes.* The District hereby pledges all revenues from the property taxes collected from the levy by the Board of Supervisors of the County for the payment of the Series 2019 Bonds and amounts on deposit in the Debt Service Fund to the payment of the principal or redemption price of and interest on the Series 2019 Bonds. This pledge shall be valid and binding from the date hereof for the benefit of the owners of the Series 2019 Bonds and successors thereto. The property taxes and amounts held in the Debt Service Fund shall be immediately subject to this pledge, and the pledge shall constitute a lien and security interest which shall immediately attach to the property taxes and amounts held in the interest and sinking fund to secure the payment of the Series 2019 Bonds and shall be effective, binding, and enforceable against the

District, its successors, creditors and all others irrespective of whether those parties have notice of the pledge and without the need of any physical delivery, recordation, filing, or further act. This pledge constitutes an agreement between the District and owners of the Series 2019 Bonds to provide security for the Series 2019 Bonds in addition to any statutory lien that may exist. The District hereby represents and warrants that all of its general obligation bonds, including the Series 2019 Bonds are or were issued to finance or refinance one or more of the projects specified in the applicable voter-approved measure.

SECTION 4.05. *Investments.* All moneys held in any of the funds or accounts established with the County Treasurer hereunder shall be invested in accordance with the investment policies of the County, as such policies exist at the time of investment. Obligations purchased as an investment of moneys in any fund or account shall be deemed to be part of such fund or account.

All interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder shall be deposited in the fund or account from which such investment was made, and shall be expended for the purposes thereof. The District covenants that all investments of amounts deposited in any fund or account created by or under this Agreement, or otherwise containing proceeds of the Series 2019 Bonds, shall be acquired and disposed of at the Fair Market Value thereof. For purposes of this Section, the term "Fair Market Value" shall mean, with respect to any investment, the price at which a willing buyer would purchase such investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Tax Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as described above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code, or (ii) the investment is a United States Treasury Security - State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt.

ARTICLE V

FINANCIAL COVENANTS

SECTION 5.01. *Punctual Payment.* The District will punctually pay, or cause to be paid, the principal of and interest on the Series 2019 Bonds, in strict conformity with the terms of the Series 2019 Bonds and of this Agreement, and it will faithfully observe and perform all of the conditions, covenants and requirements of this Agreement and of the Series 2019 Bonds. Nothing herein prevents the District from making advances of its own moneys howsoever derived to any of the uses or purposes permitted by law.

SECTION 5.02. *Books and Accounts; Financial Statement.* The District will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the District in which complete and correct entries shall be made of all transactions relating to the expenditure of the proceeds of the Series 2019 Bonds. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Paying Agent and the Owners of not less than 10% in aggregate principal

amount of the Series 2019 Bonds then Outstanding, or their representatives authorized in writing.

SECTION 5.03. *Protection of Security and Rights of Series 2019 Bond Owners.* The District will preserve and protect the security of the Series 2019 Bonds and the rights of the Series 2019 Bond Owners, and will warrant and defend their rights against all claims and demands of all persons. From and after the sale and delivery of any of the Series 2019 Bonds by the District, the Series 2019 Bonds shall be incontestable by the District.

SECTION 5.04. *Tax Covenants.*

(a) Generally. The District shall not take any action or permit to be taken any action within its control which would cause or which, with the passage of time if not cured would cause, interest on the Series 2019 Bonds to become includable in gross income for federal income tax purposes.

(b) Private Activity Bond Limitation. The District shall not use the proceeds of the Series 2019 Bonds in a manner which would cause the Series 2019 Bonds to become “private activity bonds” within the meaning of Section 141(a) of the Tax Code or to meet the private loan financing test of Section 141(c) of the Tax Code.

(c) Federal Guarantee Prohibition. The District shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Series 2019 Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Tax Code.

(d) No Arbitrage. The District shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the Series 2019 Bond proceeds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date, would have caused the Series 2019 Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Tax Code.

(e) Rebate of Excess Investment Earnings. The District shall calculate or cause to be calculated all amounts of excess investment earnings with respect to the Series 2019 Bonds which are required to be rebated to the United States of America under Section 148(f) of the Tax Code, at the times and in the manner required under the Tax Code. The District shall pay when due an amount equal to excess investment earnings to the United States of America in such amounts, at such times and in such manner as may be required under the Tax Code, such payments to be made from any source of legally available funds of the District. The District shall keep or cause to be kept, and retain or cause to be retained for a period of six years following the retirement of the Series 2019 Bonds, records of the determinations made under this subsection (e).

Neither the County nor the Paying Agent has any duty to monitor the compliance by the District with any of the covenants contained in this Section.

SECTION 5.05. *Records and Accounts.* District shall cause to be prepared annually, within 210 days after the close of each Fiscal Year so long as any of the Series 2019 Bonds are Outstanding, complete audited financial statements with respect to such Fiscal Year showing all revenues and expenditures of the District for such Fiscal Year.

The District shall furnish a copy of such statements, upon reasonable request, to any owner of the Series 2019 Bonds.

SECTION 5.06. *Further Assurances.* The District will adopt, 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 Agreement, and for the better assuring and confirming unto the Owners of the Series 2019 Bonds of the rights and benefits provided in this Agreement.

ARTICLE VI

THE PAYING AGENT

SECTION 6.01. *Appointment of Paying Agent.* The Bank of New York Mellon Trust Company, N.A. is hereby appointed to act as Paying Agent for the Series 2019 Bonds pursuant to this Agreement. The Paying Agent undertakes to perform such duties, and only such duties, as are specifically set forth in this Agreement, and even during the continuance of an event of default with respect to the Series 2019 Bonds, no implied covenants or obligations shall be read into this Agreement against the Paying Agent. The Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by this Agreement by executing and delivering to the District a certificate to that effect.

The District may remove the Paying Agent initially appointed, and any successor thereto, and may appoint a successor or successors thereto, but any such successor shall be a bank or trust company doing business and having an office in the State of California, having a combined capital (exclusive of borrowed capital) and surplus of at least \$50,000,000, and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, under law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section the combined capital and surplus of such bank 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. Notwithstanding the foregoing, the District may appoint the County to serve as said successor paying agent.

The Paying Agent may at any time resign by giving written notice to the District and the Series 2019 Bond Owners of such resignation. Upon receiving notice of such resignation, the District shall promptly appoint a successor Paying Agent by an instrument in writing. Any resignation or removal of the Paying Agent and appointment of a successor Paying Agent shall become effective upon acceptance of appointment by the successor Paying Agent.

SECTION 6.02. *Paying Agent May Hold Series 2019 Bonds.* The Paying Agent may become the owner of any of the Series 2019 Bonds in its own or any other capacity with the same rights it would have if it were not Paying Agent.

SECTION 6.03. *Liability of Agents.* The recitals of facts, covenants and agreements herein and in the Series 2019 Bonds contained shall be taken as statements, covenants and agreements of the District, and the Paying Agent assumes no responsibility for the correctness of the same, nor makes any representations as to the validity or sufficiency of

this Agreement or of the Series 2019 Bonds, nor shall incur any responsibility in respect thereof, other than as set forth in this Agreement. The Paying Agent is not liable in connection with the performance of its duties hereunder, except for its own negligence or willful default.

In the absence of bad faith, the Paying Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Paying Agent and conforming to the requirements of this Agreement.

The Paying Agent is not liable for any error of judgment made in good faith by a responsible officer of its corporate trust department in the absence of the negligence of the Paying Agent.

No provision of this Agreement requires the Paying Agent 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 has reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

The Paying Agent may execute any of the powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Paying Agent shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

SECTION 6.04. *Notice to Paying Agent.* The Paying Agent may rely and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, warrant, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The Paying Agent 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 and in accordance therewith.

Whenever in the administration of its duties under this Agreement the Paying Agent deems it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of bad faith on the part of the Paying Agent, be deemed to be conclusively proved and established by a certificate of the District, and such certificate shall be full warrant to the Paying Agent for any action taken or suffered under the provisions of this Agreement upon the faith thereof, but in its discretion the Paying Agent may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

SECTION 6.05. *Compensation; Indemnification.* The District shall pay to the Paying Agent from time to time reasonable compensation for all services rendered under this Agreement, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under this Agreement. The District will indemnify and save the Paying Agent harmless against any liabilities which it may incur in

the exercise and performance of its powers and duties hereunder which are not due to its negligence or willful misconduct.

SECTION 6.06. *Reliance on Closing Memorandum.* The Paying Agent is authorized to transfer funds relating to the closing and initial delivery of the Series 2019 Bonds in the manner disclosed in the closing memorandum as prepared by the District's financial advisor, bond counsel, or other agent. The Paying Agent may act on a facsimile or email transmission of the closing memorandum acknowledged by the financial advisor, bond counsel, or the District as the final closing memorandum. The Paying Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Paying Agent's reliance upon and compliance with such instruction.

ARTICLE VII

REMEDIES OF SERIES 2019 BOND OWNERS

SECTION 7.01. *Remedies of Series 2019 Bond Owners.* Any Series 2019 Bond Owner has the right, for the equal benefit and protection of all Series 2019 Bond Owners similarly situated:

- (a) by mandamus, suit, action or proceeding, to compel the District and its members, officers, agents or employees to perform each and every term, provision and covenant contained in this Agreement and in the Series 2019 Bonds, and to require the carrying out of any or all such covenants and agreements of the District and the fulfillment of all duties imposed upon it;
- (b) by suit, action or proceeding in equity, to enjoin any acts or things which are unlawful, or the violation of any of the Series 2019 Bond Owners' rights; or
- (c) upon the happening and continuation of any default by the District hereunder or under the Series 2019 Bonds, by suit, action or proceeding in any court of competent jurisdiction, to require the District and its members and employees to account as if it and they were the trustees of an express trust.

SECTION 7.02. *Remedies Not Exclusive.* No remedy herein conferred upon the Owners of Series 2019 Bonds shall be exclusive of any other remedy and that each and every remedy shall be cumulative and shall be in addition to every other remedy given hereunder or thereafter conferred on the Series 2019 Bond Owners.

SECTION 7.03. *Non-Waiver.* Nothing in this Article VII or in any other provision of this Agreement or in the Series 2019 Bonds, affects or impairs the obligation of the District, which is absolute and unconditional, to pay the principal of and interest on the Series 2019 Bonds to the respective Owners of the Series 2019 Bonds at the respective dates of maturity, as herein provided, or affects or impairs the right of action against the District, which is also absolute and unconditional, of such Owners to institute suit against the

District to enforce such payment by virtue of the contract embodied in the Series 2019 Bonds.

A waiver of any default by any Series 2019 Bond Owner shall not affect any subsequent default or impair any rights or remedies on the subsequent default. No delay or omission of any Owner of any of the Series 2019 Bonds 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 of any such default or an acquiescence therein, and every power and remedy conferred upon the Series 2019 Bond Owners by this Article VII may be enforced and exercised from time to time and as often as shall be deemed expedient by the Owners of the Series 2019 Bonds.

If a suit, action or proceeding to enforce any right or exercise any remedy be abandoned or determined adversely to the Series 2019 Bond Owners, the District and the Series 2019 Bond Owners shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

ARTICLE VIII

AMENDMENT OF THIS AGREEMENT

SECTION 8.01. *Amendments Effective Without Consent of the Owners.* For any one or more of the following purposes and at any time or from time to time, a Supplemental Agreement may be approved by the District and Paying Agent, which, without the requirement of consent of the Owners of the Series 2019 Bonds, shall be fully effective in accordance with its terms:

- (a) To add to the covenants and agreements of the District in this Agreement, other covenants and agreements to be observed by the District which are not contrary to or inconsistent with this Agreement as theretofore in effect;
- (b) To confirm, as further assurance, any pledge under, and to subject to any lien or pledge created or to be created by, this Agreement, of any moneys, securities or funds, or to establish any additional funds or accounts to be held under this Agreement; or
- (c) To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in this Agreement, which in any event shall not materially adversely affect the interests of the Series 2019 Bond Owners, in the opinion of Bond Counsel filed with the District.

SECTION 8.02. *Amendments Effective With Consent of the Owners.* Any modification or amendment of this Agreement and of the rights and obligations of the District and of the Owners of the Series 2019 Bonds, in any particular, may be made by a Supplemental Agreement, with the written consent of the Owners of a majority in aggregate principal amount of the Series 2019 Bonds Outstanding at the time such consent is given. No such modification or amendment shall permit a change in the terms of maturity of the principal of any Outstanding Series 2019 Bonds or of any interest

payable thereon by the District or a reduction in the principal amount thereof or in the rate of interest thereon, or shall reduce the percentage of Series 2019 Bonds the consent of the Owners of which is required to effect any such modification or amendment, or shall change any of the provisions in Section 7.01 relating to Events of Default, or shall reduce the amount of moneys pledged by the District for the repayment of the Series 2019 Bonds without the consent of all the Owners of such Series 2019 Bonds, or shall change or modify any of the rights or obligations of any Paying Agent without its written assent thereto.

ARTICLE IX

MISCELLANEOUS

SECTION 9.01. *Benefits Limited to Parties.* Nothing in this Agreement, expressed or implied, is intended to give to any person other than the District, the County, the Paying Agent and the Owners of the Series 2019 Bonds, any right, remedy, claim under or by reason of this Agreement. Any covenants, stipulations, promises or agreements in this Agreement contained by and on behalf of the District shall be for the sole and exclusive benefit of the Owners of the Series 2019 Bonds.

SECTION 9.02. *Defeasance.*

(a) Discharge of Agreement. The Series 2019 Bonds may be paid by the District in any of the following ways, provided that the District also pays or causes to be paid any other sums payable hereunder by the District:

- (i) by paying or causing to be paid the principal of and interest on such Series 2019 Bonds, as and when the same become due and payable;
- (ii) by irrevocably depositing, at or before maturity, money or securities in the necessary amount (as provided in Section 9.02(c) hereof) to pay or redeem such Series 2019 Bonds; or
- (iii) by delivering such Series 2019 Bonds to the Paying Agent for cancellation by it.

If the District pays all Outstanding Series 2019 Bonds and also pays or causes to be paid all other sums payable hereunder by the District, then and in that case, at the election of the District (evidenced by a certificate of a District Representative filed with the Paying Agent, signifying the intention of the District to discharge all such indebtedness and this Agreement), and notwithstanding that any Series 2019 Bonds have not been surrendered for payment, this Agreement and other assets made under this Agreement and all covenants, agreements and other obligations of the District under this Agreement shall cease, terminate, become void and be completely discharged and satisfied, except only as provided in Section 9.02(b). In such event, upon request of the District, the Paying Agent shall cause an accounting for such period or periods as may be requested by the District to be prepared and filed with the District and shall execute and deliver to the District all such instruments as may be necessary to evidence such discharge and satisfaction, and the Paying Agent shall pay over, transfer, assign or deliver to the District all moneys or securities or other property held by it under this Agreement which are not required for

the District's payment of Series 2019 Bonds not theretofore surrendered for such payment or redemption.

(b) Discharge of Liability on Series 2019 Bonds. Upon the deposit, at or before maturity, of money or securities in the necessary amount to pay or redeem any Outstanding Series 2019 Bond (whether upon or prior to its maturity or the redemption date of such Series 2019 Bond), provided that, if such Series 2019 Bond is to be redeemed prior to maturity, notice of such redemption has been given as provided in Section 2.03 or provision satisfactory to the Paying Agent has been made for the giving of such notice, then all liability of the District in respect of such Series 2019 Bond shall cease and be completely discharged, except only that thereafter the Owner thereof shall be entitled only to payment of the principal of and interest of such Series 2019 Bond by the District, and the District shall remain liable for such payment, but only out of such money or securities deposited with the Paying Agent as aforesaid for such payment, provided further, however, that the provisions of Section 9.02(d) shall apply in all events.

The District may at any time surrender to the Paying Agent for cancellation by it any Series 2019 Bonds previously issued and delivered, which the District may have acquired in any manner whatsoever, and such Series 2019 Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

(c) Deposit of Money or Securities with Paying Agent. Whenever in this Agreement it is provided or permitted that there be deposited with or held by the Paying Agent money or securities in the necessary amount to pay or redeem any Series 2019 Bonds, the money or securities so to be deposited or held may include money or securities held by the Paying Agent in the funds and accounts established under this Agreement and shall be:

- (i) lawful money of the United States of America in an amount equal to the principal amount of such Series 2019 Bonds and all unpaid interest thereon to maturity, except that, in the case of Series 2019 Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption has been given as provided in Section 2.03 or provision satisfactory to the Paying Agent has been made for the giving of such notice, the amount to be deposited or held shall be the principal amount or redemption price of such Series 2019 Bonds and all unpaid interest thereon to the redemption date; or
- (ii) Federal Securities (not callable by the issuer thereof prior to maturity) the principal of and interest on which when due, in the opinion of a certified public accountant delivered to the District, will provide money sufficient to pay the principal or redemption price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Series 2019 Bonds to be paid or redeemed, as such principal and interest become due, provided that, in the case of Series 2019 Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption has been given as provided in Section 2.03 or provision satisfactory to the Paying Agent has been made for the giving of such notice.

(d) Payment of Series 2019 Bonds After Discharge. Notwithstanding any provisions of this Agreement, any moneys held by the Paying Agent for the payment of the principal or redemption price of, or interest on, any Series 2019 Bonds and remaining unclaimed for two years after the principal of all of the Series 2019 Bonds has become due and payable (whether at maturity or upon call for redemption), if such moneys were so held at such date, or two years after the date of deposit of such moneys if deposited after said date when all of the Series 2019 Bonds became due and payable, shall, upon request of the District, be repaid to the District free from the trusts created by this Agreement, and all liability of the Paying Agent with respect to such moneys shall thereupon cease; *provided, however*, that before the repayment of such moneys to the District as aforesaid, the Paying Agent may (at the cost of the District) first mail to the Owners of all Series 2019 Bonds which have not been paid at the addresses shown on the Registration Books a notice in such form as may be deemed appropriate by the Paying Agent, with respect to the Series 2019 Bonds so payable and not presented and with respect to the provisions relating to the repayment to the District of the moneys held for the payment thereof.

SECTION 9.03. *Execution of Documents and Proof of Ownership by Series 2019 Bond Owners.* Any request, declaration or other instrument which this Agreement may require or permit to be executed by Series 2019 Bond Owners may be in one or more instruments of similar tenor, and shall be executed by Series 2019 Bond Owners in person or by their attorneys appointed in writing.

Except as otherwise herein expressly provided, the fact and date of the execution by any Series 2019 Bond Owner or such Owner's attorney of such request, declaration or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

Except as otherwise herein expressly provided, the ownership of registered Series 2019 Bonds and the amount, maturity, number and date of holding the same shall be proved by the Registration Books.

Any request, declaration or other instrument or writing of the Owner of any Series 2019 Bond shall bind all future Owners of such Series 2019 Bond in respect of anything done or suffered to be done by the District or the Paying Agent in good faith and in accordance therewith.

SECTION 9.04. *Waiver of Personal Liability.* No Board member, officer, agent or employee of the District is individually or personally liable for the payment of the principal of or interest on the Series 2019 Bonds. Nothing herein contained relieves any such Board member, officer, agent or employee from the performance of any official duty provided by law.

SECTION 9.05. *Limited Duties of County; Indemnification.* Notwithstanding anything in this Agreement to the contrary, (a) the County (including its Board of Supervisors, officers, agents and employees) shall undertake only those duties of the County under this Agreement which are specifically set forth in this Agreement and in

applicable provisions of the Bond Law and the Education Code, and even during the continuance of an event of default by the District with respect to the Series 2019 Bonds, no implied covenants or obligations shall be read into this Agreement against the County (including its Board of Supervisors, officers, agents and employees and (b) the District further agrees to indemnify, defend and save the County (including its Board of Supervisors, officers, agents and employees) harmless against any and all liabilities, costs, expenses, damages and claims which it may incur in the exercise and performance of its powers and duties hereunder which are not due to its negligence or bad faith, and the District shall also reimburse the County (including its Board of Supervisors, officers, agents and employees) for any legal or other costs and expenses incurred in connection with investigating or defending any such liabilities or claims which are not due to its negligence or bad faith.

SECTION 9.06. *Destruction of Canceled Series 2019 Bonds.* Whenever in this Agreement provision is made for the surrender to the District of any Series 2019 Bonds which have been paid or canceled under the provisions of this Agreement, a certificate of destruction duly executed by the Paying Agent shall be deemed to be the equivalent of the surrender of such canceled Series 2019 Bonds and the District shall be entitled to rely upon any statement of fact contained in any certificate with respect to the destruction of any such Series 2019 Bonds therein referred to.

SECTION 9.07. *Partial Invalidity.* If any section, paragraph, sentence, clause or phrase of this Agreement shall for any reason be held illegal or unenforceable, such holding shall not affect the validity of the remaining portions of this Agreement. The District hereby declares that it would have adopted this Agreement and each and every other section, paragraph, sentence, clause or phrase hereof and authorized the issue of the Series 2019 Bonds pursuant thereto irrespective of the fact that any one or more sections, paragraphs, sentences, clauses, or phrases of this Agreement may be held illegal, invalid or unenforceable. If, by reason of the judgment of any court, the District is rendered unable to perform its duties hereunder, all such duties and all of the rights and powers of the District hereunder shall be assumed by and vest in the Deputy Superintendent/Chief Financial Officer of the District in trust for the benefit of the Series 2019 Bond Owners.

SECTION 9.08. *Payment on Business Days.* Whenever in this Agreement any amount is required to be paid on a day which is not a Business Day, such payment shall be required to be made on the Business Day immediately following such day, provided that interest shall not accrue from and after such day.

SECTION 9.09. *Notices.* Any notice, request, complaint, demand or other communication under this Agreement shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or by telecopy or other form of telecommunication, at its number set forth below. Notice shall be effective either (a) upon transmission by facsimile transmission or other form of telecommunication, (b) 48 hours after deposit in the United States mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The District or the Paying Agent may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

If to the District:

Tracy Unified School District
1875 W. Lowell Avenue
Tracy, California 95376-4095
Attn: Associate Superintendent, Business Services

If to the Paying Agent:

The Bank of New York Mellon Trust Company, N.A.
2001 Bryan Street, 11th Floor
Dallas, TX 75201
Attention: Corporate Trust Department

SECTION 9.10. *Unclaimed Moneys.* Anything in this Agreement to the contrary notwithstanding, subject to the laws of the State of California, any moneys held by the Paying Agent for the payment and discharge of any of the Series 2019 Bonds which remain unclaimed for two years after the date when such Series 2019 Bonds have become due and payable, either at their stated maturity dates, if such moneys were held by the Paying Agent at such date, or for two years after the date of deposit of such moneys if deposited with the Paying Agent after said date when such Series 2019 Bonds become due and payable, shall, at the Written Request of the District, be repaid by the Paying Agent to the District, as its absolute property and free from trust, and the Paying Agent shall thereupon be released and discharged with respect thereto and the Series 2019 Bond Owners shall look only to the District for the payment of such Bonds; *provided, however,* that before being required to make any such payment to the District, the Paying Agent shall, at the expense of the District, cause to be mailed to the Owners of all such Bonds, at their respective addresses appearing on the Registration Books, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall not be less than 30 days after the date of mailing of such notice, the balance of such moneys then unclaimed will be returned to the District.

SECTION 9.11. *Execution in Several Counterpart.* This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the District and the Paying Agent shall preserve undestroyed, shall together constitute but one and the same instrument.

SECTION 9.12. *Governing Law.* This Agreement shall be construed and governed in accordance with the laws of the State of California.

[Signature page on following page]

IN WITNESS WHEREOF, the TRACY UNIFIED SCHOOL DISTRICT has caused this Agreement to be signed in its name by its duly authorized officers and The Bank of New York Mellon Trust Company, N.A., in token of its acceptance of the trust created hereunder, has caused this Agreement to be signed in its corporate name by its duly authorized officer, all as of the day and year first above written.

TRACY UNIFIED SCHOOL DISTRICT

By _____
Associate Superintendent,
Business Services

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

By _____
Authorized Officer

APPENDIX A

FORM OF SERIES 2019 BOND

REGISTERED BOND NO.

***\$ _____ ***

**GENERAL OBLIGATION BONDS OF
SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 3 OF
TRACY UNIFIED SCHOOL DISTRICT
(San Joaquin County, California)
2014 Election, Series 2019**

INTEREST RATE: _____ **MATURITY DATE:** _____ **DATED AS OF:** _____ **CUSIP**
_____ % per annum August 1, 20__

REGISTERED OWNER: Cede & Co.

PRINCIPAL AMOUNT:

The Tracy Unified School District (the "District"), located in San Joaquin County, California (the "County"), for value received, hereby promises to pay to the Registered Owner named above, or registered assigns, the Principal Amount on the Maturity Date, each as stated above, and interest thereon, calculated on a 30/360 day basis, until the Principal Amount is paid or provided for, at the Interest Rate stated above, such interest to be paid on February 1 and August 1 of each year, commencing February 1, 2020 (the "Interest Payment Dates"). This Bond will bear interest from the Interest Payment Date next preceding the date of authentication hereof, unless (a) it is authenticated as of a business day following the 15th day of the month immediately preceding any Interest Payment Date and on or before such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (b) it is authenticated on or before January 15, 2020, in which event it shall bear interest from the dated date. The principal hereof and interest hereon are payable in lawful money of the United States of America to the person in whose name this Bond is registered (the "Registered Owner") on the Bond registration books maintained by the paying agent, initially The Bank of New York Mellon Trust Company, N.A., at its corporate trust office in Dallas, Texas (the "Paying Agent").

This Bond is one of a series of \$23,000,000 of bonds issued for the purpose of raising money for the acquisition, construction and rehabilitation of school facilities in Improvement District No. 3 of the District formed under the provisions of the California Education Code (the "Improvement District"), issued under a resolution of the Board of Trustees of the District adopted on September 10, 2019 (the "Bond Resolution"), under Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code,

commencing with Section 53506 of said Code (the “Bond Law”) and under a Paying Agent Agreement dated as of October 1 (the “Paying Agent Agreement”), between the District and the Paying Agent.

The Bonds are general obligations of the District with respect to the Improvement District. The Board has the power to direct the County to levy *ad valorem* taxes upon all property within the Improvement District that is subject to taxation by the District, without limitation of rate or amount, for the payment of the Bonds and the interest and redemption premium (if any) thereon. The Bonds, including the interest thereon, are payable solely from taxes levied under Sections 15250 and 15252 of the California Education Code. The Bonds are secured by a statutory lien on all revenues received pursuant to the levy and collection of the voter-approved tax for the Bonds.

The principal of and interest on this Bond do not constitute a debt of the County, the State of California, or any of its political subdivisions other than the District, or any of the officers, agents and employees thereof, and neither the County, the State of California, any of its political subdivisions, nor any of the officers, agents and employees thereof shall be liable hereon.

The Bonds of this issue are issuable only as fully registered Bonds in the denominations of \$5,000 or any integral multiple thereof. This Bond is exchangeable and transferable for Bonds of other authorized denominations at the principal corporate trust office of the Paying Agent, by the Registered Owner or by a person legally empowered to do so, upon presentation and surrender hereof to the Paying Agent, together with a request for exchange or an assignment signed by the Registered Owner or by a person legally empowered to do so, in a form satisfactory to the Paying Agent, all subject to the terms, limitations and conditions provided in the Bond Resolution and the Paying Agent Agreement. Any tax or governmental charges shall be paid by the transferor. The District and the Paying Agent may deem and treat the Registered Owner as the absolute owner of this Bond for the purpose of receiving payment of or on account of principal or interest and for all other purposes, and neither the District nor the Paying Agent shall be affected by any notice to the contrary.

The Bonds maturing on or before August 1, 20__ are not subject to redemption prior to their respective stated maturities. The Bonds maturing on or after August 1, 20__ are subject to redemption prior to maturity, as a whole or in part, in order of maturity as designated by the District, or if not designated, pro-rata among maturities and by lot within a maturity, at the option of the District, from any available source of funds, on August 1, 20__ and on any date thereafter, at a redemption price equal to the principal amount thereof together with accrued interest thereon to the date fixed for redemption, without premium. For the purpose of selection for optional redemption, Bonds will be deemed to consist of \$5,000 portions.

The Bonds maturing on August 1, 20__ (the “Term Bonds”), are subject to mandatory sinking fund redemption in part by lot, on August 1 of each year in accordance with the respective schedules set forth below. The Term Bonds so called for mandatory sinking fund redemption will be redeemed at the principal amount of such Term Bonds to be redeemed to the date fixed for redemption, without premium.

Term Bonds Maturing August 1, 2042

| Redemption Date (August 1) | Sinking Fund Redemption |
|---------------------------------------|------------------------------------|
|---------------------------------------|------------------------------------|

The Paying Agent shall give notice of the redemption of the Bonds at the expense of the District. Such notice shall specify: (a) that the Bonds or a designated portion thereof are to be redeemed, (b) the numbers and CUSIP numbers of the Bonds to be redeemed, (c) the date of notice and the date of redemption, (d) the place or places where the redemption will be made, and (e) descriptive information regarding the Bonds including the dated date, interest rate and stated maturity date. Such notice shall further state that on the specified date there shall become due and payable upon each Bond to be redeemed, the portion of the principal amount of such Bond to be redeemed, together with interest accrued to said date, and that from and after such date interest with respect thereto shall cease to accrue and be payable.

Notice of redemption shall be by registered or otherwise secured mail or delivery service, postage prepaid, to the registered owner of the Bonds, or if the original purchaser is a syndicate, to the managing member of such syndicate, to a municipal registered securities depository and to a national information service that disseminates securities redemption notices and, by first class mail, postage prepaid, to the District and the respective Owners of any Bonds designated for redemption at their addresses appearing on the Bond registration books, in every case at least 30 days, but not more than 60 days, before the redemption 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 redemption of such Bonds.

Neither the District nor the Paying Agent will be required: (a) to issue or transfer any Bond during a period beginning with the opening of business on the 15th calendar day next preceding either any Interest Payment Date or any date of selection of any Bond to be redeemed and ending with the close of business on the Interest Payment Date or a day on which the applicable notice of redemption is given; or (b) to transfer any Bond which has been selected or called for redemption in whole or in part.

Reference is made to the Bond Resolution, the Bond Law and the Paying Agent Agreement for a more complete description of the provisions, among others, with respect to the nature and extent of the security for the Bonds of this series, the rights, duties and obligations of the District, the Paying Agent and the Registered Owners, and the terms and conditions upon which the Bonds are issued and secured. The owner of this Bond assents, by acceptance hereof, to all of the provisions of the Bond Resolution, the Bond Law and the Paying Agent Agreement.

This Bond shall be not be valid or obligatory for any purpose and shall not be entitled to any security or benefit under the Bond Resolution, the Bond Law and the Paying Agent Agreement until the Certificate of Authentication below has been manually signed by the Paying Agent.

It is hereby certified, recited and declared that all acts and conditions required by the Constitution and laws of the State of California to exist, to be performed or to have been met precedent to and in the issuing of the Bonds in order to make them legal, valid and binding general obligations of the District, have been performed and have been met in regular and due form as required by law; that payment in full for the Bonds has been received; that no statutory or constitutional limitation on indebtedness or taxation has been exceeded in issuing the Bonds; and that due provision has been made for levying and collecting *ad valorem* property taxes on all of the taxable property within the District in an amount sufficient to pay principal and interest when due following the Crossover Date, and for levying and collecting such taxes the full faith and credit of the District are hereby pledged.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Paying Agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), 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 in this Bond.

IN WITNESS WHEREOF, the Tracy Unified School District has caused this Bond to be executed by the manual or facsimile signature of the President of its Board of Trustees, and attested by the manual or facsimile signature of the Secretary of the Board, all as of the date stated above.

TRACY UNIFIED SCHOOL DISTRICT

By _____
President
Board of Trustees

Attest:

Secretary of the Board

FORM OF CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds described in the Paying Agent Agreement referred to herein.

Date of Authentication: _____

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

By _____
Authorized Signatory

FORM OF ASSIGNMENT

For value received, the undersigned do(es) hereby sell, assign and transfer unto

(Name, Address and Tax Identification or Social Security Number of Assignee)

the within Bond and do(es) hereby irrevocably constitute and appoint _____, attorney, to transfer the same on the registration books of the Bond Registrar, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

Note: Signature(s) must be guaranteed by a an eligible guarantor institution.

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

\$ _____
**General Obligation Bonds of
School Facilities Improvement District No. 3 of
TRACY UNIFIED SCHOOL DISTRICT
(San Joaquin County, California)
2014 Election, Series 2019**

BOND PURCHASE AGREEMENT

October 3, 2019

Board of Education
Tracy Unified School District
1875 West Lowell Avenue
Tracy, California 95376

Ladies and Gentlemen:

Raymond James & Associates, Inc., as underwriter (the "Underwriter"), acting on its own behalf and not as fiduciary or agent for the hereinafter defined District, offers to enter into this Bond Purchase Agreement (this "Purchase Agreement") with the Tracy Unified School District (the "District"), which, upon acceptance hereof by the District, will be binding upon the District and the Underwriter. This offer is made subject to the written acceptance of this Purchase Agreement by the District and delivery of such acceptance to the Underwriter at its office prior to 11:59 p.m., California Time, on the date hereof.

1. **Purchase and Sale of the Bonds.** Upon the terms and conditions and in reliance upon the representations, warranties and agreements herein set forth, the Underwriter hereby agrees to purchase from the District for reoffering to the public, and the District hereby agrees to sell to the Underwriter for such purpose, all (but not less than all) of \$_____ in aggregate principal amount of General Obligation Bonds of School Facilities Improvement District No. 3 of Tracy Unified School District (San Joaquin County, California) 2014 Election, Series 2019 (the "Bonds"). The Underwriter shall purchase the Bonds at a purchase price of \$_____ (representing the principal amount of the Bonds, plus net original issue premium of \$_____, less Underwriter's discount of \$_____).

The Bonds are issued under the provisions of a resolution adopted by the Board of Trustees of the District on September 10, 2019 (the "Bond Resolution") and the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Bond Law"), for the purpose of financing educational projects approved by District voters at the November 4, 2014 election, as more particularly described in the Bond Resolution.

The District acknowledges and agrees that (i) the purchase and sale of the Bonds pursuant to this Purchase Agreement is an arm's-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) in connection with such transaction, including the process leading thereto, the Underwriter is and has been acting solely as a principal and not as an agent or a fiduciary of the District, (iii) the Underwriter has not assumed (individually or collectively) an

advisory or a fiduciary responsibility in favor of the District with respect to (x) the offering of the Bonds or the process leading thereto (whether or not the Underwriter or any affiliate of the Underwriter has advised or is currently advising the District on other matters) or (y) any other obligation to the District except the obligations expressly set forth in this Purchase Agreement and (iv) the District has consulted with its own legal, financial and other professional advisors to the extent it deemed appropriate in connection with the offering of the Bonds. The District acknowledges that it has previously provided the Underwriter with an acknowledgment of receipt of the required Underwriter disclosure under Rule G-17 of the Municipal Securities Rulemaking Board (the "MSRB").

2. **The Bonds.** The Bonds shall be dated their date of delivery, and shall otherwise be as described in, and shall be issued and secured pursuant to, the provisions of the Bond Resolution and the Bond Law.

The Bonds shall bear interest at the rates, and shall mature in the years shown on Appendix A hereto, which is incorporated herein by this reference.

The Bonds shall be executed and delivered under and in accordance with the provisions of this Purchase Agreement and the Bond Resolution. The Bonds shall be in book-entry form, shall bear CUSIP numbers, shall be in fully registered form initially, registered in the name of Cede & Co., as nominee of the Depository Trust Company ("DTC").

3. **Redemption.** The Bonds shall be subject to redemption as provided in the Bond Resolution and in Appendix A hereto.

4. **Use of Documents.** The District hereby authorizes the Underwriter to use, in connection with the offer and sale of the Bonds, this Purchase Agreement, a Preliminary Official Statement and an Official Statement (both as defined below), the Bond Resolution, the Continuing Disclosure Certificate (as defined in Section 8(i)) and all information contained herein and therein and all of the documents, certificates, or statements furnished by the District to the Underwriter in connection with the transactions contemplated by this Purchase Agreement.

5. **Public Offering of the Bonds.** The Underwriter agrees to make a bona fide public offering of all the Bonds at the initial public offering prices or yields to be set forth on the inside cover page of the Official Statement and in Appendix A hereto. Subsequent to such initial public offering, 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 Bonds. The Bonds 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 Bonds 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.

6. **Review of Official Statement.** The Underwriter hereby represents that it has received and reviewed the Preliminary Official Statement with respect to the Bonds, dated _____, 2019 (the "Preliminary Official Statement"). The District represents that the Preliminary Official Statement was "deemed final" as of the date thereof, for purposes of Securities and Exchange Commission Rule 15c2-12 ("Rule 15c2-12"), except for either revisions or additions to the offering price(s), interest rate(s), yield(s) to maturity, Underwriter's discount, aggregate principal amount, principal amount per maturity, delivery date, rating(s), redemption provisions

and other terms of the Bonds which depend upon the foregoing as provided in and pursuant to Rule 15c2-12. The District hereby ratifies, confirms and approves of the use and distribution by the Underwriter prior to the date hereof of the Preliminary Official Statement. The District does not object to distribution of the Preliminary Official Statement in electronic form.

The Underwriter agrees that prior to the time the final Official Statement (as defined in Section 10(b)) relating to the Bonds is available, the Underwriter will send to any potential purchaser of the Bonds, upon the request of such potential purchaser, a copy of the most recent Preliminary Official Statement. Such Preliminary Official Statement shall be sent by first class mail or electronically (or other equally prompt means) not later than the first business day following the date upon which each such request is received. The District does not object to distribution of the final Official Statement in electronic form.

7. **Closing.** At 8:00 a.m., California Time, on October 17, 2019 or at such other time or on such other date as shall have been mutually agreed upon by the District and the Underwriter (such payment and delivery herein called the "Closing," and the date thereof the "Closing Date"), the District will deliver to the Underwriter, through the facilities of DTC utilizing DTC's FAST delivery system, or at such other place as the District and the Underwriter may mutually agree upon, the Bonds in fully registered book-entry form, duly executed and registered in the name of Cede & Co., as nominee of DTC, and at the offices of Jones Hall, A Professional Law Corporation, in San Francisco, California ("Bond Counsel"), the other documents hereinafter mentioned, and the Underwriter will accept such delivery and pay the purchase price thereof set forth in Section 1 hereof in immediately available funds by check, draft or wire transfer to or upon the order of the District.

8. **Representations, Warranties and Agreements of the District.** The District hereby represents, warrants and agrees with the Underwriter that:

- (a) Due Organization. The District is and will be on the Closing Date a school district duly organized and validly existing under the laws of the State of California, with the power to issue the Bonds pursuant to the Bond Law, to adopt the Bond Resolution and to enter into this Purchase Agreement, and the Continuing Disclosure Certificate (as defined in paragraph (i) below).
- (b) Due Authorization. (i) At or prior to the Closing, the District will have taken all action required to be taken by it to authorize the issuance and delivery of the Bonds; (ii) the District has full legal right, power and authority to enter into this Purchase Agreement and the Continuing Disclosure Certificate, to adopt the Bond Resolution, to perform its obligations under each such document or instrument, and to carry out and effectuate the transactions contemplated by this Purchase Agreement and the Continuing Disclosure Certificate and the Bond Resolution; (iii) the execution and delivery or adoption of, and the performance by the District of the obligations contained in the Bonds, the Bond Resolution, the Continuing Disclosure Certificate and this Purchase Agreement have been duly authorized and such authorization shall be in full force and effect at the time of the Closing; (iv) this Purchase Agreement and the Continuing Disclosure Certificate constitute valid and legally binding obligations of the District enforceable in accordance with their respective terms; and (v) the District has duly

authorized the consummation by it of all transactions contemplated by this Purchase Agreement.

- (c) Consents. No consent, approval, authorization, order, filing, registration, qualification, election or referendum, of or by any court or governmental agency or public body whatsoever is required in connection with the issuance, delivery or sale of the Bonds, the execution and delivery of this Purchase Agreement and the Continuing Disclosure Certificate or the consummation of the other transactions effected or contemplated herein or hereby. The District gives no representation or warranty with regard to compliance with Blue Sky or similar securities requirements.
- (d) Internal Revenue Code. The District has complied with the Internal Revenue Code of 1986, as amended, with respect to the Bonds, and the District shall not knowingly take or omit to take any action that, under existing law, may adversely affect the exclusion from gross income for federal income tax purposes, or the exemption from any applicable State tax of the interest on the Bonds.
- (e) No Conflicts. To the best knowledge of the District, the issuance of the Bonds, and the execution, delivery and performance of this Purchase Agreement, the Bond Resolution, the Continuing Disclosure Certificate and the Bonds, and the compliance with the provisions hereof and thereof, do not conflict with or constitute on the part of the District a violation of or material default under the Constitution of the State of California or any existing law, charter, ordinance, regulation, decree, order or resolution and do not conflict with or result in a violation or breach of, or constitute a material default under, any agreement, indenture, mortgage, lease or other instrument to which the District is a party or by which it is bound or to which it is subject.
- (f) Litigation. As of the time of acceptance hereof no action, suit, proceeding, hearing or investigation is pending or, to the best knowledge of the District, threatened against the District: (i) in any way affecting the existence of the District or the Improvement District or in any way challenging the respective powers of the several offices or of the title of the officials of the District to such offices; or (ii) seeking to restrain or enjoin the sale, issuance or delivery of any of the Bonds, the application of the proceeds of the sale of the Bonds, or the collection or the levy of any taxes contemplated by the Bond Resolution and available to pay debt service on the Bonds or in any way contesting or affecting the validity or enforceability of the Bonds, this Purchase Agreement, the Continuing Disclosure Certificate or the Bond Resolution or contesting the powers of the District or the Bond Resolution or this Purchase Agreement or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement; or (iii) in which a final adverse decision could (a) materially adversely affect the operations of the District or the consummation of the transactions contemplated by this Purchase Agreement or the Bond Resolution, (b) declare this Purchase Agreement to be invalid or unenforceable in whole or in material part, or (c) adversely affect the exclusion of the interest paid on

the Bonds from gross income for federal income tax purposes and the exemption of such interest from California personal income taxation.

- (g) No Other Debt. Between the date hereof and the Closing, without the prior written consent of the Underwriter, the District nor any governmental agency or other public body on behalf of the District will have issued any bonds, notes or other obligations for borrowed money except for such borrowings as may be described in or contemplated by the Official Statement.
- (h) Certificates. Except as specifically provided, any certificates signed by any officer of the District and delivered to the Underwriter shall be deemed a representation and warranty by the District to the Underwriter, but not by the person signing the same, as to the statements made therein.
- (i) Continuing Disclosure. The District shall undertake, pursuant to the Bond Resolution, the Continuing Disclosure Certificate with respect to the Bonds in substantially the form attached as Appendix E of the Preliminary Official Statement (the "Continuing Disclosure Certificate") and Rule 15c2-12, to provide certain annual financial information and notices of the occurrence of certain events described therein. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the final Official Statement. Except as otherwise described in the Preliminary Official Statement and the Official Statement, the District has not failed during the previous five years to comply in all material respects with any previous undertakings made pursuant to written continuing disclosure certificates and/or agreements under Rule 15c2-12.
- (j) Official Statement Accurate and Complete. The Preliminary Official Statement, at the date thereof and hereof, did not and does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. At the date hereof and on the Closing Date, the final Official Statement did not and will not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. If the Official Statement is supplemented or amended pursuant to Section 10(c) of this Purchase Agreement, 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 Closing Date, 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.
- (k) Financial Information. The financial statements of, and other financial information regarding the District contained in the Preliminary Official Statement and the Official Statement fairly present the financial position of

the District as of the dates and for the periods therein set forth, (i) the audited financial statements have been prepared in accordance with generally accepted accounting principles consistently applied, (ii) the unaudited financial statements (if any) have been prepared on a basis substantially consistent with the audited financial statements included in the Official Statement and reflect all adjustments necessary to that affect, and (iii) the other financial information has been determined on a basis substantially consistent with that of the District's audited financial statements included in the Official Statement. Since the date of the Preliminary Official Statement, there has been no adverse change of a material nature to such financial position. The District is not a party to any litigation or other proceedings pending, or to its best knowledge, threatened, which, if decided adversely to the District, would have a materially adverse effect on the financial condition of the District.

- (l) No Financial Advisory Relationship. The District has had no financial advisory relationship with the Underwriter with respect to the Bonds, nor with any investment firm controlling, controlled by or under common control with the Underwriter.
- (m) Underwriter Not Fiduciary. Inasmuch as this purchase and sale represents a negotiated transaction, the District understands, and hereby confirms, that the Underwriter is not acting as a fiduciary of the District, but rather is acting solely in its capacity as Underwriter, for its own account.
- (n) Levy of Tax. The District hereby agrees to take any and all actions as may be required by San Joaquin County (the "County") or otherwise necessary in order to arrange for the levy and collection of taxes and payment of the Bonds. In particular, the District hereby agrees to provide to the Treasurer-Tax Collector for the County a copy of the Bond Resolution, a copy of Appendix A hereto, and the full debt service schedule for the Bonds, in accordance with Education Code Sections 15250 et seq., Government Code Section 53559 and policies and procedures of the County.

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

- (a) The execution and delivery hereof and the consummation of the transactions contemplated hereby does not and will not violate any of the prohibitions set forth in Rule G-37 promulgated by the MSRB;
- (b) All reports required to be submitted to the MSRB pursuant to Rule G-37 have been or will be submitted to the MSRB; and
- (c) The Underwriter has not paid or agreed to pay, nor will it pay or agree to pay, any entity, company, firm, or person (including, but not limited to the District's financial advisor, or any officer, agent or employee thereof), other than a bona fide officer, agent or employee working for Underwriter, any

compensation, fee, gift or other consideration contingent upon or resulting from the award of or entering into this Purchase Agreement.

10. **Covenants of the District.** The District covenants and agrees with the Underwriter that:

- (a) Securities Laws. The District will furnish such information, execute such instruments, and take such other action in cooperation with, and at the expense of, the Underwriter if and as the Underwriter may reasonably request in order to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and jurisdictions, provided, however, that the District shall not be required to consent to service of process in any jurisdiction in which they are not so subject as of the date hereof.
- (b) Official Statement. The District hereby agrees to deliver or cause to be delivered to the Underwriter, not later than the seventh 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 and all appendices, exhibits, maps, reports and statements included therein or attached thereto being called the "Official Statement") in such reasonable quantities as may be requested by the Underwriter not later than five business days following the date this Purchase Agreement is signed, in order to permit the Underwriter to comply with paragraph (b)(4) of Rule 15c2-12 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 Bonds.
- (c) Subsequent Events; Amendments to Official Statement. If between the date hereof and the date which is 25 days after the End of the Underwriting Period for the Bonds (determined pursuant to Section 17), an event occurs which would cause the information contained in the final Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading, the District will notify the Underwriter, and, if in the opinion of the District or the Underwriter, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the District will forthwith prepare and furnish to the Underwriter (at the expense of the District) a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to the Underwriter) which will amend or supplement the Official Statement so that they will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to prospective purchasers, not misleading. If such notification shall be given subsequent to the Closing, the District also shall furnish, or cause to

be furnished, 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 the purposes of this subsection, between the date hereof and the date which is 25 days after the End of the Underwriting Period for the Bonds, the District will furnish such information with respect to itself as the Underwriter may from time to time reasonably request;

- (d) Application of Proceeds. The District will apply the proceeds from the sale of the Bonds for the purposes specified in the Bond Resolution.
- (e) Filings. The District authorizes the Underwriter to file, to the extent required by the applicable rules promulgated by the Securities and Exchange Commission or the MSRB, and the Underwriter agrees to file or cause to be filed, the Official Statement with (i) the MSRB or its designee (including the MSRB's Electronic Municipal Market Access system); or (ii) other repositories approved from time to time by the Securities and Exchange Commission (either in addition to or in lieu of the filing referred to above). If an amended Official Statement is prepared in accordance with Section 10(c) of this Purchase Agreement during the "Primary Offering Disclosure Period" (as defined herein), and if required by an applicable Securities and Exchange Commission Rule or MSRB rule, the Underwriter also shall make the required filings of the amended Official Statement. The "Primary Offering Disclosure Period" is used as defined in MSRB Rule G-32 and shall end on the twenty-fifth day after the Closing Date.

11. Establishment of Issue Price.

(a) Actions to Establish Price. The Underwriter agrees to assist the District in establishing the issue price of the Bonds and shall execute and deliver to the District at Closing an "issue price" or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Appendix B, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the District and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Bonds.

(b) 10% Test. Except for those maturities identified in Appendix A for which the Hold-The-Offering-Price Rule described in (c) below shall apply, the District will treat the first price at which 10% of each maturity of the Bonds (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). At or promptly after the execution of this Purchase Agreement, the Underwriter shall report to the District the price or prices at which it has sold to the public each maturity of Bonds.

(c) Initial Offering Prices; Hold-The-Offering-Price Rule. The Underwriter confirms that it has offered the Bonds to the public on or before the date of this Purchase Agreement at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in Appendix A, except as otherwise set forth therein. Appendix A also sets forth, as of the date of this Purchase Agreement, the maturities, if any, of the Bonds 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 Bonds, the Underwriter will neither offer nor sell unsold Bonds 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 Bonds 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 Bonds 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) Selling Group or Retail Distribution Agreements. The Underwriter confirms that any selling group agreement and any retail distribution agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer who is a member of the selling group and each broker-dealer that is a party to such retail distribution agreement, as applicable, to 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 (i) in the event a selling group has been created in connection with the initial sale of the Bonds 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, and (ii) in the event that a retail distribution agreement was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, if applicable, as set forth in the retail distribution 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 Bonds.

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

- (i) “public” means any person other than an underwriter or a related party,
- (ii) “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 Bonds 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 Bonds 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 Bonds to the public),

- (iii) a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) 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), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) “sale date” means the date of execution of this Purchase Agreement by all parties.

12. **Conditions to Closing.** The Underwriter has entered into this Purchase Agreement in reliance upon the representations, warranties and covenants of the District contained herein and the performance by the District, of its obligations hereunder, both as of the date hereof and as of the date of Closing. The Underwriter's obligations under this Purchase Agreement are and shall be conditioned upon the performance by the District of its obligations to be performed hereunder and under such documents and instruments at or prior to the Closing, and shall also be subject at the option of the Underwriter, to the following further conditions at the Closing:

- (a) Representations True. The representations and warranties of the District contained herein shall be true, complete and correct in all material respects at the date hereof and at and as of the Closing, as if made at and as of the Closing, and the statements made in all certificates and other documents delivered to the Underwriter at the Closing pursuant hereto shall be true, complete and correct in all material respects on the date of the Closing; and the District shall be in compliance with each of the agreements made by it in this Purchase Agreement.
- (b) Obligations Performed. At the time of the Closing, (i) the Official Statement, this Purchase Agreement, the Continuing Disclosure Certificate and the Bond Resolution shall be in full force and effect and shall not have been amended, modified or supplemented except as may have been agreed to in writing by the Underwriter; (ii) all actions under the Bond Law which, in the opinion of Bond Counsel, shall be necessary in connection with the transactions contemplated hereby, shall have been duly taken and shall be in full force and effect; and (iii) the District shall perform or have performed all of its obligations required under or specified in the Bond Resolution, this Purchase Agreement, the Continuing Disclosure Certificate or the Official Statement to be performed at or prior to the Closing.
- (c) Adverse Rulings. No decision, ruling or finding shall have been entered by any court or governmental authority since the date of this Purchase Agreement (and not reversed on appeal or otherwise set aside), or to the best knowledge of the District, pending or threatened which has any of the

effects described in Section 8(f) hereof or contesting in any way the completeness or accuracy of the Official Statement.

- (d) Marketability. Between the date hereof and the Closing Date, the market price or marketability or the ability of the Underwriter to enforce contracts for the sale of the Bonds, at the initial offering prices set forth in the Official Statement, shall not have been materially adversely affected 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 of the Treasury Department of the United States or the Internal Revenue Service or any member of the Congress or the State legislature or favorably reported for passage to either House of the Congress by any committee of such House to which such legislation has been referred for consideration, or a decision rendered by a court established under Article III of the Constitution of the United States or of the State or by the United States Tax Court, or an order, ruling, regulation (final, temporary or proposed) press release, official statement or other form of notice issued or made:
 - (i) by or on behalf of the United States Treasury Department or by or on behalf of the Internal Revenue Service or other governmental agency, with the purpose or effect, directly or indirectly, of causing inclusion in gross income for purposes of federal income taxation or State income taxation of the interest received on obligations of the general character of the Bonds, or of the interest on the Bonds as described in the Official Statement, or other actions or events shall have transpired that may have the purpose or effect, directly or indirectly, of changing federal income tax consequences or state income tax consequences of any of the transactions contemplated herein; or
 - (ii) by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction over the subject matter thereof, to the effect that the Bonds, or obligations of the general character of the Bonds, including any and all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended;
 - (2) the declaration of war or engagement in or material escalation of major military hostilities by the United States or the occurrence of any other national or international emergency or calamity or crisis relating to the effective operation of the government or the financial community in the United States;
 - (3) 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 or fixing of minimum or maximum prices

for trading or maximum ranges for prices on any national security exchange, whether by virtue of a determination of that exchange or by order of the Securities and Exchange Commission or any other governmental authority having jurisdiction or a material disruption in securities settlement payment or clearance services affecting the Bonds shall have occurred;

- (4) the imposition by the New York Stock Exchange, other national securities exchange, or any governmental authority, of any material restrictions not now in force with respect to the Bonds, or obligations of the general character of the Bonds, 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 underwriters;
- (5) an order, decree or injunction of any court of competent jurisdiction, or order, filing, regulation or official statement by the Securities and Exchange Commission, or any other governmental agency issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, as contemplated hereby or by the Official Statement, is or would be in violation of the federal securities laws, as amended and then in effect;
- (6) a decision by a court of the United States of America shall be rendered, or a stop order, release, regulation or no-action letter by or on behalf of the SEC or any other governmental agency having jurisdiction of the subject matter shall have been issued or made, to the effect that the issuance, offering or sale of the Bonds as contemplated by this Purchase Agreement or by the Official Statement, or any document relating to the issuance, offering or sale of the Bonds is or would be in violation of any provision of the federal securities laws at the Closing Date, including the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, and the Trust Indenture Act of 1939, as amended;
- (7) the withdrawal, suspension or downgrading or negative change in credit status, or notice of potential withdrawal, suspension or downgrading or negative change in credit status, of any underlying rating of the District's outstanding indebtedness by a national rating agency;
- (8) any event occurring, or information becoming known which 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 a material fact or omits to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading;

- (9) any fact or event shall exist or have existed that, in the Underwriter's judgment, requires or has required an amendment of or supplement to the Official Statement;
 - (10) any state Blue Sky or securities commission, or other governmental agency or body, shall have withheld registration, exemption or clearance of the offering of the Bonds as described herein, or issued a stop order or similar ruling relating thereto;
 - (11) any amendment shall have been made to the federal or State Constitution or action by any federal or State court, legislative body, regulatory body, or other authority materially adversely affecting the tax status of the District, its property, income securities (or interest thereon) or the validity or enforceability of the levy of taxes to pay principal of and interest on the Bonds;
 - (12) the purchase of and payment for the Bonds by the Underwriter, or the resale of the Bonds by the Underwriter, on the terms and conditions herein provided shall be prohibited by any applicable law, governmental authority, board, agency or commission;
 - (13) there shall have occurred since the date of this Purchase Agreement any materially adverse change in the affairs, management or financial condition of the District;
 - (14) the suspension by the Securities and Exchange Commission (the "SEC") of trading in the outstanding securities of the District;
 - (15) other disruptive events, occurrence or conditions in the securities or debt markets; or
 - (15) any proceeding shall have been commenced or threatened in writing by the SEC against the District.
- (e) Delivery of Documents. At or prior to the date of the Closing, the Underwriter shall receive two copies of the following documents in each case dated as of the Closing Date and satisfactory in form and substance to the Underwriter:
- (1) Bond Opinion and Reliance Letter. An approving opinion of Bond Counsel, as to the validity and tax-exempt status of the Bonds, dated the date of the Closing, addressed to the District and in substantially the form attached as Appendix D to the Official Statement, and a reliance letter from Bond Counsel, addressed to the Underwriter, to the effect that the Underwriter may rely upon such approving opinion;
 - (2) Supplemental Opinion. A supplemental opinion of Bond Counsel in form and substance satisfactory to the Underwriter, dated the Closing Date and addressed to the District and the Underwriter, to the effect that:

- (i) the description of the Bonds and the security for the Bonds and statements in the Official Statement on the cover page thereof and under the captions “INTRODUCTION,” “THE BONDS” (excluding any and all information contained with respect to the Book-Entry Only System of DTC), “TAX MATTERS” and “CONTINUING DISCLOSURE” to the extent they purport to summarize certain provisions of the Bond Resolution, the Continuing Disclosure Certificate and the form and content of Bond Counsel’s approving opinion regarding the treatment of interest on the Bonds under California or federal law, fairly and accurately summarize the matters purported to be summarized therein; provided that Bond Counsel need not express any opinion with respect to any financial or statistical data or forecasts, numbers, charts, estimates, projections, assumptions or expressions of opinion, or information relating to DTC or its book-entry only system included therein;
 - (ii) assuming due authorization, execution and delivery by the parties to this Purchase Agreement other than the District, this Purchase Agreement and the Continuing Disclosure Certificate have been duly authorized, executed and delivered by the District and constitute legal, valid and binding agreements of the District and are enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting generally the enforcement of creditors’ rights and except as their enforcement may be subject to the application of equitable principles and the exercise of judicial discretion in appropriate cases if equitable remedies are sought; and
 - (iii) the Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended, and the Bond Resolution is exempt from qualification as an indenture pursuant to the Trust Indenture Act of 1939, as amended;
- (3) Disclosure Counsel Letter. A letter of Jones Hall, A Professional Law Corporation, Disclosure Counsel, dated the Closing Date and addressed to the District and the Underwriter, to the effect that, without having undertaken to determine independently the accuracy or completeness of the statements contained in the Preliminary Official Statement and the final Official Statement, but on the basis of their participation in conferences with representatives of the District, the Underwriter and others, and their examination of certain documents, nothing has come to their attention which has led them to believe that the Preliminary Official Statement as of its date, and the final Official Statement as of its date and as of the Closing Date, contained any untrue statement of a material fact or omitted to state a 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 (except that no opinion or belief need be expressed as to any financial or statistical data, or information concerning DTC and the book-entry only system contained in the Preliminary Official Statement or the final Official Statement);

- (4) Certificates of the District. A certificate or certificates signed by an appropriate official of the District to the effect that (i) such official is authorized to execute this Purchase Agreement and the Continuing Disclosure Certificate, (ii) the representations, agreements and warranties of the District herein are true and correct in all material respects as of the date of Closing, (iii) the District has complied with all the terms of the Bond Resolution and this Purchase Agreement to be complied with by the District prior to or concurrently with the Closing and such documents are in full force and effect, (iv) such official has reviewed the Preliminary Official Statement and the final Official Statement and on such basis certifies that the Preliminary Official Statement did not as of its date, and the final Official Statement does not as of its date and as of the Closing Date, contain any untrue statement of a material fact, nor 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, (v) the Bonds being delivered on the date of the Closing to the Underwriter under this Purchase Agreement substantially conform to the descriptions thereof contained in the Bond Resolution, (vi) no further consent is required for inclusions of the audit in the Official Statement, and (vii) there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court or public body, pending or, to his or her knowledge, threatened against the District contesting in any way the completeness or accuracy of the Official Statement, the issuance of the Bonds by the District or the due adoption of the Bond Resolution; and (viii) no event concerning the District has occurred since the date of the Official Statement which has not been disclosed therein or in any supplement thereto, but should be disclosed in order to make the statements in the Official Statement in light of the circumstances in which they were made not misleading;
- (5) Arbitrage. A non-arbitrage certificate of the District in form satisfactory to Bond Counsel;
- (6) Bond Resolution. A certificate, together with fully executed copies of the Bond Resolution, of the Clerk of the District Board of Trustees to the effect that:
 - (i) such copies are true and correct copies of the Bond Resolution; and
 - (ii) the Bond Resolution was duly adopted and has not been modified, amended, rescinded or revoked and is in full force and effect on the date of the Closing;

- (7) Official Statement. Certificates of the appropriate officials of the District evidencing their determinations respecting the Preliminary Official Statement in accordance with the Rule;
 - (8) Continuing Disclosure Certificate. The Continuing Disclosure Certificate, duly executed by the District;
 - (9) Paying Agent Certificate. A written certificate of U.S. Bank National Association (the "Paying Agent"), executed by a duly authorized representative of the Paying Agent, dated the date of the Closing, to the effect that the Paying Agent is validly existing and has full power to enter into, accept and perform its duties under the Bond Resolution;
 - (10) Tax Rate and Bonding Capacity Certificates. A certificate signed by a District official setting forth a projection evidencing that tax rates required to be levied with respect to all bonds issued pursuant to the 2014 Authorization, including the Bonds, are projected not to exceed \$60 per \$100,000 of assessed value until the latest maturity, and a certificate signed by a County official confirming that the District is in compliance with applicable bonding capacity limitations;
 - (11) Underwriter's Counsel Opinion. An opinion of Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, as counsel to the Underwriter, dated the Closing Date and addressed to the Underwriter, in form and substance acceptable to the Underwriter;
 - (12) Rating. Evidence that the Bonds have been assigned the rating of "_____" by Moody's Investors Services as set forth on the cover page of the Official Statement, and that such rating has not been withdrawn or downgraded; and
 - (13) Other Documents. Such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter may reasonably request to evidence compliance (i) by the District with legal requirements, (ii) the truth and accuracy, as of the time of Closing, of the representations of the District herein contained, (iii) the truth and accuracy, as of the time of Closing, of the Official Statement and (iv) the due performance or satisfaction by the District at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the District.
- (f) Termination. Notwithstanding anything to the contrary herein contained, if for any reason whatsoever the Bonds shall not have been delivered by the District to the Underwriter prior to the close of business, California Time, on the Closing Date, then the obligation to purchase Bonds hereunder shall terminate and be of no further force or effect.

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 by this Purchase Agreement, this Purchase Agreement may be canceled by the Underwriter at, or at any time prior to, the time of Closing. Notice of such cancellation shall be given, to the District in writing, or by telephone or telegraph, confirmed in writing. Notwithstanding any provision herein to the contrary, the performance of any and all obligations of the District hereunder and the performance of any and all conditions contained herein for the benefit of the Underwriter may be waived by the Underwriter in writing at its sole discretion.

13. **Conditions to Obligations of the District.** The performance by the District of its obligations is conditioned upon (i) the performance by the Underwriter of its obligations hereunder; and (ii) receipt by the District and the Underwriter of the opinion and certificates being delivered at the Closing by persons and entities other than the District.

14. **Costs and Expenses.** Except as otherwise described herein, the District shall pay any expenses incident to the issuance of the Bonds, including but not limited to the following: (i) the fees and disbursements of the District's financial advisor; (ii) the fees and disbursements of Bond Counsel and Disclosure Counsel; (iii) the cost of the preparation, printing and delivery of the Bonds; (iv) the fees, if any, for Bond ratings, including all necessary travel expenses; (v) the cost of the printing and distribution of the Preliminary Official Statement and the Official Statement; (vi) the initial fees of the Paying Agent and (vii) all other fees and expenses incident to the issuance and sale of the Bonds. Such expenses shall be paid from the proceeds of the Bonds or any other lawfully available funds.

Except as provided above, all out-of-pocket expenses of the Underwriter, including but not limited to fees of Underwriter's counsel, California Debt and Investment Advisory Commission fees, travel and costs, shall be paid by the Underwriter.

15. **Notices.** Any notice or other communication to be given under this Purchase Agreement (other than the acceptance hereof as specified in the first paragraph hereof) may be given by delivering the same in writing if to the District, to the Superintendent (or Superintendent's designee), at the address set forth on page 1 hereof, or if to the Underwriter as follows:

Raymond James & Associates, Inc.
209 Avenida Del Mar, Suite 207
San Clemente, CA 92672
Attention: Randy Merritt

16. **Parties in Interest; Survival of Representations and Warranties.** This Purchase Agreement when accepted by the District in writing as heretofore specified shall constitute the entire agreement among the District and the Underwriter. This Purchase Agreement is made solely for the benefit of the District and the Underwriter (including the successors or assigns of the Underwriter). No person shall acquire or have any rights hereunder or by virtue hereof. All the representations, warranties and agreements of the District in this Purchase Agreement shall survive regardless of (a) any investigation or any statement in respect thereof made by or on behalf of the Underwriter, (b) delivery of and payment by the Underwriter for the Bonds hereunder, and (c) any termination of this Purchase Agreement.

17. **Determination of End of the Underwriting Period.** For purposes of this Purchase Agreement, the "end of the underwriting period" for the Bonds is used as defined in

Rule 15c2-12 and shall occur on the later of (a) the day of the Closing, or (b) when the Underwriter no longer retains an unsold balance of the Bonds. Unless otherwise advised in writing by the Underwriter on or prior to the Closing Date, or otherwise agreed to by the District, the District may assume that the “end of the underwriting period” is the Closing Date.

18. **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.

19. **Non-assignment.** Notwithstanding anything stated to the contrary herein, neither party hereto may assign or transfer its interest herein, or delegate or transfer any of its obligations hereunder, without the prior written consent of the other party hereto.

20. **Entire Agreement.** This Purchase Agreement, when executed by the parties hereto, shall constitute the entire agreement of the parties hereto (including their permitted successors and assigns, respectively).

21. **Execution in Counterparts.** This Purchase Agreement may be executed in several counterparts each of which shall be regarded as an original and all of which shall constitute but one and the same document.

[Signatures on the following page.]

22. **Applicable Law.** This Purchase Agreement shall be interpreted, governed and enforced in accordance with the law of the State of California applicable to contracts made and performed in the State of California.

Very truly yours,

RAYMOND JAMES & ASSOCIATES, INC.
as Underwriter

By: _____
Managing Director

The foregoing is hereby agreed to and accepted as of the date first above written:

TRACY UNIFIED SCHOOL DISTRICT

By: _____
Associate Superintendent of Business Services

Date of Execution: October 3, 2019

Time of Execution: _____ p.m.

[Signature page of Bond Purchase Agreement.]

APPENDIX A

Maturity Schedule

| <u>Maturity Date</u> | <u>Principal Amount</u> | <u>Interest Rate</u> | <u>Yield</u> | <u>Price</u> | <u>Applicable Issue Price Rule</u> |
|----------------------|-------------------------|----------------------|--------------|--------------|------------------------------------|
|----------------------|-------------------------|----------------------|--------------|--------------|------------------------------------|

C: Priced to first par call on August 1, 20__.
T: Term Bond.

Redemption Provisions

APPENDIX B

FORM OF ISSUE PRICE CERTIFICATE

\$ _____

**General Obligation Bonds of
School Facilities Improvement District No. 3 of
TRACY UNIFIED SCHOOL DISTRICT
(San Joaquin County, California)
2014 Election, Series 2019**

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of Raymond James & Associates, Inc. (the “Underwriter”), hereby certifies based upon information available to it as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”).

1. ***Sale of the 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 such Maturity was sold to the Public is the respective price listed in Schedule A.

2. ***Initial Offering Price of the Hold-the-Offering-Price Maturities.***

(a) The Underwriter offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A hereto (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.

(b) As set forth in the Bond Purchase Agreement, the Underwriter has agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Bonds 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 (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall 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. Pursuant to such agreement, 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 of the Bonds during the Holding Period.

3. ***Defined Terms.***

(a) ***General Rule Maturities*** means those Maturities of the Bonds listed in Schedule A hereto as the “General Rule Maturities.”

(b) **Hold-the-Offering-Price Maturities** means those Maturities of the Bonds 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) **Issuer** means Tracy Unified School District.

(e) **Maturity** means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(f) **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. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(g) **Sale Date** means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is October 3, 2019.

(h) **Underwriter** means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds 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 Bonds 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 Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Underwriter'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 Issuer with respect to certain of the representations set forth in the Certificates of Arbitrage and with respect to compliance with the federal income tax rules affecting the Bonds, and by Jones Hall, A Professional Law Corporation in connection with rendering its opinion that the interest on the Bonds 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 it may give to the Issuer from time to time relating to the Bonds. Notwithstanding anything set forth herein, the Underwriter is not engaged in the practice of law. Accordingly, the Underwriter 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.

Dated: [Closing Date]

RAYMOND JAMES & ASSOCIATES, INC.,
as Underwriter

By: _____
Managing Director

SCHEDULE A

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

(Attached)

**SCHEDULE B
PRICING WIRE OR EQUIVALENT COMMUNICATION**

(Attached)