This Preliminary Limited Offering Memorandum and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time of formal award by the issuer. Under no circumstances shall this Preliminary Limited Offering Memorandum constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

PRELIMINARY LIMITED OFFERING MEMORANDUM DATED JUNE 15, 2020

NEW ISSUE—FULL BOOK-ENTRY **NOT RATED**

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California ("Note Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Notes is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Note Counsel, interest (and original issue discount) on the Notes is exempt from State of California personal income tax. See the caption "TAX MATTERS" with respect to tax consequences concerning the Notes.

$6,500,000*
CALIFORNIA MUNICIPAL FINANCE AUTHORITY
REVENUE ANTICIPATION NOTES
(RIVER SPRINGS CHARTER SCHOOL)
SERIES 2020

Interest Rate: _____% **Yield: _____%** **CUSIP No.: _____**†

Dated: Date of Delivery **Due: June 15, 2021***

This cover page contains information for general reference only. It is not intended as a summary of this issue. Investors must read the entire Limited Offering Memorandum to obtain information essential to making an informed investment decision.

The California Municipal Finance Authority Revenue Anticipation Notes (River Springs Charter School) Series 2020, in the aggregate principal amount of $6,500,000* (the "Notes") will be issued by the California Municipal Finance Authority (the "Authority") pursuant to an Indenture, dated as of June 1, 2020 (the "Indenture"), by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee"). The Authority will loan the proceeds of the Notes to River Springs Charter School, Inc., a California nonprofit public benefit corporation (the "Borrower"), pursuant to a Loan Agreement, dated as of June 1, 2020 (the "Loan Agreement"), by and between the Authority and the Borrower. The Notes and the interest thereon are payable solely out of certain revenues and income received by the Authority or the Trustee pursuant to the Loan Agreement.

The proceeds of the Notes will be used to (i) finance working capital for the Borrower; and (ii) pay certain expenses incurred in connection with the issuance of the Notes. The Borrower operates a charter school known as River Springs Charter School (the "School").

The Notes are limited obligations of the Authority payable from Payments (as defined herein) received under the Indenture and other amounts held in the funds established thereby (except the Rebate Fund) and payments to be made pursuant to the Loan Agreement. The obligations of the Borrower under the Loan Agreement are payable from the Payments required to be deposited with the Trustee pursuant to the Indenture.

Interest on the Notes will be payable on June 15, 2021,* the maturity date of the Notes.

The Notes are being issued as fully registered notes and initially will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"). DTC will act as securities depository for the Notes. Purchases of beneficial interests in the Notes will be made in book-entry-only form (without physical certificates) in initial minimum denominations of $250,000 and any integral multiple of $5,000 in excess thereof. For so long as DTC or its nominee, Cede & Co., is the registered owner of the Notes, (i) payments of the principal of and premium, if any, and interest on such Notes will be made directly to Cede & Co. for payment to DTC participants for subsequent disbursement to the beneficial owners, and (ii) all notices, including any notice of redemption will be mailed only to Cede & Co. See "APPENDIX F – BOOK-ENTRY SYSTEM" attached hereto.

The Notes are subject to extraordinary redemption prior to maturity as described under "THE NOTES – Redemption" herein.

THE PURCHASE AND HOLDING OF THE NOTES INVOLVE RISKS THAT MAY NOT BE APPROPRIATE FOR CERTAIN INVESTORS. THE NOTES ARE TO BE OFFERED AND SOLD (INCLUDING IN SECONDARY MARKET TRANSACTIONS) ONLY TO "APPROVED BUYERS" (AS DEFINED HEREIN). IN ADDITION, THE INITIAL PURCHASERS OF THE NOTES WILL BE REQUIRED TO SUBMIT AN INVESTOR LETTER TO THE AUTHORITY AND THE TRUSTEE IN THE FORM ATTACHED HERETO AS APPENDIX H. See "NOTICE TO INVESTORS" and "TRANSFER RESTRICTIONS" herein and "APPENDIX H – FORM OF INVESTOR LETTER" attached hereto.

NONE OF THE AUTHORITY, ANY AUTHORITY MEMBER OR ANY PERSON EXECUTING THE NOTES IS LIABLE PERSONALLY ON THE NOTES OR SUBJECT TO ANY PERSONAL LIABILITY OR ACCOUNTABILITY BY REASON OF THEIR ISSUANCE. THE NOTES ARE LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM AND SECURED BY THE PLEDGE OF CERTAIN REVENUES UNDER THE INDENTURE. NEITHER THE AUTHORITY, ITS MEMBERS, THE STATE OF CALIFORNIA, NOR ANY OF ITS POLITICAL SUBDIVISIONS SHALL BE DIRECTLY, INDIRECTLY, CONTINGENTLY OR MORALLY OBLIGATED TO USE ANY OTHER MONEYS OR ASSETS TO PAY ALL OR ANY PORTION OF THE DEBT SERVICE DUE ON THE NOTES, TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATEVER THEREFOR OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE NOTES ARE NOT A PLEDGE OF THE FAITH AND CREDIT OF THE AUTHORITY, ITS MEMBERS, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS, NOR DO THEY CONSTITUTE INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION. THE AUTHORITY HAS NO TAXING POWER.

The Notes are offered when, as and if issued by the Authority and received by the Underwriter, subject to prior sale, modification or withdrawal of the offer without notice, and subject to the approval of legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Note Counsel to the Authority, the approval of certain matters for the Authority by Jones Hall, A Professional Law Corporation, the approval of certain matters for the Underwriter by Kutak Rock LLP, Los Angeles, California, as Underwriter's Counsel and the approval of certain matters for the Borrower and relating to the School by Linda Rhoads Parks, Esq., Brentwood, California. It is expected that the Notes in definitive form will be available for delivery through the facilities of The Depository Trust Company in New York, New York, on or about _____ __, 2020.

STIFEL

Dated: _____ __, 2020

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* Preliminary, subject to change.

† CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the Underwriter, the Authority, or the Borrower are responsible for the selection or correctness of the CUSIP numbers set forth herein.

This Limited Offering Memorandum does not constitute an offer to sell the Notes or the solicitation of an offer to buy, nor shall there be any sale of the Notes by any person in any state or other jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale in such state or jurisdiction. No dealer, salesperson or any other person has been authorized to give any information or to make any representation other than those contained herein in connection with the offering of the Notes, and, if given or made, such information or representation must not be relied upon.

The information set forth herein under the headings "THE AUTHORITY" and "ABSENCE OF MATERIAL LITIGATION – The Authority" has been furnished by the Authority. All other information set forth herein has been obtained from the Borrower and other sources that are believed to be reliable. The adequacy, accuracy or completeness of such information is not guaranteed by, and is not to be construed as a representation of, the Authority or the Underwriter. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Limited Offering Memorandum, nor any sale made hereunder, shall under any circumstances create any implication that there has been no change in the affairs of the Authority, The Depository Trust Company or the Borrower since the date hereof.

The Underwriter has provided the following sentence for inclusion in this Limited Offering Memorandum. The Underwriter has reviewed the information in this Limited Offering Memorandum in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of these transactions, but the Underwriter does not guarantee the accuracy or completeness of this information.

IN CONNECTION WITH THE OFFERING OF THE NOTES, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NOTES OFFERED HEREBY AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS LIMITED OFFERING MEMORANDUM

Certain statements included or incorporated by reference in this Limited Offering Memorandum constitute "forward-looking statements." Such statements generally are identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. Such forward-looking statements include but are not limited to certain statements contained in the information under the headings "CERTAIN RISK FACTORS," and "APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWER" in this Limited Offering Memorandum. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Borrower does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur.

NOTICE TO INVESTORS

The Notes are to be offered and sold (including in secondary market transactions) only to Approved Buyers (as defined herein). The Indenture under which the Notes will be issued contains provisions limiting transfers of the Notes and beneficial ownership interests in the Notes only to Approved Buyers. In addition, the face of each Note will contain a legend indicating that it is subject to transfer restrictions as set forth in the Indenture and the initial purchasers of the Notes will be required to execute and deliver to the Authority and the Trustee an investor letter in the form attached hereto as Appendix H.

Each purchaser of any Note or ownership interest therein will be deemed to have acknowledged, represented, warranted, and agreed with and to the Authority, the Borrower, the Underwriter and the Trustee as follows:

1. That the Notes are payable solely from certain revenues derived by the Authority under the Loan Agreement, from amounts received by the Trustee pursuant to the Intercepts, and from certain funds and accounts established and maintained pursuant to the Indenture;

2. That it is an Approved Buyer and that it is purchasing the Notes for its own account and not with a view to, or for offer or sale in connection with any distribution thereof in violation of the Securities Act or other applicable securities laws;

3. That the Notes (a) have not been registered under the Securities Act and are not registered or otherwise qualified for sale under the "blue sky" laws and regulations of any state, (b) will not be listed on any stock or other securities exchange, and (c) may not be readily marketable;

4. That such purchaser acknowledges that none of the Authority or any of its Board members, officers or employees takes any responsibility for, and the purchaser is not relying upon any such parties with respect to the information appearing anywhere in this Limited Offering Memorandum, other than the information under the headings "THE AUTHORITY," and "ABSENCE OF MATERIAL LITIGATION – The Authority" (collectively, the "Authority's Portion" of the Limited Offering Memorandum) and that none of such parties has participated in the preparation of this Limited Offering Memorandum;

5. That such purchaser acknowledges that the Notes and beneficial ownership interests therein may only be transferred to Approved Buyers; and

6. That the Authority, the Borrower, the Trustee, the Underwriter and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

See "TRANSFER RESTRICTIONS" herein.

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$6,500,000*
CALIFORNIA MUNICIPAL FINANCE AUTHORITY
REVENUE ANTICIPATION NOTES
(RIVER SPRINGS CHARTER SCHOOL)
SERIES 2020

INTRODUCTION

General

This Limited Offering Memorandum, including the cover page, the inside cover page, and Appendices hereto (the "Limited Offering Memorandum"), is provided to furnish information with respect to the sale and delivery of the California Municipal Finance Authority Revenue Anticipation Notes (River Springs Charter School) Series 2020, in the aggregate principal amount of $6,500,000* (the "Notes") issued by the California Municipal Finance Authority (the "Authority").

The Notes

The Notes will be issued pursuant to an Indenture, dated as of June 1, 2020 (the "Indenture"), by and between the Authority and U.S. Bank National Association, Los Angeles, California, as trustee (the "Trustee"). The Notes will bear interest on the maturity date of the Notes, June 15, 2021* (the "Interest Payment Date"), and will be subject to extraordinary redemption prior to maturity as set forth under "THE NOTES – Redemption" herein. The proceeds of the Notes will be loaned to River Springs Charter School, Inc. (the "Borrower"), a California nonprofit public benefit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), pursuant to a Loan Agreement, dated as of June 1, 2020 (the "Loan Agreement"), by and between the Authority and the Borrower. The Notes and the interest thereon are payable solely out of certain revenues and income received by the Authority or the Trustee pursuant to the Loan Agreement. See "THE NOTES" herein.

The Notes will be issued in initial minimum denominations of $250,000 and any integral multiple of $5,000 in excess thereof and in fully registered form only and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC") and beneficial ownership interests in the Notes are to be sold (including secondary market transactions) only to Approved Buyers. Pursuant to the Indenture, "Approved Buyer" means (1) a "qualified institutional buyer" as defined in Rule 144A promulgated under the Securities Act of 1933 (the "Securities Act"); (2) an "accredited investor" as defined in paragraphs (1) through (3) of subsection (a) of Section 501 ("Section 501") of Regulation D promulgated under the Securities Act; (3) an entity that is directly or indirectly wholly owned or controlled by the purchaser/bondholder representative (being a financial institution described in (1) above; (4) an "accredited investor" as defined in paragraph (5) of subsection (a) of Section 501, provided that the minimum net worth shall be $5,000,000; (5) an "accredited investor" as defined in paragraph (6) of subsection (a) of Section 501, provided that the minimum income (individual or joint) shall be $1,000,000; (6) an entity all of the investors in which are described in (1), (2) or (3) above; or (7) a custodian or trustee for a party described in (1), (2), (3), (4) or (5) above.

The Indenture and the Notes contain provisions limiting transfers of the Notes and beneficial ownership interests in the Notes to Approved Buyers. In addition, each initial purchaser of the Notes must execute an investor letter in the form of "APPENDIX H – FORMS OF INVESTOR LETTER" in connection with its initial purchase of Notes. The face of each Note will contain a legend indicating that such Note is subject to the transfer restrictions set forth in the Indenture. See "TRANSFER RESTRICTIONS" and "CERTAIN RISK FACTORS – Purchases and Transfers of Notes Restricted to Approved Buyers" herein.

* Preliminary, subject to change.

Authority for Issuance

The Notes will be issued by the Authority pursuant to Title 1, Division 7, Chapter 5 of the California Government Code, a resolution of the Authority adopted on May 15, 2020, and the Indenture. See "THE AUTHORITY" herein.

Use of Proceeds

The proceeds of the Notes will be used to (i) finance working capital for the Borrower; and (ii) pay certain expenses incurred in connection with the issuance of the Notes.

The Borrower was organized in June 2006 to operate as a charter school established pursuant to the Charter School Law. The Borrower currently operates a charter school known as River Springs Charter School (the "School"), which is a nonclassroom-based independent study program. See "STATE FUNDING OF EDUCATION – Allocation of State Funding to Charter Schools – Nonclassroom-Based Funding" herein.

For additional information regarding the Borrower, the School and the School's charters, see "APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWER" attached hereto.

Security for the Notes

General. The Notes and the interest thereon are payable solely out of certain revenues and income received by the Authority or the Trustee pursuant to the Loan Agreement and the Intercept (as defined below).

Pursuant to and to the extent described in the Indenture, the Authority assigns to the Trustee certain of the Authority's rights under the Loan Agreement, including the right to receive payments thereunder, but excluding certain Retained Rights, as defined in the Indenture. Pursuant to the Loan Agreement, the Borrower certifies that it will make payments directly to the Trustee for deposit in the Revenue Fund through the Intercept. See "SECURITY AND SOURCES OF PAYMENT FOR THE NOTES" herein.

The Notes are limited obligations of the Authority. The Authority is not obligated to advance any moneys derived from any source other than Payments (as defined below) and other assets pledged under the Indenture, whether for the payment of the principal or redemption price or interest with respect to the Notes. See "SECURITY AND SOURCES OF PAYMENT FOR THE NOTES" herein.

Intercept. As additional security for the Notes, concurrently with the issuance of the Notes, the Borrower will provide instructions (an "Intercept Direction") to the Riverside County Office of Education ("RCOE") with respect to the School to make apportionments (an "Intercept") of all apportionment payments for Local Control Funding Formula payments payable by the State to the Borrower attributable to the 2020-21 fiscal year in respect of the School (the "Apportionment Funds") to be received in the 2020-21 fiscal year on or after March 1, 2021* (the "Interceptable Revenues"), directly to the Trustee. Such amounts are expected to be sufficient to pay the amounts due under the Loan Agreement and other costs necessary or incidental to the Notes.

Funds received by the Trustee pursuant to the Intercept will be held in trust and will be disbursed, allocated and applied solely for the uses and purposes set forth in the Indenture, including the payment of debt service on the Notes. See "SECURITY AND SOURCES OF PAYMENT FOR THE NOTES" and "RISK FACTORS – Bankruptcy" below.

Prior Notes. On August 20, 2019, the Authority caused the issuance of the California Municipal Finance Authority Revenue Anticipation Notes (River Springs Charter School) Series 2019 (the "Prior Notes")

* Preliminary, subject to change.

pursuant to an Indenture, dated as of August 1, 2019 (the "Prior Notes Indenture"), between the Authority and Wilmington Trust, National Association, as trustee (the "Prior Notes Trustee"). The proceeds of sale of the Prior Notes were loaned to the Borrower pursuant to that certain Loan Agreement, dated as of August 1, 2019 (the "Prior Loan Agreement"), between the Authority and the Borrower.

On the date of issuance of the Notes, a portion of the proceeds of the Notes in the amount of $_____[*] will be deposited with the Prior Notes Trustee in order to prepay remaining amounts due under the Prior Loan Agreement and to defease the Prior Notes in accordance with the Prior Notes Indenture.

Other Obligations of Borrower. On November 24, 2015, the California School Finance Authority (the "Prior Issuer") issued its Educational Facility Revenue Bonds (River Springs Charter School Project) Series 2015A and 2015B (Taxable), in the aggregate original principal amount of $28,350,000 (the "2015 Bonds"). On December 28, 2017, the Prior Issuer issued its Educational Facility Revenue Bonds (River Springs Charter School), Series 2017A and Series 2017B (Taxable), in the aggregate original principal amount of $23,995,000 (the "2017 Bonds" and, together with the 2015 Bonds, the "Prior Bonds"). The Prior Bonds are currently outstanding in the aggregate principal amount of $49,190,000. The proceeds of the 2015 Bonds were loaned to the Borrower pursuant to a Loan Agreement, dated as of November 1, 2015, by and between the Prior Issuer and the Borrower, and the proceeds of the 2017 Bonds were loaned to the Borrower pursuant to a Loan Agreement, dated as of December 1, 2017, by and between the Prior Issuer and the Borrower (collectively, the "Bond Loan Agreements"). The 2015 Bonds mature in 2046 and the 2017 Bonds mature in 2052.

The Borrower's obligations under the Bond Loan Agreements are secured by a lien on and security interest on all revenues, income, cash receipts and other money received by the Borrower legally available for payment of the obligations of the Borrower thereunder. The Borrower's obligations are further secured by an intercept of State apportionments, whereby the State Controller's Office makes apportionments to U.S. Bank National Association, as trustee for the Prior Bonds (the "Prior Trustee"), in amounts sufficient to repay the Prior Bonds and related costs (the "Prior Intercepts").

The Borrower's obligations with respect to the Notes are payable on a *pro rata* basis with its obligations under the Bond Loan Agreements with respect to the Gross Revenues (to the extent such revenues are not intercepted or anticipated to be intercepted in connection with the Bond Loan Agreements). The Prior Intercepts are structurally senior in position to the Intercept relating to the Notes with regard to State apportionment funding, as the Prior Intercepts direct State apportionments to be sent directly by the State Controller's Office to the Prior Trustee before remaining amounts are remitted by the State to RCOE and available to fund the Intercept related to the Notes. See "SECURITY AND SOURCES OF PAYMENT FOR THE NOTES – The Loan Agreement – Gross Revenue Fund" and "CERTAIN RISK FACTORS – Other Obligations of Borrower; Subordinate Nature of Intercept" herein. Approximately $301,750 of State apportionments are expected to be directed by the State Controller's Office to U.S. Bank National Association, as trustee for the Prior Bonds, in each month from March through June 2021,[*] prior to the Intercept.

The Borrower expects to enter into an Intercreditor Agreement in connection with the issuance of the Notes, by and between the Borrower and U.S. Bank National Association, in its respective roles as the Trustee, the trustee for the 2015 Bonds, and the trustee for the 2017 Bonds (the "Intercreditor Agreement"), pursuant to which the Prior Trustee and the Trustee acknowledge that (i) neither the Borrower nor the Trustee have any claim to any moneys intercepted or anticipated to be apportioned to the Prior Trustee pursuant to the Prior Intercepts, (ii) subject to the foregoing clause, the Holders of the Notes, the holders of the 2015 Bonds and the holders of the 2017 Bonds are each entitled to a pro-rata share of all revenues, income, cash receipts and other moneys received by the Borrower legally available for payment of the obligations of the Borrower under the loan agreements relating to the Prior Bonds and the Loan Agreement, and (iii) the Prior Trustee and the

[*] Preliminary, subject to change.

Trustee, in their respective roles, will notify the other trustees that are party to the Intercreditor Agreement of any default in connection with the loan agreements relating to the Prior Bonds or the Loan Agreement.

Redemption

The Notes will be subject to extraordinary redemption as described below under "THE NOTES – Redemption."

Certain Risk Factors

The Notes may not be a suitable investment for all investors. Prospective purchasers of the Notes should read this entire Limited Offering Memorandum, including the appendices and the information under the section "CERTAIN RISK FACTORS" before making an investment in the Notes.

Miscellaneous

This Limited Offering Memorandum contains brief descriptions of, among other things, the Notes, the Indenture, the Loan Agreement, the Borrower and the School. All references in this Limited Offering Memorandum to documents are qualified in their entirety by reference to such documents, and references to the Notes are qualified in their entirety by reference to the form of the Notes included in the Indenture. The Borrower maintains a website providing additional information about itself and its operations. The information on such website is not included as part of, or incorporated by any reference in, this Limited Offering Memorandum. Any capitalized terms in this Limited Offering Memorandum that are not defined herein will have such meaning as given to them in the Indenture.

THE AUTHORITY

Under Title 1, Division 7, Chapter 5 of the California Government Code (the "JPA Act"), certain California cities, counties and special districts have entered into a joint exercise of powers agreement (the "JPA Agreement") forming the Authority for the purpose of exercising to powers common to the members and exercising the additional powers granted to the Authority by the JPA Act and any other applicable provisions of California law. Under the JPA Agreement, the Authority may issue bonds, notes or any other evidence of indebtedness, for any purpose or activity permitted under the JPA Act or any other applicable law.

The Authority may sell and deliver obligations other than the Notes. These obligations will be secured by instruments separate and apart from the Indenture and the Loan Agreement, and the holders of such other obligations of the Authority will have no claim on the security for the Notes. Likewise, the Holders of the Notes will have no claim on the security for such other obligations that may be issued by the Authority.

Neither the Authority nor its independent contractors has furnished, reviewed, investigated or verified the information contained in this Limited Offering Memorandum other than the information contained in this section and the section herein entitled "ABSENCE OF MATERIAL LITIGATION – The Authority." The Authority does not and will not in the future monitor the financial condition of the Borrower or otherwise monitor payment of the Notes or compliance with the documents relating thereto. Any commitment or obligation for continuing disclosure with respect to the Notes or the Borrower has been undertaken solely by the Borrower. See "CONTINUING DISCLOSURE" herein.

THE NOTES

The following is a summary of certain provisions of the Notes. Reference is made to the Notes for the complete text thereof and to the Indenture for all of the provisions relating to the Notes. The discussion herein is qualified by such reference.

General

The Notes are being issued pursuant to the Indenture in the aggregate principal amount set forth on the cover of this Limited Offering Memorandum. The Notes will initially be delivered as registered Notes in minimum denominations of $250,000 and any integral multiple of $5,000 in excess thereof ("Authorized Denominations"), and will be transferable and exchangeable only as set forth in the Indenture and as described herein.

The Notes will be dated the date of issuance. Interest on the Notes will be calculated on the basis of a 360-day year of twelve 30-day months and will be payable in arrears on the Interest Payment Date. The Notes will mature on June 15, 2021* (the "Principal Payment Date") in the amounts and will bear interest at the rate set forth on the cover page hereof; provided that upon the occurrence of and during the continuance of an Event of Default (as defined in "APPENDIX D – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" attached hereto), the Notes will bear interest at the rate of 8.00% per annum.*

The Notes, when issued, will be registered in the name of Cede & Co., as nominee of DTC, and will be evidenced by one Note for each maturity in the total aggregate principal amount of the Notes of such maturity. Registered ownership of the Notes, or any portion thereof, may not thereafter be transferred except as set forth in the Indenture. So long as Cede & Co. is the registered owner of the Notes, as nominee of DTC, references herein to the Noteholders, holders or registered owners will mean Cede & Co. as aforesaid and will not mean the "beneficial owners" of the Notes.

The principal and redemption price of and interest on the Notes will be payable in lawful money of the United States of America upon surrender at the principal corporate trust office of the Trustee. The interest on any Note will be payable to the person whose name appears on the registration books of the Trustee as the registered owner thereof as of the close of business on the fifteenth day of the calendar month immediately preceding the Interest Payment Date (the "Record Date"), such interest to be paid by check mailed by first class mail, postage prepaid, on the Interest Payment Date, to the registered owner at his or her address as it appears on such registration books. Notwithstanding the foregoing, however, any Holder of $1,000,000 or more in an aggregate principal amount of the Notes will be entitled to receive payments of interest on the Notes held by it by wire transfer of immediately available funds to such bank or trust company located within the United States of America as such Holder will designate in writing to the Trustee by the applicable Record Date for such payment. So long as Cede & Co. is the registered owner of the Notes, principal of and interest on the Notes are payable in same day funds by the Trustee to Cede & Co., as nominee for DTC.

Any interest not punctually paid or duly provided for will thereafter cease to be payable to the Noteholder on such Record Date and will be paid to the person in whose name the Note is registered at the close of business on the date established by the Trustee pursuant to the Indenture as a record date for the payment of such defaulted interest on the Notes (the "Special Record Date"). The Special Record Date will be fixed by the Trustee, notice thereof being given to the Noteholders not less than 10 days prior to such Special Record Date.

* Preliminary, subject to change.

Book-Entry Only System

DTC will act as securities depository for the Notes. The Notes will be issued as fully registered securities without coupons in Authorized Denominations. The Notes will be 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 Note certificate will be issued for each maturity of a Note set forth on the cover of this Limited Offering Memorandum, and will be deposited with DTC. For additional information regarding DTC and its book-entry only system, see "APPENDIX F – BOOK-ENTRY SYSTEM" attached hereto.

Transfer of Notes

Beneficial ownership interests in the Notes may not be purchased by, or transferred to, any person except an Approved Buyer. During any period of time when the Notes are not subject to a system of book-entry only transfers, any Notes may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of the Indenture, by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of any such Note for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. Whenever any Note or Notes shall be surrendered for transfer, the Authority will execute and the Trustee will authenticate and deliver a new Note or Notes, of the same maturity and for a like aggregate principal amount of Authorized Denominations. The Trustee will require the payment by the Holder requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer. The Trustee will not be required to register the transfer of any Note which has been selected for redemption in whole or in part, from and after the day of mailing of a notice of redemption of such Note selected for redemption in whole or in part as provided in the Indenture or during the period established by the Trustee for selection of Notes for redemption. The Notes are subject to certain transfer restrictions under the Indenture, as described herein under "TRANSFER RESTRICTIONS."

Exchange of Notes

Notes may be exchanged at the principal corporate trust office of the Trustee for a like aggregate principal amount of the Notes of the same maturity of other Authorized Denominations. The Trustee will require the payment by the Holder requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange, and there will be no other charge to any Holder for any such exchange. No exchange of Notes will be required to be made during the period established by the Trustee for selection of Notes for redemption and after a Note has been selected for redemption.

Redemption[*]

No Optional Redemption. The Notes are not subject to optional redemption prior to their stated maturity, except as set forth below under "—Extraordinary Optional Redemption Relating to Revocation of School Charter."

Extraordinary Optional Redemption Relating to Revocation of School Charter. The Notes are subject to redemption in whole or in part prior to their stated maturity, on any date, at the option of the Borrower, in the event the Borrower's charter is revoked by its authorizer and the Borrower has no further appeal rights, at a redemption price equal to the principal amount thereof together with interest accrued thereon to the date fixed for redemption, without premium.

Notice of Redemption. In connection with the redemption of Notes pursuant to extraordinary optional redemption in the Indenture, the Borrower will give written notice of redemption to the Trustee (with a copy to the Authority) not less than 20 days prior to the redemption date (or such shorter notice as the Trustee may

[*] Preliminary, subject to change.

approve). Notice of redemption of any Notes will be given by the Trustee upon such written request of the Borrower. Notice of any redemption of Notes will be mailed postage prepaid by the Trustee, not less than 20 days nor more than 45 days prior to the redemption date by first class mail to the respective Holders thereof at the addresses appearing on the bond registration books described in the Indenture. Each notice of redemption will contain all of the following information: (a) the date of such notice; (b) the name of the Notes and the date of issue of the Notes; (c) the redemption date; (d) the redemption price, if available; (e) the dates of maturity of the Notes to be redeemed; (f) if less than all of the Notes of any maturity are to be redeemed, the distinctive numbers of the Notes of each maturity to be redeemed; (g) in the case of Notes redeemed in part only, the respective portions of the principal amount of the Notes of each maturity to be redeemed; (h) the CUSIP number, if any, of each maturity of Notes to be redeemed; (i) a statement that such Notes must be surrendered by the Holders at the principal corporate trust office of the Trustee, or at such other place or places designated by the Trustee; (j) a statement that such redemption is conditioned upon the receipt by the Trustee, on or prior to the redemption date, of moneys sufficient to pay the redemption price or upon the happening of such other event as shall be specified therein, and if such moneys are not so received said notice will be rescinded and the redemption will be cancelled; (k) a statement that any such redemption notice can be rescinded as provided in the Indenture; and (l) notice that further interest on such Notes, if any, will not accrue from and after the designated redemption date.

Such redemption notices may state that no representation is made as to the accuracy or correctness of the CUSIP numbers provided therein or on the Notes. If money is not received as described in section (j) of the paragraph above, the Trustee, within a reasonable time after the date on which such redemption was to occur, will give notice to the persons and in the manner in which the notice of redemption was given, that such moneys were not so received and that there will be no redemption of the Notes pursuant to the notice of redemption. Failure of the Trustee to give such notice or any defect therein shall not in any way impair or affect the validity of the proceedings for redemption.

Effect of Notice. A certificate of the Trustee or the Borrower that notice of call and redemption has been given to Holders and as may be further required in the Continuing Disclosure Agreement as herein provided will be conclusive as against all parties. The actual receipt by the Holder of any Note or any other party of notice of redemption will not be a condition precedent to redemption, and failure to receive such notice, or any defect in the notice given, shall not affect the validity of the proceedings for the redemption of such Notes or the cessation of interest, if any, on the date fixed for redemption.

Notice of redemption having been given, and the redemption price of the Notes called for redemption being on deposit or otherwise available to the Trustee, the Notes designated for redemption will become due and payable on the specified redemption date and interest, if any, will cease to accrue thereon as of the redemption date, and upon presentation and surrender of such Notes at the place specified in the notice of redemption, such Notes will be redeemed and paid at the redemption price thereof out of the money provided therefor. The Holders of such Notes so called for redemption after such redemption date will look for the payment of such Notes and the redemption premium thereon, if any, only to the escrow fund established for such purpose. All Notes redeemed will be cancelled forthwith by the Trustee and will not be reissued.

Right to Rescind Notice. Upon oral notice, promptly confirmed by written notice from the Borrower that the Borrower has cured the conditions that caused the Notes to be subject to extraordinary redemption, the Borrower may rescind any extraordinary redemption and notice thereof on any date prior to the date fixed for redemption by causing the Trustee to send written notice of the rescission to the Holders of the Notes so called for redemption. Notice of rescission of redemption will be given in the same manner in which notice of redemption was originally given. The actual receipt by the Holder of any Note of notice of such rescission will not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice will not affect the validity of the rescission.

Funds for Redemption. Prior to or on the redemption date of any Notes there will be available in the Redemption Fund, or held in trust for such purpose as provided by law, monies for the purpose and sufficient

to redeem, at the premiums payable as in the Indenture provided, the Notes designated in said notice of redemption. Such monies so set aside in the Redemption Fund or in the escrow fund established for such purpose will be applied on or after the redemption date solely for payment of principal of and premium, if any, on the Notes to be redeemed upon presentation and surrender of such Notes, provided that all monies in the Redemption Fund will be used for the purposes established and permitted by law. Any interest due on or prior to the redemption date will be paid from the Redemption Fund, unless otherwise provided for to be paid from an escrow fund established for such purpose. If, after all of the Notes have been redeemed and cancelled or paid and cancelled, there are monies remaining in the Redemption Fund or otherwise held in trust for the payment of redemption price of the Notes, said monies will be held in or returned or transferred to the Redemption Fund for payment of any outstanding Notes of the Borrower payable from said fund; provided, however, that if said monies are part of the proceeds of refunding Notes of the Borrower, said monies will be transferred to the fund created for the payment of principal of and interest on such Notes. If no such refunding Notes of the Borrower are at such time outstanding, said monies will be transferred to the general fund of the Borrower as provided and permitted by law.

Selection of Notes for Redemption. When any redemption is made pursuant to any of the provisions of the Indenture and less than all of the Outstanding Notes are to be redeemed, the Trustee will select the Notes to be redeemed from the Outstanding Notes not previously called for redemption, by lot within a maturity and, if from more than one maturity, in inverse order of maturity or in such other order of maturity as shall be specified in a Request of the Borrower. In no event will Notes be redeemed in amounts other than whole multiples of Authorized Denominations. For purposes of redeeming Notes in denominations greater than minimum Authorized Denominations, the Trustee will assign to such Notes a distinctive number for each such principal amount and, in selecting Notes for redemption by lot, will treat such amounts as separate Notes. The Trustee will promptly notify the Authority and the Borrower in writing of the numbers of the Notes selected for redemption.

"Outstanding" under the Indenture means all Notes theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except: (a) Notes theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Notes with respect to which all liability of the Authority has been discharged in accordance with the Indenture; and (c) Notes for the transfer or exchange of which, or in lieu of or in substitution for which, other Notes have been authenticated and delivered by the Trustee pursuant to the Indenture.

Defeasance

Discharge of Indenture. Notes may be paid or caused to be paid in any of the following ways, provided any other sums payable under the Indenture have also been paid or caused to be paid: (i) by paying or causing to be paid the principal of and interest on the Notes Outstanding as and when the same become due and payable; (ii) by depositing with the Trustee, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Indenture) to pay or redeem Notes Outstanding; or (iii) by delivering to the Trustee, for cancellation by it, all Notes Outstanding.

If all Notes then Outstanding are paid or caused to be paid as provided above and all other sums payable under the Indenture will also be paid or caused to be paid, and if the Borrower will have paid all Additional Payments and any indemnification owed to the Authority and any other fees and expenses payable to the Authority pursuant to the Loan Agreement, then and in that case, at the election of the Borrower (evidenced by a Certificate of the Borrower, filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and the Indenture), and notwithstanding that any Notes will not have been surrendered for payment, the Indenture and the pledge of Payments made thereunder and all covenants, agreements and other obligations of the Authority under the Indenture shall cease, terminate, become void and be completely discharged and satisfied, except as provided in the Indenture. In such event, upon request of the Borrower, the Trustee will cause an accounting for such period or periods as may be requested by the Borrower to be prepared and filed with the Borrower and will execute and deliver to the Borrower all such

instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee will pay over, transfer, assign or deliver to the Borrower all moneys or securities or other property held by it pursuant to the Indenture which are not required for the payment of Notes not theretofore surrendered for such payment and which are not required for the payment of fees and expenses of the Trustee.

Discharge of Liability on Notes. Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the Indenture) to pay any Outstanding Note, whether upon or prior to its maturity, then all liability of the Authority in respect of such Note will cease, terminate and be completely discharged, except only that thereafter the Holder thereof will be entitled to payment of the principal of and interest on such Note, and the Authority will remain liable for such payment but only out of the money or securities deposited with the Trustee as aforesaid for its payment; provided further, however, that the provisions of " – Payment of Notes after Discharge of Indenture" hereinafter will apply in all events.

The Notes may at any time be surrendered to the Trustee for cancellation by the Authority or the Borrower, which may have been acquired in any manner whatsoever, and such Notes, upon such surrender and cancellation, will be deemed to be paid and retired.

Deposit of Money or Securities with Trustee. Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the amount necessary to pay any Notes, such amount (which may include money or securities held by the Trustee in the funds established pursuant to the Indenture) will be equal (taking into account income which will accrue from the investment thereof on the date of deposit of such funds but without taking into account any income from the subsequent reinvestment thereof) to the principal amount of such Notes and all unpaid interest thereon to maturity, and will be:

(a) lawful money of the United States of America; or

(b) noncallable bonds, bills and bonds issued by the Department of the Treasury (including without limitation (1) obligations issued or held in book-entry form on the books of the Department of the Treasury and (2) the interest component of Resolution Funding Corporation strips for which separation of principal and interest is made by request to the Federal Reserve Bank of New York in book-entry form), United States Treasury Obligations State and Local Government Series and Zero Coupon United States Treasury Bonds;

provided, in each case, that the Trustee will have been irrevocably instructed (by the terms of the Indenture or by request of the Borrower or the Authority) to apply such money to the payment of such principal of and interest on such Notes and provided, further, that the Authority and the Trustee will have received (i) an Opinion of Note Counsel to the effect that the Notes to be discharged are no longer Outstanding; and (ii) a verification report of a firm of certified public accountants or other financial services firm verifying that the money or securities so deposited or held together with earnings thereon will be sufficient to make all payments of principal of and interest on the Notes to be discharged to and including their maturity date; provided that, no such verification report will be required if the total amount of money deposited is sufficient, without regard to interest earnings thereon, to pay when due the principal of and interest on the Notes to be discharged to and including their maturity date.

Payment of Notes after Discharge of Indenture. Notwithstanding any provision of the Indenture, and subject to applicable escheat laws, any moneys held by the Trustee in trust for the payment of the principal of or interest on any Notes and remaining unclaimed for one year after the principal of all the Outstanding Notes has become due and payable (whether at maturity or by declaration as provided in the Indenture), 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 Notes became due and payable, will be repaid to the Borrower free from the trusts created by the Indenture, and all liability of the Trustee with respect to such moneys will thereupon cease; provided,

however, that before the repayment of such moneys to the Borrower as aforesaid, the Trustee may (at the cost of the Borrower) first mail to the holders of Notes which have not yet been paid, at the addresses shown on the registration books maintained by the Trustee, a notice, in such form as may be deemed appropriate by the Trustee, with respect to the Notes so payable and not presented and with respect to the provisions relating to the repayment to the Borrower of the moneys held for the payment thereof.

TRANSFER RESTRICTIONS

Pursuant to the Indenture, the Notes may not be registered in the name of, or transferred to, and the Beneficial Owner cannot be, any person except an Approved Buyer; provided however, that Notes registered in the name of the Depository or its nominee shall be deemed to comply with the Indenture so long as each beneficial owner of the Notes is an Approved Buyer. In addition, the face of each Note will contain a legend indicating that it is subject to transfer restrictions as set forth in the Indenture. See "CERTAIN RISK FACTORS – Purchases and Transfers of Notes Restricted to Approved Buyers" herein. On or prior to the date of delivery of the Notes, the initial purchasers of the Notes will be required to execute and deliver to the Authority and the Trustee an investor letter in the form attached hereto as APPENDIX H.

ESTIMATED SOURCES AND USES OF FUNDS*

The following table sets forth the estimated sources and uses of funds related to the Notes.

Sources:	
Principal Amount	
Total Sources:	
Uses:	
Working Capital Fund	
Prepayment of Prior Loan Agreement	
Costs of Issuance Fund(1)	
Total Uses	

(1 Includes legal, printing, underwriting discount and other professional fees and other miscellaneous costs of issuance.

SECURITY AND SOURCES OF PAYMENT FOR THE NOTES

Limited Obligations of the Authority

The Notes and interest thereon constitute special, limited obligations of the Authority and are payable solely from certain revenues received under the Indenture and from certain funds and accounts established and maintained under the Indenture (other than the Rebate Fund). The Authority is not obligated to advance any moneys derived from any source other than the Payments (as defined below) and other assets pledged under the Indenture, whether for the payment of the principal or redemption price or interest with respect to the Notes.

NONE OF THE AUTHORITY, ANY AUTHORITY MEMBER OR ANY PERSON EXECUTING THE NOTES IS LIABLE PERSONALLY ON THE NOTES OR SUBJECT TO ANY PERSONAL LIABILITY OR ACCOUNTABILITY BY REASON OF THEIR ISSUANCE. THE NOTES ARE LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM AND SECURED BY THE PLEDGE

* Preliminary, subject to change.

OF CERTAIN REVENUES UNDER THE INDENTURE. NEITHER THE AUTHORITY, ITS MEMBERS, THE STATE OF CALIFORNIA, NOR ANY OF ITS POLITICAL SUBDIVISIONS SHALL BE DIRECTLY, INDIRECTLY, CONTINGENTLY OR MORALLY OBLIGATED TO USE ANY OTHER MONEYS OR ASSETS TO PAY ALL OR ANY PORTION OF THE DEBT SERVICE DUE ON THE NOTES, TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATEVER THEREFOR OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE NOTES ARE NOT A PLEDGE OF THE FAITH AND CREDIT OF THE AUTHORITY, ITS MEMBERS, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS, NOR DO THEY CONSTITUTE INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION. THE AUTHORITY HAS NO TAXING POWER.

Indenture

Pledge of Payments and Other Amounts. The Authority has executed and delivered the Indenture and has pledged to secure the payment of the principal of and interest on the Notes in accordance with the terms of the Indenture, all of the Payments (except Payments described in clause (i) of the definition thereof) and any other amounts (excluding proceeds of the sale of Notes) held in any fund or account established pursuant to the Indenture (other than the Rebate Fund). Said pledge will constitute a lien on and security interest in such assets and will attach and be valid and binding from and after delivery of the Notes, without any physical delivery thereof or further act.

"Payments," under the Indenture, means (i) all moneys (except any money received to be used for the payment of Administrative Fees and Expenses) received by the Trustee with respect to the Intercepts, (ii) all moneys, if any, received by the Trustee directly from, or on behalf of, the Borrower, pursuant to the Loan Agreement (excluding Additional Payments not directed to be deposited into any fund or account created and held under the Indenture), and (iii) all income derived from the investment of any money in any fund or account established pursuant to the Indenture (other than the Rebate Fund). See "APPENDIX D – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – INDENTURE" attached hereto.

As additional security for the Notes, in connection with the issuance of the Notes, the Borrower will provide instructions to RCOE to make an Intercept to the Trustee with respect to the School in amounts and on dates provided in the Intercept Direction sufficient to repay the Notes and pay necessary and incidental costs. Funds received by the Trustee pursuant to the Intercept will be held in trust and will be disbursed, allocated and applied solely for the uses and purposes set forth in the Indenture, including if necessary, the payment of debt service on the Notes.

Assignment of Payments and Other Amounts and the Loan Agreement. The Authority assigns to the Trustee, for the benefit of the Holders from time to time of the Notes, all of the Payments (except Payments described in clause (i) of the definition thereof) and any other amounts (excluding proceeds of the sale of Notes) held in any fund or account established pursuant to the Indenture (other than the Rebate Fund), and (ii) all of the right, title and interest of the Authority in, to and under the Loan Agreement (except for the Retained Rights, as defined below).

The Trustee will be entitled to and will receive all of the Payments, and any such Payments collected or received by the Authority will be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and will forthwith be paid by the Authority to the Trustee. The Trustee will be entitled to and will (subject to the provisions of the Indenture) take all steps, actions and proceedings following any event of default under the Loan Agreement reasonably necessary in its judgment, or as directed in writing by the Holder, to enforce, either jointly with the Authority or separately, all of the rights of the Authority assigned to the Trustee and all of the obligations of the Borrower under the Loan Agreement.

The Borrower will take all actions necessary for the Trustee to collect directly from RCOE the amounts set forth in the Intercept Directions on the dates set forth therein. The Payments described in clause

(i) of the definition thereof are assigned to the Trustee, for the benefit of the Holders of the Notes, by virtue of the delivery of the Intercept Directions with RCOE. The Trustee will be entitled to and will receive all of such assigned Payments.

Under the Indenture, "Retained Rights" means the Authority's right to receive Administrative Fees and Expenses and any Additional Payments, any right to be indemnified, held harmless or defended and rights to inspection and to receive notices, certificates and opinions, express rights to give approvals, consents or waivers.

Revenue Fund. The Trustee will establish, maintain and hold in trust a special fund designated as the "Revenue Fund." All Payments will be promptly deposited by the Trustee upon receipt thereof into the Revenue Fund, and will be held in trust for the benefit of the Holders from time to time of the Notes but will nevertheless be disbursed, allocated and applied solely for the uses and purposes set forth in the Indenture. The Trustee will establish within the Revenue Fund an Interest Account and a Principal Account for the payment of debt service on the Notes.

Interest Account. All amounts in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying interest on the Notes as it becomes due and payable (including accrued interest on any Notes purchased or redeemed prior to maturity pursuant to the Indenture).

Principal Account. All amounts in the Principal Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Notes, as provided in the Indenture.

See "APPENDIX D – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – INDENTURE" attached hereto.

Allocation of Revenues. Pursuant to the Loan Agreement, the Borrower will deliver the Intercept Directions to cause the Interceptable Revenues to be deposited to the Trustee in amounts sufficient to fund the principal of and accrued interest on the Notes to maturity in the Revenue Fund by June 10, 2021. From March 1, 2021 through maturity of the Notes, the Trustee will receive incoming Interceptable Revenues from the RCOE representing Payments received on behalf of the Borrower. From all such revenues received during the periods set forth below (dates inclusive), the Trustee will first deposit all receipts into the Revenue Fund until the full amount shown below for the corresponding period is deposited. Any additional amounts received during such period will be remitted by the Trustee via wire transfer to the Borrower within three (3) business days of receipt by the Trustee:

Period*	Amount to Deposit in Revenue Fund*
March 1, 2021 – March 31, 2021	$1,890,489.07
April 1, 2021 – April 30, 2021	2,336,622.76
May 1, 2021 – May 31, 2021	2,079,225.43
June 1, 2021 – June 10, 2021	509,634.96
June 15, 2021	(any remaining principal and interest due)

(1) Assumes an interest rate on the Notes of 5.00%.*
Source: The Borrower.

Promptly upon receipt, the Trustee will deposit the Payments to the Revenue Fund. On June 10, 2021, the Trustee will transfer from the Revenue Fund and deposit into the following respective accounts (each of which the Trustee will establish and maintain within the Revenue Fund), the following amounts, in the following order of priority, the requirements of each such account or fund (including the making up of any deficiencies in any such account resulting from lack of Payments sufficient to make any earlier required

* Preliminary, subject to change.

deposit) at the time of deposit to be satisfied before any transfer is made to any account or fund subsequent in priority:(1) To the Interest Account, the aggregate amount of interest becoming due and payable on the Interest Payment Date on all Notes then Outstanding, until the balance in said account is equal to said aggregate amount of interest; and

(2) To the Principal Account, the aggregate amount of principal becoming due to redeem or pay, until the balance in said Principal Account is equal to said aggregate amount of such principal; provided that from the date of delivery of the Notes until the Principal Payment Date with respect to the Notes, transfers to the Principal Account will be sufficient on a pro rata basis to pay the principal becoming due and payable on said Principal Payment Date;

Any moneys remaining in the Revenue Fund after the foregoing transfers will be transferred on the first Business Day after the Principal Payment Date by the Trustee to the Borrower free and clear of the lien of the Indenture.

See "APPENDIX D – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – INDENTURE" and "— LOAN AGREEMENT" attached hereto.

The Loan Agreement

The Authority and the Borrower will execute the Loan Agreement to provide for the loan by the Authority to the Borrower of proceeds from the sale of the Notes. The Authority will assign its rights in the Loan Agreement (except for the Retained Rights) to the Trustee. Pursuant to the Loan Agreement, the Borrower will be required to make loan repayments sufficient to pay the principal, premium, if any, and interest on the Notes when due. See "APPENDIX D – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – LOAN AGREEMENT" attached hereto.

Notwithstanding anything in the Loan Agreement to the contrary, the liability of the Borrower under the Loan Agreement to any person or entity, including, but not limited to, the Trustee or the Authority and their respective successors and assigns, is limited to the Gross Revenues and the amounts held in the funds and accounts created under the Indenture (other than the Rebate Fund) or the Loan Agreement, and such persons and entities will look exclusively thereto, or to such other security as may from time to time be given for the payment of obligations arising out of the Loan Agreement or any other agreement securing the obligations of the Borrower with respect to the Loan or the Notes.

Subject only to the provisions of the Loan Agreement permitting the application thereof for the purposes and on the terms and conditions set forth therein, and the terms of the Intercreditor Agreement, the Borrower pledges, and to the extent permitted by law grants a security interest to the Trustee in, the Gross Revenues of the Borrower to secure the payment of Loan Repayments and the performance by the Borrower of its other obligations under the Loan Agreement. The Borrower will execute and cause to be filed Uniform Commercial Code financing statements, and will execute and cause to be sent to the Trustee a notice of the security interest granted under this provision and will execute and deliver such other documents (including, but not limited to, control agreements and continuation statements) as may be necessary or reasonably requested by the Trustee in order to perfect or maintain as perfected such security interest or give public notice thereof. Notwithstanding anything to the contrary contained in the Loan Agreement, neither the Trustee nor any other Person (other than the Borrower) will be responsible for any initial filings of any financing statements or the information contained therein (including the exhibits thereto), the perfection or priority of any such security interests, or the accuracy or sufficiency of any description of collateral in such initial filings or for filing any modifications or amendments to the initial filings required by any amendments to Article 9 of the Uniform Commercial Code.

"Gross Revenues" means, for any fiscal year ended June 30 (each a "Fiscal Year"), all of the revenues, income, cash receipts and other money received by the Borrower, or received by the Trustee on

behalf of the Borrower pursuant to the Indenture, that are legally available for payment of the obligations of the Borrower under the Loan Agreement; provided, however, that Gross Revenues does not include such portions of State apportionments that are subject to the Prior Intercepts.

See "CERTAIN RISK FACTORS – Other Obligations of Borrower; Subordinate Nature of Intercept" herein.

Loan Repayments. The Borrower agrees that it shall pay to the Trustee for deposit in the Revenue Fund such amounts as is required by the Trustee to make the transfers and deposits on the dates required by the Indenture. Notwithstanding the foregoing, if five business days prior to any interest or principal payment date with respect to the Notes, the aggregate amount in the Revenue Fund is for any reason insufficient or unavailable to make the required payments of principal (or Redemption Price) of or interest on the Notes then becoming due (whether by maturity, redemption or acceleration), the Borrower shall forthwith pay the amount of any such deficiency to the Trustee. Each payment by the Borrower to the Trustee under the Loan Agreement (the "Loan Repayments") will be in lawful money of the United States of America and paid to the Trustee at its designated corporate trust office and held, invested, disbursed and applied as provided in the Indenture.

Intercept. Pursuant to the Loan Agreement, in connection with the issuance of the Notes, the Borrower will deliver its Intercept Directions to RCOE. Not later than the twentieth (20th) calendar day of any month in which payment is scheduled, the Borrower may revise its Intercept Direction and cause such revision to be delivered to SCOE from time to time as necessary or appropriate (including without limitation as a result of redemption prior to maturity) to specify transfers to the Trustee of all State apportionments payable from SCOE relating to the Borrower, in amounts expected to be at least necessary to pay the amounts due under the Loan Agreement and other costs necessary or incidental to the financing relating to the Notes, as the same become due, and to cure any delinquency in payment of such amounts. The Borrower will cooperate with the Trustee in any manner the Trustee may request in connection with revising the Intercept Direction. If at any time the Intercept Direction is revised for any reason, the Borrower will promptly provide to the Authority, RCOE and the Trustee a copy of such revised Intercept Direction. The Intercept Direction may provide additional amounts payable to the Trustee for purposes set forth in the Indenture; provided the Borrower will not grant preference or any prior right of funding access or security in respect of any payment indicated in the Intercept Direction.

All deposits of moneys derived from the Intercept hereunder will be made at the corporate trust office of the Trustee set forth in the Intercept Direction. The Borrower will timely revise its Intercept Direction to require transfers to such other location as shall be designated in writing by the Trustee.

Additional Payments. In addition to the Loan Repayments, the Borrower will also pay to the Authority or to the Trustee, as the case may be, "Additional Payments," as defined in the Loan Agreement. See "APPENDIX D – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – LOAN AGREEMENT" attached hereto. All such payments will be made by the Borrower from the Gross Revenues for payment to the Person or Persons entitled to such payments or for deposit to the appropriate fund or account held by the Trustee under the Indenture.

Failure to Make Payments. In the event the Borrower shall fail to deposit, or fail to cause to be deposited, with the Trustee any Loan Repayments or Additional Payments as required by the Loan Agreement, the Loan Repayments, Additional Payments or other payments required thereunder not paid from such Gross Revenues will continue as an obligation under the Loan Agreement of the Borrower until the amount in default will have been fully paid.

Prohibition on Liens. Except for any lien made in connection with the issuance of the Notes, the Prior Bonds and already existing on the Closing Date, the Borrower covenants and agrees that it will not create, assume or suffer to exist any lien upon the Gross Revenues or otherwise any rents, money, Property or accounts of the Borrower.

Covenant to Maintain Charter. The Borrower covenants that, so long as any other obligations of the Borrower under the Loan Agreement remain outstanding, it will cause the School to maintain the legal authority to operate as a public charter school in the State.

See "APPENDIX D – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – LOAN AGREEMENT" attached hereto.

CHARTER SCHOOLS

This section provides a brief overview of California's charter school law. Prospective purchasers of the Notes should note that the overview contained in this section and the summary of relevant law noted by cross-reference in the sections that follow are provided for the convenience of prospective purchasers but are not and do not purport to be comprehensive. Additional information regarding various aspects of charter school funding in California is available on numerous State-maintained websites and through other publicly available sources.

General

The description of the Charter School Law herein describes the Charter School Law, as amended by Assembly Bill 1505 ("AB 1505"), which was signed into law by the Governor of the State on October 3, 2019. The provisions of AB 1505 do not take effect until July 1, 2020.

Under State Law, charter schools are largely independent schools operating as part of the public school system under the exclusive control of the officers of the public schools. A charter school is usually created or organized by a group of teachers, parents and community leaders, or a community-based organization, and is usually sponsored by an existing local public school district or county board of education. Specific goals and operating procedures for the charter school are detailed in a "charter" granted by the sponsoring board to the charter organizers.

A charter school is generally exempt from the laws governing school districts, except where specifically noted in the law. Charter schools in the State are created pursuant to Part 26.8 (beginning with Section 47600) of Division 4 of Title 2 of the State Education Code (the "Charter School Law"). The law also requires that a public charter school be nonsectarian in its programs, admission policies, employment practices and all other operations, and prohibits the conversion of a private school to a charter school. Public charter schools may not charge tuition and may not discriminate against any pupil on the basis of ethnicity, national origin, gender or disability. State public charter schools are required to participate in the State Testing and Reporting Program.

According to the Charter School Law, the purpose of a charter school is to: (1) improve pupil learning; (2) increase learning opportunities for all pupils, with special emphasis on expanded learning experiences for pupils identified as academically low achieving; (3) encourage the use of different and innovative teaching methods; (4) create new professional opportunities for teachers, including the opportunity to be responsible for the learning program at the school site; (5) provide parents and students with expanded choices in the types of educational opportunities that are available within the public school system; (6) hold schools accountable for meeting measurable pupil outcomes and provide schools a way to shift from a rule-based to a performance-based system of accountability; and (7) provide vigorous competition within the public school system to stimulate continual improvements in all public schools.

Anyone may write a charter. However, for a new charter school (not conversion of an existing traditional public school), charter developers must present a petition to the governing board of the local school district (or other chartering authority) containing the signatures of either: (1) a number of teachers meaningfully interested in teaching at the school equal to at least 50 percent of the number of teachers the charter school estimates will be employed during the charter school's first year of operation, or (2) a number of

parents or legal guardians representing at least 50 percent of the number of pupils expected to enroll at the school in its first year. For conversion schools, Charter School Law requires signatures of at least 50 percent of the permanent status teachers at the school to be converted. Pupils may not be required to attend a charter school nor may teachers be compelled to teach there. Charters are granted for a maximum term of five years, and may be renewed for new five-year terms without limitation upon satisfaction of certain criteria described below; provided, however, that under certain circumstances, high-performing charter schools may be renewed for a period of between five and seven years.

Generally, each charter school is funded to its statutory entitlement after the local contribution is taken into account. Local funding comes from the chartering school district or other sponsoring local education agency in lieu of property taxes (generally funded from the school district's own property tax receipts), while the State funds the balance directly through the county office of education. The proportion coming from the State will vary from district to district depending on the amount of local property taxes collected. In addition, charter schools receive certain State funding and lottery funds based upon pupil attendance, and may be eligible for other special programmatic aid from State and federal grants. Charter schools are prohibited from charging tuition under the Charter School Law.

For additional information regarding funding of education in the State and information relating to certain risks and other considerations relevant to a decision to invest in the Notes, see "STATE FUNDING OF EDUCATION" and "CERTAIN RISK FACTORS – Specific Risks of Charter Schools" herein.

Chartering Authority

Under the Charter School Law, the local school district governing board serves as the primary chartering authority. A petitioner may seek approval of a charter from a county board of education if the pupils to be served are pupils that would normally be provided direct education and related services by the county office of education. A petitioner may also seek approval from a county board of education for a countywide charter school, which may be granted only if the county board finds that the proposed countywide charter school will offer services to a pupil population that will benefit from those services and that cannot be served as well by a charter school that operates only in one school district in the county. See "— Countywide Benefit Charter Schools" below. Petitioners may request the county board of education to review a charter petition if the petition has been previously denied by the local school district governing board.

If the governing board of a school district denies a petition and the county lacks an independent county board of education, the petitioner may elect to submit the petition for the establishment of a charter school to the state board. If the denial of a charter petition is reversed by the state board, the state board shall designate the governing board of the school district in which the charter school is located as the chartering authority.

If the county board of education denies a petition, the petitioner may appeal that denial to the state board. The state board shall either hear the appeal or summarily deny review of the appeal based on the documentary record. If the state board hears the appeal, the state board may affirm the determination of the governing board of the school district or the county board of education, or both of those determinations, or may reverse only upon a determination that there was an abuse of discretion. If the denial of a charter petition is reversed by the state board, the state board shall designate, in consultation with the petitioner, either the governing board of the school district or the county board of education in which the charter school is located as the chartering authority.

For information concerning the charter granted with respect to the School, see "APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWER" attached hereto.

Elements of a Charter Petition

Each charter petition, at a minimum, must contain reasonably comprehensive descriptions of each of eighteen required elements. They are:

1. A description of the educational program of the charter school.

2. The annual goals for the charter school for all pupils and for each subgroup of pupils.

3. If the proposed charter school will serve high school pupils, the manner in which the charter school will inform parents about the transferability of courses to other public high schools and the eligibility of courses to meet college entrance requirements.

4. The measurable pupil outcomes identified for use by the charter school.

5. The method by which pupil progress in meeting those pupil outcomes is to be measured.

6. The charter school's governance structure, including parental involvement.

7. The qualifications to be met by individuals employed by the charter school.

8. Procedures to ensure health and safety of pupils and staff.

9. The means by which the charter school will achieve a balance of racial and ethnic pupils, special education pupils, and English learner pupils, including redesignated fluent English proficient pupils, reflective of the general population residing in the chartering district.

10. Admission policies and procedures, consistent with the requirements in Education Code Section 47605(d).

11. The manner in which annual, independent financial audits will be conducted, and the manner in which audit exceptions and deficiencies will be resolved to the satisfaction of the chartering authority.

12. The procedures by which pupils may be suspended or expelled from the charter school for disciplinary reasons or otherwise involuntarily removed from the charter school for any reason.

13. Provisions for employee coverage under the State Teachers' Retirement System, the Public Employees' Retirement System, or federal social security.

14. The public school attendance alternatives for pupils residing within the district who choose not to attend charter schools.

15. A description of the rights of any employee of the school district upon leaving the employment of the school district to work in a charter school, and of any rights of return to the school district after employment at a charter school.

16. The procedures to be followed by the charter school and the entity granting the charter to resolve disputes relating to provisions of the charter.

17. A declaration of whether or not the charter school will be deemed the exclusive public school employer of the employees of the charter school for purposes of the Educational Employment Relations Act.

18. A description of the procedures for closure of the school and disposition of assets.

Under the accountability requirements of Assembly Bill 1137 ("AB 1137"), signed into law in October 2003, districts or other agencies that grant charter authority must identify a contact person for charter schools, visit each charter school at least once a year, and ensure that charter schools submit all required reports (including fiscal reports that must be sent four times a year to the district and local county office of education). In addition, the district must monitor the fiscal condition of its charter schools and notify the State Department of Education whenever a charter is granted, denied, revoked, or the charter school will cease operation. AB 1137 also required that charter schools show a certain level of academic performance to have their charters renewed.

Approval or Denial of Charter Petition

No later than 60 days after receiving a petition, the governing board of the school district will hold a public hearing on the provisions of the charter, at which time the governing board of the school district will consider the level of support for the petition by teachers employed by the school district, other employees of the school district, and parents. Following review of the petition and the public hearing, the governing board of the school district will either grant or deny the charter within 90 days of receipt of the petition, provided, however, that the date may be extended by an additional 30 days if both parties agree to the extension.

The governing board of the school district will publish all staff recommendations, including the recommended findings and, if applicable, the certification from the county superintendent of schools prepared pursuant to paragraph (8) below, regarding the petition at least 15 days before the public hearing at which the governing board of the school district will either grant or deny the charter. At the public hearing at which the governing board of the school district will either grant or deny the charter, petitioners will have equivalent time and procedures to present evidence and testimony to respond to the staff recommendations and findings.

In reviewing petitions for the establishment of charter schools authorized by a school district, the chartering authority will be guided by the intent of the State Legislature that charter schools are and should become an integral part of the California educational system and that the establishment of charter schools should be encouraged. The governing board of the school district will grant a charter for the operation of a school if it is satisfied that granting the charter is consistent with sound educational practice.

The governing board of the school district will not deny a petition for the establishment of a charter school unless it makes written factual findings, specific to the particular petition, setting forth specific facts to support one or more of the following findings:

(1) The charter school presents an unsound educational program for the pupils to be enrolled in the charter school;

(2) The petitioners are demonstrably unlikely to successfully implement the program set forth in the petition;

(3) The petition does not contain the number of required signatures;

(4) The petition does not contain an affirmation of each of the admission conditions described in Education Code Section 47605(d);

(5) The petition does not contain reasonably comprehensive descriptions of all of the elements described in "— Elements of a Charter Petition" herein; and

(6) The petition does not contain a declaration of whether or not the charter school will be deemed the exclusive public employer of the employees of the charter school for purposes of Chapter 10.7 of the Government Code.

(7) The charter school is demonstrably unlikely to serve the interests of the entire community in which the school is proposing to locate. Analysis of this finding shall include consideration of the fiscal impact of the proposed charter school. A written factual finding under this paragraph shall detail specific facts and circumstances that analyze and consider the following factors:

(A) The extent to which the proposed charter school would substantially undermine existing services, academic offerings, or programmatic offerings.

(B) Whether the proposed charter school would duplicate a program currently offered within the school district and the existing program has sufficient capacity for the pupils proposed to be served within reasonable proximity to where the charter school intends to locate.

(C) The school district is not positioned to absorb the fiscal impact of the proposed charter school. A school district satisfies this paragraph if it has a qualified interim certification pursuant to Section 1240 of the Education Code and the county superintendent of schools, in consultation with the County Office Fiscal Crisis and Management Assistance Team, certifies that approving the charter school would result in the school district having a negative interim certification pursuant to Section 1240 of the Education Code, has a negative interim certification pursuant to Section 1240 of the Education Code, or is under state receivership. Charter schools proposed in a school district satisfying one of these conditions shall be subject to a rebuttable presumption of denial.

In reviewing petitions for the establishment of charter schools within the school district, the governing board of the school district will give preference to petitions that demonstrate the capability to provide comprehensive learning experiences to pupils identified by the petitioner or petitioners as academically low achieving pursuant to the standards established by the State Board of Education.

If the governing board of a school district denies a petition, the petitioner may elect to submit the petition for the establishment of a charter school to the county board of education. The county board of education will review the petition pursuant to the same process by which a school district reviews a charter school petition.

If the petitioner elects to submit a petition for establishment of a charter school to the county board of education and the county board of education denies the petition and the county lacks an independent county board of education, the petitioner may elect to submit the petition for the establishment of a charter school to the state board. The state board will review the petition pursuant to the same process by which a school district reviews a charter school petition. If the denial of a charter petition is reversed by the state board, the state board shall designate the governing board of the school district in which the charter school is located as the chartering authority.

If the county board of education denies a petition, the petitioner may appeal that denial to the state board. The state board will either hear the appeal or summarily deny review of the appeal based on the documentary record. If the state board hears the appeal, the state board may affirm the determination of the governing board of the school district or the county board of education, or both of those determinations, or may reverse only upon a determination that there was an abuse of discretion. If the denial of a charter petition is reversed by the state board, the state board will designate, in consultation with the petitioner, either the governing board of the school district or the county board of education in which the charter school is located as the chartering authority.

If either the county board of education or the state board fails to act on a petition within 180 days of receipt, the decision of the governing board of the school district to deny the petition will be subject to judicial review.

Charter Renewal

A chartering authority may grant one or more renewals of a charter petition. Except as otherwise described herein, each renewal will be for a period of five years. Renewals and material revisions of charters are governed by the same standards and criteria as initial approvals of charter petitions, and will include, but not be limited to, a reasonably comprehensive description of any new requirement of charter schools enacted into law after the charter was originally granted or last renewed.

A charter school that, concurrently with its renewal, proposes to expand operations to one or more additional sites or grade levels must request a material revision to its charter, which may be made only with the approval of the chartering authority and is governed by the standards and criteria of an initial approval or denial of a charter petition. Paragraphs numbered (7) and (8) under the heading "— Approval or Denial of Charter Petition" above may not be used to deny a renewal of an existing charter school, but may be used to deny a proposed expansion constituting a material revision.

The chartering authority shall consider the schoolwide performance and performance of all subgroups of pupils served by the charter school on the state indicators included in the California School Dashboard and the performance of the charter school on the local indicators included in the California School Dashboard. The chartering authority shall provide greater weight to performance on measurements of academic performance in determining whether to grant a charter renewal. In addition to the state and local indicators, the chartering authority shall consider clear and convincing evidence showing either of the following:

(A) The school achieved measurable increases in academic achievement, as defined by at least one year's progress for each year in school.

(B) Strong postsecondary outcomes, as defined by college enrollment, persistence, and completion rates equal to similar peers.

The chartering authority may deny a charter renewal only upon making written findings, setting forth specific facts to support the findings, that the charter school has failed to meet or make sufficient progress toward meeting standards that provide a benefit to the pupils of the school, that closure of the charter school is in the best interest of pupils and, if applicable that its decision provided greater weight to performance on measurements of academic performance.

Authorizer Shall Renew. The chartering authority shall not deny renewal for a charter school if either of the following apply for two consecutive years immediately preceding the renewal decision; provided, however, that a charter school eligible for technical assistance shall not qualify for renewal under this provision:

(A) The charter school has received the two highest performance levels schoolwide on all the state indicators included in the California School Dashboard for which it receives performance levels; and

(B) For all measurements of academic performance, the charter school has received performance levels schoolwide that are the same or higher than the state average and, for a majority of subgroups performing statewide below the state average in each respective year, received performance levels that are higher than the state average.

The chartering authority that granted the charter may renew a charter pursuant to this paragraph for a period of between five and seven years.

Notwithstanding the above, the chartering authority may deny renewal of a charter school upon a finding that the school is demonstrably unlikely to successfully implement the program set forth in the petition due to substantial fiscal or governance factors, or is not serving all pupils who wish to attend. The chartering authority may deny renewal of a charter school pursuant to this provision only after it has provided at least 30 days' notice to the charter school of the alleged violation and provided the charter school with a reasonable opportunity to cure the violation, including a corrective action plan proposed by the charter school. The chartering authority may deny renewal only by making either of the following findings: (a) The corrective action proposed by the charter school has been unsuccessful; or (b) The violations are sufficiently severe and pervasive as to render a corrective action plan unviable.

Authorizer Shall Not Renew. The chartering authority shall not renew a charter if either of the following apply for two consecutive years immediately preceding the renewal decision:

(A) The charter school has received the two lowest performance levels schoolwide on all the state indicators included in the California School Dashboard for which it receives performance levels.

(B) For all measurements of academic performance, the charter school has received performance levels schoolwide that are the same or lower than the state average and, for a majority of subgroups performing statewide below the state average in each respective year, received performance levels that are lower than the state average.

The chartering authority shall consider the following factors, and may renew a charter that meets the criteria above only upon making both of the following written factual findings, specific to the particular petition, setting forth specific facts to support the findings:

(A) The charter school is taking meaningful steps to address the underlying cause or causes of low performance, and those steps are reflected, or will be reflected, in a written plan adopted by the governing body of the charter school.

(B) There is clear and convincing evidence showing either of the following:

(i) The school achieved measurable increases in academic achievement, as defined by at least one year's progress for each year in school.

(ii) Strong postsecondary outcomes, as defined by college enrollment, persistence, and completion rates equal to similar peers.

For a charter renewed pursuant to this provision, the chartering authority may grant a renewal for a period of two year.

Countywide Benefit Charter Schools

Education Code Section 47605.6 provides for the creation of countywide benefit charter schools to operate at one or more sites within the geographic boundaries of a county and that provide instructional services that are not generally provided by a county office of education. A county board of education may approve a countywide charter only if it finds, in addition to the other requirements of the Charter School Law, that the educational services to be provided by the charter school will offer services to a pupil population that will benefit from those services and that cannot be served as well by a charter school that operates in only one school district in the county.

The provisions governing denial of a charter petition for school district governing boards also apply to the denial of a charter petition for countywide benefit charters. A county board of education will deny a petition if it finds one or more of the following: (i) the charter school presents an unsound educational program for the pupils to be enrolled in the charter school, (ii) petitioners are demonstrably unlikely to successfully implement the program set forth in the petition, (iii) the petition does not contain the number of required signatures, (iv) the petition does not contain an affirmation of each of the enumerated conditions, (v) the petition does not contain comprehensive descriptions of the educational program of the school, measurable pupil outcomes and certain other factors, as required by State law, (vi) the petition does not contain a declaration of whether or not the charter school will be deemed the exclusive public employer of the employees of the charter school for purposes of Chapter 10.7 of the Government Code, and (vii) any other basis that the county board of education finds justifies the denial of the petition. If a petition for a countywide benefit charter is denied, or the renewal of an existing countywide benefit charter is denied, the petition may not be submitted to the State Board of Education ("SBE") for review.

If a petition for a countywide benefit charter is denied, or the renewal of an existing countywide benefit charter is denied, the petition may not be submitted to the State Board of Education ("SBE") for review.

The Borrower operates pursuant to a countywide benefit charter approved by the Riverside County Office of Education. See "APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWER" attached hereto.

Charter Management Organizations

As the number of charter schools operating pursuant to the Charter School Law has increased over time, nonprofit organizations have been established, referred to as charter management organizations ("CMOs"), to manage the operations of several charter schools for the purpose of achieving certain economic and operational efficiencies. CMOs centralize or share certain functions and resources among multiple charter schools, including but not limited to accounting, human resources, marketing, purchasing, property management and administration. CMOs may operate at the regional or statewide level. See "APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWER" attached hereto.

Charter Revocation

A charter may be revoked if the charter granting authority finds, based on substantial evidence, that a charter school (i) has committed a material violation of any of the conditions, standards or procedures set forth in its charter, or (ii) has failed to meet or to pursue any of the student outcomes identified in its charter, or (iii) has failed to meet generally accepted accounting principles, or engages in fiscal mismanagement, or (iv) has violated any provision of law. Prior to revoking a charter, the charter granting authority must notify the charter school of the violation, afford the charter school a reasonable opportunity to remedy the violation (unless the authority determines, in writing, that the violation constitutes a severe and imminent threat to the health or safety of the pupils), and, upon failure to do so, give written notice of intent to revoke and notice of facts in support of revocation to the charter school and hold a public hearing on the matter. An adverse decision by a school district governing board may be appealed to the county board of education and an adverse decision by the county board, directly or on appeal, may be appealed to the SBE. See "CERTAIN RISK FACTORS – Specific Risks of Charter Schools – Non-Renewal or Revocation of Charters" herein.

In addition, the SBE may take action based on the recommendation of the State Superintendent of Public Instruction, including but not limited to revocation of a school's charter, upon a finding of (i) gross financial mismanagement that jeopardizes the financial stability of the charter school, (ii) illegal or substantially improper use of charter school funds for the personal benefit of any officer, director or fiduciary of the charter school, or (iii) substantial and sustained departure from measurably successful practices such that continuing departure would jeopardize the educational development of the school's pupils. Regulations

promulgated by the SBE require the California Department of Education to identify and notify the SBE of each charter school that is determined to warrant action pursuant to clause (iii) of the immediately preceding sentence by November 1 of each year. Under these regulations, charter schools so notified are required to be given an opportunity to submit written information as to why its charter should not be revoked. Any resulting action to revoke a charter is effective at the end of the fiscal year in which the action is taken, unless the SBE identifies departures at the school that are so significant as to be cause for immediate revocation and closure of the charter school. The regulations require the SBE to hold a public hearing to consider action including but not limited to charter revocation not later than March 31. See "CERTAIN RISK FACTORS – Specific Risks of Charter Schools – Non-Renewal or Revocation of Charters" herein.

The School has not received any notice from the SBE or its chartering authority regarding any violation or proposal to revoke the School's charter or of any other violation requiring corrective action. See "APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWER" attached hereto.

Amendments to the Charter School Law

The Legislature has amended the Charter School Law frequently since its initial adoption in 1992, and legislative and public attitudes are still evolving. Neither the Borrower nor any charter school has any control over State legislative or regulatory decision making that could affect the operations or ongoing funding sources for the School.

On October 13, 2019, the Governor vetoed Assembly Bill 1613 ("AB 1613"). As passed by the State Assembly and State Senate, AB 1613 would have made any construction, alteration, demolition, installation or repair work done on a charter school subject to prevailing wages, when such work is paid for, in whole or in part, with proceeds of conduit revenue bonds. Assembly Bill 1505 ("AB 1505") was signed into law by the Governor on October 3, 2019. The provisions of AB 1505 amending existing law relating to the review, approval and appeal of charter petitions become operative on July 1, 2020. AB 1505 made various changes to provisions relating to the review of charter school petitions and renewals by authorizers, including the following:

- Requiring a charter school that, concurrently with its renewal, proposes to expand operations to one or more additional sites or grade levels shall request a material revision to its charter. A material revision to the provisions of a charter petition may be made only with the approval of the chartering authority. A material revision of a charter is governed by the standards and criteria described in Education Code Section 47605.

- Adding additional factors for a school district to consider when reviewing a charter school petition, including the interests of the community, the academic needs of the pupils, by which means the charter school will achieve a balance of racial and ethnic pupils, special education pupils, and English learner pupils, including redesignated fluent English proficient pupils, that is reflective of the general population residing within the territorial jurisdiction of the school district to which the charter petition is submitted, the fiscal impact on the school district, and whether the charter school would substantially undermine existing services, academic offerings or programmatic offerings of the school district. The factors may not be used to deny a renewal of an existing charter school, however may be used to deny a proposed expansion constituting a material revision.

- Renewals of existing charter school petitions will not be subject to the authorizer's evaluation of the fiscal impact on the school district, so long as the renewal does not request an expansion to additional sites or grade levels.

- Authorizers must deny a renewal if the charter school has received certain low performance levels on the California School Dashboard for the most recent two years prior to renewal, unless the authorizer makes certain findings.

- Authorizers may not deny a renewal, and may renew for a term between 5 and 7 years, if the charter school has received certain high performance levels on the California School Dashboard for the most recent two years prior to renewal, unless the authorizer makes certain findings.

- Petitions denied by a school district and county may only be granted on appeal to the State Board of Education if the State Board of Education finds an abuse of discretion by the school district or county. If approved on State appeal, the State Board of Education will designate either the school district or the county as the authorizer. The State Board of Education will no longer be able to authorize Statewide benefit charters.

- All charter school teachers will be required to be certified by June 30, 2025.

- No new nonclassroom-based charter schools may be approved from January 1, 2020 through January 1, 2022.

Assembly Bill 1507 ("AB 1507") was signed into law by the Governor on October 3, 2019. AB 1507 made various changes to provisions of existing law relating to the location of charter school sites outside of its authorizing district, including the following:

- For classroom-based schools:

    - In order to remain in the out-of-district location, a school that located outside of its authorizing district prior to January 1, 2020 must either (A) before submitting the request for the renewal of the charter petition, obtain approval in writing from the school district where the site is operating, or (B) submit a request for the renewal of the charter petition to the school district in which the charter school is located.

- For nonclassroom-based charter schools:

    - Limiting the location of any new resource centers, meeting spaces, or other satellite facilities to only within the geographic boundaries of the chartering entity, and each site location must be approved by the authorizer.

    - A charter school must notify its authorizer of the name and physical location of any resource center, meeting space, or other satellite facility operated by that charter school.

    - A charter school may continue at its current out-of-districts locations until the charter school submits a request for the renewal of its charter petition. To continue operating any out-of-district location, the charter shall first obtain approval in writing from each school district where the resource center, meeting space, or other satellite facility is operating. If the school is a countywide charter it must gain its approval from the county in which the site located.

    - If a nonclassroom-based charter location is operating in an area for which there is a Presidential declaration of a major disaster, the charter school, for not more than five years, may relocate with written approval of the school district where the site is being relocated.

- Charters that provide instruction in accordance with existing site exemptions included in previously existing law (Section 47605.1(f) of the Education Code) are still excluded.

Growth in Charter Schools in California

California has the largest concentration of charter schools in the nation with approximately 660,000 students enrolled in charter schools for the 2018-19 school year, according to the California Charter Schools Association. The California Charter Schools Association also reported that 70 new charter school equivalents (63 new schools, and seven significant expansions of existing schools) opened in the State of California in the 2018-19 school year, bringing the total number of charter schools in California up to 1,323.

TOTAL CHARTER SCHOOLS IN CALIFORNIA
Fiscal Years 1998-99 Through 2018-19

Fiscal Year	Number of Charter Schools
2018-19	1,323
2017-18	1,275
2016-17	1,254
2015-16	1,230
2014-15	1,182
2013-14	1,130
2012-13	1,063
2011-12	982
2010-11	912
2009-10	809
2008-09	746
2007-08	682
2006-07	585
2005-06	560
2004-05	502
2003-04	443
2002-03	408
2001-02	349
2000-01	299
1999-00	235
1998-99	177

Source: California Charter School Association.

STATE FUNDING OF EDUCATION

General

The Charter School Law provides that the State legislature intended "each charter school be provided with operational funding that is equal to the total funding that would be available to a similar school district serving a similar pupil population . . ." As is true for school districts in the State, charter schools' revenue is derived primarily from two sources: a State portion funded from the State's general fund and a locally generated portion derived from each sponsoring school district's share of the local *ad valorem* property tax. Decreases in State revenues, or in the legislative appropriations made to fund education, may significantly affect charter schools' operations.

Adoption of Annual State Budget. According to the State Constitution, the Governor of the State is required to propose a budget to the State Legislature no later than January 10 of each year, and a final budget

must be adopted by the State Legislature no later than June 15, although this deadline has been breached in previous years. Historically, the budget required a two-thirds vote of each house of the State Legislature for passage. However, on November 2, 2010, the State's voters approved Proposition 25, which amended the State Constitution to lower the vote requirement necessary for each house of the State Legislature to pass a budget bill and send it to the Governor. Specifically, the vote requirement was lowered from two-thirds to a simple majority (50% plus one) of each house of the State Legislature. This lower vote requirement also applies to trailer bills that appropriate funds and are identified by the State Legislature "as related to the budget in the budget bill." The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. Under Proposition 25, a two-thirds vote of the State Legislature is still required to override any veto by the Governor. School district budgets must generally be adopted by July 1, and revised by the school board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget. The Governor signed the fiscal year 2019-20 State budget on June 27, 2019.

Failure by the State to adopt a budget may restrict the State Controller's ability to disburse State funds. Under the rule of White v. Davis (also referred to as Jarvis v. Connell), a State Court of Appeal decision reached in 2002 and later refined by a California Supreme Court decision in 2003, the State Controller may be able to disburse State funds after the beginning of the fiscal year prior to the adoption of the State budget bill or emergency appropriation if the expenditure, among other things, is (i) authorized by a continuing appropriation found in statute, (ii) mandated by the State Constitution (such as appropriations for salaries of elected state officers), or (iii) mandated by federal law (such as payments to State workers at no more than minimum wage). The State Controller has consistently stated that basic State funding for schools is continuously appropriated by statute, but that special and categorical funds may not be appropriated without an adopted budget. Should the State Legislature fail to pass a budget or emergency appropriation before the start of any fiscal year, the Borrower might experience delays in receiving certain expected revenues. See "CERTAIN RISK FACTORS" herein.

State income tax and other receipts can fluctuate significantly from year to year, depending on economic conditions in the State and the nation. Because funding for education is closely related to overall State income, as described in this section, funding levels can also vary significantly from year to year, even in the absence of significant education policy changes. Brief descriptions of the adopted State budget for fiscal year 2019-20 and the proposed State budget for fiscal year 2020-21 are included below; however, no prediction can be made as to how State income or State education funding will vary over the entire term to maturity of the Notes, and neither the Borrower nor the Authority takes any responsibility for informing Beneficial Owners of the Notes as to any such annual fluctuations. Information about the State budget and State spending for education is regularly available at various State maintained websites. Text of proposed and adopted budgets may be found at the website of the Department of Finance, www.dof.ca.gov., under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found at the website of the State Treasurer, currently located at www.treasurer.ca.gov., and the Electronic Municipal Market Access ("EMMA") website of the Municipal Securities Rulemaking Board, currently located at http://emma.msrb.org. The information referred to is prepared by the respective entities maintaining each website and not by the Borrower or the Authority, and neither the Borrower nor the Authority can take any responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references. The information referred to above should not be relied upon in making an investment decision with respect to the Notes.

Aggregate State Education Funding. Under Proposition 98, a constitutional and statutory amendment adopted by the State's voters in 1988 and amended by Proposition 111 in 1990 (now found at Article XVI, Sections 8 and 8.5 of the Constitution), a minimum level of funding is mandated for school

districts, community college districts, and other State agencies that provide direct elementary and secondary instructional programs, including charter schools.

The Proposition 98 guaranteed amount for education is based on prior year funding, as adjusted through various formulas and tests that take into account State proceeds of taxes, local property tax proceeds, school enrollment, per capita personal income, and other factors. The State's share of the guaranteed amount is based on State general fund tax proceeds and is not based on the general fund in total or on the State budget. The local share of the guaranteed amount is funded from local property taxes. The total guaranteed amount varies from year to year and throughout the stages of any given fiscal year's budget, from the Governor's initial budget proposal to actual expenditures to post year end revisions, as additional information regarding the various factors becomes available. Over the long run, the guaranteed amount may increase as enrollment and per capita personal income grow.

If, at year end, the guaranteed amount is calculated to be higher than the amount actually appropriated in that year, the difference becomes an additional education funding obligation, referred to as "settle up." If the amount appropriated is higher than the guaranteed amount in any year, that higher funding level permanently increases the base guaranteed amount in future years. The Proposition 98 guaranteed amount is reduced in years when general fund revenue growth lags personal income growth, and may be suspended for one year at a time by enactment of an urgency statute. In either case, in subsequent years when State general fund revenues grow faster than personal income (or sooner, as the State Legislature may determine), the funding level must be restored to the guaranteed amount, the obligation to do so being referred to as "maintenance factor."

In recent years, the State's response to fiscal difficulties has had a significant impact on Proposition 98 funding and settle-up treatment. The State has sought to avoid or delay paying settle-up amounts when funding has lagged the mandated amount. In response, teachers' unions, the State Superintendent and others sued the State or Governor in 1995, 2005, 2009 and 2011 to force them to fund schools in the full amount required. The settlement of the 1995 and 2005 lawsuits has so far resulted in over $4 billion in accrued State settle-up obligations. However, legislation enacted to pay down the obligations through additional education funding over time, including the Quality Education Investment Act of 2006 (QEIA), have also become part of annual budget negotiations, resulting in repeated adjustments and deferrals of the settle-up amounts.

The State has also sought to preserve general fund cash while avoiding increases in the base guaranteed amount through various mechanisms: by treating any excess appropriations as advances against subsequent years' Proposition 98 minimum funding levels rather than current year increases; by temporarily deferring apportionments of Proposition 98 funds from one fiscal year to the next; by permanently deferring apportionments of Proposition 98 funds from one fiscal year to the next; by suspending Proposition 98, as the State did in fiscal years 2004-05, 2010-11, 2011-12 and 2012-13; and by proposing to amend the Constitution's definition of the guaranteed amount and settle up requirement under certain circumstances. The 2014-15 State Budget and 2015-16 State Budget reversed certain of these trends by, among other things, eliminating certain deferrals, authorizing payments of certain deferred amounts owed to schools subject to State General Fund Revenues and authorizing settle-up payments with respect to deferred apportionments of the Proposition 98 minimum guarantee.

2019-20 Budget. On June 27, 2019, the Governor signed into law the State budget for fiscal year 2019-20 (the "2019-20 Budget"). The following information is drawn from the State Department of Finance's summary of the 2019-20 Budget.

For fiscal year 2018-19, the 2019-20 Budget projects total general fund revenues and transfers of $138 billion and total expenditures of $142.7 billion. The State is projected to end the 2018-19 fiscal year with total available general fund reserves of $20.7 billion, including $5.4 billion in the traditional general fund reserve, $14.4 billion in the BSA and $900 million in the Safety Net Reserve Fund for the CalWORKs and Medi-Cal programs. For fiscal year 2019-20, the 2019-20 Budget projects total general fund revenues and transfers of

$143.8 billion and authorizes expenditures of $147.8 billion. The State is projected to end the 2019-20 fiscal year with total available general fund reserves of $18.8 billion, including $1.4 billion in the traditional general fund reserve, $16.5 billion in the BSA and $900 million in the Safety Net Reserve Fund. The 2019-20 Budget also authorizes a deposit to the PSSSA of $376.5 million in order to comply with Proposition 2. The amount is below the threshold required to trigger certain maximum local reserve levels for school districts created by State legislation approved in 2014 (and amended in 2017). See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING EDUCATION REVENUES AND APPROPRIATIONS – Proposition 2" herein.

For fiscal year 2019-20, the Budget sets the minimum funding guarantee at $81.1 billion. With respect to K-12 education, ongoing per-pupil spending is set at $11,993. Other significant features with respect to K-12 education funding include the following:

- *Local Control Funding Formula* – An increase of $1.9 billion in Proposition 98 funding for the LCFF, reflecting a 3.26% COLA.

- *Settle-Up Payment* – An increase of $686.6 million for K-14 school districts to pay the balance of past-year Proposition 98 funding owed through fiscal year 2017-18.

- *Special Education* – $645.3 million in ongoing Proposition 98 funding for special education. Specifically, the 2019-20 Budget allocates (i) $152.6 million to provide all special education local area plans at least the Statewide target rate for base special education funding, and (ii) $492.7 million in special education funding, to be allocated to school districts based on the number of children between three to five years of age and with exceptional needs that are being served.

- *Pension Costs* – A $3.15 billion payment from non-Proposition 98 funds to CalSTRS and CalPERS, to reduce long-term liabilities for K-14 school districts. Of this amount, $850 million would be provided to buy down employer contribution rates in fiscal years 2019-20 and 2020-21. With these payments, CalSTRS employer contributions will be reduced from 18.13% to 17.1% in fiscal year 2019-20, and from 19.1% to 18.4% in fiscal year 2020-21. The CalPERS employer contribution will be reduced from 20.7% to 19.7% in fiscal year 2019-20, and the projected CalPERS employer contribution is expected to be reduced from 23.6% to 22.9 % in fiscal year 2020-21. The remaining $2.3 billion would be paid towards employers' long-term unfunded liability. See also "APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWER – OPERATING AND FINANCIAL INFORMATION – State Retirement Programs" attached hereto..

- *After School Programs* - $50 million in ongoing Proposition 98 funding to provide an increase of approximately 8.3% to the per-pupil daily rate for after school education and safety programs.

- *Teacher Support* - $43.8 million in one-time non-Proposition 98 funding to provide training and resources for classroom educators and paraprofessionals, to build capacity in key State priorities. The 2019-20 Budget also includes $89.8 in one-time, non-Proposition 98 funding to provide up to 4,487 grants for students enrolled in professional teacher preparation programs who commit to working in a high-need field at a priority school for at least four years.

- *Broadband Infrastructure* - $7.5 million in one-time, non-Proposition 98 funding for broadband infrastructure improvements at local educational agencies.

- *Full-Day Kindergarten* - $300 million in one-time, non-Proposition 98 funding to finance construction or retrofit of facilities to support full-day kindergarten programs.

- *Wildfire-Related Cost Adjustments* – An increase of $2 million in one-time Proposition 98 funding to reflect adjustments in the estimate for property tax backfill for basic aid school districts

impacted by wildfires which occurred in 2017 and 2018. The 2019-20 Budget also holds both school districts and charter schools impacted by wildfires in 2018 harmless in terms of State funding for two years.

- *Proposition 51* – a total allocation of $1.5 billion in Proposition 51 bond funds for K-12 school facility projects.

For additional information regarding the 2019-20 Budget, see the State Department of Finance website at www.dof.ca.gov. However, the information presented on such website is not incorporated herein by reference.

Proposed 2020-21 Budget. On January 10, 2020, the Governor released his proposed State budget for fiscal year 2020-21 (the "Proposed 2020-21 Budget"). The following information is drawn from the summaries of the Proposed 2020-21 Budget prepared by the State Department of Finance and the LAO.

For fiscal year 2019-20, the Proposed 2020-21 Budget projects total general fund revenues and transfers of $146.5 billion and total expenditures of $149.7 billion. The State is projected to end the 2019-20 fiscal year with total available general fund reserves of $20 billion, including $3.1 billion in the traditional general fund reserve, $16 billion in the BSA and $900 million in the Safety Net Reserve Fund for the CalWORKs. The Proposed 2020-21 Budget also increases the deposit into the PSSSA by $147.7 million, for a total of $524 million, in order to comply with Proposition 2. The amount continues to be below the threshold required to trigger certain maximum local reserve levels for school districts created by State legislation approved in 2014 (and amended in 2017). See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING EDUCATION REVENUES AND APPROPRIATIONS – Proposition 2" herein.

For fiscal year 2020-21, the Proposed 2020-21 Budget projects total general fund revenues and transfers of $151.6 billion and authorizes expenditures of $153.1 billion. The State is projected to end the 2020-21 fiscal year with total available general fund reserves of $20.5 billion, including $1.6 billion in the traditional general fund reserve, $18 billion in the BSA and $900 million in the Safety Net Reserve Fund. The Proposed 2020-21 Budget projects a balance in the PSSSA of $487 million for the 2020-21 fiscal year. This amount is below the amount required to trigger certain maximum local reserve levels for school districts. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING EDUCATION REVENUES AND APPROPRIATIONS – Proposition 2" herein. Pursuant to the provisions of Proposition 2, the Proposed 2020-21 Budget also projects a draw on the PSSSA of approximately $37.6 million.

The Proposed 2020-21 Budget makes certain revisions to Proposition 98 funding levels set by prior budgetary legislation. For fiscal year 2018-19, the minimum funding guarantee is revised to $78.4 billion, an increase of $301.5 million from prior levels. For fiscal year 2019-20, the minimum funding guarantee is revised to $81.6 billion, an increase of $517 million from the prior level. These increases are due largely to increases in property tax revenues in fiscal year 2018-19, and increases in State general fund revenues in both fiscal years.

For fiscal year 2020-21, the Proposed 2020-21 Budget sets the minimum funding guarantee at $84 billion, an increase of approximately $2.6 billion over the revised prior year level. With respect to K-12 education, ongoing per-pupil spending is set at $17,964. Due to the year-to-year growth in State revenues and a projected decline in ADA, fiscal year 2020-21 is projected to be a "Test 1" year. Other significant features with respect to K-12 education funding include the following:

- *Local Control Funding Formula* – An increase of $1.2 billion in Proposition 98 funding for the LCFF, reflecting a 2.29% COLA. This would bring total LCFF funding to $64.2 billion. The Proposed 2020-21 Budget also includes $600,000 in one-time Proposition 98 funding to improve LCFF fiscal accountability by making Statewide LCAP information more accessible to the public.

Finally, the Proposed 2020-21 Budget includes an increase of $5.7 million in LCFF funding for county offices of education, reflecting a 2.29% COLA.

- *Categorical Programs* – An increase of $122.4 million in Proposition 98 funding for categorical programs that remain outside the LCFF, reflecting a 2.29% COLA.
- *Special Education* – A new special education base funding formula using a three-year rolling average of local educational agency ADA allocated to special education local plans areas. This funding level would include a 15% increase in the Proposition 98 contribution to the funding rate provided in the prior year's budgetary legislation. The Proposed 2020-21 Budget also includes an additional $250 million in ongoing Proposition 98 funding based on the number of children between ages three and five with exceptional needs. Funding would be allocated on a one-time basis to school districts based on the number of preschool-age children with disabilities.
- *Educator Recruitment and Professional Development* – $900 million in one-time Proposition 98 funding for six initiatives aimed at improving school employee training, recruitment and retention.
- *Community Schools* – $300 million in one-time Proposition 98 funding to implement community school models which typically integrate health, mental health and other services for students and families and provides these services directly on school campuses.
- *Opportunity Grants* – $300 million in one-time Proposition 98 funding to establish opportunity grants for low-performing schools and school districts and to expand the Statewide system of support therefor.
- *Computer Science* – $15 million in one-time Proposition 98 funding for grants to local educational agencies to support K-12 teachers earning a supplemental authorization to their teaching credential to teach computer science. The Proposed 2020-21 Budget also provides $2.5 million in one-time Proposition 98 funding for county offices of education to identify, compile and share resources for computer science professional development, curriculum and best practices.
- *School Nutrition* – $60 million in Proposition 98 funding to increase funding for school nutrition. Additionally, the Proposed 2020-21 Budget includes $10 million in Proposition 98 funding to provide training for school food service workers.
- *School Facilities* – $400 million in one-time, non-Proposition 98 funding for eligible school districts to construct new, or to retrofit existing, facilities for full-day kindergarten programs.
- *Proposition 51* – a total allocation of $1.5 billion in Proposition 51 bond funds for K-12 school facility projects.

For additional information regarding the Proposed 2020-21 Budget, see the State Department of Finance website at www.dof.ca.gov and the LAO's website at www.lao.ca.gov. However, the information presented on such websites is not incorporated herein by reference.

The Proposed 2020-21 Budget was prepared prior to the COVID-19 outbreak, and the projections included therein did not account for any of the negative economic impacts to date associated with the outbreak, nor any potential impacts yet to be realized. See "CERTAIN RISK FACTORS – Outbreak of Disease; Coronavirus" herein. The May revision (the "May Revision") to the Proposed 2020-21 Budget reflects, and the final budget approved by the Legislature could reflect, significantly lower projections of State revenues or higher projections of State expenditures.

May Revision. On May 14, 2020, the Governor released his May Revision to the Proposed 2020-21 Budget. The following information is drawn from the LAO's summary of the May Revision, as well as certain information from the LAO's preliminary response to the May Revision.

The May Revision acknowledges that the rapid onset of COVID-19 has had an immediate and severe impact on the State's economy, including nearly 4 million unemployment claims from mid-March through May 9, 2020. While job losses have occurred in nearly every sector, the May Revision indicates that losses have been most acute in leisure and hospitality, retail and personal services. Lower wage workers have also disproportionately borne the impact of job losses. The May Revision projects that the 2020 unemployment rate will peak at approximately 24.5% in the second quarter of 2020. Average wages in most sectors are also projected to decline as firms freeze hiring, postpone bonus and salary increases and cut work hours. The economic consequences of the pandemic are also expected to negatively impact other sources of income beyond wages and salaries. California personal income, which includes income from wages and salaries, businesses ownership, property ownership and government transfers is expected to decrease by 9 percent (or $230 billion) in 2020, and is not projected to return to pre-pandemic levels until fiscal year 2022-23.

As compared to the projections included in the Proposed 2020-21 Budget, the State's three main revenues sources are projected to decline as follows: (i) personal income taxes by $33 billion, (ii) sales and use tax receipts by $10 billion, and (iii) corporation taxes by $5 billion. The May Revision projects that total State general fund revenues will decline by $41.2 billion from the projected level included in the Proposed 2020-21 Budget, including $9.7 billion allocable to fiscal year 2019-20 and $32 billion allocable to fiscal year 2020-21. The May Revision also anticipates that the State budget will face higher direct costs associated with responding to the COVID-19 outbreak and higher caseload-related costs to State safety net programs in light of worsening economic conditions. Collectively, these revenue reductions and cost increases are projected to result in an overall State budget deficit of approximately $54.3 billion, absent the implementation of the May Revision's proposals.

The May Revision proposes a number of measures intended to address the projected deficit:

- *Baseline Adjustments* – The May Revision includes two "baseline" adjustments that do not require changes to current law in order to implement. Specifically, the May Revision would (i) recognize $4.3 billion in State general fund budgetary solutions as a result of recent federal congressional approval for a temporary increase in the federal government's share of State Medicaid costs, and (ii) remove or modify $2.1 billion in new spending proposals previously included in the Proposed 2020-21 Budget.

- *Draw Down of Reserves* – The May Revision would draw down $16.2 billion of funds in the BSA over three fiscal years, including $7.8 billion in fiscal year 2020-21, and allocate the Safety Net Reserve Fund to offset increased health and human services costs.

- *Increase Revenues* – The May Revision would temporarily suspend corporate net operating loss tax deductions and limit business tax credits, with an estimated increase in tax revenues of $4.4 billion in fiscal year 2020-21.

- *Adjust K-14 Spending* – As a result of the projected drop in State general fund revenues, the May Revision projects a resulting drop in the Proposition 98 minimum funding guarantee (as further discussed herein). The May Revision proposes to reduce K-14 funding accordingly, resulting in State general fund savings of approximately $16.5 billion.

- *Reduced Spending* – The May Revision proposes a number of flat reductions across programs or rates in several areas, with an estimated $4.9 billion in savings. Approximately $3.6 billion of these cuts are subject to being "triggered" off if sufficient federal funding is received. The May Revision also proposes approximately $5.6 billion of targeted reductions to certain programs or benefit levels, of which $2.3 billion is subject to triggers.

- *Cost Shifts* – The May Revision proposes $3.3 billion in loans and transfers from special funds. The May Revision also proposes approximately $1.7 billion in pension-related proposals that would shift certain State CalPERS and CalSTRS costs.

- *Federal Funds* – The United States Congress recently established the Coronavirus Relief Fund ("CRF") to provide state, local, tribal and territorial governments money for necessary public health expenditures incurred in connection with the COVID-19 outbreak. California is eligible for approximately $9.5 billion from the CRF, and the May Revision assumes that the State can use $3.8 billion to offset underlying State costs. The May Revision proposes to remit the balance of these funds to local educational agencies ($4 billion), counties ($1.3 billion) and cities ($450 million).

For fiscal year 2019-20, the May Revision projects total general fund revenues and transfers of $136.8 billion and authorizes expenditures of $146.5 billion. The State is projected to end the 2019-20 fiscal year with total available general fund reserves of $17.1 billion, including $16.2 billion in the BSA and $900 million in the Safety Net Reserve Fund. For fiscal year 2020-21, the May Revision projects total general fund revenues and transfers of $137.4 billion and authorizes expenditures of $133.9 billion. The State is projected to end the 2020-21 fiscal year with total available general fund reserves of $10.8 billion, including $1.96 billion in the traditional general fund reserve, $8.4 billion in the BSA and $450 million in the Safety Net Reserve Fund.

As a result of the projected reduction of State revenues occasioned by the COVID-19 outbreak, the May Revision estimates that the Proposition 98 minimum funding guarantee will decline by approximately $19 billion from the level included in the Proposed 2020-21 Budget. This is equal to an approximate 23% reduction in the guarantee from the prior-year level. Moreover, as a result of declining ADA projections and per-capita income numbers, the May Revision projects that, absent remedial action, the minimum funding guarantee will stay at a depressed level throughout the May Revision's revenue forecast.

The May Revision proposes several measures intended to ameliorate the immediate impact of COVID-19 to education funding, including (i) temporary revenue increases, as discussed above, which are projected to result in additional State general fund revenues that count toward the minimum funding guarantee, (ii) a one-time investment of $4.4 billion in federal relief funds, as previously discussed, to local educational agencies to address learning losses related to COVID-19, and (iii) redirecting funds previously allocated towards prefunding accrued CalSTRS and CalPERS liabilities, and instead applying those funds to further reduce local educational agency contribution rates for such programs in fiscal years 2020-21 and 2021-22.

The May Revision also proposes a new, multi-year payment obligation to supplement K-14 education funding. The total obligation would equal approximately $13 billion, and reflects the administration's estimate of the additional funding K-14 school districts would have received in the absence of COVID-19-related reductions. Under this proposal the State would make annual payments toward this obligation beginning in fiscal year 2021-22. These payments would equal 1.5% of State general fund revenue, and could be allocated to any school or community college program. The May Revision also proposes to recalibrate the Proposition 98 funding formula so that a portion of these supplemental payments would increase K-14 education funding on a permanent basis. Specifically, the May Revision proposes increasing the share of State general fund revenue required to be spent on K-14 community college districts from 38% to 40%.

Other significant features of K-12 education funding in the May Revision include the following:

- *Local Control Funding Formula* – Absent additional federal funds, the May Revision projects a required reduction to LCFF funding of $6.5 billion, including the elimination of the previously-proposed 2.31% COLA. The May Revision also proposes apportionment deferrals in fiscal year 2019-29 of approximately $1.9 billion to the following fiscal year, and an additional $3.4 billion

in fiscal year 2020-21. The May Revision also includes provisions that would exempt local educational agencies from apportionment deferrals that create a documented hardship.

- *Rate Increases and Programmatic Expansions* – The May Revision rescinds approximately $1.8 billion in funding increases and programmatic expansions in a number of areas, including but not limited to workforce development, community schools, special education preschool, teacher residency programs, credentialing and child nutrition. Additionally, the May Revision suspends the statutory COLA of 2.31% in fiscal year 2020-21 for all eligible programs.

- *Categorical Programs* – Absent additional federal funds, the May Revision provides for approximately $352.9 million in reductions to a wide variety of categorical programs. Funding levels also reflect a decrease of $10.9 million in Proposition 98 funding for selected categorical programs, based on updated ADA estimates.

- *Flexibilities for Local Educational Agencies* – Recognizing the challenges that COVID-19 is creating at the local level, the May Revision includes provisions intended to provide local educational agencies with fiscal and programmatic flexibility, including (i) exemptions from apportionment deferrals (as discussed above), (ii) subject to public hearing, increases in inter-fund borrowing limits and (iii) authority to use proceeds from the sale of surplus property for one-time general fund purposes.

For additional information regarding the May Revision, see the DOF website at www.dof.ca.gov and the LAO's website at www.lao.ca.gov. However, the information presented on such websites is not incorporated herein by reference. The State budget eventually adopted for fiscal year 2020-21 may vary materially from that proposed in the May Revision. See "CERTAIN RISK FACTORS – Financial Projections – Pending Legislative Version of State Budget."

Future Budgets and Budgetary Actions. The Borrower cannot predict what actions will be taken in the future by the State legislature and the Governor to address changing State revenues and expenditures. The Borrower also cannot predict the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the Borrower will have no control. Certain actions or results could produce a significant shortfall of revenue and cash, and could consequently impair the State's ability to fund schools. The COVID-19 outbreak has already resulted in significant negative economic effects at State and federal levels, and additional negative economic effects are possible, each of which could negatively impact anticipated State revenue levels for fiscal year 2019-20 and beyond. In addition, the outbreak could also result in higher State expenditures, of both a direct nature (such as those related to managing the outbreak) and an indirect nature (such as higher public usage of need-based programs resulting from unemployment or disability). See "CERTAIN RISK FACTORS – Outbreak of Disease; Coronavirus" herein. The Borrower also cannot predict whether the federal government will provide additional funding in amounts sufficient to offset any of the fiscal impacts of the COVID-19 outbreak described above. State budget shortfalls in future fiscal years may also have an adverse financial impact on the financial condition of the Borrower.

Prohibitions on Diverting Local Revenues for State Purposes. Beginning in 1992-93, the State satisfied a portion of its Proposition 98 obligations by shifting part of the property tax revenues otherwise belonging to cities, counties, special districts, and redevelopment agencies, to school and college districts through a local Educational Revenue Augmentation Fund ("ERAF") in each county. Local agencies, objecting to invasions of their local revenues by the State, sponsored a statewide ballot initiative intended to eliminate the practice. In response, the State Legislature proposed an amendment to the State Constitution, which the State's voters approved as Proposition 1A at the November 2004 election. That measure was generally superseded by the passage of a new initiative constitutional amendment at the November 2010 election, known as "Proposition 22."

The effect of Proposition 22 is to prohibit the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services. It prevents the State from redirecting redevelopment agency property tax increment to any other local government, including school districts, or from temporarily shifting property taxes from cities, counties and special districts to schools, as in the ERAF program. This is intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. One effect of this amendment is to deprive the State of fuel tax revenues to pay debt service on most State bonds for transportation projects, reducing the amount of State general fund resources available for other purposes, including education.

Prior to the passage of Proposition 22, the State invoked Proposition 1A to divert $1.935 billion in local property tax revenues in 2009-10 from cities, counties, and special districts to the State to offset State general fund spending for education and other programs, and included another diversion in the adopted 2009-10 State budget of $1.7 billion in local property tax revenues from local redevelopment agencies, which local redevelopment agencies have now been dissolved. Redevelopment agencies had sued the State over this latter diversion. However, the lawsuit was decided against the California Redevelopment Association on May 4, 2010. Because Proposition 22 reduces the State's authority to use or shift certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget in some years – such as reducing State spending or increasing State taxes, and school and community college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State's general fund.

Allocation of State Funding to Charter Schools

General Purpose Entitlement. Under the Charter School Law, each charter school is calculated to have a "general purpose entitlement," which has in the past been based on the statewide average amount of State aid, local property taxes and other revenue received by school districts of similar type and serving similar pupil populations. The general purpose entitlement is calculated on a per student basis at each of four grade level ranges (grades K-3, grades 4-5, grades 6-8, and grades 9-12) and is multiplied by the charter school's Average Daily Attendance ("ADA") in each grade level range.

Each charter school's general purpose entitlement is funded from local funding in lieu of property taxes and, to the extent such funding is insufficient to fulfill the entire entitlement, from money appropriated by the State from the State's general fund for education. The local share, which must be transferred in monthly installments to the charter school by the sponsoring local educational agency in lieu of property taxes, is the average amount of property taxes per ADA received by the district, including charter school students, multiplied by the charter school's ADA.

Local Control Funding Formula. State Assembly Bill 97 (Stats. 2013, Chapter 47) ("AB 97"), enacted as part of the 2013-14 State budget, establishes a new system for funding school districts, charter schools and county offices of education. Certain provisions of AB 97 were amended and clarified by Senate Bill 91 (Stats. 2013, Chapter 49) ("SB 91").

Funding. The primary component of AB 97, as modified by SB 91, is the implementation of the Local Control Funding Formula ("LCFF"), which replaces the revenue limit funding system for determining State apportionments, as well as the majority of categorical program funding. Under the LCFF, State allocations will be provided on the basis of target base funding grants per unit of ADA (a "Base Grant") assigned to each of four grade spans (identical to the grade spans previously used for charter school funding). Each Base Grant is subject to certain adjustments and add-ons, as discussed below. LCFF was fully implemented over a period of six fiscal years, by fiscal year 2018-19. Beginning in fiscal year 2013-14, an annual transition adjustment is calculated for each charter school, equal to such charter school's proportionate share of appropriations included in the State budget to close the gap between the prior-year funding level and the target allocation following full implementation of the LCFF. In each year, charter schools had the same proportion of their

respective funding gaps closed, with dollar amounts varying depending on the size of the charter school's respective funding gaps.

For fiscal year 2013-14, the Base Grants per unit of ADA for each grade span are as follows: (i) $6,845 for grades K-3; (ii) $6,947 for grades 4-6; (iii) $7,154 for grades 7-8; and (iv) $8,289 for grades 9-12. In each subsequent year, the Base Grants are to be adjusted for cost-of-living increases by applying the implicit price deflator for government goods and services. Following full implementation of the LCFF, the provision of COLAs are subject to appropriation for such adjustment in the annual State budget. The differences among Base Grants are linked to differentials in statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels.

The Base Grants for grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in early grades and the provision of career technical education in high schools. The LCFF also provides additional add-ons to charter schools that received categorical block grant funding pursuant to the Targeted Instructional Improvement and Home-to-School Transportation programs during fiscal year 2012-13.

Charter schools that serve students of limited English proficiency ("EL" students), students from low income families that are eligible for free or reduced priced meals ("LI" students) and foster youth are eligible to receive additional funding grants. Enrollment counts are unduplicated, such that students may not be counted as both EL and LI. Foster youth automatically meet the eligibility requirements for free or reduced priced meals, and are therefore not discussed herein separately. The LCFF authorizes a supplemental grant add-on (each, a "Supplemental Grant") for charter schools that serve EL/LI students, equal to 20% of the applicable Base Grant multiplied by such charter schools' respective percentages of unduplicated EL/LI student enrollment. Charter schools whose EL/LI populations exceed 55% of their total enrollment are eligible for a concentration grant add-on (each, a "Concentration Grant") equal to 50% of the applicable Base Grant multiplied by the percentage of such charter school's unduplicated EL/LI student enrollment in excess of the 55% threshold; provided that a charter school may not receive a Concentration Grant for a greater proportion of EL/LI than the highest percentage of any school district in which the charter school has a physical location.

For certain charter schools that would have received greater funding levels under the prior revenue limit system, the LCFF provides for a permanent economic recovery target ("ERT") add-on, equal to the difference between the general purpose funding such charter schools would have received under the prior system in fiscal year 2020-21, and the target LCFF allocations owed to such charter schools in the same year. To derive the projected funding levels, the LCFF assumes the discontinuance of deficit revenue limit funding, implementation of a 1.94% COLA in fiscal years 2014-15 through 2020-21, and restoration of categorical funding to pre-recession levels. The ERT add-on will be paid incrementally over the eight-year implementing period of the LCFF.

The sum of a charter school's adjusted Base Grants, Supplemental Grants and Concentration Grants will be multiplied by the charter school's total current year ADA. This funding amount, together with any applicable ERT or categorical block grant add-ons, will yield a district's total LCFF allocation. Generally, the amount of annual State apportionments received by a school district or charter school will amount to the difference between such total LCFF allocation and such entity's share of applicable local property taxes. Most school districts and charter schools receive a significant portion of their funding from such State apportionments. As a result, decreases in State revenues may significantly affect appropriations made by the Legislature to school districts and charter schools.

Accountability. The SBE has adopted regulations regarding the expenditure of supplemental and concentration funding. These regulations include a requirement that school districts and charter schools increase or improve services for EL/LI students in proportion to the increase in funds apportioned to such districts/schools on the basis of the number and concentration of such EL/LI students, as well as the conditions

under which school districts and charter schools can use supplemental or concentration funding on a school-wide or district-wide basis.

School districts and charter schools are also required to adopt local control and accountability plans ("LCAPs") disclosing annual goals for all students, as well as certain numerically significant student subgroups, to be achieved in eight areas of State priority. LCAPs may also specify additional local priorities. LCAPs must specify the actions to be taken to achieve each goal, including actions to correct identified deficiencies with regard to areas of State priority. Charter school LCAPs are required to be included in charter petitions and updated annually. School district and charter school LCAPs must be annually updated and posted on the district or charter school's website using a State-mandated standard reporting format.

Lottery Funding. Charter schools receive funding from the State Lottery Fund, which receives all proceeds from, among other sources, the sale of lottery tickets. Lottery funding is allocated to charter schools per unit of ADA. Lottery funds are distributed quarterly by the State Controller's Office. Funding is based on annual average ADA. Lottery funds are identified as either "Proposition 20" funds or "non-Proposition 20" funds. Proposition 20 lottery funds may only be used to purchase instructional materials. Non-Proposition 20 lottery funds are unrestricted, except that they may not be used for acquisition of property, construction of facilities, financing of research, or for other non-instructional purposes. Lottery funding is not included in the charter school categorical block grant. Lottery funding is approximately 2% of public school revenues and is estimated at $207 per unit of ADA for the 2019-20 fiscal year, of which approximately $153 is "non-Proposition 20" and $54 is "Proposition 20" funding.

Nonclassroom-Based Funding. The Borrower's educational programs are considered nonclassroom based independent study programs. For such programs, the determination of corresponding ADA depends upon the documentation showing that the students performed what is, in the discretion of the charter school and the assigned certificated teacher, the minimum amount of work necessary to constitute a day's worth of work done by a student. The minimum amount of work performed by a student in a day must be done on the day for which it is claimed as attendance for ADA. Any extra amount of work performed by the student on that given day generates no further ADA credit.

Nonclassroom-based independent study programs demonstrate nonclassroom-based ADA by articulating which days are considered to be school days and providing contemporaneous records for each student clearly showing the school days within that school calendar that the student is engaged in the required education activities to an extent sufficient to constitute at least one day of time value, as determined in the discretion of the charter school and evaluated by the assigned certificated teacher. Charter schools are required to have at least 175 school days in a fiscal year, unless the school has a State Board of Education approved waiver. Additionally, charter schools are required by statute to provide certain levels of instructional minutes for each grade level, which requirements are taken into consideration when defining the value of educational activities sufficient to constitute at least one day of time value.

Nonclassroom-based independent study programs are required to request a funding determination from the State Board of Education before they may receive their apportionments based on ADA. Schools are not required to reapply annually for a funding determination when the information submitted has not materially changed. Furthermore, schools with a 6 or better on the State's Academic Performance Index ("API") for two (2) years prior to a request for a funding determination are entitled to a funding determination of five (5) years, unless there is a material revision to the information requested.

Through the funding determination process, SBE, through recommendations of the Advisory Committee on Charter Schools ("ACCS"), approves the charter school's request for a specific percentage of funding based upon the charter school's ADA using specific criteria outlined in Title 5 of the California Code of Regulations.

A charter school may be granted 100% of its ADA funding in its funding determination request if (1) the total expenditures for salaries and benefits of all of its employees who possess a valid teaching credential, permit, certificate, etc., are forty percent (40%) or greater of the school's total public revenues (as defined in regulation); (2) the school's total expenditures on instruction and related services equals eighty percent (80%) or more of the school's total public revenues (as defined in regulation); and (3) the school's teacher to student ratio does not exceed 25 students to 1 full-time certificated teacher. If, however, other factors provide a reasonable basis for the ACCS to recommend otherwise, the amount of the apportionment may be reduced.

A charter school may be granted 85% of its ADA funding in its funding determination request if (1) the total expenditures for salaries and benefits of all of its employees who possess a valid teaching credential, permit, certificate, etc., are forty percent (40%) or greater of the school's total public revenues (as defined in regulation); (2) the school's total expenditures on instruction and related services equals seventy percent (70%) but less than eighty percent (80%) of the school's total public revenues (as defined in regulation). If, however, other factors provide a reasonable basis for the ACCS to recommend otherwise, the amount of the apportionment may be reduced or increased. Such other factors might include one-time expenditures required for capital expenditures or facilities costs.

A charter school may be granted 70% of its ADA funding in its funding determination request if (1) the total expenditures for salaries and benefits of all of its employees who possess a valid teaching credential, permit, certificate, etc., are between thirty-five percent (35%) and thirty-nine point nine percent (39.9%) of the school's total public revenues (as defined in regulation); (2) the school's total expenditures on instruction and related services equals at least sixty percent (60%) but less than seventy percent (70%) of the school's total public revenues (as defined in regulation). If, however, other factors provide a reasonable basis for the ACCS to recommend otherwise, the amount of the apportionment may be reduced or increased. Such other factors might include one-time expenditures required for capital expenditures or facilities costs.

A charter school may be denied apportionment funding for ADA if (1) the total expenditures for salaries and benefits of all of its employees who possess a valid teaching credential, permit, certificate, etc., is less than thirty-five percent (35%) of the school's total public revenues (as defined in regulation); or (2) the school's total expenditures on instruction and related services is less than sixty percent (60%) of the school's total public revenues (as defined in regulation). If, however, other factors provide a reasonable basis for the ACCS to recommend otherwise, it may recommend that the State Board of Education to approve the funding determination request. Denial of a determination of funding request by SBE shall result in no funding being apportioned for average daily attendance identified by the charter school as being generated through nonclassroom-based instruction.

The Borrower submitted its most recent funding determination request for 100% in May 2020, which was granted and expires in June 2024. While SBE maintains authority to request a new funding determination request at charter renewal and within its discretion at any time, the Borrower has not been provided any notice that it will be required to submit such a funding determination renewal request prior to normally scheduled renewal. See "APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWER" attached hereto.

Categorical Funding. Charter schools may apply for and receive categorical funds for many programs that are not included in general purpose entitlement funding, if otherwise eligible, but may not receive aid for programs exclusively or almost exclusively provided by a county office of education.

SB 740 Facilities Grant Program Funding. In the 2019-20 fiscal year, charter schools that meet certain criteria are eligible to receive up to $1,184 per unit of ADA to reimburse an amount up to 75% of their annual facilities rent and lease costs from amounts appropriated under the annual Budget Act (as defined below). This per-ADA amount may increase in future years based on cost of living adjustments. To be eligible for SB 740 benefits: (i) 55% or more of the charter school's students must be eligible for free or reduced priced meals; or (ii) the charter school must be located in the attendance area of a public elementary

school in which 55% or more of students are eligible for free or reduced priced meals and the charter school must give a preference in admissions to students who are currently enrolled in that public elementary school and to students who reside in the elementary school attendance area where the charter school is located.

SB 740 facilities funding may be used for costs associated with facilities rents and leases (consistent with the definitions used in the California School Accounting Manual) ("Facility Rents"), and for costs associated with remodeling buildings, deferred maintenance, installing or extending service systems and other built-in equipment, and improving sites (collectively, "Other Costs"). SB 740 facilities funding is not included in the charter school categorical block grant.

SB 740 funding is subject to the annual Budget Act. In the event insufficient funds are appropriated, the available funds are first used to reimburse for Facility Rents (on a pro rata basis if funds are insufficient), and any remaining funds are apportioned to reimburse for Other Costs on a pro rata basis. In addition to the risk of underfunding, should there be any changes to the free and reduced-price meal eligibility data, the amount of grant funds, which is awarded in three disbursements, may be adjusted (or a reimbursement notice provided).

The SB 740 program is administered by CSFA. In prior years, the program has been "undersubscribed," meaning that awards were not limited by the level of appropriation. However, the program was "oversubscribed" in fiscal year 2017-18 and 2018-19 and is expected to be in the current fiscal year, with awards being reduced on a pro-rata basis.

Effective beginning the 2017-18 fiscal year, reimbursable costs under the SB 740 program are limited to either of the following conditions: (i) reimbursable facility rent or lease costs do not exceed the prior year's costs on file with CSFA as of the 2016–17 fiscal year, subject to a cost-of-living adjustment; or (ii) the rent or lease costs of new facility agreements are at or below market rate based on an independent appraisal paid for by the charter school.

Currently, the Borrower does not receive SB 740 funding, and does not anticipate receiving such funding in the future.

Annual Funding Components. The following tables describe ADA-based state funding of California charter school education for Fiscal Year 2015-16 through 2019-20:

STATE FUNDING OF CHARTER SCHOOL EDUCATION
FISCAL YEAR 2015-16
(Dollars per unit of ADA)

	Grades			
	K-3	4-6	7-8	9-12
Target LCFF Base Grant	$7,083	$7,189	$7,403	$8,577
CTE/CSR Add-ons	737	--	--	223
Lottery[2]	162	162	162	162
Total[1]	$7,982	$7,351	$7,565	$8,962

STATE FUNDING OF CHARTER SCHOOL EDUCATION
FISCAL YEAR 2016-17
(Dollars per unit of ADA)

	Grades			
	K-3	4-6	7-8	9-12
Target LCFF Base Grant	$7,083	$7,189	$7,403	$8,577
CTE/CSR Add-ons	737	--	--	223
Lottery[2]	189	189	189	189
Total[1]	$8,009	$7,378	$7,592	$8,989

STATE FUNDING OF CHARTER SCHOOL EDUCATION
FISCAL YEAR 2017-18
(Dollars per unit of ADA)

	Grades			
	K-3	4-6	7-8	9-12
Target LCFF Base Grant	$7,193	$7,301	$7,518	$8,712
CTE/CSR Add-ons	748	--	--	227
Lottery[2]	194	194	194	194
Total[1]	$8,135	$7,495	$7,712	$9,133

STATE FUNDING OF CHARTER SCHOOL EDUCATION
FISCAL YEAR 2018-19
(Dollars per unit of ADA)

	Grades			
	K-3	4-6	7-8	9-12
Target LCFF Base Grant	$7,459	$7,571	$7,796	$9,034
CTE/CSR Add-ons	776	--	--	235
Lottery[2]	204	204	204	204
Total[1]	$8,439	$7,775	$8,000	$9,473

STATE FUNDING OF CHARTER SCHOOL EDUCATION
FISCAL YEAR 2019-20[3]
(Dollars per unit of ADA)

	Grades			
	K-3	4-6	7-8	9-12
Target LCFF Base Grant	$7,702	7,818	8,050	9,329
CTE/CSR Add-ons	801	--	--	243
Lottery[2]	207	207	207	207
Total[1]	$8,710	$8,025	$8,257	$9,779

(1) Excludes special education, nutrition, After School Education and Safety, SB 740, Charter School Facility Grants, No Child Left Behind or Every Student Succeeds Act, class size reduction, supplemental instruction, economic impact aid, and National School Lunch Program funding and any private philanthropy, grants, or other fund-raising.

(2) Estimated.

(3) The Fiscal Year 2019-20 funding amounts are preliminary, used for initial budgeting purposes in general. For specific projections with respect to the Borrower, see "APPENDIX C – FINANCIAL PROJECTIONS OF THE BORROWER" attached hereto.

Sources: California Charter Schools Association; California Department of Education.

For a description of the School's ADA and funding related thereto, see "APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWER" attached hereto.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING EDUCATION REVENUES AND APPROPRIATIONS

Limitations on Revenues

Article XIIIA of the California Constitution. Article XIIIA of the State Constitution, adopted and known as Proposition 13, was approved by the voters in June 1978. Section 1(a) of Article XIIIA limits the maximum ad valorem tax on real property to one percent of "full cash value," and provides that such tax will be collected by the counties and apportioned according to State law. Section 1(b) of Article XIIIA provides that the one-percent limitation does not apply to ad valorem taxes levied to pay interest and redemption charges on: (i) indebtedness approved by the voters prior to July 1, 1978, or (ii) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast on the proposition, or (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district voting on the ballot proposition, but only if certain accountability measures are included in the bond proposition. Charter schools may not conduct bond elections or issue bonds payable from property taxes, but may benefit from the proceeds of bonds issued by the school district in which the charter school is located.

Section 2 of Article XIIIA defines "full cash value" to mean the county assessor's valuation of real property as shown on the Fiscal Year 1975-76 tax bill, or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. The Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre decline value of the property) at an annual rate higher than 2%, depending on the assessor's measure of the restored value of the damaged property. The California courts have upheld the constitutionality of this procedure. Legislation enacted by the State Legislature to implement Article XIIIA provides that, notwithstanding any other law, local agencies may not levy any ad valorem property tax except the 1% base tax levied by each County and taxes to pay debt service on indebtedness approved by the voters as described above.

Since its adoption, Article XIIIA has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be reassessed when purchased, newly constructed or a change in ownership has occurred. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property has been destroyed in a declared disaster, and certain improvements to accommodate disabled persons and for seismic upgrades to property. These amendments have resulted in marginal reductions in the property tax revenues of local school districts.

Both the California State Supreme Court and the United States Supreme Court have upheld the validity of Article XIIIA.

Section 51 of the Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre decline value of the property) at an annual rate higher than 2%, depending on the assessor's measure of the restoration of value of the damaged property. The constitutionality of this procedure was challenged in a lawsuit brought in 2001 in the Orange County Superior Court and in similar lawsuits brought in other counties, on the basis that the decrease in assessed value creates

a new "base year value" for purposes of Proposition 13 and that subsequent increases in the assessed value of a property by more than 2% in a single year violate Article XIIIA. On appeal, the California Court of Appeal upheld the recapture practice in 2004, and the State Supreme Court declined to review the ruling, leaving the recapture law in place. Charter schools are not directly dependent on local property taxes. To the extent local property taxes fund the general purpose entitlement, losses in local property tax income are required to be made up by the State.

Proposition 30

On November 6, 2012, voters of the State of California approved the Temporary Taxes to Fund Education, 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, for storage, use, or other consumption in the State. 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 not over $300,000 for single filers (over $340,000 but not over $408,000 for joint filers), (ii) 2% for taxable income over $300,000 but not over $500,000 for single filers (over $408,000 but not over $680,000 for joint filers), and (iii) 3% for taxable income over $500,000 for single filers (over $680,000 for joint filers). The California Children's Education and Health Care Protection Act of 2016, also known as Proposition 55, is a constitutional amendment approved by the voters of the State on November 8, 2016. Proposition 55 extends through 2030 the increases to personal income tax rates for high-income taxpayers that were approved as part of Proposition 30. Proposition 55 did not extend the sales tax rate increase enacted under Proposition 30.

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. 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 schools 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.

Proposition 2

On November 4, 2014, voters approved the Rainy Day Budget Stabilization Fund Act (also known as "Proposition 2"). Proposition 2 is a legislatively-referred constitutional amendment which makes certain changes to State budgeting practices, including substantially revising the conditions under which transfers are made to and from the State's Budget Stabilization Account (the "BSA") established by the California Balanced Budget Act of 2004 (also known as Proposition 58).

Under Proposition 2, and beginning in fiscal year 2015-16 and each fiscal year thereafter, the State will generally be required to annually transfer to the BSA an amount equal to 1.5% of estimated State general fund revenues (the "Annual BSA Transfer"). Supplemental transfers to the BSA (a "Supplemental BSA

Transfer") are also required in any fiscal year in which the estimated State general fund revenues that are allocable to capital gains taxes exceed 8% of the total estimated general fund tax revenues. Such excess capital gains taxes—net of any portion thereof owed to K-14 school districts pursuant to Proposition 98—will be transferred to the BSA. Proposition 2 also increases the maximum size of the BSA to an amount equal to 10% of estimated State general fund revenues for any given fiscal year. In any fiscal year in which a required transfer to the BSA would result in an amount in excess of the 10% threshold, Proposition 2 requires such excess to be expended on State infrastructure, including deferred maintenance.

For the first 15-year period ending with the 2029-30 fiscal year, Proposition 2 provides that half of any required transfer to the BSA, either annual or supplemental, must be appropriated to reduce certain State liabilities, including making certain payments owed to K-14 school districts, repaying State interfund borrowing, reimbursing local governments for State mandated services, and reducing or prefunding accrued liabilities associated with State-level pension and retirement benefits. Following the initial 15-year period, the Governor and the State Legislature are given discretion to apply up to half of any required transfer to the BSA to the reduction of such State liabilities. Any amount not applied towards such reduction must be transferred to the BSA or applied to infrastructure, as described above.

Proposition 2 changes the conditions under which the Governor and the State Legislature may draw upon or reduce transfers to the BSA. The Governor does not retain unilateral discretion to suspend transfers to the BSA, nor does the State Legislature retain discretion to transfer funds from the BSA for any reason, as previously provided by law. Rather, the Governor must declare a "budget emergency," defined as an emergency within the meaning of Article XIIIB of the Constitution or a determination that estimated resources are inadequate to fund State general fund expenditures, for the current or ensuing fiscal year, at a level equal to the highest level of State spending within the three immediately preceding fiscal years. Any such declaration must be followed by a legislative bill providing for a reduction or transfer. Draws on the BSA are limited to the amount necessary to address the budget emergency, and no draw in any fiscal year may exceed 50% of the funds on deposit in the BSA unless a budget emergency was declared in the preceding fiscal year.

Proposition 2 also requires the creation of the Public School System Stabilization Account (the "PSSSA") into which transfers will be made in any fiscal year in which a Supplemental BSA Transfer is required (as described above). Such transfer will be equal to the portion of capital gains taxes above the 8% threshold that would otherwise be paid to K-14 school districts as part of the Minimum Funding Guarantee. A transfer to the PSSSA will only be made if certain additional conditions are met, as follows: (i) the Minimum Funding Guarantee was not suspended in the immediately preceding fiscal year, (ii) the operative Proposition 98 formula for the fiscal year in which a PSSSA transfer might be made is "Test 1," (iii) no maintenance factor obligation is being created in the budgetary legislation for the fiscal year in which a PSSSA transfer might be made, (iv) all prior maintenance factor obligations have been fully repaid, and (v) the Minimum Funding Guarantee for the fiscal year in which a PSSSA transfer might be made is higher than the immediately preceding fiscal year, as adjusted for ADA growth and cost of living. Proposition 2 caps the size of the PSSSA at 10% of the estimated minimum guarantee in any fiscal year, and any excess funds must be paid to K-14 school districts. Reductions to any required transfer to the PSSSA, or draws on the PSSSA, are subject to the same budget emergency requirements described above. However, Proposition 2 also mandates draws on the PSSSA in any fiscal year in which the estimated Minimum Funding Guarantee is less than the prior year's funding level, as adjusted for ADA growth and cost of living.

Kindergarten Through Community College Public Education Facilities Bond Act of 2016

The Kindergarten Through Community College Public Education Facilities Bond Act of 2016 ("Proposition 51") is a voter initiative that was approved by voters on November 8, 2016. Proposition 51 authorizes the sale and issuance of $9 billion in general obligation bonds for the new construction and modernization of K-14 facilities. The Borrower makes no guarantee that it will either pursue or qualify for Proposition 51 state facilities funding.

K-12 School Facilities. Proposition 51 includes $3 billion for the new construction of K-12 facilities and an additional $3 billion for the modernization of existing K-12 facilities. K-12 school districts will be required to pay for 50% of the new construction costs and 40% of the modernization costs with local revenues. If a school district lacks sufficient local funding, it may apply for additional state grant funding, up to 100% of the project costs. In addition, a total of $1 billion will be available for the modernization and new construction of charter school ($500 million) and technical education ($500 million) facilities. Generally, 50% of modernization and new construction project costs for charter school and technical education facilities must come from local revenues. However, schools that cannot cover their local share for these two types of projects may apply for State loans. State loans must be repaid over a maximum of 30 years for charter school facilities and 15 years for career technical education facilities. For career technical education facilities, State grants are capped at $3 million for a new facility and $1.5 million for a modernized facility. Charter schools must be deemed financially sound before project approval.

Community College Facilities. Proposition 51 includes $2 billion for community college district facility projects, including buying land, constructing new buildings, modernizing existing buildings, and purchasing equipment. In order to receive funding, community college districts must submit project proposals to the Chancellor of the community college system, who then decides which projects to submit to the Legislature and Governor based on a scoring system that factors in the amount of local funds contributed to the project. The Governor and Legislature will select among eligible projects as part of the annual state budget process.

The table below shows the expected use of bond funds under Proposition 51:

PROPOSITION 51
Use of Bond Funds
(In Millions)

K-12 Public School Facilities	
New construction	$3,000
Modernization	3,000
Career technical education facilities	500
Charter school facilities	500
Subtotal	$7,000
Community College Facilities	$2,000
Total	$9,000

Future Initiatives

Articles XIIIA, Proposition 98, Proposition 30, Proposition 55, and Proposition 51 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, further affecting State and local revenues for education, and the ability or obligation of these government agencies to expend revenues for charter school purposes.

CERTAIN RISK FACTORS

Investment in the Notes involves substantial risks. The following information should be considered by prospective investors in evaluating the Notes. However, the following does not purport to be an exclusive listing of risks and other considerations which may be relevant to investing in the Notes, and the order in which the following information is presented is not intended to reflect the relative importance of any such risks. Certain factors which could result in a reduction of revenues available to the Borrower and a corresponding reduction in payments made to the Authority are discussed herein.

A number of factors could have an adverse impact on the ability of the Borrower to generate sufficient revenues to meet their respective obligations to make payments due under the Loan Agreement. The ability of the Borrower to generate sufficient revenues to make payments under the Loan Agreement is dependent upon a number of elements, including State budget pressures, demand for charter schools, the ability of the School to provide the educational services and classes demanded by parents or to attract students generally, changes in the level of confidence in the public school system in general or public charter schools in particular, competition, faculty recruitment, demographic changes, legislation, governmental regulations, changes in immigration policy, litigation and the School's ability to achieve enrollment and fundraising levels. This, in turn, is affected by numerous circumstances both within and outside the control of the Borrower, including a continuation of favorable governmental policies and programs with respect to public charter schools (see "CHARTER SCHOOLS" herein); the competitive appeal and perceived quality of the School's curriculum; the ability and energy of the School's faculties and administration; and the benevolence of the School's supporters. There can be no assurance given that revenues of the Borrower will not decrease. Any and all financial projections are only good faith estimates and are not intended as a representation or warranty as to the future financial condition of the Borrower.

See "APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWER," "APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE BORROWER FOR THE FISCAL YEAR ENDED JUNE 30, 2019" and "APPENDIX C – FINANCIAL PROJECTIONS OF THE BORROWER" attached hereto.

Sufficiency of Revenues

The Notes are payable primarily from Payments which are derived from payments received under the Loan Agreement. Based on present circumstances, including the successful operating history of the Borrower and the School, the Borrower believes the School will generate a sufficient amount of such revenues to meet the Borrower's payment obligations under the Loan Agreement representing the source of payment of debt service on the Notes. However, the School's charter may be terminated or not extended or renewed, or the basis of the assumptions utilized by the Borrower to formulate such beliefs may otherwise change. No representation or assurance can be made that the Borrower generate or will continue to generate sufficient revenues to meet their obligations under the Loan Agreement with respect to the Notes.

NONE OF THE AUTHORITY, ANY AUTHORITY MEMBER OR ANY PERSON EXECUTING THE NOTES IS LIABLE PERSONALLY ON THE NOTES OR SUBJECT TO ANY PERSONAL LIABILITY OR ACCOUNTABILITY BY REASON OF THEIR ISSUANCE. THE NOTES ARE LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM AND SECURED BY THE PLEDGE OF CERTAIN REVENUES UNDER THE INDENTURE. NEITHER THE AUTHORITY, ITS MEMBERS, THE STATE OF CALIFORNIA, NOR ANY OF ITS POLITICAL SUBDIVISIONS SHALL BE DIRECTLY, INDIRECTLY, CONTINGENTLY OR MORALLY OBLIGATED TO USE ANY OTHER MONEYS OR ASSETS TO PAY ALL OR ANY PORTION OF THE DEBT SERVICE DUE ON THE NOTES, TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATEVER THEREFOR OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE NOTES ARE NOT A PLEDGE OF THE FAITH AND CREDIT OF THE AUTHORITY, ITS MEMBERS, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS, NOR DO THEY CONSTITUTE INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION. THE AUTHORITY HAS NO TAXING POWER.

Operating History; Reliance on Projections; Maintenance of Enrollment and ADA

See Appendices A and C attached hereto for information regarding current and projected enrollment of the School. No assurance is given that such projections will be met, or that the number of students attending the School may not diminish in the future. The projections of revenues and expenses contained in Appendices A and C are based upon the number of students projected to be enrolled at the School and were

prepared by the Borrower and have not been independently verified by any party other than the Borrower. If enrollment or ADA were to be lower than projected, either through a mid-year drop in ADA or from not meeting growth projections, revenues of the School may decrease.

The Borrower estimate that the School's Average Daily Attendance for the 2020-21 fiscal year could decline by approximately 31.4%* from the projections set forth in Appendices A and C attached hereto and the Borrower would still receive sufficient Gross Revenues to pay the principal and interest of the Notes as scheduled. See "APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWER" and "APPENDIX C – FINANCIAL PROJECTIONS OF THE BORROWER" attached hereto.

The projections are "forward-looking statements" and are subject to the general qualifications and limitations described herein. The Underwriter has not independently verified the Borrower's projections set forth in Appendix A or otherwise, and makes no representations nor gives any assurances that such projections, or the assumptions underlying them, are complete or correct.

THE BORROWER PREPARED THE PROJECTIONS BASED ON ASSUMPTIONS ABOUT FUTURE STATE FUNDING LEVELS, INCLUDING STUDENT ENROLLMENT AND EXPENSES. THERE CAN BE NO ASSURANCE THAT ACTUAL ENROLLMENT REVENUES AND EXPENSES WILL BE CONSISTENT WITH THE ASSUMPTIONS UNDERLYING SUCH PROJECTIONS. MOREOVER, NO GUARANTEE CAN BE MADE THAT THE PROJECTIONS OF REVENUES AND EXPENSES INCLUDED HEREIN WILL CORRESPOND WITH THE RESULTS ACTUALLY ACHIEVED IN THE FUTURE BECAUSE THERE CAN BE NO ASSURANCE THAT ACTUAL EVENTS WILL CORRESPOND WITH THE PROJECTIONS' UNDERLYING ASSUMPTIONS. ACTUAL OPERATING RESULTS MAY BE AFFECTED BY MANY FACTORS, INCLUDING, BUT NOT LIMITED TO, INCREASED COSTS, LOWER THAN ANTICIPATED REVENUES (AS A RESULT OF INSUFFICIENT ENROLLMENT, REDUCED STATE OR FEDERAL AID PAYMENTS, OR OTHERWISE), EMPLOYEE RELATIONS, CHANGES IN TAXES, CHANGES IN APPLICABLE GOVERNMENT REGULATIONS, CHANGES IN DEMOGRAPHIC TRENDS, CHANGES IN EDUCATION COMPETITION AND CHANGES IN LOCAL OR GENERAL ECONOMIC CONDITIONS. THIS RISK IS HEIGHTENED BY THE SCHOOL'S LACK OF OPERATING HISTORY. REFER TO "APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWER" AND "APPENDIX C – FINANCIAL PROJECTIONS OF THE BORROWER" ATTACHED HERETO TO REVIEW THE PROJECTIONS, THEIR UNDERLYING ASSUMPTIONS, AND THE OTHER FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER SIGNIFICANTLY FROM PROJECTED RESULTS. REFER TO "INTRODUCTION" ABOVE, FOR QUALIFICATION AND LIMITATIONS APPLICABLE TO FORWARD-LOOKING STATEMENTS.

Dependence on State Aid Payments that are Subject to Annual Appropriation and Political Factors

California charter schools such as the School may not charge tuition and have no taxing authority. The primary source of revenue generated by charter schools is aid provided by the State for all public schools. The amount of State aid received with respect to any individual school is based on a variety of factors. The amount of aid available in any year to pay the per pupil allowance is subject to appropriation by the California Legislature. The Legislature bases its decisions about appropriations on many factors, including the State's economic performance. Moreover, because some public officials, their constituents, commentators and others have viewed charter schools as controversial, political factors may also come to bear on charter school funding. As a result, the Legislature may not appropriate funds, or may not appropriate funds in a sufficient amount, for the School to generate sufficient revenue to meet their obligations under the Loan Agreement representing debt service payments on the Notes. No liability would accrue to the State in such event, and the State would not be obligated or liable for any future payments or any damages. If the State

* Preliminary, subject to change.

were to withhold State aid payments for any reason, even for a reason that is ultimately determined to be invalid or unlawful, the School and Borrower could be forced to cease operations.

Financial Projections

The Borrower estimates that its LCFF per-pupil funding for the 2020-21 fiscal year will average $8,572. This is based on the May Revision to the Proposed 2020-21 Budget, which projects a ten percent reduction in per-pupil funding from the original Proposed 2020-21 Budget released in January, and which constitutes a decline of approximately 7.92% from 2019-20 funding levels. The projections are based on the latest information from the May Revision as presented by Governor Newsom on May 14, 2020. See "STATE FUNDING OF EDUCATION – General – May Revision" herein.

The Borrower's financial projections are presented in Appendix C attached to this Limited Offering Memorandum.

Payments of the State Aid component of the LCFF (the "LCFF State Aid") are typically received at RCOE from the State a few days before the end of each month, and are then delivered to the Trustee pursuant to the Intercept. See "SECURITY AND SOURCES OF PAYMENT FOR THE NOTES – Indenture – Pledge of Payments and Other Amounts" herein. To allow for sufficient processing time of the Intercept by RCOE and the Trustee, those payments are reflected in the financial projections to be received in the following month. For example, the July 2020 payment of LCFF State Aid from the State is reflected in August 2020. Repayment of the Notes is projected to be primarily from LCF State Aid payments for the months of February 2021 through May 2021, which are shown on the projections to be received in the months of March 2021 through June 2021.

The May Revision is currently contemplating deferrals of the May and June 2021 payments to the 2021-22 fiscal year. If these deferrals are made, it is uncertain when the State would ultimately make the payments to schools, but the current assumption is July 2021. These deferrals are contemplated in the financial projections, which show the May and June apportionment payments received in July 2021. Currently, the deferral process outlined in the May Revision will allow schools (including the Borrower) to apply for an exemption from these deferrals, which the Borrower intends to submit when available. If these deferrals are made and the Borrower does not receive an exemption, it is uncertain when the State would ultimately make the payments to the schools, but the current assumption is July 2021. If the Borrower's set-aside payments do not fully fund principal and interest on the Notes by June 10, 2021, the Borrower will contribute the remaining balance from its cash resources.

The financial projections begin with a cash balance of $11,103,664 in July 2020, which includes the proceeds of the Notes (net of issuance costs). The Borrower is too large to qualify for the Paycheck Protection Program and so did not receive a loan from this program.

The Borrower is required to meet a liquidity covenant of 45 days of cash on hand under its 2015 and 2017 Bonds. Such calculation allows the Borrower to include as cash State receivables expected to be received within 60 days of the end of the fiscal year. The Borrower expects to have 56 days of cash on hand as of June 30, 2020, taking into account State receivables expected to be received within 60 days of the end of the fiscal year.

For the full 2020-21 fiscal year, the current financial projections show a net loss of $1,693,378, which reflects the reduction in State funding and some reduction of expenses. Given the State's current efforts to secure additional federal funding in the coming months, which is expected to provide additional funding to charter schools, the Borrower is waiting to see if such funding is secured prior to making additional permanent budget cuts. The Borrower expects to review and potentially revise its 2020-21 budget in August 2020 to reflect any new funding information at the time, including but not limited to changes in the final approved State Budget from the current May Revision. If additional funding is not secured by August 2020, the

Borrower expects to make additional spending reductions in order to balance its budget for the 2020-21 fiscal year.

Pending Legislative Version of State Budget. On June 3, 2020, the Speaker of the State Assembly, the President Pro Tempore of the State Senate, and the chairs of the State Assembly and State Senate Budget Committees announced a legislative agreement on the 2020-21 State budget (the "Legislative Proposed 2020-21 Budget Framework"). Unlike the May Revision, the Legislative Proposed 2020-21 Budget Framework does not include a 10% reduction in the per-pupil funding from the original Proposed 2020-21 Budget. Instead, the Legislative Proposed 2020-21 Budget Framework would fund LCFF funding as originally proposed by the Governor in January 2020, along with the approximately $3.4 billion in LCFF deferrals as proposed in the May Revision. However, if additional federal funding does not materialize by September 1, 2020, certain trigger solutions to balance the State budget would take effect October 1, 2020, including an additional $4.6 billion in LCFF deferrals beyond those proposed in the May Revision.

If the Legislative Proposed 2020-21 Budget Framework is adopted and additional federal funding does not materialize by September 1, 2020, additional deferrals of LCFF State Aid payments beyond those proposed in the May Revision (the "Additional Deferrals") due to the Borrower may be incurred. While the specifics of these potential Additional Deferrals have not yet been announced, if the methodology follows similar deferral actions in the past and 100% of the Additional Deferrals amount is added to the May Revise proposed deferrals, the Borrower believes this would add deferrals of approximately 16% of February, 100% of March, and 77% of April 2021 LCFF State Aid to the proposed May Revise deferrals of 23% of April, 100% of May, and 100% of June 2021 LCFF State Aid. However, as specifics of these Additional Deferrals have not yet been announced and are subject to change, there can be no assurances regarding the final allocation of Additional Deferrals or their eventual receipt date prior to maturity of the Notes.

There can be no assurance that the enacted budget for fiscal year 2020-21 will provide for LCFF State Aid in the amounts and at times as proposed in either the May Revision or the Legislative Proposed 2020-21 Budget Framework. LCFF State Aid in the enacted State budget could be in amounts substantially smaller than, and deferrals of LCFF State Aid in the enacted State budget, if any, could be in amounts substantially larger than, as projected in the May Revision or Legislative Proposed 2020-21 Budget Framework. Further, there can be no assurance that additional federal funding will be received by the State at all, or in amounts that would prevent the proposed trigger solutions described above in the Legislative Proposed 2020-21 Budget Framework.

Although the Borrower anticipates it will apply for an exemption to any eventual deferrals based on financial hardship, there can be no assurance that the Borrower will receive any exemption from deferrals. In the event the Borrower does not receive such an exemption, any Additional Deferrals could materially and adversely affect the Borrower's finances and its ability to pay debt service on the Notes as scheduled.

If the Borrower does not receive sufficient LCFF State Aid to pay the principal of and interest on the Notes at maturity, it expects to refinance the Notes at that time or obtain other sources of revenue to pay the principal of and interest on the Notes at maturity. There can be no assurance that the Borrower will be able to refinance the Notes or obtain other sources of funds at such time, and if it is unable to refinance the Notes or access another source of liquidity at such time, the Borrower may be unable to pay debt service on the Notes as scheduled.

Possible Offsets to State Apportionment

Section 41344 of the Education Code provides that if an audit or review requires the School to repay prior year apportionments because of significant audit exceptions, including penalty payments ("Audit Exceptions"), the Superintendent of Public Instruction (the "Superintendent") and the Director of the Department of Finance (the "Director"), or their designees, will jointly establish a plan for the annual repayment of Audit Exceptions (the "Audit Repayment Plan"), which under certain circumstances can extend

for a period of up to eight equal annual payments. The State Controller withholds from the State School Fund the amounts specified in the Audit Repayment Plan. If the Superintendent and the Director do not establish an Audit Repayment Plan, the State Controller withholds the entire amount of the Audit Exceptions from the next apportionment.

The funds subject to the Intercepts are state apportionments with respect to the School. Because the apportionments are the sum of multiple program entitlement calculations as well as prior adjustments, the amount available may be more or less than the calculated amount of funds subject to intercept. The amount available for intercept is therefore the lesser of periodic calculated funds subject to intercept and the amount of cash provided to the Borrower with respect to the School by the State.

The State Controller may reduce the funding available in the payment schedules for these apportionments to offset for funds owing to the State. These offsets include, but are not limited to, the following: Charter School Revolving Loan (Education Code Section 41365), Class Size Reduction (Education Code Section 52124); Audit Repayment (Education Code Sections 41341, 41344); and Accounts Receivable (Government Code Section 12419.5), in addition to other possible authorized or required offsets, or additional offsets not yet authorized by legislation. None of the foregoing offsets are currently applicable to the School.

Outbreak of Disease; Coronavirus

An outbreak of disease or similar public health threat, such as the novel coronavirus ("COVID-19") outbreak, or fear of such an event, could have an adverse impact on the Schools' and the Borrower's financial condition and operating results. The spread of COVID-19 is having significant negative impacts throughout the world, including Riverside County. On April 2, 2020, the Borrower announced its learning center locations, would remain closed through June 19, 2020. The Borrower has expanded its existing distance learning programs in order to continue academic instruction for students previously attending learning centers during the closure of its school facilities. See "APPENDIX A – GENERAL – Outbreak of COVID-19" attached hereto for details on the Borrower's distance learning program.

The World Health Organization has declared the COVID-19 outbreak to be a pandemic, and states of emergency have been declared by the State and the United States. The purpose behind these declarations are to coordinate and formalize emergency actions and across federal, State and local governmental agencies, and to proactively prepare for a wider spread of the virus. On March 27, 2020 the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was signed by the President of the United States. The CARES Act appropriates over $2 trillion to, among other things, (i) provide cash payments to individuals, (ii) expand unemployment assistance and eligibility, (iii) provide emergency grants and loans for nonprofit organizations and small businesses, (iv) provide loans and other assistance to corporations, including the airline industry, (v) provide funding for hospitals and community health centers, (vi) expand funding for safety net programs, including child nutrition programs, and (vii) provide aid to state and local governments.

The CARES Act also creates an above-the-line deduction on 2020 federal income taxes for all taxpayers for total charitable contributions of up to $300 and increases the existing cap on annual contributions for taxpayers who itemize and allows employers to delay payment of the employer portion of federal payroll taxes in 2020. Additionally, the CARES Act appropriates $13.5 billion for formula-grants to States, which will then distribute 90 percent of funds to local educational agencies to use for coronavirus-response activities, and $3 billion to governors to allocate at their discretion for emergency support grants to local educational agencies.

State law allows charter schools to apply for a waiver to hold them harmless from the loss of LCFF funding based on attendance and state instructional time penalties when they are forced to close schools due to emergency conditions. In addition, the Governor of the State has enacted Executive Order N-26-20 ("Executive Order N-26-20"), which (i) generally streamlines the process of applying for such waivers for closures related to COVID-19 and (ii) directs charter schools to use LCFF apportionment to fund distance

learning and high quality educational opportunities, provide school meals and, as practicable, arrange for the supervision of students during school hours.

On March 17, 2020, Senate Bill 89 ("SB 89") and Senate Bill 117 ("SB 117") were signed by the Governor, both of which take effect immediately. SB 89 amends the Budget Act of 2019 by appropriating $500,000,000 from the State general fund for any purpose related to the Governor's March 4, 2020 emergency proclamation. SB 117, among other things, (i) specifies that for charter schools that comply with Executive Order N–26–20, the ADA reported to the State Department of Education for the second period and the annual period for apportionment purposes for the 2019-20 school year only includes all full school months from July 1, 2019 through February 29, 2020, (ii) prevents the loss of funding related to an instructional time penalty because a charter school closed due to the COVID–19 by deeming the instructional days and minutes requirements to have been met during the period of time the school was closed due to COVID–19, (iii) requires a charter school to be credited with the ADA it would have received had it been able to operate its After School Education and Safety Program during the time the school was closed due to COVID–19, and (iv) appropriates $100,000,000 from the State general fund to the State Superintendent to be apportioned to certain classroom-based local educational agencies for purposes of purchasing personal protective equipment, or paying for supplies and labor related to cleaning school sites.

The Borrower is currently in compliance with the requirements of Executive Order N-26-20. When the Certification Form for COVID-19 Closure referenced in the Executive Order is released by the California Department of Education, the Borrower will certify in writing to the Superintendent of Public Instruction that the School has been closed due to COVID-19, in compliance with the requirements of Executive Order N-26-20 and Senate Bill 117, in order to prevent loss of LCFF funding due to lost instructional time. The Borrower has also filed all attendance reporting forms for the "P-2" attendance period in compliance with the shortened attendance period through February 29, 2020 referenced in Executive Order N-26-20.

On March 19, 2020, the Governor ordered all California residents to stay home or at their place of residence to protect the general health and well-being, except as needed to maintain continuity of 16 critical infrastructure sectors described therein (the "Stay Home Order").

To date there have been numerous confirmed cases of COVID-19 in Riverside County and health officials are expecting the number of confirmed cases to grow. The outbreak has resulted in the imposition of restrictions on mass gatherings and widespread temporary closings of businesses, universities and schools (including the charter school operated by the Borrower). The U.S. is restricting certain non-US citizens and permanent residents from entering the country. In addition, stock markets in the U.S. and globally have been volatile, with significant declines attributed to coronavirus concerns.

The Borrower estimates that its per-pupil funding for the 2020-21 fiscal year will average $8,572. This is based on the May Revision to the Proposed 2020-21 Budget, which projects a ten percent reduction in per-pupil funding from the original Proposed 2020-21 Budget released in January, and which constitutes a decline of approximately 7.92% from 2019-20 funding levels. The projections are based on the latest information from the May Revision as presented by Governor Newsom on May 14, 2020. For the full 2020-21 fiscal year, the current financial projections show a net loss of $1,893,296, which reflects the reduction in State funding and some reduction of expenses. Given the State's current efforts to secure additional federal funding in the coming months, which is expected to provide additional funding to charter schools, the Borrower is waiting to see if such funding is secured prior to making additional permanent budget cuts. The Borrower expects to review and potentially revise its 2020-21 budget in August 2020 to reflect any new funding information at the time, including but not limited to changes in the final approved State Budget from the current May Revision. If additional funding is not secured by August 2020, the Borrower expects to make additional spending reductions in order to balance its budget for the 2020-21 fiscal year. See "— Financial Projections" herein for additional information on potential impacts of COVID-19 on the Borrower's financial outlook.

Potential impacts to the Borrower associated with the COVID-19 outbreak include, but are not limited to, increasing costs and challenges relating to establishing distance learning programs or other measures to permit instruction while schools remain closed, disruption of the regional and local economy with corresponding decreases in tax revenues, including property tax revenue, sales tax revenue and other revenues, increases in tax delinquencies, potential declines in property values, and decreases in new home sales, and real estate development. Additionally, the State's Smarter Balanced Assessment Consortium standardized testing has been cancelled for the 2019-20 school year. The economic consequences and the declines in the U.S. and global stock markets resulting from the spread of COVID-19, and responses thereto by local, State, and the federal governments, could have a material impact on the investments in the State pension trusts, which could materially increase the unfunded actuarial accrued liability of the STRS Defined Benefit Program, which, in turn, could result in material changes to the Borrower's required contribution rates in future fiscal years.

The COVID-19 outbreak is ongoing, and the ultimate geographic spread of the virus, the duration and severity of the outbreak, and the economic and other of actions that may be taken by governmental authorities to contain the outbreak or to treat its impact are uncertain. Additional information with respect to events surrounding the outbreak of COVID-19 and responses thereto can be found on State and local government websites, including but not limited to: the Governor's office (http://www.gov.ca.gov) and the California Department of Public Health (https://covid19.ca.gov/). *The information on such websites is not incorporated herein by reference, and neither the Borrower nor the Underwriter assumes any responsibility for the accuracy of the information on such websites.*

Purchases and Transfers of Notes Restricted to Approved Buyers

As described in the "NOTICE TO INVESTORS" that precedes the Table of Contents of this Limited Offering Memorandum, the Notes are to be sold (including in secondary market transactions) only to Approved Buyers. The Indenture contains provisions limiting transfers of the Notes and beneficial interests therein to Approved Buyers. The face of each Note will contain a legend indicating that the Note is subject to transfer restrictions as set forth in the Indenture. The Notes will be issued in minimum denominations of $250,000 and any integral multiple of $5,000 in excess thereof. In light of these restrictions, purchasers should not expect that there will be an active secondary market for the Notes.

There can be no assurance that there will be a secondary market for the purchase or sale of the Notes, and there may be no market for the Notes depending upon prevailing market conditions, the financial condition or market position of firms who make up the secondary market and the financial position and results of operations of the Borrower and the School. The Underwriter is not obligated to create a secondary market for the purchase or sale of the Notes.

Investors should be aware that they might be required to bear the financial risks of this investment for an indefinite period of time and/or that to the extent there is a secondary market for the Notes, the secondary market price of the Notes may be affected as a result of the restrictions. If a trading market for the Notes develops, future trading prices of such Notes will depend on many factors, including, among other things, prevailing interest rates and the market for similar instruments. Depending upon those and other factors, the Notes may trade at a discount from their principal amount.

Tax Related Issues

Tax-Exempt Status of Interest on the Notes. The Code imposes a number of requirements that must be satisfied for interest on state and local obligations, such as the Notes, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of Notes proceeds, limitations on the investment earnings of Notes proceeds prior to expenditure, a requirement that certain investment earnings on Notes proceeds be paid periodically to the United States and a requirement that the issuers file an information report with the Internal Revenue Service (the "IRS"). The Authority and the Borrower have covenanted in certain of the documents referred to herein that they will comply with such

requirements. Failure by any of the foregoing to comply with the requirements stated in the Code and related regulations, rulings and policies may result in the treatment of interest on the Notes as taxable, retroactively to the date of issuance of the Notes.

Maintenance of Tax-Exempt Status. The tax-exempt status of the Notes depends upon the maintenance by the Borrower of its status as an organization described in Section 501(c)(3) of the Code. The maintenance of such status is contingent on compliance with general rules promulgated in the Code and related regulations regarding the organization and operation of tax-exempt entities, including the operation for charitable and educational purposes and avoidance of transactions which may cause the assets of the Borrower to inure to the benefit of private individuals.

In recent years, the IRS has increased the frequency and scope of its audit and other enforcement activity regarding tax-exempt organizations and, in particular, charter schools. As a result, tax-exempt organizations are increasingly subject to a greater degree of scrutiny. The primary penalty available to the IRS under the Code with respect to a tax-exempt entity engaged in unlawful private benefit is the revocation of tax-exempt status. Although the IRS has not frequently revoked the 501(c)(3) tax-exempt status of nonprofit corporations, it could do so in the future. Loss of tax-exempt status by the Borrower could potentially result in loss of tax exemption of interest on the Notes and of other existing and future tax-exempt debt of the Borrower, if any, and defaults in covenants regarding the Notes and other existing and future tax-exempt debt, if any, would likely be triggered.

Less onerous sanctions have been enacted which focus enforcement on private persons who transact business with a tax-exempt organization rather than the tax-exempt organization, but these sanctions do not replace the other remedies available to the IRS as mentioned above.

State Income Tax Exemption. The loss by the Borrower of federal tax exemption might trigger a challenge to its State income tax exemption. Such event could be adverse and material.

Unrelated Business Income. In recent years, the IRS and state, county and local taxing authorities have been undertaking audits and reviews of the operations of tax-exempt organizations with respect to their exempt activities and the generation of unrelated business taxable income ("UBTI"). The Borrower currently reports no UBTI. The Borrower may, however, participate in activities which generate UBTI in the future. If so, the Borrower believes such UBTI would be properly accounted for and reported; nevertheless, an investigation or audit could lead to a challenge which could result in taxes, interest and penalties with respect to unreported UBTI and in some cases could ultimately affect the tax-exempt status of the Borrower, as well as the exclusion from gross income for federal income tax purposes of the interest on the Notes.

Bankruptcy

The rights and remedies of the Beneficial Owners of the Notes are subject to various provisions of the Federal Bankruptcy Code (the "Bankruptcy Code"). If the Borrower were to become a debtor in a bankruptcy case, its revenues and certain of its accounts receivable and other property created or otherwise acquired after the filing of such petition and for up to 90 days prior to the filing of such petition may not be subject to the security interests created under the Note Documents for the benefit of the Beneficial Owners of the Notes. The filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against such entity, and their property, and as an automatic stay of any act or proceeding to enforce a lien upon or to otherwise exercise control over such property. If the bankruptcy court so ordered, the property of the Borrower, including accounts receivable and proceeds thereof, could be used for the financial rehabilitation of such entity despite the security interest of the Trustee therein. While the Bankruptcy Code requires that the interest of the Trustee as lien owner be adequately protected before the collateral may be used by the Borrower, such protection could take the form of a replacement lien on assets of the Borrower acquired or created after the bankruptcy petition is instituted. The rights of the Trustee to enforce liens and security interests against the Borrower's assets could be delayed during the pendency of the rehabilitation proceedings.

The Borrower could file a plan for the reorganization of its debts in any such proceeding which could include provisions modifying or altering the rights of creditors generally, or any class of them, secured or unsecured. The plan, when confirmed by a court, binds all creditors who had notice or knowledge of the plan and discharges all claims against the debtor provided for in the plan. No plan may be confirmed unless certain conditions are met, among which are that the plan is in the best interests of creditors, is feasible and has been accepted by each class of claims impaired thereunder. Each class of claims has accepted the plan if at least two thirds in dollar amount and more than one half in number of the class cast votes in its favor. Even if the plan is not so accepted, it may be confirmed if the court finds that the plan is fair and equitable with respect to each class of non-accepting creditors impaired thereunder and does not discriminate unfairly.

Factors Associated with the School's Operations

There are a number of factors affecting schools generally that could have an adverse effect on the School and, consequently, on the School's financial position and ability to operate and, consequently, on the Borrower's abilities to make Loan Repayments necessary to make debt service payments on the Notes. These factors include, but are not limited to: (i) failure to qualify for statutory reimbursement under state programs; (ii) increasing costs of compliance with federal, state or local laws or regulations, including, but not limited to, laws or regulations concerning environmental quality, work safety and accommodation of persons with disabilities; (iii) taxes or other charges imposed by federal, state or local governments; (iv) the ability to attract a sufficient number of students; (v) changes in existing statutes pertaining to the powers of the School and disruption of the School's operations by real or perceived threats against the School, its staff members or students; and (vi) decline in the reputation of the School or the ability of the School and its management to provide educational services desired and accepted by the population it serves.

Potential purchasers should be aware that the School faces constant competition for students and there can be no assurance that the School will continue to attract and retain the number of students that are needed to generate revenues sufficient to make payments on the Loan Agreement that are the source of revenue to debt service on the Notes. The Borrower cannot assess or predict the ultimate effect of the foregoing factors on its operations or financial results of its operations or on its ability to make payments required under the Loan Agreement.

State Financial Difficulties

Charter schools, like all public schools, depend on revenues from the State for a large portion of their operating budgets. The availability of State funds for public education is a function of constitutional and statutory provisions affecting school district revenues and expenditures, the condition of the State economy (which affects total revenue available to the State School Fund) and the annual State budget process. Decreases in State revenues may adversely affect education appropriations made by the Legislature. As noted, the Legislature bases its decisions about appropriations on many factors, including the State's economic performance, and, because some public officials, their constituents, commentators and others have viewed charter schools as controversial, political factors may also come to bear on charter school funding. See "CERTAIN RISK FACTORS – Dependence on State Aid Payments that are Subject to Annual Appropriation and Political Factors" herein.

The State has previously experienced severe financial difficulties. In prior years, the State's response to its financial difficulties has had a significant impact on Proposition 98 funding and settle-up treatment, as further described in "STATE FUNDING OF EDUCATION" herein. In the past, the State has sought to avoid or delay paying settle-up amounts when funding has lagged the guaranteed amount. The State has also sought to avoid increases in the minimum guarantee through various mechanisms by treating any excess appropriations as advances against subsequent years' Proposition 98 minimum funding levels rather than current-year increases; by deferring State aid payments from one fiscal year to the next; and by suspending Proposition 98. Continued decreases in State revenues may adversely affect education appropriations made by the Legislature. Neither the Borrower nor any other party to the Note transaction can predict how State income

or State education funding will vary over the entire term of the Notes. No party to the Note transaction takes any responsibility for informing owners of the Notes about any such changes.

Information about the financial condition of the State, as well as its budget and spending for education, is available and regularly updated on various State-maintained websites, including those of the LAO, the Department of Finance and the California State Controller. In addition, various State of California official statements, which contain summaries of current and past State budgets and the impact of those budgets on State education funding, may be found at the website of the California State Treasurer, www.treasurer.ca.gov. Such information is prepared by the respective State entity maintaining each such website and not by any of the parties to this transaction. The parties to this transaction take no responsibility for the accuracy, completeness or timeliness of such information or the continued accuracy of the internet addresses noted herein, and no such information is incorporated herein by these references.

Budget Delays and Restrictions on Disbursement of State Funds during a Budget Impasse

The State Constitution specifies that an annual budget will be 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 for the ensuing fiscal year. State law also requires the Governor to update the Governor's Budget projections and budgetary proposals by May 14 of each year (the "May Revision"). The May Revision is normally the basis for final negotiations between the Governor and Legislature to reach agreement on appropriations and other legislation to fund State government for the ensuing fiscal year (the "Budget Act").

The Budget Act must be approved by a majority vote of each House of the Legislature and must be in balance. The budget becomes law upon the signature of the Governor. Text of proposed and adopted budgets may be found at the website of the Department of Finance, www.dof.ca.gov, currently under the heading "California Budget." Analyses of budgets are prepared by the Legislative Analyst's Office at www.lao.ca.gov. Such information is prepared by the respective State entity maintaining each such website and not by any of the parties to this transaction. The parties to this transaction take no responsibility for the accuracy, completeness or timeliness of such information or the continued accuracy of the internet addresses noted herein, and no such information is incorporated herein by these references.

The State Legislature is required to approve a State Budget Act no later than June 15 of each year. The State Legislature has failed to approve the State Budget Act by the deadline therefor in a number of years. Failure by the State to adopt a Budget Act restricts the California State Controller's ability to disburse State funds after the beginning of the ensuing fiscal year. See "STATE FUNDING OF EDUCATION – General – Adoption of Annual State Budget" herein regarding the ability of the State Controller to disburse State funds in such situations. Any State budget delay would delay the State's appropriation of funds and could negatively impact the School's and Borrower's ongoing viability and the Borrower's ongoing ability to make payments under the Loan Agreement representing debt service on the Notes.

Key Management

The creation of, and the philosophy of teaching in, charter schools generally initially may reflect the vision and commitment of a few key persons on the board of directors and/or the upper management of the charter school or its management organization ("Key Directors/Managers"). Loss of any such Key Directors/Managers, and the inability of the Borrower or the School to find comparable qualified replacements, could adversely affect their respective operations or financial results.

In addition, relationships between existing managers and employees may present additional risks, including the risk that the departure of one such employee may trigger departures of related employees. See "APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWER" attached hereto for more information regarding the Borrower's management.

Other Limitations on Enforceability of Remedies

There exists common law authority and authority under various state statutes pursuant to which courts may terminate the existence of a nonprofit corporation or undertake supervision of its affairs on various grounds, including a finding that the corporation has insufficient assets to carry out its stated charitable purposes or has taken some action which renders it unable to carry out such purposes. Such court action may arise on the court's own motion or pursuant to a petition of a state attorney general or other persons who have interests different from those of the general public, pursuant to the common law and statutory power to enforce charitable trusts and to see to the application of their funds to their intended charitable uses.

In addition to the foregoing, the realization of any rights under the Loan Agreement and the Indenture upon a default depends upon the exercise of various remedies specified in the Loan Agreement and the Indenture. These remedies may require judicial action which is often subject to discretion and delay. Under existing law, certain of the remedies specified in the Loan Agreement and the Indenture may not be readily available or may be limited. For example, a court may decide not to order the specific performance of the covenants contained in the Loan Agreement and the Indenture. Accordingly, the ability of the Authority or the Trustee to exercise remedies under the Loan Agreement and the Indenture upon an Event of Default could be impaired by the need for judicial or regulatory approval.

Specific Risks of Charter Schools

Charter School Law. The Charter School Law is evolving. Amendments are made relatively frequently and legislative and public attitudes are still forming. Certain amendments have been described elsewhere in this Limited Offering Memorandum. It is likely that additional changes will be made in the future, some of which may be adverse to charter schools in general and to the Borrower in particular. See "CHARTER SCHOOLS – Amendments to the Charter School Law" herein.

Non-Renewal or Revocation of Charters. The Charter School Law enables charter authorizers to grant five-year charters which may be renewed after evaluation and can be revoked at any time because of either educational non-performance or fiscal mismanagement. See "CHARTER SCHOOLS" herein. Management of the Borrower believe that they have stable relationships with the authorizer of the School's charter, as well as representatives on the State Board of Education, which is authorized to direct the School's authorizer to authorize its charter on appeal. See "APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWER" attached hereto.

The Borrower operates pursuant to a countywide benefit charter and, as such, does not have the ability to appeal a County Board of Education decision to not renew its charter. See "CALIFORNIA CHARTER SCHOOLS – Countywide Benefit Charter Schools" herein.

Legal Challenges. In addition to non-renewal or revocation, a charter may also be subject to challenge by an interested third-party. No assurance can be given that the School's charter will not be subjected to legal challenge. See "ABSENCE OF MATERIAL LITIGATION – the Borrower" herein. Any failure of the Borrower to have a charter for the School in place could well have a material adverse effect on the Borrower and their ability to generate revenues necessary to make payments under the Loan Agreement which are expected to provide sufficient revenues to satisfy the debt service requirements for the Notes.

Budgetary Constraints. Charter schools are funded primarily from State and local tax revenues and budgetary pressures at the State or local level may jeopardize future funding levels, which may adversely affect the ability of the Borrower to make payments under the Loan Agreement. See "STATE FUNDING OF EDUCATION" above.

Enrollment Levels. The Borrower's revenues and financial strength will depend in part upon maintaining certain enrollment levels at the School. A reduction in enrollment for the School will have a direct

result of reducing revenues available to pay amounts due under the Loan Agreement. See "APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWER" attached hereto.

Risk of Reduction in ADA Funding. Since the majority of funds for the School's operations come from the State on the basis of ADA, the School is subject to State funding reductions or restrictions that might affect all public school districts and charter schools. Among other such risks, over time the State may not increase ADA-based funding commensurate with increases in the cost of school operations, or the State may even decrease ADA-based funding.

ADA-based funding is determined by actual attendance, and not by student enrollment data. Regardless of the statewide level of ADA-based funding, the School is subject to loss of revenue if enrollment should decrease, or if average daily attendance should decrease even if enrollment remains steady, whether due to student illness, truancy or other factors. If enrollment or ADA were to be lower than projected, either through a mid-year drop in ADA or from not meeting growth projections, revenues of the School may decrease. Such a loss of revenues could adversely affect the ability of the Borrower to make payments under the Loan Agreement.

In addition, the Charter School Law prohibits a charter school from imposing fees or charges for its educational services. Therefore, the School is dependent upon receipt of ADA-based funding, as well as philanthropic support. There is little the Borrower can do to increase revenues, other than for the School to admit a larger number of students.

Compliance with the Elementary and Secondary Education Act. Prior to the adoption of the ESSA (defined below), the No Child Left Behind Act of 2001 (the "NCLB") served as the primary federal law with respect to K-12 education. NCLB employed the concept of Adequate Yearly Progress ("AYP") to measure and hold schools and school districts responsible for student achievement. In California, the NCLB subjected California schools to an annual AYP determination. AYP was calculated by using a formula set by the California Department of Education. It measured participation rates, math and reading performance, and graduation rate targets for the elementary, middle and high school levels. In connection with the adoption of ESSA, the federal government has repealed the AYP requirement.

Under California law, if a school received Title I funds and did not make AYP for two consecutive years, the school was placed on "Program Improvement" status and the school was required to develop a school improvement plan. If the school did not achieve AYP goals for a third year, "corrective action" was undertaken, which could include the provision of supplemental educational services for low-performing, low-income students. A school that continued to fail to make AYP was required to take corrective action and undergo restructuring plans. Failure to meet AYP for years subsequent to the second year carried further consequences under the NCLB. Under California law, the right to operate a charter school may be terminated if the school fails to make or meet reasonable progress toward achievement of goals, objectives, content standards, pupil performance standards or applicable federal requirements.

In March 2014, the State of California was granted a one-year waiver by the U.S. Department of Education from using test results of academic assessments to calculate AYP under the then-existing NCLB, in order to facilitate the state's transition to the new California Assessment of Student Performance and Progress ("CAASPP") system. In March 2015, the California State Board of Education requested another one-year waiver from the U.S. Department of Education. In May 2015, the U.S. Department of Education granted the additional one-year waiver, with certain conditions.

In December 2015, the Every Student Succeeds Act of 2015 ("ESSA") was passed by Congress and signed by the President in connection with the amendment and reauthorization of the Elementary and Secondary Education Act of 1965. With the passage of ESSA, states are no longer required to produce AYP, but are required to develop new accountability systems by 2017-18. See "APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWER" attached hereto. ESSA, among other things, prohibits

officers and employees of the federal government from mandating, directing or controlling a state, local education agency or school's specific instructional content, academic standards and assessments, curriculum, or program of instruction, as a condition of eligibility to receive funds under ESSA.

State Retirement Systems. The Borrower is currently a member employer of the State's STRS and PERS retirement systems (see "APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWER" attached hereto). Although the Borrower does not anticipate withdrawing from or otherwise terminating its membership in STRS or PERS, there can be no assurance that State law or Federal law under the Code, including IRS rulings and other guidance, will permit charter schools to continue to participate in the STRS or PERS Governmental Plans (as defined in Section 414(d) of the Code).

The STRS and PERS retirement systems have substantial system-wide unfunded liabilities. If the Borrower were to withdraw from STRS or PERS, voluntarily or otherwise, it could be liable for their shares of the unfunded liabilities of the system. Neither the Borrower nor the Underwriter can predict what liabilities, if any, would result if the Borrower's member employer status in the retirement systems were to terminate, or what impact any such a termination would have on the Borrower's finances and operations.

Claims and Insurance Coverage

Litigation could arise from the corporate and business activities of the School or the Borrower. Such litigation may result as a result of the Borrower's status as an employer. Many of these risks are covered by insurance, but some are not. For example, claims arising from wrongful termination or sexual molestation claims and business disputes may not be covered by insurance or other sources. Such claims may, in whole or in part, constitute a significant liability of the Borrower if determined or settled adversely, as may any additional claims for other torts, accidents, or environmental enforcement actions, to the extent such claims exceed the limits of applicable insurance coverage.

See "APPENDIX D – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – LOAN AGREEMENT" attached hereto.

Other Obligations of Borrower; Subordinate Nature of Intercept

The California School Finance Authority previously issued its Educational Facility Revenue Bonds (River Springs Charter School Project) Series 2015A and 2015B (Taxable) and Educational Facility Revenue Bonds (River Springs Charter School), Series 2017A and Series 2017B (Taxable), which are currently outstanding in the aggregate principal amount of $49,190,000 (collectively, the "Prior Bonds"). The pledge of and lien on the Gross Revenues for the payment of the Notes is on parity with an existing pledge of and lien on such revenues relating to the Borrower's obligations under the Prior Bonds; provided, however, that revenues of the Borrower that are intercepted or anticipated to be intercepted pursuant to the Prior Intercepts for the payment of the Borrower's obligations under the Prior Bonds are not Gross Revenues for the payment of the Notes. The Prior Bonds are also secured by deeds of trust relating to various charter school facilities owned and leased by the Borrower, however such deeds of trust do not secure the Borrower's obligations under the Loan Agreement relating to the Notes.

The Borrower's obligations relating to the Prior Bonds are further secured by an intercept of State apportionments, whereby the State Controller's Office makes apportionments to U.S. Bank National Association, as trustee for the Prior Bonds, in amounts sufficient to repay the Prior Bonds and related costs. Such prior intercepts are senior in position to the Intercept relating to the Notes. Approximately $301,750 of State apportionments are expected to be directed by the State Controller's Office to U.S. Bank National Association, as trustee for the Prior Bonds, in each month from March through June 2021, prior to the Intercept. This represents approximately 6.8% of the Borrower's projected State apportionments in each such month.

Pursuant to the Intercreditor Agreement, the trustees for the 2015 Bonds and the 2017 Bonds, and the Trustee for the Notes, are each entitled to a pro rata share of the Gross Revenues of the Borrower in the event the Gross Revenues are insufficient at any time to satisfy the Borrower's obligations under the loan agreements relating to the Prior Bonds and the Notes, subject to the Prior Intercepts. If the Borrower were to generate Gross Revenues in an amount insufficient to pay debt service on both the Prior Bonds and the Notes, there may be insufficient or no Gross Revenues available for the Intercept or otherwise available to pay debt service on the Notes.

See "INTRODUCTION – Security for the Notes – Other Obligations of Borrower" and "SECURITY AND SOURCES OF PAYMENT FOR THE NOTES – The Loan Agreement – Gross Revenue Fund" herein.

Cybersecurity

The Borrower, like many other public and private entities, relies on a technology environment to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the Borrower is subject to multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to the Borrower's digital systems for the purposes of misappropriating assets or information or causing operational disruption and damage. Within the last five years, the Borrower has not experienced attacks on its computer operating systems which resulted in a breach of its cybersecurity systems that are in place. No assurances can be given that the Borrower's efforts to manage cyber threats and attacks will be successful or that any such attack will not materially impact the operations or finances of the Borrower. The Borrower carries cybersecurity insurance.

Failure to Provide Ongoing Disclosure

The Borrower will enter into a Continuing Disclosure Agreement with U.S. Bank National Association, as dissemination agent, pursuant to Securities and Exchange Commission Rule 15c2-12 (the "Rule") in connection with the issuance of the Notes. Any failure to comply with the Continuing Disclosure Agreement and the Rule in the future may adversely affect the liquidity of the affected Notes and their market price in the secondary market.

No Rating on the Notes

The Notes are not rated, and the Borrower does not presently contemplate making application to any rating agency for the assignment of a rating to the Notes. See "NO RATING" herein.

ABSENCE OF MATERIAL LITIGATION

The Authority

To the knowledge of the Authority, there is no material litigation pending or threatened against the Authority concerning the validity of the Notes or any proceedings of the Authority taken with respect to the issuance thereof.

The Borrower

To the knowledge of the Borrower, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending against the Borrower seeking to restrain or enjoin the sale or issuance of the Notes, or in any way contesting or affecting any proceedings of the Borrower taken concerning the sale thereof, the pledge or application of any moneys or security provided for the payment of the Notes, the validity or enforceability of the documents executed by the

Borrower in connection with the Notes, the completeness or accuracy of the Limited Offering Memorandum or the existence or powers of the Borrower relating to the sale of the Notes.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Note Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Notes is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Note Counsel, interest (and original issue discount) on the Notes is exempt from State of California personal income tax.

The amount treated as interest on the Notes and excluded from gross income for federal income tax purposes will depend upon the taxpayer's election under Internal Revenue Service ("Service") Notice 94-84, 1994-2 C.B. 559. Notice 94-84 states that the Service is studying whether the amount of the payment at maturity on debt obligations such as the Notes that is excluded from gross income for federal income tax purposes is (a) the stated interest payable at maturity, or (b) the difference between the issue price of the Notes and the aggregate amount to be paid at maturity of the Notes (the "original issue discount"). For this purpose, the issue price of the Notes is the first price at which a substantial amount of the Notes is sold to the public (excluding bond houses and brokers). Until the Service provides further guidance, taxpayers may treat either the stated interest payable at maturity or the original issue discount as interest that is excluded from gross income for federal income tax purposes. However, taxpayers must treat the amount to be paid at maturity on all tax-exempt debt obligations with a term that is not more than one year from the date of issue in a consistent manner. Taxpayers should consult their own tax advisors with respect to the tax consequences of ownership of the Notes and with respect to making the elections referenced in this paragraph.

Note Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest on the Notes is based upon certain representations of fact and certifications made by the Authority and others and is subject to the condition that the Authority complies with all requirements of the Code that must be satisfied subsequent to the issuance of the Notes to assure that interest on the Notes will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest on the Notes to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Notes. The Authority has covenanted to comply with all such requirements.

The following disclosure relates to purchasers of the Notes who, under Notice 94-84 discussed above, treat the stated interest payable at the maturity of the Notes as the amount excluded from gross income for federal income tax purposes. The amount by which an Owner's original basis for determining gain or loss on sale or exchange of the applicable Note (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the Owner's basis in the applicable Note (and the amount of tax-exempt interest received with respect to the Notes), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in an Owner realizing a taxable gain when a Note is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Note to the Owner. Purchasers of the Notes should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The IRS has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Notes will be selected for audit by the IRS. It is also possible that the market value of the Notes might be affected as a result of such an audit of the Notes (or by an audit of similar municipal obligations). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to

the issuance of the Notes to the extent that it adversely affects the exclusion from gross income of interest (and original issue discount) on the Notes or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE NOTES THERE MIGHT BE FEDERAL, STATE OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR INTERPRETATIONS OF FEDERAL, STATE OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE OR LOCAL TAX TREATMENT OF THE NOTES INCLUDING THE IMPOSITION OF ADDITIONAL FEDERAL INCOME OR STATE TAXES BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE NOTES. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE NOTES. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE NOTES STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR JUDICIAL OR REGULATORY INTERPRETATIONS WILL NOT OCCUR HAVING THE EFFECTS DESCRIBED ABOVE. BEFORE PURCHASING ANY OF THE NOTES, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE NOTES.

Note Counsel has relied on the opinion of Linda Rhoads Parks, Esq., counsel to the Borrower, that the Borrower is an organization described in Section 501(c)(3) of the Code. Such opinion is subject to a number of qualifications and limitations. Neither Note Counsel nor counsel to the Borrower can give or has given any opinion or assurance about the future activities of the Borrower, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the resulting changes in enforcement thereof by the Internal Revenue Service ("IRS"). Failure of the Borrower to be organized and operated in accordance with IRS's requirements for the maintenance of its status as an organization described in Section 501(c)(3) of the Code may result in interest on the Notes being included in federal gross income, possibly from the date of the original issuance of the Notes.

Note Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Note Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture and the Tax Certificate relating to the Notes permit certain actions to be taken or to be omitted if a favorable opinion of Note Counsel is provided with respect thereto. Note Counsel expresses no opinion as to the effect on the exclusion from gross income of interest for federal income tax purposes with respect to any Note if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

Although Note Counsel has rendered an opinion that interest on the Notes is excluded from gross income for federal income tax purposes provided that the Authority and the Borrower continue to comply with certain requirements of the Code, the ownership of the Notes and the accrual or receipt of interest on the Notes may otherwise affect the tax liability of certain persons. Note Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Notes, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Notes.

A copy of the proposed form of opinion of Note Counsel is attached hereto as Appendix G.

APPROVAL OF LEGALITY

The validity of the Notes and certain other legal matters are subject to the approving opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Note Counsel to the Authority, the approval of certain matters for the Authority by Jones Hall, A Professional Law Corporation, the approval of certain matters for the Underwriter by Kutak Rock LLP, as Underwriter's counsel, and the approval of certain matters by Linda Rhoads Parks, Esq., as counsel to the Borrower. Note Counsel and the Underwriter and its counsel will receive compensation contingent upon the sale and delivery of the Notes. A complete copy of the

proposed form of Note Counsel opinion is contained in Appendix G hereto. Note Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Limited Offering Memorandum.

NO RATING

The Notes are not rated. Neither the Borrower nor the Authority has made or contemplates making application to any rating agency for the assignment of a rating to the Notes.

MUNICIPAL ADVISOR

Key Charter Advisors, LLC (the "Municipal Advisor") has acted as Municipal Advisor to the Borrower in conjunction with the issuance of the Notes. The Municipal Advisor has assisted the Borrower in preparation of this Limited Offering Memorandum and in other matters related to the planning, structuring, and issuance of the Notes. The Municipal Advisor will receive compensation contingent upon the sale and delivery of the Notes.

The Municipal Advisor has not audited, authenticated or otherwise independently verified the information set forth in the Limited Offering Memorandum, or any other information related to the Notes with respect to the accuracy or completeness of disclosure of such information. The Municipal Advisor makes no guaranty, warranty or other representation respecting the accuracy or completeness of this Limited Offering Memorandum or any other matter related to this Limited Offering Memorandum.

LIMITED OFFERING OF NOTES

The Notes are exempt from registration under federal securities law but are being offered only to a limited number of sophisticated investors and will be sold only to purchasers who are Approved Buyers. By purchasing the Notes, each investor is deemed to have made the acknowledgments, representations, warranties and agreements set forth in the "NOTICE TO INVESTORS" that precedes the Table of Contents of this Limited Offering Memorandum, and will be required to submit an investor letter to the Authority and the Trustee in the form attached hereto as Appendix H.

CONTINUING DISCLOSURE

The Borrower and U.S. Bank National Association, as dissemination agent (the "Dissemination Agent"), will execute and deliver a Continuing Disclosure Agreement pursuant to which they will, for the benefit of the Beneficial Owners of the Notes, provide notices of the occurrence of certain enumerated events and file certain periodic reports. These covenants have been made to assist the Underwriter in marketing the Notes. A form of the Continuing Disclosure Agreement is attached hereto as Appendix E.

Prior Undertakings. The Borrower has previously entered into continuing disclosure undertakings pursuant to Securities and Exchange Commission Rule 15c2-12 (the "Rule") in connection with the Prior Bonds and the Prior Notes (the "Prior Undertakings"). The Borrower has, within the last five years, failed to timely file annual reports as required under the Prior Undertakings, and notices of failure to file were not filed for such annual reports. Audited financial statements for fiscal year 2014-15 were filed approximately two years late, for 2015-16 were filed approximately three months late and for 2017-18 and 2018-19 were filed approximately one month late. Additionally, operating information required under annual reports for fiscal years 2014-15 through 2018-19 was filed between 41 days late and approximately two years late. Additionally, quarterly reports between the periods of the second quarter report for fiscal year 2017-18 and the fourth quarter report for fiscal year 2018-19 were filed incomplete and/or late.

In connection with the Prior Notes, monthly reports for the months of August 2019 through November 2019, January 2020 and February 2020 were filed between two and five days late. The monthly reports for

March 2020 and April 2020 were timely filed, however the data therein was for the wrong months and remedial filings for each report were filed on May 18, 2020. The quarterly reports for the Prior Notes for the quarters ending September 30, 2019 and December 31, 2019, were filed 19 days and two days late, respectively, without notice of late filing.

The Borrower has since reviewed its obligations pursuant to its Prior Undertakings and has filed any operating information required but not previously filed in connection therewith.

The Authority has determined that no financial or operating data concerning the Authority is material to an evaluation of the offering of the Notes or to any decision to purchase, hold or sell Notes and the Authority will not provide any such information. The Authority shall have no liability to the Holders of the Notes or any other person with respect to the Rule.

UNDERWRITING

The Notes are being purchased by Stifel, Nicolaus & Company, Incorporated (the "Underwriter"). The Underwriter has agreed to purchase the Notes at a price of $_____ (being the aggregate principal amount of the Notes of $_____, plus aggregate original issue premium in the amount of $_____, less an Underwriter's discount of $_____). The Note Purchase Agreement ("Note Purchase Agreement") pursuant to which the Notes are being purchased by the Underwriter provides that the Underwriter will purchase all of the Notes if any are purchased. The obligation of the Underwriter to make such purchase is subject to certain terms and conditions set forth in the Note Purchase Agreement. The Underwriter may offer and sell the Note to certain dealers, institutional investors, banks, and others at prices different from the prices stated on the inside cover page of this Limited Offering Memorandum. The offering prices may be changed from time to time by the Underwriter. The Underwriter is not obligated to create a secondary market for the purchase or sale of the Note and there may, in fact, be no market for the Notes depending upon prevailing market conditions, the financial condition or market position of firms who make up the secondary market and the financial position and results of operations of the Borrower.

MISCELLANEOUS

The foregoing and subsequent summaries and descriptions of provisions of the Notes and the Indenture and all references to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof and do not purport to summarize or describe all of the provisions thereof, and reference is made to said documents for full and complete statements of their provisions. The appendices attached hereto are a part of this Limited Offering Memorandum. Copies, in reasonable quantity, of the Indenture, Loan Agreement and other documents may be obtained during the offering period upon request directed to the Borrower.

NONE OF THE INFORMATION IN THIS LIMITED OFFERING MEMORANDUM HAS BEEN SUPPLIED OR VERIFIED BY THE AUTHORITY OTHER THAN THE INFORMATION UNDER THE CAPTIONS "THE AUTHORITY" AND "ABSENCE OF MATERIAL LITIGATION – THE AUTHORITY." THE AUTHORITY MAKES NO REPRESENTATION OR WARRANTY, EXPRESSED OR IMPLIED, AS TO THE ACCURACY (OTHER THAN IN THE SECTIONS IDENTIFIED ABOVE) OR COMPLETENESS OF INFORMATION IN THIS LIMITED OFFERING MEMORANDUM.

The distribution and use of this Limited Offering Memorandum has been approved by the Authority and the Borrower.

RIVER SPRINGS CHARTER SCHOOL, INC., a California nonprofit public benefit corporation, as Borrower

By: _____
Kathleen Hermsmeyer
Superintendent

APPENDIX A

CERTAIN INFORMATION REGARDING THE BORROWER

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APPENDIX A

CERTAIN INFORMATION REGARDING THE BORROWER

Certain statements contained in this Appendix reflect forecasts, projections and "forward-looking statements." No assurance can be given that the future results discussed herein will be achieved. Actual results may differ materially from the forecasts described herein. In this respect, the words "estimate," "project," "anticipate," "expect," "intend," "believe" and similar expressions are intended to identify forward-looking statements. All projections, forecasts, assumptions, expressions of opinions, estimates and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Limited Offering Memorandum. Unless otherwise noted, all information, data, and projections in this Appendix were furnished by the Borrower. All capitalized terms in this Appendix A that are not defined herein will have such meaning as given to them in the forepart of this Limited Offering Memorandum.

GENERAL

River Springs Charter School, Inc. (the "Borrower" or "River Springs") is a California nonprofit public benefit corporation under Division 2 of Title 1 of the Corporations Code of the State of California (the "State") and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). The Borrower was organized in June 2006 to operate as a charter school established pursuant to Part 26.8 (beginning with Section 47600) of Division 4 of Title 2 of the State Education Code (the "Charter School Law"). See "GOVERNANCE AND ADMINISTRATION – Formation and History" herein.

The Borrower began operating in August 2006 in Riverside County (the "County"). The Borrower currently serves students in transitional kindergarten ("TK") through 12th grade residing in the County and the three contiguous counties of San Diego, Orange and San Bernardino through a network of California-credentialed Homeschool Education Specialists ("ESs") and academy teachers at 15 regional student centers. Of the 6,670 students served by the Borrower in the 2019-20 school year, the majority reside in the County (96%) with additional populations of students residing in San Bernardino County (2%) and San Diego County (2%).

The Borrower operates pursuant to a charter approved by the Riverside County Board of Education, as described under the caption "CHARTER – Borrower's Charter" herein. The Borrower is the largest charter school in the State, based on enrollment.

The Borrower is accredited by the Western Association of Schools and Colleges.

As shown in the following table, Riverside County has a lower percentage of students enrolled in charter schools (6.8%) than the neighboring counties of Los Angeles (14.8%) and San Diego (15.8%). Of the 29,437 students enrolled in charter schools in Riverside County in 2019-20, River Springs accounted for approximately 23%.

TABLE 1
RIVER SPRINGS
Charter School Enrollment Statistics by County
2019-20

	Riverside County	***Los Angeles County***	***San Diego County***
Total Enrollment	431,521	1,436,522	502,785
Charter School Enrollment	29,437	212,878	79,312
% Charter School Enrollment	6.8%	14.8%	15.8%

Source: California Department of Education.

Educational Programs

The Borrower offers a range of educational approaches to suit the needs of its students, including academy programs ("Academy"), homeschool programs ("Homeschool"), and an independent study program, combining aspects of Homeschool and Academy ("Keys").

In the Academy programs, students attend class from two to five days a week and receive instruction from fully credentialed teachers. Each teacher in an Academy program structures lessons and assignments working collaboratively with the parent, who oversees student work during home study days. In the Homeschool program, students and their parents work with credentialed Homeschool Education Specialists to determine each student's goals and objectives, and to determine individualized curriculum and effective learning strategies. In the Keys program, students work independently part of the time, and also take classes at Student Centers and participate in internships, career and technical education ("CTE") courses. Keys students are also assigned to and periodically meet with an Educational Specialist responsible for selecting and ordering curriculum, and assigning and grading assignments. See "CURRICULUM AND EDUCATIONAL PROGRAMS" herein.

For purposes of ADA calculations (due to the regulatory definition of nonclassroom-based ADA), as explained more fully in the forepart of this Limited Offering Memorandum and herein, the Academy, Homeschool, and Keys models are all considered to be nonclassroom-based programs. See "STATE FUNDING OF EDUCATION – Allocation of State Funding to Charter Schools – Nonclassroom-Based Funding" in the forepart of this Limited Offering Memorandum and "OPERATING AND FINANCIAL INFORMATION – State Aid Payments and ADA" herein.

Related Charter Schools

The Borrower has replicated its instructional model at five additional independent charter schools that were organized and are managed by the Borrower's management team: Harbor Springs Charter School ("Harbor Springs"), Empire Springs Charter School ("Empire Springs"), Citrus Springs Charter School ("Citrus Springs"), Pacific Springs Charter School ("Pacific Springs") and Vista Springs Charter School ("Vista Springs" and, together with Harbor Springs, Empire Springs, Citrus Springs and Pacific Springs, the "Related Schools"). Harbor Springs operates pursuant to a charter approved by the Julian Union Elementary School District. Empire Springs operates pursuant to a charter approved by the Helendale Elementary School District. Citrus Springs operates pursuant to a charter approved by the Orange County Board of Education. Pacific Springs operates pursuant to a charter approved by the San Diego County Board of Education. Vista Springs operates pursuant to a charter approved by the State Board of Education. Harbor Springs and Empire

Springs both began operation in the 2013-14 school year, Citrus Springs began operation in the 2016-17 school year, and Pacific Springs and Vista Springs both began operation in the 2018-19 school year. The Related Schools primarily serve students in San Diego, San Bernardino, Orange and Los Angeles Counties.

Each of the Related Schools is governed by a board of directors independent from that of the Borrower. See "GOVERNANCE AND ADMINISTRATION" herein. The Superintendent of the Borrower serves as a part-time Superintendent of each of the Related Schools, pursuant to independent agreements with each of them. Pursuant to a Memorandum of Understanding between the Borrower and each of the Related Schools, the costs of certain administrative services and key leadership are shared by the Borrower and each of the Related Schools.

None of the Related Schools are obligated with respect to the Notes; and the Borrower is not obligated with respect to any indebtedness of any Related School.

Springs Charter Schools, Inc.

The Borrower and each of the Related Schools are parties to separate memoranda of understanding with Springs Charter Schools, Inc., a California nonprofit public benefit corporation and an organization described in Section 501(c)(3) of the Code ("Springs"), pursuant to which Springs provides certain staff development services to each school in return for an annual amount equal to $42 per unit of ADA. Pursuant to its memorandum of understanding, the Borrower paid Springs $293,437 in the 2018-19 fiscal year, $282,912 in the 2019-20 fiscal year, and it projects to pay $291,396 in the 2020-21 fiscal year.

Current Facilities of the Borrower

The Charter School Law explicitly permits countywide benefit nonclassroom-based charter schools, like the Borrower, to operate multiple resource centers in the county in which a charter school's granting agency is located. Countywide benefit charters such as the Borrower are only allowed to operate resource centers in their county of authorization. While the Borrower can enroll students who reside outside the County, such out-of-county students may only attend Homeschool programs, and the majority of its students must reside in its county of authorization. The Borrower is not currently limited in the number of resource centers it may operate within the County. See "CHARTER SCHOOLS – Amendments to the Charter School Law" in the forepart of this Limited Offering Memorandum.

The Borrower currently operates Student Centers in certain facilities owned or leased by the Borrower throughout the County, including four locations in Hemet, four locations in Temecula, three locations in Riverside, two locations in Corona, one location in Murrieta, one location in Menifee, one location in Indio, one location in Jurupa Valley and one location in Perris. In addition to its academic facilities, the Borrower leases separate space in Temecula to house its administrative offices.

The table on the following page shows the Borrower's leased and owned facilities, indicating for each the program(s) operated there, whether it is owned or leased, the current lease expiration date (if applicable), and the number of students served in Academy programs at each location during the 2019-20 school year. During the 2019-20 school year, approximately 37.5% of the 6,670 students enrolled with the Borrower received academic services in a facility owned by the Borrower.

For more information on the Borrower's leased facilities, see "OPERATING AND FINANCIAL INFORMATION – Facilities Leases" herein.

TABLE 2
RIVER SPRINGS
Facilities
2019-20

Name	*Address*	*Programs*	*Owned/Lease Expiration*	*2019-20 Enrollment*
Temecula Facility	43040 Margarita Road, Temecula	Da Vinci Academy; Renaissance Real World Academy	Owned	713
Bear River Facility	26800 Newport Road, Menifee	Da Vinci Academy, Keys	Owned	596
iShine Student Center	42145 Lyndie Lane, Temecula	Homeschool Enrichment; iShine Mosaic Academy	Owned	491
Pathfinder Student Center	4260 Tequesquite Avenue, Riverside	Homeschool enrichment	Owned	n/a
Magnolia Student Center	4020 Jefferson Street, Riverside	Magnolia Academy	Owned	702
Flabob Airport Facility	5580 42nd Street, Jurupa Valley	Flabob Airport Preparatory Academy(2)	3/31/2051	123
Renaissance Valley Academy	1091 West Esplanade Avenue, Hemet	Homeschool Enrichment; Renaissance Real World Academy	9/30/2033	457
Riverside Student Center	3050 Chicago Avenue, Riverside	Homeschool Enrichment; Mosaic Academy	9/30/2023	329
Hemet Quest Student Center	760 W. Acacia Avenue, Hemet	Quest Academy	6/30/2028	537
Hemet Learning Center	105 N. Girard Street, Hemet	Homeschool Enrichment	9/30/2021	n/a
Corona Student Center	510 West Second Street, Corona	Homeschool Enrichment; Mosaic Academy	6/30/2023	221
Murrieta Student Center	41866 Kalmia Street, Murrieta	Homeschool Enrichment; Classical Homeschool Academy; Casa Montessori; Montessori Middle School; Da Vinci Academy	7/31/2023	539
Palm Academy	46-601 Vargas Road, Indio	Palm Academy	Month-to-month lease	81
Del Rio – Perris	745 N. Perris Boulevard, Perris	Del Rio – Perris	7/31/2024	140
Keys Temecula	27477 Enterprise Circle, Temecula	Keys	3/31/2029	n/a(3)
Keys Corona	1861 California Avenue, Corona	Keys	8/31/2023	n/a(3)
Keys Hemet	760 W. Acacia Avenue, Hemet	Keys	6/30/2028	n/a(3)
Temecula Resource Center	27477 Enterprise Circle, Temecula	Homeschool Enrichment	3/31/2029	n/a
				4,929

(1) Enrollment does not include students in the Keys program.
(2) Currently, the Flabob Airport Preparatory Academy (as further defined herein, "FAPA") operates at the Pathfinder Student Center. Upon completion of the construction of the Flabob Airport Facility, expected in December 2020, FAPA will operate at the Flabob Airport Facility.
(3) Keys enrollment is not broken out by site, rather the enrollment figures herein are for the program as a whole. Total 2019-20 enrollment in the Keys program was 270 students.

Source: The Borrower.

Outbreak of COVID-19

Due to the evolving coronavirus COVID-19 situation, the Borrower has closed its school facilities and transitioned to remote learning and instruction through the remainder of the 2019-20 school year. While

academic focus will continue, the Borrower is committed to the safety and care of its students, families, staff, and community.

See "CERTAIN RISK FACTORS – Infectious Disease Outbreak; COVID-19" in the forepart of this Limited Offering Memorandum.

Remote Learning. The Borrower has expanded its existing distance learning programs in order to continue academic instruction for students previously attending learning centers during the closure of its school facilities.

Additionally, in March 2020 the Sole Member launched a free public open classroom for students in grades K-12 due to the suspension of on-site classroom education in California (the "OPEN Classroom" program). OPEN Classroom is open to the public, and as of April 14, 2020, approximately 150 teachers not employed by the Borrower or its affiliates and over 4,000 non-Springs students from all over the United States and the world have used the OPEN Classroom curriculum. Participation in OPEN Classroom allows children to continue their education at home with free daily lessons. Springs has curated from many COVID-19 free resources to build online educational activities for students in kindergarten through eighth grade, and the high school activities are taken from excerpts of Springs' own integrated curriculum.

The OPEN Classroom program is expected to continue through the end of May, including live lessons, nearly to the end of the school year. Content is aligned with California state standards, and material has been created and is supported by credentialed teachers, with live classes taught by credentialed teachers four days per week. Weekly lesson plans with materials are provided, including parent answer keys and resources. Subjects covered include math, science, language arts and reading.

In May 2020, the National Alliance for Public Charter Schools named Springs Charter Schools as one of the ten charter schools nationwide to receive an "Above and Beyond" award, honoring charter schools that are doing exceptional work during the coronavirus pandemic to serve not only their own students, but people outside the school community.

State Assessments. On March 18, 2020, the Governor of the State (the "Governor") issued an executive order suspending all standardized testing for the 2019-20 school year due to the COVID-19 outbreak. Subsequently, on March 27, 2020, the federal government provided California a one-year waiver from the provisions of the Every Student Succeeds Act pertaining to State assessments. Although the ESSA waiver releases the State from the requirement to produce state indicators on the California Dashboard for the 2019-20 school year, the provisions of State law requiring a California Dashboard have not been waived. The Borrower cannot predict whether the State will waive the requirements for a California Dashboard to be produced during the 2019-20 school year or, if it is not, how such State and local indicators will be calculated.

State Aid. State law allows charter schools to apply for a waiver to hold them harmless from the loss of LCFF funding based on attendance and state instructional time penalties when they are forced to close schools due to emergency conditions. In addition, the Governor enacted Executive Order N-26-20 ("Executive Order N-26-20"), which (i) generally streamlines the process of applying for such waivers for closures related to COVID-19 and (ii) directs charter schools to use LCFF apportionment to fund distance learning and high quality educational opportunities, provide school meals and, as practicable, arrange for the supervision of students during school hours.

Additionally, Senate Bill 117 was enacted on March 17, 2020, which specifies that for charter schools that comply with Executive Order N–26–20, the ADA reported to the State Department of Education for the second period and the annual period for apportionment purposes for the 2019-20 school year only includes all full school months from July 1, 2019 through February 29, 2020, (ii) prevents the loss of funding related to an instructional time penalty because a charter school closed due to the COVID–19 by deeming the instructional days and minutes requirements to have been met during the period of time the school was closed due to

COVID–19, and (iii) requires a charter school to be credited with the ADA it would have received had it been able to operate its After School Education and Safety Program during the time the school was closed due to COVID–19.

The Borrower is currently in compliance with the requirements of Executive Order N-26-20. When the Certification Form for COVID-19 Closure referenced in the Executive Order is released by the California Department of Education, the Borrower will certify in writing to the Superintendent of Public Instruction that the School has been closed due to COVID-19, in compliance with the requirements of Executive Order N-26-20 and Senate Bill 117, in order to prevent loss of LCFF funding due to lost instructional time. The Borrower has also filed all attendance reporting forms for the "P-2" attendance period in compliance with the shortened attendance period through February 29, 2020 referenced in Executive Order N-26-20. There can be no assurance that enrollment, ADA or LCFF funding for the Borrower will not decrease in the future, as a result of the COVID-19 outbreak or otherwise.

CHARTER

Borrower's Charter

The Borrower operates under a countywide benefit charter agreement originally granted by the Riverside County Board of Education (the "RCBOE") in 2005, renewed in 2007 and 2013 for additional five-year terms, and most recently renewed on May 9, 2018 (the "Charter"), for an additional five-year term. The Charter currently expires on June 30, 2023. RCBOE approved a material revision to the Charter on May 5, 2019, which authorized the opening of a new facility by the Borrower in Perris, California. The Riverside County Office of Education (the "RCOE") is responsible for overseeing the Borrower and its compliance with the terms of the Charter and applicable laws.

Payments to Chartering Agencies

In accordance with the memoranda of understanding entered into with the RCOE, the Borrower paid fees to the RCOE in the fiscal years ended June 30, 2017, 2018 and 2019 totaling $476,663, $516,302 and $562,774 respectively. Such fees were assessed for supervisorial oversight of the Borrower by the RCOE. The Borrower estimates it will pay $618,512 for such fees in the fiscal year ending June 30, 2020, and projects it will pay $581,681 for such fees in the fiscal year ending June 30, 2021.

MISSION AND VISION

River Springs is a parent choice school where the community is the classroom. River Springs' mission is to empower students by fostering their innate curiosity, engaging their parents, and promoting optimum learning by collaboratively developing a personalized learning program for each student.

Through choice of curriculum, teachers, and program the educators and participants of River Springs believe that the best learning occurs when:

- The parent is directly involved in the teaching/learning process;
- Learning styles are tailored to each individual student's needs;
- One-to-one teaching is the primary arrangement;
- Real life "context-based" learning is emphasized;
- There is enrichment through field trips, apprenticeships, cooperative classes, and appropriate uses of technology; and
- The entire community serves as the school campus.

CURRICULUM AND EDUCATIONAL PROGRAMS

General

River Springs' leaders operate it in accordance with their belief that learning best occurs when students are educated through a personalized learning, goal-oriented curriculum which is developed utilizing home-based learning programs, cooperative school programs and classes, site-based personalized learning models, internships, community-based educational programs, group seminars, distance learning via current technology, supplemental learning projects, and current educational research. River Springs' philosophy centers upon the beliefs and expectations that:

- Curriculum should be tailored to an individual student's learning styles;
- One-to-one teaching should be used as appropriate;
- Real life, context-based learning is to be encouraged;
- A variety of enrichment should be implemented through classroom instruction, independent learning, field trips, apprenticeships, technology and integrated projects across the curriculum;
- Schooling is only one aspect of an education;
- The entire community is the classroom;
- Learning is promoted by engaging student interests;
- Optimum learning by the student can be achieved by encouraging parent involvement and support;
- Students can be active participants in their personalized learning plan with the support of the staff;
- Students make at least one year of academic achievement gains each year;
- Students will be intrinsically motivated;
- Students will achieve competency in basic academic skills;
- Opportunities will be provided for students to explore their potential in the performing and living arts and in the use of technology; and
- Students will recognize and use their strongest skills and abilities and improve in areas where they are weak.

Parents who enroll their children in a River Springs program, through specific enrollment and curriculum contracts described below, accept primary responsibility for their children's education. The Borrower supports students and parents in all aspects of student education, by providing appropriate educational materials and access to a team of education specialists and advisors.

All student curricula are subject to approval by River Springs. Each minor student and at least one parent or guardian, and each adult student, with the assistance of River Springs' Education Specialists (each, an "Education Specialist") and advisors, designs, consistent with River Springs' student standards and policies, appropriate curricula based upon the student's educational needs and objectives and signs one or more contracts (each, a "Student Agreement") with River Springs that clearly describes the student's individual educational goals and curriculum for each semester the student is enrolled with River Springs. Each Student Agreement describes the manner for submitting assignments and reporting progress, the frequency of meetings, the student's courses of study, the chosen methods of ascertaining competence in designated courses of study, and, if applicable, the credits the student will receive upon successfully demonstrating competence and completing the course of study. Each Student Agreement also details the transferability of courses to other public high schools and the eligibility of courses to meet college entrance requirements. River Springs offers and aligns its college preparatory high school curriculum to the University of California-California State University "a-g" requirements, and all Education Specialists who are assigned high school students are trained in the requirements of a-g coursework and high school graduation policies and procedures.

Educational Programs

General. River Springs offers families flexibility to choose among a wide variety of programs to meet students' individual needs. The educational programs offered by River Springs fall into one of two major categories: 1) Academy programs, and 2) Homeschool/Independent Study programs. Students in the Academy programs attend classes on site for 2 to 5 days per week, depending on the specific program. Based on enrollment in all different programs, River Springs Academy students spend on average 4 days on-site per week. Regardless of number of days spent on site (0 to 5), River Springs may receive ADA funding for all 5 days. See "STATE FUNDING OF EDUCATION – Allocation of State Funding to Charter Schools – Nonclassroom-Based Funding" in the forepart of this Limited Offering Memorandum.

TABLE 3
RIVER SPRINGS
Enrollment by Program
2015-16 through 2019-20

School Year	*2015-16*	*2016-17*	*2017-18*	*2018-19*	*2019-20*
Academy Programs	3,690	3,736	4,159	4,472	4,929
Homeschool/ Independent Study	2,060	2,160	2,035	1,832	1,740
Total	5,750	5,896	6,194	6,304	6,669

(1) Enrollment figures may vary slightly from those set forth in Table 7 herein, as the Borrower measures its enrollment from a different time of the school year than the fall census day enrollment set forth therein.

Source: The Borrower.

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Academy Programs. River Springs offers a variety of Academy programs that combine traditional on-site instruction with homeschool/independent study. The Academy programs range from as high as 5 days of on-site instruction per week to a low of 2 days per week.

TABLE 4
RIVER SPRINGS
Academy Programs

Community	*Sites*	*Programs (grades, on-site days/week)*	*Grades Served*	*On-Site Days/Week*	*2019-20 Enrollment*
Temecula	Temecula Student Center	Da Vinci Academy	TK-8	5	713
	i-Shine Student Center	Renaissance Real World High School	9-12	5	491
Riverside	Riverside Student Center	Mosaic Academy	TK-8	3	329
	Magnolia Student Center	Magnolia Academy, Renaissance Real World High School	TK-8 9-12	4 5	702
Hemet	Hemet Student Center	Quest Academy	TK-8	5	537
	Renaissance Valley Academy	Renaissance Real World High School	9-12	5	457
Menifee	Bear River Student Center	Da Vinci Academy (TK-8; 5 days)	TK-8	5	596
Murrieta	Murrieta Student Center	Da Vinci Academy	TK-8	5	539
		Casa Montessori Academy	TK-5	3	
		Classical Homeschool Academy	TK-8	2	
		Montessori Middle School	6-8	5	
Corona	Corona Student Center	Mosaic Academy	TK-8	3	221
Indio	Palm Academy Student Center	Palm Academy	TK-8	5	81
Jurupa Valley	Flabob Airport Center	Flabob Airport Prep. Academy	7-12	3-4	123
Perris	Del Rio Student Center	Mosaic Academy	TK-8	3	140
Total					4,929

Source: The Borrower.

K-8 Programs. In the Academy K-8 programs, on-site days are organized like a traditional school. Students in kindergarten through grade 5 have a single multi-subject teacher throughout the day, while students in grades 6 through 8 have one teacher for math and science and a second teacher for English language arts and social studies. Class sizes typically range from 28 to 35 students, and each K-8 class has an assistant classroom educator in addition to a primary teacher.

Teachers in kindergarten through grade 8 use a combination of standardized curriculum and curriculum that was developed in-house by River Springs. Math curricula include GO Math!, enVision Math, Spring into Math. English language arts curricula include Daily 5, Writer's Workshop, Reading Plus, Lexia, and Moving Beyond the Page. Technology is a strong learning component inside and out of the classroom. River Springs has achieved 1:1 computing (a computer for each student) in some programs and is adding more 1:1 computing where budget allows. Cloud-based computing, including Google cloud services, is used heavily, and River Springs provides free broadband service and Chromebooks for families in need.

The Academy also offers a hybrid program, where students are on-site in the classroom less than 5 days per week and are homeschooled the other days. Parents are expected to be very involved in the hybrid Academy programs. In the hybrid Academy programs, math and English language arts are the academic focus in the classroom, while social studies and science are typically the focus for homeschool days. Teachers in the hybrid Academy programs spend the non-classroom days providing teaching support to parents.

High School Programs. The primary high school Academy program for River Springs is the Renaissance Real World High School ("Renaissance"), which in 2019-20 enrolls approximately 1,450 students

in grades 9-12 across 3 sites. Class sizes are between 15 and 40 students, depending on subject. The program is a combination of classroom-based instruction and teacher-guided independent study. The Canvas Learning Management System is used for both content delivery and grading. Renaissance takes a university approach to classroom learning, including Socratic seminars, projects, on-line activities and other hands-on learning methods. Students in grades 9 and 10 are on-site 5 days per week, while students in grades 11 and 12 are on-site 3 days per week and at internships the remaining 2 days per week. Renaissance high school students have several options for taking college classes, including dual enrollment, concurrent enrollment, and articulated classes.

River Springs students in grades 7 through 12 can also attend the Flabob Airport Preparatory Academy ("FAPA") program, the only aviation/aeronautics-focused high school in Riverside County. The program introduces students to aviation, mechanics, engineering, and science, and was recently expanded to include transportation, public safety, hospitality, and computer networks. The program is currently operated at the Pathfinder Student Center in Riverside with 2019-20 enrollment of 123. After the new Flabob Airport Facility is complete, which is expected in January 2021, River Springs expects the program to ultimately grow to 500 students that spend part of their time at such facility and part at the Pathfinder Student Center. Students in the FAPA program are on-site 3 to 4 days per week, depending on their grade level. The non-classroom days are used for home study, electives, and/or Career Technical Education.

Homeschool/Independent Study. In addition to the Academy programs, River Springs offers two distinct programs that do not include any regularly scheduled on-site component: the Homeschool program for grades K-12, and the Keys College and Career Prep for grades 9-12.

Homeschool. In the Homeschool program for K-12 students, parents and students work closely with a California-credentialed Education Specialist to choose the right combination of learning programs for each individual student. Under this program, parents are the primary educators of their children, and the Borrower's primary mission is to support and encourage families in the challenging task of educating their children. Families are allotted instructional funds, depending on the grade-level. These funds are used to purchase curriculum, educational materials, and services from approved Borrower vendors. Homeschool students are able to use a portion of their instructional funds to take K-8 enrichment classes at a student center or grade 9-12 enrichment classes through an online course management system. Homeschool families are able to take advantage of field trips, a lending library, various health and fitness programs, and numerous parent and student events throughout the year. Homeschool student progress is tracked through the use of individualized learning plans which are created monthly and revised regularly through collaboration between parents, Education Specialists and students. Assessment is done regularly for a variety of purposes, including the Borrower's common benchmark assessments. Assessment results are analyzed regularly and used to modify instruction as necessary.

Homeschool students can attend enrichment workshops at the River Springs Learning Centers (each, a "Learning Center"), which are located in Temecula, Hemet, Riverside, and Corona. Learning Center schedules vary by location and student interests and needs. Though Learning Center classes are created to supplement homeschooling provided by a parent/adult and many classes involve the arts, some workshops also provide core content such as writing, science, and math. Academic counseling services are offered on an appointment basis at the Learning Center locations. In addition, special education services, including a resource specialist program, occupational therapy, speech, and individualized education plan meetings are provided at most Learning Centers. Homeschool students are required to meet with their Educational Specialist at least once every twenty days.

Parent education is an important component of the Homeschool program. River Springs hosts an online parent preparation course that is required for all newly enrolled families in the Homeschool program. The course focuses on educational topics and best practices such as goal setting, annual planning, learning and the brain, and assessment. The Educational Specialists support parents' learning at the monthly learning plan meeting. An optional Parent Certification program is available for parents that wish to achieve a deeper

understanding for developing best practices. The program includes online and face-to-face learning options, and parents must complete three core courses, four electives, and a final project in order to receive the certification. Parents receive $200 in additional student funds upon completion that may be used to purchase additional School-approved instructional materials.

River Springs hosts its Student Parent Regional Educational Events throughout the school year to help connect Homeschool families and have them develop personal networks. Parent and student workshops are offered at these events, which are typically well-attended. In addition River Springs hosts an annual event called the Ignite Conference, which offers a variety of workshops, networking opportunities, and guest speakers.

Keys College and Career Prep (9-12). The Keys College and Career Prep ("Keys") programs are located in Corona, Hemet, Indio, Menifee, Riverside, and Temecula. Keys is for high school students who want the flexibility of an independent study program. Keys Education Specialists are responsible for selecting and ordering curriculum as well as meeting the student and parent once a week. Class assignments are delivered electronically, both live in "real time" using the virtual classroom and 24 hours-7 days a week through the Borrower's course management system. In addition to online course options, Keys students may (i) take classes at any of the Borrower's high school student centers and/or at local community colleges through dual or concurrent enrollment and (ii) participate in Borrower field trips. Keys student progress is tracked through portfolio assessment and the Borrower's online grade book, which allows full communication between the classroom teacher, parent, and student. Benchmark assessments are given in all core classes multiple times per year. Keys students are required to meet with their Keys Educational Specialist once every week.

GOVERNANCE AND ADMINISTRATION

Board of Directors

The Borrower is governed by a board of directors (the "Board") of no fewer than five and no more than seven members, which members shall be (i) parents of students currently attending River Springs and (ii) community members residing in Riverside County or a contiguous county in which River Springs students reside. Board members shall not have personal financial interests in the ongoing operations of the Borrower or be related to persons with such interests. At least thirty days prior to the date of election of any Board members (the "Election Date"), the Chair of the Board shall appoint a committee (the "Nominating Committee") to designate qualified candidates for election to the Board.

The Nominating Committee shall report its findings at least seven days prior to the Election Date or at such other time as the Board may set. If the number of members on the Board falls below the minimum requirement of five, the Board may appoint members to complete open terms. With the exception of one board position that may be appointed by RCOE, members of the Board are elected by the Board and may serve up to two consecutive three-year terms.

The current members of the Board and their backgrounds are listed below. Elections are expected to be held during the summer of 2020 for the two directors whose terms expire on June 30, 2020.

Name	***Position***	***Term Expires***
Charles Vela	Chair	June 30, 2021
Reginald Wadlington	Vice Chair	June 30, 2020
Rachel Couch	Secretary	June 30, 2022
Jamie Thompson	Treasurer	June 30, 2022
Carl Burke	Director	June 30, 2021
Stephen Darrow	Director	June 30, 2020
Steffany Johnson	Director	June 30, 2022

Charles Vela, Chair. Mr. Vela has served as a Board member since 2014. He is a Licensed Contractor presently working at the California Baptist University, in Facilities Management, and he has owned and operated his own construction company. Mr. Vela previously spent 24 years in the United States Marine Corps, retiring in 1999 after teaching senior enlisted soldiers at the Marine Corps University. He is an experienced homeschooling parent. He has additionally completed coursework for a Bachelor's degree in Organizational Management.

Reginald Wadlington, Vice Chair. Mr. Wadlington was appointed to the Board in 2017 and has a broad and varied community service background, having served on or chaired a number of other boards. Mr. Wadlington is active in legislative, community, and religious causes. Mr. Wadlington is a lifelong resident of California and a former Clinical Research business owner and professional. Mr. Wadlington proudly served his country as a United States Navy Hospital Corpsman with the United States Marine Corps Fleet Marine Force.

Rachel Couch, Secretary. Ms. Couch has 15 years' experience in teaching and counseling roles in various settings including the private and traditional public school sectors as well as charter school and private consulting.

Jamie Thompson, Treasurer. Ms. Thompson has been a teacher for 17 years and has extensive experience working with California public schools. Additionally, Ms. Thompson currently serves as English Department co-chair at her school.

Carl Burke, Director. Mr. Burke has served as a Board member since 2014. He is currently an independent consultant specializing in talent acquisition and career navigation for students and early and late career professionals. Mr. Burke previously spent 30 years working in the medical device and biotechnology industries, with over 20 years spent working in leadership roles in finance, marketing and human resources. He holds a Bachelor's degree in Biology from the University of California, San Diego and a Master's degree in Business Administration from the University of San Diego.

Stephen Darrow, Director. Mr. Darrow has served as a Board member since 2014. He is an attorney currently practicing and managing his own firm, the Darrow Law Center. He has previously served as Vice President of the Board of Directors and as director of Faith Christian Academy, and he has also been a River Springs parent. Mr. Darrow holds a Bachelor's degree from California State University, Long Beach and a Juris Doctorate from Western State University College of Law.

Steffany Johnson, Director. Ms. Johnson is a professional vocalist and a professional photographer with a wealth of experience in both fields. Ms. Johnson also serves as the Secretary for the Murrieta Arts Council Board. Ms. Johnson earned her Bachelor of Arts degree in Psychology Health Sciences from California State University, Fullerton.

Management Staff

In addition to Members of the Board, the Borrower is served by the following professionals:

Kathleen Hermsmeyer, Superintendent. Ms. Hermsmeyer has served as Superintendent of River Springs since 2006. Previously she served as Executive Director of Eagles Peak Charter School. Ms. Hermsmeyer holds a Bachelor's degree in Liberal Studies and a Master's degree in Computer-Based Education, both from California Polytechnic State University, San Luis Obispo and a Doctoral degree in Education with a focus on Curriculum and Instruction from the University of the Pacific.

Douglas House, Interim Assistant Superintendent, Personnel. Mr. House joined the Borrower in 2016 as Human Resources Director, and is currently the Interim Assistant Superintendent of Personnel. Mr. House holds a Bachelor of Arts degree in Criminal Justice from Anderson University and a Master of Science

degree in Counseling Psychology from California Baptist University, as well as the following certifications: in Professional in Human Resources, Society for Human Resources Management – Certified Professional, and Senior Professional in Human Resources. Mr. House has over twenty years of experience at the supervisory and management level in private and nonprofit businesses, including eight years as a Human Resources Director before joining the Borrower.

Amy Podratz, Assistant Superintendent, Administrative Operations. Ms. Podratz has served as Assistant Superintendent, Administrative Operations of River Springs since 2006. Prior to arriving at River Springs, she served as the Senior Director of Business and Administrative Operations of Eagles Peak Charter School. From 1997 to 2000, she served in numerous roles with Eagles Peak Charter School, including Education Specialist, Education Specialist Trainer, Education Specialist Advisor, Western Association of Schools and Colleges Chairperson, Director of Student Services, and Senior Director of Business and Administrative Operations. Ms. Podratz worked in a traditional K-12 setting from 1997 through 2000. She holds a Bachelor's Degree in Political Science from California State University at Long Beach, a Master's in Leadership from Walden University, a Certification in Legal Studies, a Secondary Credential, an Administrative Credential, and she has completed the coursework for her Chief Business Official certification.

Vivian Price, Assistant Superintendent, Education – Personalized Learning. Ms. Price has served as Assistant Superintendent, Education – Personalized Learning of River Springs since 2010. Previously she taught middle and high school English for nine years, in traditional, private and charter schools. Ms. Price holds a Bachelor's degree from Plymouth State University and Master's degree in Education with a focus on Literature from California State University, San Marcos.

Tanya Rogers, Assistant Superintendent, Business. Ms. Rogers has served as Assistant Superintendent, Business of River Springs since 2015. Prior to joining River Springs, Ms. Rogers was a partner for an audit firm that specialized in audits of educational agencies. Prior to the auditing firm Ms. Rogers worked in the hospitality industry, managing large full-service hotels such as Hilton and Embassy Suites. Ms. Rogers holds a Bachelor's degree from California State University, San Marcos, and a Master of Business Administration from the University of Phoenix. Ms. Rogers is a licensed Certified Public Accountant and has the designation as a Certified Fraud Examiner.

Related Parties/Employees

Several employees and administrators of the Borrower are related to the Superintendent, Kathleen Hermsmeyer. In most cases, these personnel began working with Ms. Hermsmeyer before River Springs was formed, while Ms. Hermsmeyer was the Executive Director of Eagles Peak Charter School ("Eagles Peak"). See "— Formation and History" below. However, no such relationship relates to any member of the Borrower's Board, and such Board and unrelated employee supervisors oversee all such related employees, and all decisions related to their employment and compensation.

John Kane, Physics Teacher and Data Analyst, a brother of Superintendent Hermsmeyer, is under direct supervision and review by the Director of Instructional Support (an unrelated employee). Erin Spock, a part-time teacher at the Hemet Student Center under the direct supervision and review by the site Principal (an unrelated employee), is Mr. Kane's daughter and thus the Superintendent's niece. Ms. Spock is certificated as a single subject Social Science teacher.

In order to avoid potential, apparent or actual conflicts of interest regarding related-employee compensation, River Springs engages independent outside counsel to perform annual compensation surveys to identify comparable market-level compensation for senior management. The Superintendent's salary is recommended by counsel, then reviewed and recommended by senior staff (excluding the Superintendent) and finally reviewed and approved by the Board of the Borrower and the boards of the Related Schools.

The River Springs Board has adopted a policy on nepotism, which provides that:

> "The basic criteria for appointment and promotion of all faculty and staff will be appropriate qualifications and performance. Relationship by family, marriage, or partnership will constitute neither an advantage nor a deterrent to appointment in the school provided the individual meets and fulfills the appropriate standards. It is not the intent of this policy to encourage the employment of relatives within the same unit, but rather to reemphasize the concept that the selection of personnel will be on the basis of job-related qualifications.
>
> Members of the same immediate family whose qualifications rank each of them first for the positions under consideration may be employed (full-time or part-time), so long as neither family member is immediately responsible for the decision to hire, or for the supervision, direction, evaluation, or salary recommendation of the other. In such instances, all final decisions will be referred to the Board of Directors and to the Office of Human Resources."

Formation and History

River Springs began operation as a part of the Eagles Peak Charter School, which was established in 1999. The Eagles Peak charter was approved by the Julian Union High School District, in San Diego County. Eagles Peak operated non-classroom based programs similar to River Springs own Academy and Homeschool programs, with students from San Diego County and contiguous counties. Over a number of years, Eagles Peak's enrollment in Riverside County grew to exceed its enrollment in San Diego County. Changes in the Education Code effective in June 2005 made it necessary for Eagles Peak to obtain a charter from within Riverside County. In 2005, a charter was approved by the RCOE for "Eagles Peak Charter School – Inland Empire." Although the separate Riverside County charter was approved in 2005, a separate corporation to operate under such charter was not organized until June 2006, when River Springs was formed, originally under the name "Eagles Peak – Inland Empire, Inc." Also, in June 2006, a separate governing board was established for River Springs and, in July 2006, work began on a memorandum of understanding between Eagles Peak and River Springs to outline each schools rights and responsibilities, contemplating a shared management staff operating out of Eagles Peak's headquarters in Vista, California.

Much of the current management staff of River Springs previously served Eagles Peak in similar capacities, as reflected above under " – Management Staff." The process by which River Springs separated from Eagles Peak in the latter part of 2006 was the subject of dispute between the Eagles Peak governing board and the executive management team, which was resolved through a settlement agreement in April 2007. In July 2009, the Julian Union High School District refused to renew Eagles Peak's charter and the school was subsequently closed.

In 2007, the former Eagles Peak – Inland Empire, Inc. changed its name to River Springs Charter School, Inc. and the RCOE renewed its charter for a five year term. In June 2013, RCOE renewed the River Springs charter for an additional five years, approving a memorandum of understanding between RCOE and River Springs pursuant to which River Springs agreed to enter into a contract with the Fiscal Crisis & Management Assistance Team ("FCMAT") to conduct a management review of River Springs. The purpose of the FCMAT review was to provide River Springs and the RCOE with reasonable assurances that adequate management controls are in place, and that River Springs is meeting the requirements of its charter petition and the memorandum of understanding with RCOE. In its report, dated August 30, 2013, titled "River Springs Charter School: Annual Oversight Checklist," FCMAT concluded that River Springs scored as "Low Risk" in each of the three operational areas reviewed: Fiscal and Business Operations; Educational Program and Ongoing Assessment; and Personnel. Of the 127 total applicable items on the checklist across the three operational areas, River Springs scored satisfactorily on 122, or 96%.

RCOE once again renewed the Borrower's charter for another five year term on May 9, 2018 for a five-year term through June 30, 2023.

Accreditation

River Springs was evaluated by the Western Association of Schools and Colleges ("WASC") in 2016 and was granted a five-year accreditation through the 2020-21 school year.

FACULTY AND PERSONNEL

Faculty and Personnel

As of May 1, 2020, the Borrower employed 585 full-time and part-time certificated employees (excluding principals and assistant principals) and an additional 196 full-time and part-time non-certificated employees. Of the certificated teachers, 100% hold bachelor's degrees and 43.3% hold masters degrees. Currently, 71.0% teachers have more than five years of teaching experience.

As of May 1, 2020, the Borrower employed 57 administrators in management positions and 40 administrative staff in its central offices. Each academic site is run by a principal, with sites serving over 400 students also having a vice-principal. The Borrower currently employs 19 principals and vice-principals.

The 2019-20 overall student-teacher ratio of the Borrower was approximately 23:1.

The Borrower recruits teachers through a variety of methods in order to attract the largest pool of applicants: (i) open teaching positions are posted on a widely used education job site for online employee recruitment; (ii) the Borrower has established relationships with 8 colleges and universities to post its open positions; (iii) the Borrower participates in several job fairs including the annual Teacher Recruitment Fair at RCOE; and (iv) the Borrower joined an RCOE consortium for a grant for classified staff who wish to become teachers in the areas of SPED and STEM credentials.

There are currently 10 classified employees of the Borrower participating in the grant program, receiving $3,200 per year for up to five years of education. Upon becoming a teacher, those employees will be required to teach for the Borrower for a term at least equal to the number of years participating in the grant program.

Teacher Retention

The table below shows, for any given school year, the percentage of teachers employed by the Borrower in June of the prior school year who remained employed by the Borrower in August of the school year shown, for school years 2016-17 through 2019-20, and projected retention for 2020-21.

TABLE 5
RIVER SPRINGS
Teacher Retention
2016-17 through 2020-21

	2016-17	***2017-18***	***2018-19***	***2019-20***	***2020-21***
Percent of Teachers Retained From Prior School Year	82.8%	83.5%	76.8%	76.8%	77.0%

Source: The Borrower.

The following table shows the breakdown of employees at each academic site for the 2019-20 school year.

TABLE 6
RIVER SPRINGS
Faculty Breakdown by Academic Site
2019-20

	Temecula	*Bear River*	*FAPA*	*iShine*	*Magnolia*	*Corona*	*Hemet Quest*	*Hemet Student*	*Murrieta Student*	*Riverside Student*	*Palm Academy*	*Total*
Principal/Vice Principal	2	2	1	1	2	1	1	2	2	2	1	17
Certificated Staff[(1)]	28	18	7	18	21	8	21	19	19	15	3	177
Non-Certificated Staff[(1)]	26	24	4	15	24	8	25	10	16	25	2	179

(1) Does not include part-time staff.
Source: The Borrower.

ENROLLMENT

Enrollment

Enrollment information for River Springs for the last five academic years is set forth in the table below.

TABLE 7
RIVER SPRINGS
Historical Enrollment by Grade[(1)]
2015-16 through 2019-20

Grade	*2015-16*	*2016-17*	*2017-18*	*2018-19*	*2019-20*
K[(2)]	666	718	714	716	743
1	504	557	591	575	621
2	604	512	616	597	581
3	576	576	535	598	627
4	572	546	605	535	606
5	515	558	604	589	571
6	540	543	617	610	631
7	484	525	542	572	615
8	448	450	499	499	578
9	256	268	259	282	322
10	232	245	263	271	282
11	228	218	246	267	270
12	208	196	198	213	223
Total	5,833	5,912	6,289	6,324	6,670

(1) Reflects certified enrollment as of the fall census day (the first Wednesday in October), as reported to the California Longitudinal Pupil Achievement Data System ("CALPADS") in each school year.
(2) Includes transitional kindergarten.
Source: The Borrower.

TABLE 8
RIVER SPRINGS
Historical Enrollment by Program and Site
2015-16 through 2019-20

Site	*Community*	*2015-16*	*2016-17*	*2017-18*	*2018-19*	*2019-20*
Homeschool	Various	1,775	1,870	1,739	1,483	1,439
Keys College Prep	Various	285	290	308	349	301
Temecula Student Center	Temecula	806	819	703	720	713
Hemet Student Center	Hemet	690	729	747	776	537
Palm Student Center	Indio	71	65	57	58	81
Murrieta Student Center	Murrieta	497	501	501	505	539
iShine Student Center	Temecula	448	454	494	481	491
Renaissance Valley Academy	Hemet	--	--	--	--	457
Magnolia Student Center	Riverside	335	340	491	716	702
Corona Student Center	Corona	197	169	194	207	221
Bear River Student Center	Menifee	168	208	523	593	596
Riverside Student Center	Riverside	379	356	368	307	329
FAPA	Riverside	99	95	86	109	123
Del Rio Student Center	Perris	--	--	--	--	140
Total		5,750	5,896	6,211	6,304	6,669

(1) Enrollment figures may vary slightly from those set forth in Table 7 herein, as the Borrower measures its enrollment from a different time of the school year than the fall census day enrollment set forth therein.
Source: The Borrower.

Wait List

The Borrower does not maintain a wait list for admission.

Projected Enrollment

Projected enrollment information for River Springs is set forth in the table below.

TABLE 9
RIVER SPRINGS
Projected Enrollment by Program and Site
2020-21

Site	*Community*	*2020-21*
Homeschool	Various	1,750
Keys College Prep	Various	350
Temecula Student Center	Temecula	713
Hemet Student Center	Hemet	537
Palm Student Center	Indio	81
Murrieta Student Center	Murrieta	539
iShine Student Center	Temecula	491
Renaissance Valley Academy	Hemet	458
Magnolia Student Center	Riverside	702
Corona Student Center	Corona	221
Bear River Student Center	Menifee	596
Riverside Student Center	Riverside	329
Del Rio Student Center	Perris	123
FAPA	Riverside	180
Total		7,070

(1) Includes transitional kindergarten.
Source: The Borrower.

Special Populations

The following table shows River Springs' student demographics for the 2016-17 through 2019-20 school years, and projected enrollment for the 2020-21 school year.

TABLE 10
RIVER SPRINGS
Student Enrollment by Subgroup
2016-17 through 2020-21

	2016-17	*2017-18*	*2018-19*	*2019-20*	*2020-21*
Free and Reduced Priced Meals	48.1%	48.1%	52.0%	45.9%	55.1%
English Learners	4.8	4.0	4.3	4.3	4.5
Special Education Students (IEP, 504, SST)	12.6	14.1	15.4	17.6	17.8
Unduplicated Pupil Percentage	48.7	50.2	51.1	51.7	53.8

Sources: California Department of Education and the Borrower.

Student Retention

The table below shows, for any given school year, the percentage of students enrolled at River Springs in May of the prior school year who re-enrolled at River Springs in August of the school year shown, disregarding graduating students, for school years 2016-17 through 2019-20, and projected retention for 2020-21.

TABLE 11
RIVER SPRINGS
Student Retention
2016-17 through 2020-21

	2016-17	*2017-18*	*2018-19*	*2019-20*	*2020-21*
Percent of Students Retained From Prior School Year	86%	90%	90%	90%	90%

Source: The Borrower.

ACADEMIC OUTCOMES

CAASPP. Academic Performance Index ("API") scores have, in the past, been calculated using results of the State's STAR program and, for high school students, the California High School Exit Examination ("CAHSEE"). Changes to the Education Code enacted in 2013 deleted certain provisions of State law establishing the STAR program and replaced them with the California Assessment of Student Performance and Progress program ("CAASPP"), effective July 1, 2014. As a means to assess certain elementary and secondary pupils, CAASPP comprises:

(a) the State's Smarter Balanced Assessments, composed of (i) summative assessments in English language arts ("ELA") and mathematics for grades 3 to 8 inclusive, and grade 11, (ii) interim assessments to monitor student progress toward mastery of the Common Core State Standards in ELA and mathematics, and (iii) a "Digital Library" consisting of tools and practices designed to help teachers utilize formative assessment processes for improved teaching and learning;

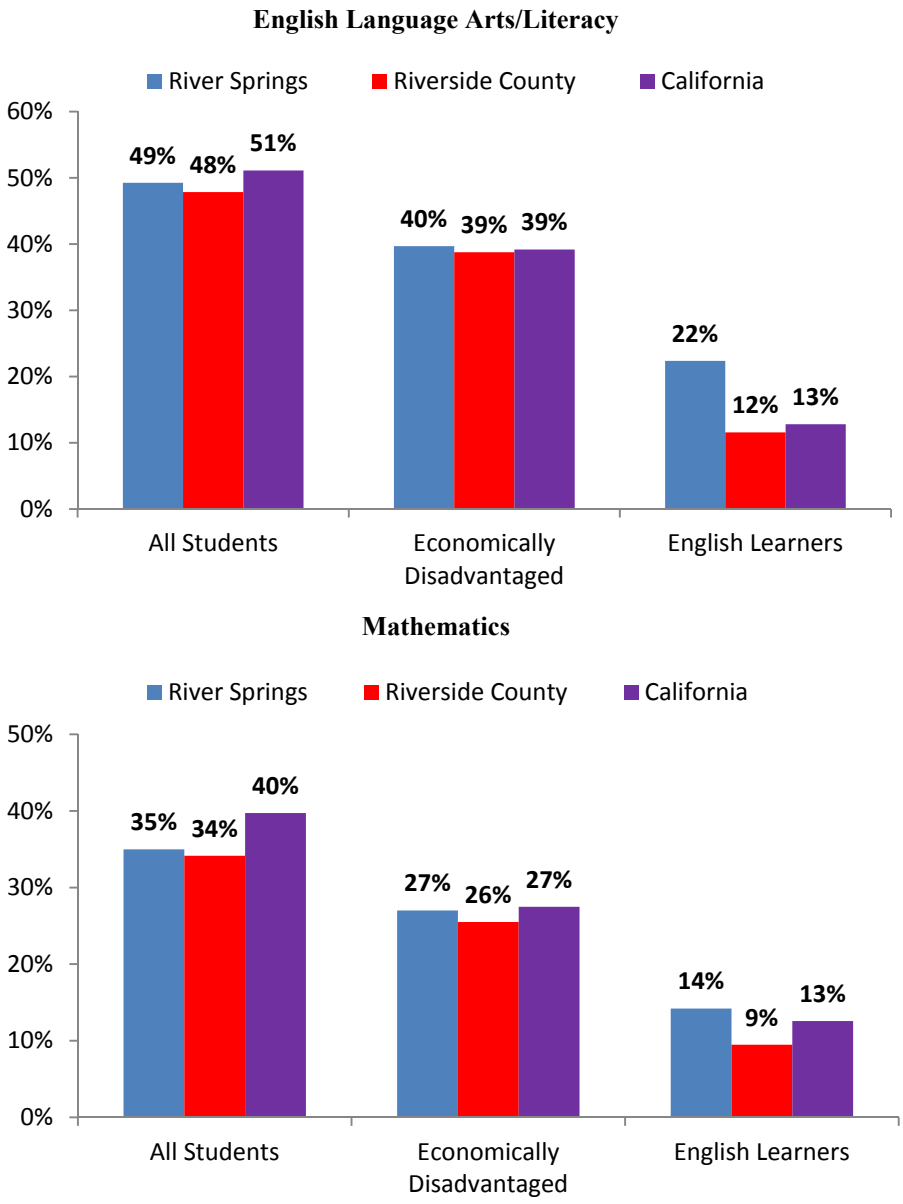
(b) alternate assessments for ELA and mathematics in grades 3 through 8 and 11, that are based on alternate achievement standards and aligned with the Common Core State Standards for students with significant cognitive disabilities;

(c) science assessments in grades 5, 8, and 10, measuring specified content standards, currently composed of (i) the California Standards Test ("CST") for students in public schools, (ii) the California Modified Assessment ("CMA") for students with an individualized education program, and the (iii) California Alternate Performance Assessment ("CAPA") for students with significant cognitive disabilities; and

(d) the Standards-based Tests in Spanish ("STS"), which are multiple-choice tests that allow Spanish-speaking English learners in grades 2 through 11 to demonstrate their knowledge of California content standards by taking a reading/language arts ("RLA") assessment in their primary language.

The following figure summarizes the performance of River Springs on CAASPP Smarter Balanced Assessments for ELA and mathematics in 2017-18, compared against averages for schools in the State and Riverside County.

FIGURE 1
RIVER SPRINGS
2018-19 Smarter Balaced Assessment Consortium (SBAC) Results
Percent of Students Met or Exceeded Standard



Source: California Department of Education.

California School Dashboard. During the 2016-17 school year, the California State Board of Education ("SBE") approved a new integrated accountability and continuous improvement system (the "Accountability System") that is used to evaluate local education agency ("LEA") and school performance in areas critical to students' preparedness for college and career. The Accountability System is aligned to both (i) the LCFF priority areas, as required under State law, and (ii) accountability measures required under the provisions of the federal Every Student Succeeds Act. Performance by individual LEAs and schools under the Accountability System is reported through the State's California School Dashboard (the "Dashboard").

The Accountability System measures performance in the following priority areas using various state and local indicators:

Priority Areas	State Indicator	Local Indicator
Basic Services or Basic Condition at schools	N/A	Appropriately assigned teachers, access to curriculum-aligned instructional materials, and safe, clean and functional school facilities
Implementation of State Academic Standards	N/A	Progress in implementing state academic standards
Parent Engagement	N/A	Progress in seeking input from parents in decision making and promoting parental participation in programs
Student Achievement	• Academic Performance (Grades 3-8 and Grade 11); • English Learners Progress	N/A
Student Engagement	• Graduation Rate; • Chronic Absenteeism	N/A
School Climate	Suspension Rate	Administration of a local climate survey at least every other year that provides a valid measure of perceptions of school safety and connectedness to students in at least one grade within the grade span(s) that the LEA serves (e.g., K-5, 6-8, 9-12)
Access to a Broad Course of Study	N/A	Annually measures progress on the extent students have access to, and are enrolled in, a broad course of study
Outcomes in a Broad Course of Study	College/Career	N/A

Source: California Department of Education.

State Indicators. The Accountability System measures performance on state indicators through a combination of current performance ("Status") and improvement over time ("Change"). Both Status and Change are weighted equally, and scores approved by SBE serve as performance standards based on the state-wide distribution of Status and Change for each indicator. For each state indicator, a school or LEA will be assigned (i) a Status level of Very High, High, Medium, Low or Very Low; and (ii) a Change level of Increased Significantly, Increased, Maintained, Declined or Declined Significantly. For each state indicator, the combination of Status level and Change level yields a performance level of Blue, Green, Yellow, Orange or Red, with Blue representing the highest performance and Red indicating the lowest performance. Any performance level below Green indicates that improvement is needed.

Local Indicators. The local indicators require LEAs (including individual charter schools) to determine whether they have Met, Not Met, or Not Met for More than Two Years the standards for each local

indicator. For each local indicator, LEAs (and charter schools) must (i) measure their progress using locally available information, (ii) report the results at a regularly scheduled public meeting of the LEA's (or charter school's) local governing board, and (iii) upload the results to the public through the Dashboard.

School Performance Overview. Each LEA and school's School Performance Overview provides the performance level for all students on state and local indicators, including how the current year (status) compares to prior years (change) for each state indicator. Status and change each have five possible levels, which are displayed with the data for each indicator.

Below is the school performance overview of the School's performance on the State and local indicators in 2019.

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TABLE 12
RIVER SPRINGS
2019 California School Dashboard Status and Change Report and Local Indicators

State Indicators	All Students Performance[1]	Status	Change
English Language Arts (3-8) [2]		7.1 points below standard	Declined *(-3.4 points)*
Mathematics (3-8) [2]		40.4 points below standard	Maintained *(2.5 points)*
English Learner Progress (1-12) [3]	N/A	High – 60.8% making progress towards English language proficiency	N/A
College / Career (9-12) [4]		29.3% prepared	Declined *(-6.1%)*
Graduation Rate (9-12) [5]		76.6% graduated	Declined *(-3.4%)*
Chronic Absenteeism [6]		2.6% chronically absent	Maintained *(+0.3%)*
Suspension Rate (K-12) [7]		2.0% suspended at least once	Increased *(+0.4%)*

Local Indicators	Ratings
Basics (Teachers, Instructional Materials, Facilities)	Met
Implementation of Academic Standards	Met
Parent Engagement	Met
Local Climate Survey	Met
Access to a Broad Course of Study	Met

(1) Performance levels include, from highest to lowest, Blue, Green, Yellow, Orange and Red, based on the Status and Change levels for each indicator.

(2) English Language Arts ("ELA") and Mathematics Status levels are based on the sum of all grades 3-8 and 11 students' distance from the minimum score qualifying a student for "Standards Met" on the ELA or Math 2018-19 Smarter Balanced Assessment, divided by the total number of 2018-19 Smarter Balanced Assessment ELA or Math test takers. English Language Arts and Mathematics Change levels are based on the difference between the current year and prior year Status levels.

(3) English Learner Progress Status level is based on the percentage of English Language Proficiency Assessments for California ("ELPAC") test takers scoring at a proficient level in the 2018-19 school year. A school's progress level is deemed Very Low for less than 35%; Low for 35% to less than 45%; Medium for 45% to less than 55%; High for 55% to less than 65%; and Very High for 65% or higher. No Change levels are available for 2019, as the 2017-18 school year was the first year that California transitioned from the California English Language Development Test to the ELPAC and three years of ELPAC data are required to calculate Change.

(4) College/Career Status level is based on the percentage of graduates in the class of 2019 who performed "Prepared" on the College/Career Indicator ("CCI") Model. The Change level is based on the difference between the current year and prior year Status levels. The CCI Model includes student performance on a number of statewide measure, including the CTE Pathway Completion, grade 11 Smarter Balanced Summative Assessments in ELA and math, Advanced Placement Exams, International Baccalaureate Exams, College Credit Courses, course requirements for "a-g" completion, students receiving a State Seal of Biliteracy, and students participating in leadership and military science programs.

(5) Graduation Rate Status level is based on the Class of 2019 graduation rate in the 2018-19 school year. Graduation Rate Change level is based on the difference between the graduation rates for the Class of 2019 and the Class of 2018.

(6) Chronic Absenteeism Status level is based on the number of students absent for 10% or more of instructional days within the 2018-19 school year. Chronic Absenteeism Change level is based on the difference between the chronic absenteeism rates for the 2018-19 and 2017-18 school years.

(7) Suspension Rate Status level is based on the unduplicated number of students suspended within the 2018-19 school year. Suspension Rate Change level is based on the difference between the suspension rates for the 2018-19 and 2017-18 school years.

Source: California Department of Education.

SERVICE AREA AND COMPETING SCHOOLS

River Springs currently serves students residing in Riverside County and the three contiguous counties of San Diego, Orange and San Bernardino. Of the 6,670 students served by the Borrower in the 2019-20 school year, the majority reside in the County (96%) with additional populations of students residing in San Bernardino County (2%) and San Diego County (2%).

In addition to competing with traditional public schools for the geographic areas in which its students reside, River Springs competes with other nonclassroom-based programs of education. The following table presents, for the 2019-20 school year, enrollment, the percent of students qualifying for free and reduced priced meals, the percent of students classified as English Learners, and the percentage of students who met or exceeded standards for the 2018-19 Smarter Balanced Assessments for such programs offered in Riverside County, San Diego County, Orange County and San Bernardino County.

TABLE 13
RIVER SPRINGS
Other California Independent Study Schools
2019-20

					2018-19 Academic	
School	*Enrollment*	*Grade Range*	*FRPM %*	*EL %*	*SBAC ELA Met/Exceeded*	*SBAC Math Met/Exceeded*
River Springs Charter School	**6,670**	**K-12**	**55.1%**	**4.5%**	**49.2%**	**35.0%**
California Virtual Academy	12,008	K-12	62.6	4.6	38.2	17.3
Julian Charter School[(1)]	1,687	K-12	27.8	2.5	56.9	38.8
Connections Academy – Capistrano	4,036	K-12	44.7	3.0	60.0	25.8
Sky Mountain Charter School	1,781	K-12	32.9	1.7	39.1	23.5
Classical Academy	1,355	K-8	19.7	1.0	61.9	48.4
Classical Academy High School	1,271	9-12	16.8	0.5	62.5	52.9
Dimensions Collaborative	463	K-12	31.3	3.0	59.6	25.8
Pacific View Charter School	618	K-12	42.4	10.4	33.9	8.3
Greater San Diego Academy	167	K-12	49.7	6.6	60.7	39.8

(1) Includes six separate charter schools operated by JCS, Inc.
Source: California Department of Education.

See "CERTAIN RISK FACTORS – Factors Associated with the Borrower's Operations" in the forepart of this Limited Offering Memorandum regarding competition for students faced by the Borrower, as well as other factors affecting its operations and finances.

OPERATING AND FINANCIAL INFORMATION

State Aid Payments and ADA

Nonclassroom-based independent study programs, such as River Springs, are required to request a funding determination from the State Board of Education before they may receive their apportionments based on ADA. Schools are not required to reapply annually for a funding determination when the information submitted has not materially changed. For a continuing charter school that meets the regulatory requirements, the State Board of Education may approve a determination of funding period that is prospective (not for the current year, but beginning with the next fiscal year) and for a period of at least two years and a maximum of five years in length.

Through the funding determination process, the State Board of Education, through recommendations of the Advisory Committee on Charter Schools ("ACCS"), approves the charter school's request for a specific percentage of funding based upon the charter school's ADA using specific criteria outlined in Title 5 of the

California Code of Regulations. See "STATE FUNDING OF EDUCATION – Allocation of State Funding to Charter Schools – Nonclassroom-Based Funding" in the forepart of this Limited Offering Memorandum.

River Springs' historical ADA figures from 2015-16 to 2019-20 are reflected in the table shown below. River Springs' most recent funding determination request for 100% was approved by the State Board of Education in May 2020, and is in effect through the 2023-24 school year. The Borrower's next funding determination due date is February 1, 2024. While the State Board of Education maintains authority to request a new funding determination request at charter renewal and within its discretion at any time, River Springs has not been provided any notice that it will be required to submit such a funding determination renewal request prior to normally scheduled renewal.

ADA information for River Springs over the last five years, and projected information for the 2020-21 school year, is set forth in the table below.

TABLE 14
RIVER SPRINGS
Current and Historical ADA[(1)]
2015-16 through 2020-21

Grade[(2)]	***2015-16***	***2016-17***	***2017-18***	***2018-19***	***2019-20***	***2020-21***
K-3	2,311.35	2,340.89	2,430.83	2,472.38	2,579.28	2,624.84
4-6	1,588.95	1,639.88	1,794.51	1,718.10	1,806,92	1,838.83
7-8	905.45	961.68	1,019.52	1,054.93	1,180.05	1,200.89
9-12	901.48	918.59	942.79	986.18	1,052.84	1,071.44
Total	5,707.23	5,860.04	6,187.65	6,231.59	6,619.09	6,736.00

(1) For 2015-16 through 2019-20, represents annual ADA, as of February in each year. For 2020-21, represents projected ADA.

(2) Ranges of grade levels corresponding to funding levels of general purpose entitlement. See "STATE FUNDING OF EDUCATION – Allocation of State Funding to Charter Schools" in the forepart of this Limited Offering Memorandum.

Source: The Borrower.

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Historic Financial Information

The following table presents the audited statements of activities and changes in net assets for the Borrower for fiscal years 2016-17 through 2018-19, the estimated actual statement of activities for fiscal year 2019-20, and the projected statement of activities for fiscal year 2020-21.

See "PROJECTIONS AND CASH FLOWS" herein for more information on the projected change in net assets for the 2020-21 fiscal year.

TABLE 15*
RIVER SPRINGS
Statement of Activities
2016-17 through 2020-21

	Audited	*Audited*	*Audited*	*Estimated*	*Projected*
	2016-17	***2017-18***	***2018-19***	***2019-20***	***2020-21***
ADA	5,860	6,188	6,231	6,619	6,736
LCFF Revenues per unit of ADA	$8,133	$8,344	$8,973	$9,302	$8,572
REVENUES					
LCFF: State Aid	$39,808,911	$43,031,152	$45,700,113	$53,075,030	$49,108,849
LCFF: Education Protection Account	7,849,225	8,599,009	10,203,681	8,484,722	8,634,584
LCFF: In-Lieu-Of Property Taxes	8,132	--	9,474	8,503	--
Federal Revenue	2,432,654	2,976,436	3,954,863	4,225,605	5,285,348
Other State Revenue	5,817,213	8,325,886	4,214,428	2,327,187	2,368,323
Other Local Revenue	825,262	1,329,134	4,620,845	5,962,445	6,067,839
TOTAL REVENUES	$56,741,397	$64,261,617	$68,703,424	$74,083,492	$71,464,943
EXPENDITURES					
Certificated Salaries	$21,208,258	$23,773,319	$25,037,051	$26,454,863	$26,653,264
Classified Salaries	7,824,897	8,874,476	10,200,309	11,029,793	11,112,512
Benefits	8,598,892	11,961,896	12,598,124	13,101,164	13,199,418
Materials & Supplies	3,941,055	4,340,367	5,264,725	4,373,830	4,406,633
Services and Operations	11,306,535	9,749,671	8,686,473	12,684,760	12,779,891
Depreciation	1,749,859	1,774,809	1,615,732	1,600,000	1,800,000
Other Expenditures	1,333,711	3,346,114	3,585,184	3,182,734	3,206,603
TOTAL EXPENDITURES	$55,963,207	$63,820,652	$66,987,598	$72,427,144	$73,158,321
CHANGE IN NET ASSETS	$778,190	$440,965	$1,715,826	$1,656,348	$(1,693,378)
BEGINNING NET ASSET BALANCE	$11,024,007	$11,802,197	$12,243,162	$13,988,988	$15,645,336
ADJUSTMENT FOR RESTATEMENT	--	--	30,000[(1)]		
ENDING NET ASSET BALANCE	$11,802,197	$12,243,162	$13,988,988	$15,645,336	$13,951,958

(1) Net assets and equipment were adjusted to reflect receipt by the Borrower of a donation valued at $30,000 on January 5th, 2017.
Source: The Borrower.

* Preliminary, subject to change.

Historical Statement of Financial Position

The following table sets forth the audited assets, liabilities and net assets of the Borrower as of June 30 of each year for fiscal years 2016-17 through 2018-19, the estimated net assets, liabilities and net assets for fiscal year 2019-20, and the projected net assets, liabilities and net assets for fiscal year 2020-21.

TABLE 16*
RIVER SPRINGS
Statement of Financial Position
2016-17 through 2020-21

	Audited	*Audited*	*Audited*	*Estimated*	*Projected*
	2016-17	***2017-18***	***2018-19***	***2019-20***	***2020-21***
ASSETS					
CURRENT ASSETS					
Cash & Cash Equivalents[(1)]	$8,415,239	$7,498,549	$6,289,578	$11,103,664[(2)]	$4,484,479
Accounts Receivable	1,035,494	1,609,788	4,405,169	9,204,685	11,510,044
Other Current Assets	240,477	30,000	110,776	110,776	121,194
Total Current Assets	$9,691,210	$9,138,337	$10,805,523	$20,419,125	$16,115,717
RESTRICTED CASH (Bond Funds at Trustee)	$8,505,916	$10,175,965	$8,317,304	$5,096,768	$3,599,850
OTHER ASSETS					
Property & Equipment	$21,880,417	$44,706,757	$45,835,787	$44,235,787	$43,932,705
Deposits	626,632	1,253,264	1,253,264	1,253,264	1,253,264
Total Other Assets	$22,507,049	$45,960,021	$47,089,051	$45,489,051	$45,185,969
Total Assets	$40,704,175	$65,244,323	$66,211,878	$71,004,944	$64,901,536
LIABILITIES					
CURRENT LIABILITIES					
Accounts Payable	$2,001,221	$2,423,525	$1,630,118	$546,578	$3,326,290
Current Portion of Loan/Notes Payable	--	685,000	715,000	7,200,000[(2)]	740,000
Total Current Liabilities	$2,001,221	$3,108,525	$2,345,118	$7,746,578	$4,066,290
LONG-TERM LIABILITIES					
Outstanding Tax-Exempt Bonds	$26,900,757	$49,892,636	$49,877,772	$47,613,030	$46,883,288
Other Long-Term Liabilities	--	--	--	--	--
Total Long-Term Liabilities	$26,900,757	$49,892,636	$9,877,772	$46,613,030	$46,883,288
Total Liabilities	$28,901,978	$53,001,161	$52,222,890	$55,359,608	$50,949,578
Ending Net Asset Balance	$11,802,197	$12,273,162	$13,988,988	$15,645,336	$13,951,958
Change in Net Assets from Prior Year	$778,190	$470,965	$1,715,826	$1,656,348	$(1,693,378)

(1) For 2016-17, includes funds at County Treasury.
(2) Includes proceeds of the Notes.
Source: The Borrower.

Budgeting and Accounting

Each year in June, a budget is prepared by the Borrower's administration for the following fiscal year, with underlying assumptions and estimates clearly documented. The budget is subject at all times to review by the RCOE. The budget is based on state, local and federal educational funding.

* Preliminary, subject to change.

The Borrower maintains a single general fund. Budgeted expenditure appropriations lapse at fiscal year-end. Mid-year, after enrollment numbers are stabilized and government funding levels are known, the Budget and Finance Committee reviews the underlying assumptions and modifies the operating budget to reflect known changes. This modified budget, titled the "First Interim Budget," is presented to the Board and adopted by December 15 of each year. A second mandated budget update, reflecting year-to-date actuals through January 31, is entitled the "Second Interim Budget" and must be Board-approved and submitted to the Borrower's charter authorizer by March 15 of each year.

As permitted by the Charter School Law, the Borrower operates as a nonprofit public benefit corporation under the California Nonprofit Public Benefit Corporation Law. The Borrower is required by State law to comply with all applicable generally accepted accounting principles ("GAAP") in all financial operations.

Under the Charter School Law, the Borrower is required to conduct an annual financial audit. The annual financial audit is completed pursuant to the regulations set forth in the Guide for Annual Audits of K-12 Local Education Agencies, prepared and updated annually by the California State Education Audit Appeals Panel within the California Department of Education. Federal funding and expenditures are audited pursuant to federal Governmental Auditing Standards issued by the Comptroller General of the United States, and by OMB Circular A-133 – Audits of States, Local Governments, and Non-Profit Organizations.

The Borrower engaged CDWL, Certified Public Accountants, as its auditor for its audited financial statements for Fiscal Year ended June 30, 2019. Such financial statements are attached to this Limited Offering Memorandum as "APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE BORROWER FOR THE FISCAL YEAR ENDED JUNE 30, 2019."

State Retirement Programs

Through the State, qualified employees of the Borrower participate in the California State Teachers Retirement System ("STRS") and the California Public Employees Retirement System ("PERS"). Employees who are not members of STRS or PERS contribute to social security. The Borrower makes employer contributions as required by STRS and PERS. See "CERTAIN RISK FACTORS – Specific Risks of Charter Schools – State Retirement Systems" in the forepart of this Limited Offering Memorandum.

The information set forth below regarding the STRS and PERS programs, other than the information provided by the Borrower regarding its annual contributions thereto, has been obtained from publicly available sources which are believed to be reliable but are not guaranteed as to accuracy or completeness, and should not be construed as a representation by the Borrower or the Underwriter.

STRS. The Borrower's full-time certificated teachers are members of the State Teachers' Retirement System. STRS provides retirement, disability and survivor benefits to plan members and beneficiaries under a defined benefit program (the "STRS Defined Benefit Program"). The STRS Defined Benefit Program is funded through a combination of investment earnings and statutorily set contributions from three sources: employees, employers, and the State. Benefit provisions and contribution amounts are established by State statutes, as legislatively amended from time to time.

Prior to fiscal year 2014-15, and unlike typical defined benefit programs, none of the employee, employer nor State contribution rates to the STRS Defined Benefit Program varied annually to make up funding shortfalls or assess credits for actuarial surpluses. In recent years, the combined employer, employee and State contributions to the STRS Defined Benefit Program have not been sufficient to pay actuarially required amounts. As a result, and due to significant investment losses, the unfunded actuarial liability of the STRS Defined Benefit Program has increased significantly in recent fiscal years. In September 2013, STRS projected that the STRS Defined Benefit Program would be depleted in 31 years assuming existing contribution rates continued, and other significant actuarial assumptions were realized. In an effort to reduce

the unfunded actuarial liability of the STRS Defined Benefit Program, the State passed the legislation described below to increase contribution rates.

Prior to July 1, 2014, participant employers were required by such statutes to contribute 8.25% of eligible salary expenditures, while participants contributed 8% of their respective salaries. On June 24, 2014, the Governor signed AB 1469 ("AB 1469") into law as a part of the State's fiscal year 2014-15 budget. AB 1469 seeks to fully fund the unfunded actuarial obligation with respect to service credited to members of the STRS Defined Benefit Program before July 1, 2014 (the "2014 Liability"), within 32 years, by increasing member, participant employers and State contributions to STRS. Commencing July 1, 2014, the employee contribution rate increased over a three-year phase-in period in accordance with the following schedule:

MEMBER CONTRIBUTION RATES
STRS (Defined Benefit Program)

Effective Date	STRS Members Hired Prior to January 1, 2013	STRS Members Hired After January 1, 2013
July 1, 2014	8.150%	8.150%
July 1, 2015	9.200	8.560
July 1, 2016	10.250	9.205

Source: AB 1469.

Pursuant to the Reform Act (defined below), the contribution rates for members hired after the Implementation Date (defined below) will be adjusted if the normal cost increases by more than 1% since the last time the member contribution was set. The contribution rate for employees hired after the Implementation Date (defined below) increased from 9.205% of creditable compensation for fiscal year commencing July 1, 2017 to 10.205% of creditable compensation effective July 1, 2018. For fiscal year commencing July 1, 2019, the contribution rate was 10.250% for employees hired before the Implementation Date and 10.205% for employees hired after the Implementation Date. For fiscal year commencing July 1, 2020, the contribution rate will be 10.250% for employees hired before the Implementation Date and 10.205% employees hired after the Implementation Date.

Pursuant to AB 1469, participant employers' contribution rate will increase over a seven-year phase-in period in accordance with the following schedule:

PARTICIPANT EMPLOYER CONTRIBUTION RATES
STRS (Defined Benefit Program)

Effective Date	K-14 School Districts
July 1, 2014	8.88%
July 1, 2015	10.73
July 1, 2016	12.58
July 1, 2017	14.43
July 1, 2018	16.28
July 1, 2019	18.13
July 1, 2020	19.10

Source: AB 1469.

Based upon the recommendation from its actuary, for fiscal year 2021-22 and each fiscal year thereafter the STRS Teachers' Retirement Board (the "STRS Board"), is required to increase or decrease the participant employers' contribution rate to reflect the contribution required to eliminate the remaining 2014 Liability by June 30, 2046; provided that the rate cannot change in any fiscal year by more than 1% of

creditable compensation upon which members' contributions to the STRS Defined Benefit Program are based; and provided further that such contribution rate cannot exceed a maximum of 20.25%. In addition to the increased contribution rates discussed above, AB 1469 also requires the STRS Board to report to the State Legislature every five years (commencing with a report due on or before July 1, 2019) on the fiscal health of the STRS Defined Benefit Program and the unfunded actuarial obligation with respect to service credited to members of that program before July 1, 2014. The reports are also required to identify adjustments required in contribution rates for participant employers and the State in order to eliminate the 2014 Liability.

On June 27, 2019, the Governor signed SB 90 ("SB 90") into law as a part of the 2019-20 Budget. Pursuant to SB 90, the State Legislature appropriated $2.246 billion to be transferred to the Teacher's Retirement Fund for the STRS Defined Benefit Program to pay in advance, on behalf of employers, part of the contributions required for fiscal years 2019-20 and 2020-21, resulting in participant employers having to contribute 1.03% less in fiscal year 2019-20 and 0.70% less in fiscal year 2020-21, resulting in employer contribution rates of 17.1% in fiscal year 2019-20 and 18.4% in fiscal year 2020-21. In addition, the State made a contribution of $1.117 billion to be allocated to reduce the employer's share of the unfunded actuarial obligation determined by the STRS Board upon recommendation from its actuary. This additional payment will be reflected in the June 30, 2020 actuarial valuation. See "STATE FUNDING OF EDUCATION – General" in the forepart of this Limited Offering Memorandum.

The Borrower's contributions to STRS were $2,008,736 for fiscal year 2015-16, $2,497,869 for fiscal year 2016-17, $3,263,746 for fiscal year 2017-18, and $3,896,376 for fiscal year 2018-19. The Borrower has projected its contribution to STRS to be $4,306,163 for fiscal year 2019-20 and budgeted its contribution to STRS to be $4,286,673 for fiscal year 2020-21.

The State also contributes to STRS, currently in an amount equal to 7.828% for fiscal year 2019-20 and 8.328% for fiscal year 2020-21. The State's contribution reflects a base contribution rate of 2.017%, and a supplemental contribution rate that will vary from year to year based on statutory criteria. Based upon the recommendation from its actuary, for fiscal year 2017-18 and each fiscal year thereafter, the STRS Board is required, with certain limitations, to increase or decrease the State's contribution rates to reflect the contribution required to eliminate the unfunded actuarial accrued liability attributed to benefits in effect before July 1, 1990. The STRS Board approved State supplemental contribution rate for fiscal year 2020-21 reflects an increase of 0.5% of payroll, the maximum allowed under current law.

In addition, the State is currently required to make an annual general fund contribution up to 2.5% of the fiscal year covered STRS member payroll to the Supplemental Benefit Protection Account (the "SBPA"), which was established by statute to provide supplemental payments to beneficiaries whose purchasing power has fallen below 85% of the purchasing power of their initial allowance.

PERS. Classified employees working four or more hours per day are members of the Public Employees' Retirement System ("PERS"). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended from time to time. PERS operates a number of retirement plans including the Public Employees Retirement Fund ("PERF"). PERF is a multiple-employer defined benefit retirement plan. In addition to the State, employer participants at June 30, 2018 included 1,579 public agencies and 1,313 K-14 school districts and charter schools. PERS acts as the common investment and administrative agent for the member agencies. The State and participant employers (for "classified employees," which generally consist of school employees other than teachers) are required by law to participate in PERF. Employees participating in PERF generally become fully vested in their retirement benefits earned to date after five years of credited service. One of the plans operated by PERS is for K-14 school districts and charter schools throughout the State (the "Schools Pool").

Contributions by employers to the Schools Pool are based upon an actuarial rate determined annually and contributions by plan members vary based upon their date of hire. Participant employers are currently

required to contribute to PERS at an actuarially determined rate, which is 20.733% of eligible salary expenditures in fiscal year 2019-20. The employer contribution rate for fiscal year 2020-21 will be 22.68%, which reflects an initial actuarially determined rate of 23.35% that has been reduced by 0.67% pursuant to SB 90. Participants enrolled in PERS prior to January 1, 2013 contribute at a rate established by statute, which is 7% of their respective salaries in fiscal year 2019-20 and will be 7% of such salaries in fiscal year 2020-21, while participants enrolled after January 1, 2013 contribute at an actuarially determined rate, which is 7% in fiscal year 2019-20 and will be 7% in fiscal year 2020-21. See "— California Public Employees' Pension Reform Act of 2013" herein.

Pursuant to SB 90, the State Legislature appropriated $144 million for fiscal year 2019-20 and $100 million for fiscal year 2020-21 to be transferred to the Public Employees' Retirement Fund, to pay in advance, on behalf of participant employers, part of the contributions required for participant employers for such fiscal years. In addition, the State Legislature appropriated $660 million to be applied toward certain unfunded liabilities for participant employers. As a result of the payments made by the State pursuant to SB 90, the employer contribution rate for fiscal year 2019-20 is 19.721%. See "STATE FUNDING OF EDUCATION – General" in the forepart of this Limited Offering Memorandum.

The Borrower's contributions to PERS were $716,712 for fiscal year 2014-15, $902,226 for fiscal year 2015-16, $1,089,322 for fiscal year 2016-17, $1,383,411 for fiscal year 2017-18, and $1,689,268 for fiscal year 2018-19. The Borrower has projected its contribution to PERS to be $2,236,807 for fiscal year 2019-20 and budgeted its contribution to PERS to be $2,283,167 for fiscal year 2020-21.

State Pension Trusts. Each of STRS and PERS issues a separate comprehensive financial report that includes financial statements and required supplemental information. Copies of such financial reports may be obtained from each of STRS and PERS as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; (ii) PERS, P.O. Box 942703, Sacramento, California 94229-2703. Moreover, each of STRS and PERS maintains a website, as follows: (i) STRS: www.calstrs.com; (ii) PERS: www.calpers.ca.gov. However, the information presented in such financial reports or on such websites is not incorporated into this Limited Offering Memorandum by any reference.

Both STRS and PERS have substantial statewide unfunded liabilities. The amount of these unfunded liabilities will vary depending on actuarial assumptions, returns on investments, salary scales and participant contributions. The following table summarizes information regarding the actuarially-determined accrued liability for both STRS and PERS. Actuarial assessments are "forward-looking" information that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

FUNDED STATUS
STRS (Defined Benefit Program) and PERS (Schools Pool)
(Dollar Amounts in Millions)[1]
Fiscal Years 2010-11 through 2018-19

STRS

Fiscal Year	Accrued Liability	Value of Trust Assets (MVA)[2]	Unfunded Liability (MVA)[2]	Value of Trust Assets (AVA)[3]	Unfunded Liability (AVA)[3]
2010-11	$208,405	$147,140	$68,365	$143,930	$64,475
2011-12	215,189	143,118	80,354	144,232	70,957
2012-13	222,281	157,176	74,374	148,614	73,667
2013-14	231,213	179,749	61,807	158,495	72,718
2014-15	241,753	180,633	72,626	165,553	76,200
2015-16	266,704	177,914	101,586	169,976	96,728
2016-17	286,950	197,718	103,468	179,689	107,261
2017-18	297,603	211,367	101,992	190,451	107,152
2018-19	310,719	225,466	102,636	205,016	105,703

PERS

Fiscal Year	Accrued Liability	Value of Trust Assets (MVA)	Unfunded Liability (MVA)	Value of Trust Assets (AVA)[3]	Unfunded Liability (AVA)[3]
2010-11	$58,358	$45,901	$12,457	$51,547	$6,811
2011-12	59,439	44,854	14,585	53,791	5,648
2012-13	61,487	49,482	12,005	56,250	5,237
2013-14	65,600	56,838	8,761	--[4]	--[4]
2014-15	73,325	56,814	16,511	--[4]	--[4]
2015-16	77,544	55,785	21,759	--[4]	--[4]
2016-17	84,416	60,865	23,551	--[4]	--[4]
2017-18	92,071	64,846	27,225	--[4]	--[4]
2018-19[5]	99,528	68,177	31,351	--[4]	--[4]

(1) Amounts may not add due to rounding.
(2) Reflects market value of assets, including the assets allocated to the SBPA reserve. Since the benefits provided through the SBPA are not a part of the projected benefits included in the actuarial valuations summarized above, the SBPA reserve is subtracted from the STRS Defined Benefit Program assets to arrive at the value of assets available to support benefits included in the respective actuarial valuations.
(3) Reflects actuarial value of assets.
(4) Effective for the June 30, 2014 actuarial valuation, PERS no longer uses an actuarial value of assets.
(5) On April 21, 2020, the PERS Board (defined below) approved the K-14 school district contribution rate for fiscal year 2020-21 and released certain actuarial information to be incorporated into the June 30, 2019 actuarial valuation to be released in the latter half of 2020.

Source: PERS Schools Pool Actuarial Valuation; STRS Defined Benefit Program Actuarial Valuation.

The STRS Board has sole authority to determine the actuarial assumptions and methods used for the valuation of the STRS Defined Benefit Program. Based on the multi-year CalSTRS Experience Analysis (spanning from July 1, 2010, through June 30, 2015) (the "2017 Experience Analysis"), on February 1, 2017, the STRS Board adopted a new set of actuarial assumptions that reflect member's increasing life expectancies and current economic trends. These new assumptions were first reflected in the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2016 (the "2016 STRS Actuarial Valuation"). The new actuarial assumptions include, but are not limited to: (i) adopting a generational mortality methodology to reflect past improvements in life expectancies and provide a more dynamic assessment of future life spans, (ii) decreasing the investment rate of return (net of investment and administrative expenses) to 7.25% for the 2016 STRS Actuarial Valuation and 7.00% for the June 30, 2017 actuarial evaluation (the "2017 STRS Actuarial Valuation"), and (iii) decreasing the projected wage growth to 3.50% and the projected inflation rate to 2.75%.

Based on the multi-year CalSTRS Experience Analysis (spanning from July 1, 2015, through June 30, 2018) (the "2020 Experience Analysis"), on January 31, 2020, the STRS Board adopted a new set of actuarial assumptions that were first reflected in the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2019 (the "2019 STRS Actuarial Valuation"). While no changes were made to the actuarial assumptions discussed above, which were established as a result of the 2017 Experience Analysis, certain demographic changes were made, including: (i) lowering the termination rates to reflect a continued trend of lower than expected teachers leaving their employment prior to retirement, and (ii) adopting changes to the retirement rates for both employees hire before the Implementation Date and after the Implementation Date to better reflect the anticipated impact of years of service on retirements. The 2019 STRS Actuarial Valuation continues using the Entry Age Normal Actuarial Cost Method.

Based on salary increases less than assumed, additional State contributions, and actuarial asset gains recognized from the current and prior years, the 2019 STRS Actuarial Valuation reports that the unfunded actuarial obligation decreased by $1.5 billion since the 2018 STRS Actuarial Valuation and the funded ratio increased by 2.0% to 66.0% over such time period.

According to the 2019 STRS Actuarial Valuation, the future revenues from contributions and appropriations for the STRS Defined Benefit Program are projected to be approximately sufficient to finance its obligations with a projected ending funded ratio in fiscal year ending June 30, 2046 of 99.9%, except for a small portion of the unfunded actuarial obligation related to service accrued on or after July 1, 2014 for member benefits adopted after 1990, for which AB 1469 provides no authority to the STRS Board to adjust rates to pay down that portion of the unfunded actuarial obligation. This finding reflects the scheduled contribution rate increases directed by statute, assumes additional increases in the scheduled contribution rates allowed under the current law will be made, and is based on the valuation assumptions and valuation policy adopted by the STRS Board, including a 7.00% investment rate of return assumption and includes the $1.117 billion State contribution made in July 2019 pursuant to SB 90.

The actuary for the STRS Defined Benefit Program notes in the 2019 STRS Actuarial Report that, since such report is dated as of June 30, 2019, the significant declines in the investment markets that have occurred in the first half the 2020 calendar year are not directly reflected in the 2019 STRS Actuarial Report. The actuary notes that such declines will almost certainly impact the future of the STRS Defined Benefit Program funding, and that, all things being equal, it is expected that the actuarial valuation for the fiscal year ending June 30, 2020 will show a greater increase in the projected State contribution rate (and possibly the employer rate) and a possible decline in the funded ratio. See "CERTAIN RISK FACTORS – Outbreak of Disease; Coronavirus" in the forepart of this Limited Offering Memorandum.

In recent years, the PERS Board of Administration (the "PERS Board") has taken several steps, as described below, intended to reduce the amount of the unfunded accrued actuarial liability of its plans, including the Schools Pool.

On March 14, 2012, the PERS Board voted to lower the PERS' rate of expected price inflation and its investment rate of return (net of administrative expenses) (the "PERS Discount Rate") from 7.75% to 7.5%. On February 18, 2014, the PERS Board voted to keep the PERS Discount Rate unchanged at 7.5%. On November 17, 2015, the PERS Board approved a new funding risk mitigation policy to incrementally lower the PERS Discount Rate by establishing a mechanism whereby such rate is reduced by a minimum of 0.05% to a maximum of 0.25% in years when investment returns outperform the existing PERS Discount Rate by at least four percentage points. On December 21, 2016, the PERS Board voted to lower the PERS Discount Rate to 7.0% over a three year phase-in period in accordance with the following schedule: 7.375% for the June 30, 2017 actuarial valuation, 7.25% for the June 30, 2018 actuarial valuation and 7.00% for the June 30, 2019 actuarial valuation. The new discount rate went into effect July 1, 2017 for the State and July 1, 2018 for participant employers. Lowering the PERS Discount Rate means employers that contract with PERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active

members hired after January 1, 2013, under the Reform Act (defined below) will also see their contribution rates rise.

On April 17, 2013, the PERS Board approved new actuarial policies aimed at returning PERS to fully-funded status within 30 years. The policies include a rate smoothing method with a 30-year fixed amortization period for gains and losses, a five-year increase of public agency contribution rates, including the contribution rate at the onset of such amortization period, and a five year reduction of public agency contribution rates at the end of such amortization period. The new actuarial policies were first included in the June 30, 2014 actuarial valuation and were implemented with respect the State, participant employers and all other public agencies in fiscal year 2015-16.

Also, on February 20, 2014, the PERS Board approved new demographic assumptions reflecting (i) expected longer life spans of public agency employees and related increases in costs for the PERS system and (ii) trends of higher rates of retirement for certain public agency employee classes, including police officers and firefighters. The new actuarial assumptions were first reflected in the Schools Pool in the June 30, 2015 actuarial valuation. The increase in liability due to the new assumptions will be amortized over 20 years with increases phased in over five years, beginning with the contribution requirement for fiscal year 2016-17. The new demographic assumptions affect the State, participant employers and all other public agencies.

The PERS Board is required to undertake an experience study every four years under its Actuarial Assumptions Policy and State law. As a result of the most recent experience study, on December 20, 2017, the PERS Board approved new actuarial assumptions, including (i) lowering the inflation rate to 2.625% for the June 30, 2018 actuarial valuation and to 2.50% for the June 30, 2019 actuarial valuation, (ii) lowering the payroll growth rate to 2.875% for the June 30, 2018 actuarial valuation and 2.75% for the June 30, 2019 actuarial valuation, and (iii) certain changes to demographic assumptions relating to the salary scale for most constituent groups, and modifications to the morality, retirement, and disability retirement rates.

On February 14, 2018, the PERS Board approved a new actuarial amortization policy with an effective date for actuarial valuations beginning on or after June 30, 2019, which includes (i) shortening the period over which actuarial gains and losses are amortized from 30 years to 20 years, (ii) requiring that amortization payments for all unfunded accrued liability bases established after the effective date be computed to remain a level dollar amount throughout the amortization period, (iii) removing the 5-year ramp-up and ramp-down on unfunded accrued liability bases attributable to assumptions changes and non-investment gains/losses established on or after the effective date and (iv) removing the 5-year ramp-down on investment gains/losses established after the effective date. While PERS expects that reducing the amortization period for certain sources of unfunded liability will increase future average funding ratios, provide faster recovery of funded status following market downturns, decrease expected cumulative contributions, and mitigate concerns over intergenerational equity, such changes may result in increases in future employer contribution rates.

On April 21, 2020, the PERS Board established the employer contribution rates for 2020-21 and released certain information from the Schools Pool Actuarial Valuation as of June 30, 2019, ahead of its release date in the latter half of 2020. From June 30, 2018 to June 30, 2019 the funded status for the Schools Pool decreased by 1.9% (from 70.4% to 68.5%); mainly due to the reduction in the discount rate from 7.25% to 7.00% and investment return in 2018-19 being lower than expected. The funded status as of June 30, 2019 does not reflect the State's additional payment of $660 million that was made pursuant to SB 90, since PERS received the payment in July 2019. PERS attributes the decline in the funded status over the last five years to recent investment losses in excess of investment gains, adoption of new assumptions, both demographic and economic, lowering of the discount rate, and negative amortization. Assuming all actuarial assumptions are realized, including investment return of 7% in fiscal year 2019-20, that no changes to assumptions, methods of benefits will occur during the projection period, along with the expected reductions in normal cost due to the continuing transition of active members from those employees hired prior to the Implementation Date (defined below), to those hired after such date, the projected contribution rate for 2021-22 is projected to be 24.6%, with annual increases thereafter, resulting in a projected 26.2% employer contribution rate for fiscal year 2026-

27. As of the April 21, 2020, PERS reported that the year to date return for the 2019-20 fiscal year was well below the 7% assumed return.

The Borrower can make no representations regarding the future program liabilities of STRS, or whether the Borrower will be required to make additional contributions to STRS in the future above those amounts required under AB 1469. The Borrower can also provide no assurances that the Borrower's required contributions to PERS will not increase in the future.

California Public Employees' Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employees' Pension Reform Act of 2013 (the "Reform Act"), which makes changes to both STRS and PERS, most substantially affecting new employees hired after January 1, 2013 (the "Implementation Date"). For STRS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor (the age factor is the percent of final compensation to which an employee is entitled for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. Similarly, for non-safety PERS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and increases the eligibility requirement for the maximum age factor of 2.5% to age 67. Among the other changes to PERS and STRS, the Reform Act also: (i) requires all new participants enrolled in PERS and STRS after the Implementation Date to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (ii) requires STRS and PERS to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date (previously 12 months for STRS members who retire with 25 years of service), and (iii) caps "pensionable compensation" for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers) and benefit base for members participating in Social Security or 120% for members not participating in social security (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers), while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

GASB Statement Nos. 67 and 68. On June 25, 2012, GASB approved Statements Nos. 67 and 68 ("Statements") with respect to pension accounting and financial reporting standards for state and local governments and pension plans. The new Statements, No. 67 and No. 68, replace GASB Statement No. 27 and most of Statements No. 25 and No. 50. The changes impact the accounting treatment of pension plans in which state and local governments participate. Major changes include: (1) the inclusion of unfunded pension liabilities on the government's balance sheet (currently, such unfunded liabilities are typically included as notes to the government's financial statements); (2) more components of full pension costs being shown as expenses regardless of actual contribution levels; (3) lower actuarial discount rates being required to be used for underfunded plans in certain cases for purposes of the financial statements; (4) closed amortization periods for unfunded liabilities being required to be used for certain purposes of the financial statements; and (5) the difference between expected and actual investment returns being recognized over a closed five-year smoothing period. In addition, according to GASB, Statement No. 68 means that, for pensions within the scope of the Statement, a cost-sharing employer that does not have a special funding situation is required to recognize a net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions and pension expense based on its proportionate share of the net pension liability for benefits provided through the pension plan. Because the accounting standards do not require changes in funding policies, the full extent of the effect of the new standards on the Borrower is not known at this time. The reporting requirements for pension plans took effect for the fiscal year beginning July 1, 2013 and the reporting requirements for employers, including the Borrower, took effect for the fiscal year beginning July 1, 2014.

Other Employee Benefits

The Borrower provides capped monthly contributions in respect of medical, dental, and vision benefits for its qualified employees (the "Benefits"). The Borrower paid $3,644,412 in the 2015-16 fiscal year, $3,738,832 in the 2016-17 fiscal year, $4,609,383 in the 2017-18 fiscal year, and $5,392,978 in the 2018-19 fiscal year towards the Benefits. The Borrower has projected to pay $6,309,784 towards the Benefits in the 2019-20 fiscal year and budgeted to pay $6,570,000 towards the Benefits in the 2020-21 fiscal year.

The Borrower provides a maximum of two years of medical benefits to retirees with at least 15 years' of service.

The Borrower cannot predict at this time whether contributions toward employee benefits will increase in the future, but does not expect such increases to have a material adverse effect on the Borrower's ability to make loan repayments.

Insurance

The Borrower maintains property, casualty, workers' compensation, and other insurance policies of the types and coverages typically maintained by similar charter schools in the State of California. The Borrower believes it has adequate insurance coverage for its current operations.

Outstanding Debt

On November 24, 2015, the Borrower borrowed the proceeds of the California School Finance Authority's Educational Facility Revenue Bonds (River Springs Charter School Project), Series 2015A and Series 2015B (Taxable), issued in an aggregate par amount of $28,350,000 (the "2015 Bonds"). On December 28, 2017, the Borrower borrowed the proceeds of the California School Finance Authority's Educational Facility Revenue Bonds (River Springs Charter School Project), Series 2017A and Series 2017B (Taxable), issued in an aggregate par amount of $23,995,000 (the "2017 Bonds" and, together with the 2015 Bonds, the "Prior Bonds"). As of May 1, 2020, substantially all of the project fund proceeds of the 2015 Bonds have been spent, and approximately $2.3 million of such proceeds of the 2017 Bonds remain unspent pending completion of the Flabob Airport Facility. Construction of the Flabob Airport Facility, which was financed with proceeds of the 2017 Bonds, is currently underway and expected to be completed in January 2021. The 2015 Bonds mature in 2046 and the 2017 Bonds mature in 2052.

The Prior Bonds are secured on a parity basis with the Notes, and are currently outstanding in the aggregate principal amount of $49,190,000. See "CERTAIN RISK FACTORS – Parity Obligations of Borrower; Subordinate Nature of Intercept" in the forepart of this Limited Offering Memorandum.

Descriptions of the Prior Bonds and the security therefor can be found in the Limited Offering Memoranda prepared in connection with the issuance thereof, which are available on the Municipal Securities Rulemaking Board's EMMA website at https://emma.msrb.org/EP889538-EP688788-EP1090490.pdf 2015 Bonds) and https://emma.msrb.org/ES1079558-ES843271-ES1244315.pdf (2017 Bonds). Such Limited Offering Memoranda are not incorporated into this Limited Offering Memorandum by reference thereto.

Facilities Leases

The Borrower leases various facilities for its operations. See "GENERAL – Current Facilities of the Borrower" herein. The Borrower paid a total of $3,609,213 under its facilities leases in the 2016-17 fiscal year, $3,595,715 in the 2017-18 fiscal year, $2,694,270 in the 2018-19 fiscal year, and it projects to pay $2,708,850 in the 2019-20 fiscal year.

As of June 1, 2020, the future lease payments remaining under the current facility lease agreements are as follows:

Year Ending June 30,	*Minimum Lease Payments*
2020	$2,708,850
2021	2,760,224
2022	2,779,290
2023	2,487,455
2024	1,643,974

No Material Litigation

The Borrower is subject to lawsuits and claims in the ordinary course of its operations. In the opinion of the Borrower, the aggregate amount of the uninsured liabilities under such litigation, including the Mission Trail Litigation, will not materially affect the finances of the Borrower or its operations.

There is no action, suit, proceeding or investigation at law or in equity, before or by any court, governmental agency or public board or body, pending or, to the knowledge of the Borrower, threatened, affecting the validity of the Bonds or contesting the corporate existence of the Borrower or its authority to operate pursuant to the Charter.

PROJECTIONS AND CASH FLOWS

Attached to this Limited Offering Memorandum as Appendix C are financial projections and projected weekly cash flows of the Borrower. Notwithstanding the Borrower's history of performance with respect to the School, future financial performance of the School may not equal or exceed the projections set forth in this Limited Offering Memorandum. No assurance is given that such projections will be met, or that the number of students attending the School may not diminish in the future. The projections of revenue and expenses contained in Appendix C are based upon the number of students projected to be enrolled at the School and were prepared by the Borrower and have not been independently verified by any party other than the Borrower. See "ENROLLMENT" herein for information regarding current enrollment of the School.

The Borrower estimates that its Local Control Funding Formula per-pupil funding for the 2020-21 fiscal year will average $8,572. This is based on the May Revision to the Proposed 2020-21 Budget ("May Budget Revision"), which projects a ten percent reduction in per-pupil funding from the original Proposed 2020-21 Budget released in January, and which constitutes a decline of approximately 7.92% from 2019-20 funding levels. The projections are based on the latest information from the May Revision as presented by Governor Newsom on May 14, 2020. See "STATE FUNDING OF EDUCATION – General – May Revision" in the forepart of this Limited Offering Memorandum.

The Borrower's financial projections are presented in Appendix C attached to this Limited Offering Memorandum.

Payments of the State Aid component of the LCFF (the "LCFF State Aid") are typically received at RCOE from the State a few days before the end of each month, and are then delivered to the Trustee pursuant

to the Intercept. See "SECURITY AND SOURCES OF PAYMENT FOR THE NOTES – Indenture – Pledge of Payments and Other Amounts" in the forepart of this Limited Offering Memorandum. To allow for sufficient processing time of the Intercept by RCOE and the Trustee, those payments are reflected in the financial projections to be received in the following month. For example, the July 2020 payment of LCFF State Aid from the State is reflected in August 2020. Repayment of the Notes is projected to be primarily from LCF State Aid payments for the months of February 2021 through May 2021, which are shown on the projections to be received in the months of March 2021 through June 2021.

The May Revision is currently contemplating deferrals of the May and June 2021 payments to the 2021-22 fiscal year. If these deferrals are made, it is uncertain when the State would ultimately make the payments to schools, but the current assumption is July 2021. These deferrals are contemplated in the financial projections, which show the May and June apportionment payments received in July 2021. Currently, the deferral process outlined in the May Revision will allow schools (including the Borrower) to apply for an exemption from these deferrals, which the Borrower intends to submit when available. If these deferrals are made and the Borrower does not receive an exemption, it is uncertain when the State would ultimately make the payments to the schools, but the current assumption is July 2021. If the Borrower's set-aside payments do not fully fund principal and interest on the Notes by June 10, 2021, the Borrower will contribute the remaining balance from its cash resources.

The financial projections begin with a cash balance of $11,103,664 in July 2020, which includes the proceeds of the Notes (net of issuance costs). The Borrower is too large to qualify for the Paycheck Protection Program and so did not receive a loan from this program.

The Borrower is required to meet a liquidity covenant of 45 days of cash on hand under its 2015 and 2017 Bonds. Such calculation allows the Borrower to include as cash State receivables expected to be received within 60 days of the end of the fiscal year. The Borrower expects to have 56 days of cash on hand as of June 30, 2020, taking into account State receivables expected to be received within 60 days of the end of the fiscal year.

For the full 2020-21 fiscal year, the current financial projections show a net loss of $1,693,378, which reflects the reduction in State funding and some reduction of expenses. Given the State's current efforts to secure additional federal funding in the coming months, which is expected to provide additional funding to charter schools, the Borrower is waiting to see if such funding is secured prior to making additional permanent budget cuts. The Borrower expects to review and potentially revise its 2020-21 budget in August 2020 to reflect any new funding information at the time, including but not limited to changes in the final approved State Budget from the current May Revision. If additional funding is not secured by August 2020, the Borrower expects to make additional spending reductions in order to balance its budget for the 2020-21 fiscal year.

Pending Legislative Version of State Budget. On June 3, 2020, the Speaker of the State Assembly, the President Pro Tempore of the State Senate, and the chairs of the State Assembly and State Senate Budget Committees announced a legislative agreement on the 2020-21 State budget (the "Legislative Proposed 2020-21 Budget Framework"). Unlike the May Revision, the Legislative Proposed 2020-21 Budget Framework does not include a 10% reduction in the per-pupil funding from the original Proposed 2020-21 Budget. Instead, the Legislative Proposed 2020-21 Budget Framework would fund LCFF funding as originally proposed by the Governor in January 2020, along with the approximately $3.4 billion in LCFF deferrals as proposed in the May Revision. However, if additional federal funding does not materialize by September 1, 2020, certain trigger solutions to balance the State budget would take effect October 1, 2020, including an additional $4.6 billion in LCFF deferrals beyond those proposed in the May Revision.

If the Legislative Proposed 2020-21 Budget Framework is adopted and additional federal funding does not materialize by September 1, 2020, additional deferrals of LCFF State Aid payments beyond those proposed in the May Revision (the "Additional Deferrals") due to the Borrower may be incurred. While the specifics of

these potential Additional Deferrals have not yet been announced, if the methodology follows similar deferral actions in the past and 100% of the Additional Deferrals amount is added to the May Revise proposed deferrals, the Borrower believes this would add deferrals of approximately 16% of February, 100% of March, and 77% of April 2021 LCFF State Aid to the proposed May Revise deferrals of 23% of April, 100% of May, and 100% of June 2021 LCFF State Aid. However, as specifics of these Additional Deferrals have not yet been announced and are subject to change, there can be no assurances regarding the final allocation of Additional Deferrals or their eventual receipt date prior to maturity of the Notes.

There can be no assurance that the enacted budget for fiscal year 2020-21 will provide for LCFF State Aid in the amounts and at times as proposed in either the May Revision or the Legislative Proposed 2020-21 Budget Framework. LCFF State Aid in the enacted State budget could be in amounts substantially smaller than, and deferrals of LCFF State Aid in the enacted State budget, if any, could be in amounts substantially larger than, as projected in the May Revision or Legislative Proposed 2020-21 Budget Framework. Further, there can be no assurance that additional federal funding will be received by the State at all, or in amounts that would prevent the proposed trigger solutions described above in the Legislative Proposed 2020-21 Budget Framework.

Although the Borrower anticipates it will apply for an exemption to any eventual deferrals based on financial hardship, there can be no assurance that the Borrower will receive any exemption from deferrals. In the event the Borrower does not receive such an exemption, any Additional Deferrals could materially and adversely affect the Borrower's finances and its ability to pay debt service on the Notes as scheduled.

If the Borrower does not receive sufficient LCFF State Aid to pay the principal of and interest on the Notes at maturity, it expects to refinance the Notes at that time or obtain other sources of revenue to pay the principal of and interest on the Notes at maturity. There can be no assurance that the Borrower will be able to refinance the Notes or obtain other sources of funds at such time, and if it is unable to refinance the Notes or access another source of liquidity at such time, the Borrower may be unable to pay debt service on the Notes as scheduled.

The projections are "forward-looking statements" and are subject to the general qualifications and limitations described herein. The Underwriter has not independently verified the Borrower's projections set forth in Appendix C or otherwise, and makes no representations nor gives any assurances that such projections, or the assumptions underlying them, are complete or correct.

THE BORROWER PREPARED THE PROJECTIONS BASED ON ASSUMPTIONS ABOUT FUTURE STATE FUNDING LEVELS AND FUTURE OPERATIONS OF THE SCHOOL, INCLUDING STUDENT ENROLLMENT AND EXPENSES. THERE CAN BE NO ASSURANCE THAT ACTUAL ENROLLMENT REVENUES AND EXPENSES WILL BE CONSISTENT WITH THE ASSUMPTIONS UNDERLYING SUCH PROJECTIONS. MOREOVER, NO GUARANTEE CAN BE MADE THAT THE PROJECTIONS OF REVENUES AND EXPENSES INCLUDED HEREIN WILL CORRESPOND WITH THE RESULTS ACTUALLY ACHIEVED IN THE FUTURE BECAUSE THERE CAN BE NO ASSURANCE THAT ACTUAL EVENTS WILL CORRESPOND WITH THE PROJECTIONS' UNDERLYING ASSUMPTIONS. ACTUAL OPERATING RESULTS MAY BE AFFECTED BY MANY FACTORS, INCLUDING, BUT NOT LIMITED TO, INCREASED COSTS, LOWER THAN ANTICIPATED REVENUES (AS A RESULT OF INSUFFICIENT ENROLLMENT, REDUCED STATE OR FEDERAL AID PAYMENTS, OR OTHERWISE), EMPLOYEE RELATIONS, CHANGES IN TAXES, CHANGES IN APPLICABLE GOVERNMENT REGULATIONS, CHANGES IN DEMOGRAPHIC TRENDS, CHANGES IN EDUCATION COMPETITION AND CHANGES IN LOCAL OR GENERAL ECONOMIC CONDITIONS. REFER TO "INTRODUCTION" IN THE FOREPART OF THIS LIMITED OFFERING MEMORANDUM FOR QUALIFICATION AND LIMITATIONS APPLICABLE TO FORWARD-LOOKING STATEMENTS.

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APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE BORROWER
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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RIVER SPRINGS CHARTER SCHOOL

AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2019 AND 2018

A NONPROFIT PUBLIC BENEFIT CORPORATION OPERATING AS THE FOLLOWING CALIFORNIA CHARTER SCHOOL

River Springs Charter (Charter No. 0753)

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
River Springs Charter School
Temecula, California

Report on the Financial Statements
We have audited the accompanying financial statements of River Springs Charter School (the "Charter") which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Member of AICPA
5151 Murphy Canyon Road, Ste. 135, San Diego, CA 92123
P: (858) 565-2700 F: (858) 565-7399 E: info@cwdlcpa.com www.cwdlcpa.com
CalCPA

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of River Springs Charter School as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information
Our audit was conducted for the purpose of forming an opinion on the financial statements of River Springs Charter School taken as a whole. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, which is required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2019, on our consideration of the Charter's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Charter's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter's internal control over financial reporting and compliance.

Emphasis of Matter - Change in Accounting Principle
As discussed in Note 1, River Springs Charter School began the implementation of the provisions of Financial Accounting Standards Board Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities as of fiscal year 2018-19. The requirements of ASU 2016-14 have been retrospectively applied to all periods presented. Our opinion is not modified with respect to this matter.

CWDL, Certified Public Accountants

San Diego, California
December 3, 2019

Member of AICPA
5151 Murphy Canyon Road, Ste. 135, San Diego, CA 92123
P: (858) 565-2700 F: (858) 565-7399 E: info@cwdlcpa.com www.cwdlcpa.com
CalCPA

RIVER SPRINGS CHARTER SCHOOL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 14,606,882	$ 17,674,514
Accounts receivable	4,405,169	1,609,788
Due from other funds	596	-
Prepaid expenses	110,180	-
Total current assets	19,122,827	19,284,302
Non-current assets:		
Security deposits	1,253,264	1,253,264
Capital assets, net	45,835,787	44,706,757
Total non-current assets	47,089,051	45,960,021
Total Assets	$ 66,211,878	$ 65,244,323
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 2,122,658	$ 2,423,525
Due to other funds	596	-
Due to other agencies	221,864	-
Total current liabilities	2,345,118	2,423,525
Long-term liabilities:		
Bonds payable	50,655,000	51,340,000
Less: unamortized items	(777,228)	(762,364)
Total long-term liabilities	49,877,772	50,577,636
Total liabilities	52,222,890	53,001,161
Net assets:		
Without Donor Restriction	13,988,988	12,243,162
Total net assets	13,988,988	12,243,162
Total Liabilities and Net Assets	$ 66,211,878	$ 65,244,323

The notes to the financial statements are an integral part of this statement.

RIVER SPRINGS CHARTER SCHOOL
STATEMENTS OF ACTIVITIES
JUNE 30, 2019 AND 2018

June 30, 2019	Without Donor Restriction
SUPPORT AND REVENUES	
Federal and state support revenues:	
Local control funding formula, state aid	$ 55,903,814
Federal revenues	3,954,863
Other state revenues	4,214,428
Total federal and state support and revenues	64,073,105
Local support and revenues	
Investment income, net	275,651
Other local revenues	4,354,668
Total local support and revenues	4,630,319
Total Support and Revenues	68,703,424
EXPENSES	
Program services	55,380,450
Management and general	11,607,148
Total Expenses	66,987,598
CHANGE IN NET ASSETS	1,715,826
Net Assets, Beginning	12,243,162
Adjustment for restatement (See Note 13)	30,000
Net Assets, Ending	$ 13,988,988

RIVER SPRINGS CHARTER SCHOOL
STATEMENTS OF ACTIVITIES
JUNE 30, 2019 AND 2018

June 30, 2018	Without Donor Restriction
SUPPORT AND REVENUES	
Federal and state support revenues:	
Local control funding formula, state aid	$ 51,630,161
Federal revenues	2,976,436
Other state revenues	8,325,886
Total federal and state support and revenues	62,932,483
Local support and revenues	
Investment income, net	124,143
Other local revenues	1,204,991
Total local support and revenues	1,329,134
Total Support and Revenues	64,261,617
EXPENSES	
Program services	49,142,874
Management and general	14,677,778
Total Expenses	63,820,652
CHANGE IN NET ASSETS	440,965
Net Assets, Beginning	11,802,197
Net Assets, Ending	$ 12,243,162

RIVER SPRINGS CHARTER SCHOOL
STATEMENTS OF FUNCTIONAL EXPENSES
JUNE 30, 2019 AND 2018

June 30, 2019	Program Services	Management and General	Total
EXPENSES			
Personnel expenses:			
Certificated salaries	$ 24,517,306	$ 519,745	$ 25,037,051
Classified salaries	5,629,715	1,436,377	7,066,092
Other employee benefits	11,919,707	678,417	12,598,124
Other employee salaries	535,258	2,598,959	3,134,217
Total personnel expenses	42,601,986	5,233,498	47,835,484
Non-personnel expenses:			
Books and supplies	2,920,257	129,558	3,049,815
Travel and conference	790,922	65,037	855,959
Dues and memberships	37,201	60,225	97,426
Insurance	-	434,067	434,067
Professional services	2,379,242	3,028,125	5,407,367
Communications	(976,184)	(175,205)	(1,151,389)
Depreciation	-	1,615,732	1,615,732
Interest on long-term debt	2,408,222	295,841	2,704,063
Equipment	1,294,640	-	1,294,640
Repairs and maintenance	3,043,043	-	3,043,043
Meals	-	920,270	920,270
Other operating expenses	881,121	-	881,121
Total non-personnel expenses	12,778,464	6,373,650	19,152,114
Total Expenses	$ 55,380,450	$ 11,607,148	$ 66,987,598

The notes to the financial statements are an integral part of this statement.

RIVER SPRINGS CHARTER SCHOOL
STATEMENTS OF FUNCTIONAL EXPENSES
JUNE 30, 2019 AND 2018

June 30, 2018	Program Services	Management and General	Total
EXPENSES			
Personnel expenses:			
Certificated salaries	$ 23,279,808	$ 493,511	$ 23,773,319
Classified salaries	7,070,495	1,803,981	8,874,476
Deferred compensation	5,706,604	371,059	6,077,663
Payroll taxes	1,290,385	134,346	1,424,731
Other employee benefits	4,219,355	240,147	4,459,502
Total personnel expenses	41,566,647	3,043,044	44,609,691
Non-personnel expenses:			
Books and supplies	4,155,985	184,382	4,340,367
Travel and conference	699,810	57,545	757,355
Dues and memberships	38,572	62,445	101,017
Insurance	-	327,844	327,844
Occupancy	332,048	4,595,961	4,928,009
Professional services	1,414,487	1,776,307	3,190,794
Communications	376,990	67,662	444,652
Depreciation	-	1,774,809	1,774,809
Interest on long-term debt	-	2,787,779	2,787,779
Other operating expenses	558,335	-	558,335
Total non-personnel expenses	7,576,227	11,634,734	19,210,961
Total Expenses	$ 49,142,874	$ 14,677,778	$ 63,820,652

RIVER SPRINGS CHARTER SCHOOL
STATEMENTS OF CASH FLOWS
JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 1,715,826	$ 440,965
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,615,732	1,774,809
(Increase) decrease in operating assets		
Accounts receivable	(2,795,381)	(574,294)
Prepaid expenses	(110,180)	240,477
Due from other funds	(596)	-
Security deposits	-	(626,632)
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	(79,003)	424,891
Due to other funds	596	-
Deferred revenue	-	(2,587)
Net cash provided by (used in) operating activities	346,994	1,677,629
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of capital assets	(2,714,762)	(24,601,149)
Net cash provided by (used in) investing activities	(2,714,762)	(24,601,149)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of bonds payable	-	23,995,000
Debt issuance costs and underwriter's premium, net	-	148,702
Interest expense from amortization of debt issuance items	(14,864)	48,177
Principal payments on bonds payable	(685,000)	(515,000)
Net cash provided by (used in) financing activities	(699,864)	23,676,879
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,067,632)	753,359
Cash and cash equivalents, Beginning	17,674,514	16,921,155
Cash and cash equivalents, Ending	$ 14,606,882	$ 17,674,514
SUPPLEMENTAL DISCLOSURE		
Cash paid for interest	$ 2,448,300	$ 2,739,602

The notes to the financial statements are an integral part of this statement.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

River Springs Charter School (the "Charter") was formed as a nonprofit public benefit corporation on June 12, 2006 for the purpose of operating as a California public school located in Riverside County. The Charter was numbered by the State Board of Education in January 2006 as California Charter No. 0753. River Springs Charter School is a K-12th grade independent charter school redesigning the public school experience by offering each of its students a personalized academic program. The Charter operates 14 various student center locations throughout Riverside and San Bernardino Counties.

River Springs Charter School is authorized to operate as a charter school through the Riverside County Office of Education (the "authorizing agency"). On June 30, 2018, the Riverside County Board of Education approved a charter renewal for the Charter for a five-year term expiring on June 30, 2023. Funding sources primarily consist of local control funding formula sources, federal and state grants, and grants and donations from the public.

Basis of Accounting

The Charter's policy is to prepare its financial statements on the accrual basis of accounting; consequently, revenues are recognized when earned rather than when cash is received and certain expenses and purchases of assets are recognized when the obligation is incurred rather than when cash is disbursed.

Financial Statement Presentation

River Springs Charter School is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Unrestricted net assets include all resources available for use by the Board of Directors and management's discretion in carrying out the activities of the organization in accordance with its Bylaws. Temporarily or permanently restricted net assets are only expendable for the purposes specified by the donor or through the passage of time. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets. Permanently restricted net assets are generally required to be held by the organization in perpetuity while the earnings on those assets are available for use by the organization to support operations. Donors can place restrictions on the earnings from permanently restricted contributions at the time the contributions are made or pledged. Fund accounting is not used in the Charter's financial statement presentation.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures, such as depreciation expense and the net book value of capital assets. Accordingly, actual results could differ from those estimates.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, continued

Functional Expenses

The costs of providing services have been summarized on a functional basis in the statement of activities and detailed in the statement of functional expenses. Certain costs and expenses have been allocated between program and supporting services based on management's estimates.

Contributions

Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the revenue is recognized. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the existence or nature of any donor restrictions.

Non-cash contributions of goods, materials, and facilities are recorded at fair value at the date of contribution. Contributed services are recorded at fair value at the date of contribution if they are used to create or enhance a non-financial asset or require specialized skills, are provided by someone possessing those skills, and would have to be purchased by the organization if not donated.

Cash and Investments

River Springs Charter School considers all highly liquid deposits and investments with an original maturity of less than ninety days to be cash equivalents. The Charter's method of accounting for most investments is the fair value method. Fair value is determined by published quotes when they are readily available. Gains and losses resulting from adjustments to fair values are included in the accompanying statement of activities.

Receivables and Allowances

Accounts receivable are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is established, as necessary, based on past experience and other factors which, in management's judgment, deserve current recognition in estimating bad debts. Such factors include the relationship of the allowance for doubtful accounts to accounts receivable and current economic conditions. Based on review of these factors, the Charter establishes or adjusts the allowance for specific revenue sources as a whole. At June 30, 2019, an allowance for doubtful accounts was not considered necessary as all accounts receivable were deemed collectible.

Prepaid Expenses and Other Assets

Prepaid expenses and other assets are recorded at the carrying amount(s) as of the balance sheet date. Prepaid expenses are expenses made in advance of when the economic benefit of the cost will be realized, and which will be expensed in future periods with the passage of time or when a triggering event occurs. Other assets include the aggregate amount of assets not separately disclosed in the balance sheet.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, continued

Capital Assets

River Springs Charter School has adopted a policy to capitalize asset purchases over $5,000. Lesser amounts are expensed. Donations of capital assets are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose or is requiring the Charter to hold the asset for a specified period of time. Capital assets are depreciated using the straight-line method.

Deferred Revenue

Deferred revenue arises when potential revenue does not meet the criteria for recognition in the current period and when resources are received by the organization prior to the incurrence of expenses. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the statement of financial position and revenue is recognized.

Income Taxes

River Springs Charter School is a 509(a)(1) publicly supported nonprofit organization that is exempt from income taxes under Section 501(a) and 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Charter is exempt from state franchise or income tax under Section 23701(d) of the California Revenue and Taxation Code. As a school, the Charter is not required to register with the California Attorney General as a charity.

The Charter's management believes all of its significant tax positions would be upheld under examination; therefore, no provision for income tax has been recorded. The Charter's information and/or tax returns are subject to examination by the regulatory authorities for up to four years from the date of filing.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, continued

Fair Value Measurements

The Fair Value Measurements Topic of the FASB *Accounting Standards Codification* establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

New Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for Profit Entities whereby significant changes were proposed in seven areas: net asset classes, liquidity and availability of resources, classification and disclosure of underwater endowment funds, expense reporting, statement of cash flows, investment return, and release of restrictions on capital assets. The amendments in ASU No. 2016-14 are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. River Springs Charter School began the implementation of the provisions of Financial Accounting Standards Board Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities as of fiscal year 2018-19.

The new standard changes the following aspects of the School's financial statements:

- The temporarily restricted and permanently restricted net asset classes have been predominantly combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been transferred into net assets without donor restrictions.
- Investment earnings and related expenses have been combined into a single net activity line item called net investment return.
- The financial statements include a new disclosure about liquidity and availability of resources (Note 12).

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2019, consist of the following:

Cash with fiscal agent	$	8,317,304
Cash in county treasury		6,234,578
Cash in banks, non-interest bearing		55,000
Total Cash and Cash Equivalents	$	14,606,882

Cash and cash equivalents as of June 30, 2018, consist of the following:

Cash with fiscal agent	$	10,175,965
Cash in county treasury		7,443,549
Cash in banks, non-interest bearing		55,000
Total Cash and Cash Equivalents	$	17,674,514

Cash with Fiscal Agent

River Springs Charter School's cash with fiscal agent consisted of funds maintained with US Bank. The accounts were established as a result of the bonds issued (refer to Note 6). The Bank acts as a fiscal agent of the Charter in order to assist in the redemption of bonds and perform various other finance-related tasks involving such bonds.

Cash in County Treasury

Policies and Practices

River Springs Charter School is a voluntary participant in an external investment pool. The fair value of the Charter's investment in the pool is reported in the financial statements at amounts based upon the Charter's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio in relation to the amortized cost of that portfolio. The balance available for withdrawal is recorded on the amortized cost basis and is based on the accounting records maintained by the County Treasurer.

General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest Charter funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies examples of the investment types permitted in the California Government Code:

NOTE 2 – CASH AND CASH EQUIVALENTS (continued)

Cash in County Treasury (continued)

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of the investment, the greater the sensitivity of its fair value to changes in the market interest rates. The Charter has managed its exposure to interest rate risk by investing in the County Treasury. The Charter's investments in the Riverside County Investment Pool, which combines the Charter's share of the portfolio, has a combined fair value of $6,259,840 and an amortized book value of $6,234,578 as of June 30, 2019. The average weighted maturity for this pool is 390 days.

Fair Value Measurement

Investments in the Riverside County Treasury investment pools are not measured using the fair value input levels noted in Note 1M because the Charter's transactions are based on a stable net asset value per share. All contributions and redemptions are transactions at $1.00 net asset value per share.

Cash in Banks

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, an organization's deposits may not be returned to it. River Springs Charter School does not have a policy for custodial credit risk for deposits. The FDIC insures up to $250,000 per depositor per insured bank. As of June 30, 2019, River Springs Charter School's bank balance was not exposed to custodial credit risk as there were no deposits over $250,000 in accounts at any one insured bank.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2019, consists of the following:

Federal sources	$	3,288,427
State lottery apportionment		1,457
Other state sources		203,634
Due from affiliates*		586,444
Other local sources		325,207
Total Accounts Receivable	$	4,405,169

Accounts receivable as of June 30, 2018, consists of the following:

Federal sources	$	417,748
State lottery apportionment		109,784
Other state sources		118,075
Due from affiliates*		515,435
Other local sources		448,746
Total Accounts Receivable	$	1,609,788

*Refer to Note 11 regarding related party transactions.

NOTE 4 – CAPITAL ASSETS

A summary of activity related to capital assets during the year ended June 30, 2019, consists of the following:

	Balance July 1, 2018	Adjustment For Restatement	Additions	Deductions	Balance June 30, 2019
Capital Assets Not Being Depreciated					
Land	$ 2,346,489	$ -	$ 7,500	$ -	$ 2,353,989
Construction in progress	-	-	-	-	-
Total Capital Assets Not Being Depreciated	2,346,489	-	7,500	-	2,353,989
Capital Assets Being Depreciated					-
Land improvements	10,198,939	-	54,191	-	10,253,130
Buildings and improvements	34,204,356	-	2,358,090	-	36,562,446
Furniture and equipment	7,486,298	30,000	294,981	-	7,811,279
Total Capital Assets Being Depreciated	51,889,593	30,000	2,707,262	-	54,626,855
Less: Accumulated Depreciation	(9,529,325)	-	(1,615,732)	-	(11,145,057)
Total Capital Assets, net	$ 44,706,757	$ 30,000	$ 1,099,030	$ -	$ 45,835,787

NOTE 5 – ACCOUNTS PAYABLE

Accounts payable as of June 30, 2019, consists of the following:

Vendor payables	$	1,854,317
Accrued payroll expenses		173,276
Due to affiliates*		95,065
Total Accounts Payable	$	2,122,658

Accounts payable as of June 30, 2018, consists of the following:

Vendor payables	$	2,098,361
Accrued payroll expenses		201,906
Due to affiliates*		123,258
Total Accounts Payable	$	2,423,525

*Refer to Note 11 regarding related party transactions.

NOTE 6 – BONDS PAYABLE

A summary of bond issuances as of June 30, 2019 is as follows:

					At Date of Delivery		
Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Cost of Issuance	Underwriter's Discount	Underwriter's Premium
2015A	11/24/2015	7/1/2046	6.38%	$ 27,860,000	$ 288,744	$ 262,884	$ -
2015B	11/24/2015	7/1/2017	5.00%	$ 490,000	$ 256,184	$ 233,241	$ -
2017A	12/14/2017	7/1/2052	4.02-4.46%	$ 23,335,000	$ 461,700	$ -	$ 1,227,696
2017B	12/14/2017	7/1/2020	5.00%	$ 660,000	$ 617,700	$ -	$ -

A summary of activity for long-term liabilities associated with bonds payable during the fiscal year ended June 30, 2019, consists of the following:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Balance Due In One Year
Bonds payable:					
Series 2015	$ 27,485,000	$ -	$ 400,000	$ 27,085,000	$ 420,000
Series 2017	23,855,000	-	285,000	23,570,000	295,000
Total bonds payable	51,340,000	-	685,000	50,655,000	715,000
Less: unamortized items:					
Issuance costs	(1,539,115)	-	(25,565)	(1,513,550)	(49,105)
Unamortized discount	(433,152)	(4,844)	-	(437,996)	(16,222)
Unamortized premium	1,209,903	-	35,585	1,174,318	35,585
Total unamortized items	(762,364)	(4,844)	10,020	(777,228)	(29,742)
Total Bonds Payable	$ 50,577,636	$ (4,844)	$ 695,020	$ 49,877,772	$ 685,258

Series 2015

In November 2015, River Springs Charter School issued a series of bonds from the California School Finance Authority (CSFA) detailed in loan and bond purchase agreements. The bonds, designated as the Educational Facility Revenue Bonds (River Springs Charter School Project), include Series 2015A, in an aggregate principal amount of $27,860,000 in tax-exempt bonds and Series 2015B in taxable term bonds totaling $490,000. The proceeds of the bonds are used directly to a) finance and refinance costs of the acquisition, construction, improvement, equipping and furnishing certain public charter school facilities, b) reimburse the Charter for project costs, c) fund a debt serve reserve account, and d) pay the costs of issuance for the bonds. The Charter has committed to have funds intercepted by the State Controller to service the debt. The balance of the Series 2015B taxable bonds was repaid within the 2016- 17 fiscal year. Expected future payments of principal and interest on the outstanding balance attributed to Series 2015A are as follows:

NOTE 6 – BONDS PAYABLE (continued)

	Series 2015		
Year Ended June 30,	**Principal**	**Interest**	**Total**
2020	$ 420,000	$ 1,699,725	$ 2,119,725
2021	445,000	1,676,719	2,121,719
2022	470,000	1,652,400	2,122,400
2023	495,000	1,626,769	2,121,769
2024	520,000	1,599,825	2,119,825
2025 - 2029	3,095,000	7,507,706	10,602,706
2030 - 2034	4,195,000	6,395,719	10,590,719
2035 - 2039	5,725,000	4,875,600	10,600,600
2040 - 2044	7,785,000	2,804,363	10,589,363
2045 - 2046	3,935,000	382,500	4,317,500
Total	$ 27,085,000	$ 30,221,325	$ 57,306,325

Series 2017

In December 2017, River Springs Charter School issued a series of bonds from the California School Finance Authority (CSFA) detailed in loan and bond purchase agreements. The bonds, designated as the Educational Facility Revenue Bonds (River Springs Charter School Project), include Series 2017A, in an aggregate principal amount of $23,335,000 in tax-exempt bonds and Series 2017B in taxable term bonds totaling $660,000. The Charter has committed to have funds intercepted by the State Controller to service the debt. Expected future payments of principal and interest on the outstanding balance attributed to Series 2017A and 2017B are as follows:

	Series 2017		
Year Ended June 30,	**Principal**	**Interest**	**Total**
2020	$ 295,000	$ 1,178,500	$ 1,473,500
2021	310,000	1,163,750	1,473,750
2022	325,000	1,148,250	1,473,250
2023	340,000	1,132,000	1,472,000
2024	360,000	1,115,000	1,475,000
2025 - 2029	2,075,000	5,287,500	7,362,500
2030 - 2034	2,655,000	4,713,750	7,368,750
2035 - 2039	3,385,000	3,980,750	7,365,750
2040 - 2044	4,315,000	3,046,000	7,361,000
2045 - 2046	2,040,000	901,250	2,941,250
Total	$ 16,100,000	$ 23,666,750	$ 39,766,750

NOTE 7 – NET ASSETS

Unrestricted Net Assets

Unrestricted net assets were categorized as follows as of June 30, 2019:

Net investment in capital assets	$	6,134,029
Nonspendable items - deposits		1,253,264
Undesignated net assets		6,601,695
Total Unrestricted Net Assets	$	13,988,988

NOTE 8 – EMPLOYEE RETIREMENT PLANS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. In accordance with *California Education Code* 47605, charter schools have the option of participating in such plans if an election to participate is specified within the charter petition. The Charter has made such election. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and non-certificated employees are members of the California Public Employees' Retirement System (CalPERS).

California State Teachers' Retirement System (CalSTRS)

Plan Description
River Springs Charter School contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7667 Folsom Boulevard; Sacramento, California 95826.

Funding Policy
Active plan members are required to contribute 10.25% or 9.205% of their fiscal year 2019 salary depending on the employee's membership date in the plan. The required employer contribution rate for fiscal year 2019 was 16.28% of annual payroll. The contribution requirements of the plan members are established by state statute. The Charter's contributions to CalSTRS for the last three fiscal years were as follows:

		Contribution	Percent of Required Contribution
2018-19	$	3,850,426	100%
2017-18	$	3,263,746	100%
2016-17	$	2,497,869	100%

NOTE 8 – EMPLOYEE RETIREMENT PLANS (continued)

On-Behalf Payments
The State of California makes direct on-behalf payments for retirement benefits to CalSTRS on behalf of all school agencies in California. The amount of on-behalf payments made for River Springs Charter School is estimated at $1,352,357, which is computed as the proportionate share of total fiscal year 2019 State on-behalf contributions.

California Public Employees' Retirement System (CalPERS)

Plan Description
River Springs Charter School contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street; Sacramento, California 95814.

California Public Employees' Retirement System (CalPERS) (continued)

Funding Policy
Active plan members, who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees' Pension Reform Act (PEPRA), specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 6.5% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member's contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

River Springs Charter School is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution for fiscal year 2019 was 18.06%. The contribution requirements of the plan members are established by state statute. The Charter's contributions to CalPERS for the last three fiscal years were as follows:

	Contribution	Percent of Required Contribution
2018-19	$ 1,835,914	100%
2017-18	$ 1,383,411	100%
2016-17	$ 1,089,322	100%

NOTE 8 – EMPLOYEE RETIREMENT PLANS (continued)

Alternative Plan

As established by federal law, all public-sector employees who are not members of their employer's existing retirement plan (CalSTRS or CalPERS) must be covered by an alternative plan. The Charter offers social security as its alternative plan.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Governmental Funds

River Springs Charter School has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements would not be material.

Joint Powers Agency (JPA)

During the year ended June 30, 2019, River Springs Charter School participated in a joint venture with CharterSafe. CharterSafe arranges for insurance coverage related to property, general liability, worker's compensation, and other miscellaneous liability coverage specific to operation of a charter school. The relationship between the Charter and the JPA is such that the JPA is not financially inter-related to the Charter for financial reporting purposes.

Multi-employer Defined Benefit Plan Participation

Under current law on multiemployer defined benefit plans, the Charter's voluntary withdrawal from any underfunded multiemployer defined benefit plan would require the Charter to make payments to the plan, which would approximate the Charter's proportionate share of the multiemployer plan's unfunded vested liabilities. CalSTRS has estimated that the Charter's share of withdrawal liability is approximately $38,023,484 as of June 30, 2018. Also as of June 30, 2018, CalPERS has estimated the Charter's share of withdrawal liability to be $17,880,814. The Charter does not currently intend to withdraw from CalSTRS or CalPERS. Refer to Note 8 for additional information on employee retirement plans.

Outstanding Construction Commitments

As of June 30, 2019, the Charter has construction commitments for FAPA. The approximate liability amount is $3,377,237.

NOTE 9 – COMMITMENTS AND CONTINGENCIES (continued)

Lease Agreements

River Springs Charter School holds several lease agreements for administrative offices and student centers throughout the Riverside. A schedule of future minimum lease payments, including any required fees for community association maintenance are noted below:

Fiscal Year Ending June 30,	Payments
2020	$ 3,411,011
2021	3,360,771
2022	3,297,396
2023	2,473,006
2024	2,109,039
Thereafter	12,650,069
Future Minimum Lease Payments	$ 27,301,292

Litigation

The Charter is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the Charter at June 30, 2019.

NOTE 10 – DONATED MATERIALS AND SERVICES

During the year, many parents, administrators and other individuals donated significant amounts of time and services to River Springs Charter School in an effort to advance the Charter's programs and objectives. These services have not been recorded in the Charter's financial statements because they do not meet the criteria required by generally accepted accounting principles.

NOTE 11 – RELATED PARTY TRANSACTIONS

Authorizing Agency

The Charter makes payments to the authorizing agency, Riverside County Office of Education, to provide required services for special education and other purchased services in addition to fees for oversight. Fees associated with oversight consisted of one percent of revenue from local control funding formula sources. Total fees paid to the authorizing agency for oversight amounted to $559,133 and total payments for special education and other services amounted to $22,033 for the fiscal year ending June 30, 2019.

NOTE 11 – RELATED PARTY TRANSACTIONS (continued)

Administration

The Superintendent of the Charter is married to the Assistant Superintendent of Facilities and I.T. and is the sister of the Assistant Superintendent of Personnel. Additionally, the Superintendent also has a niece who is a teacher.

Affiliated Organizations

River Springs Charter School holds memorandums of understanding (MOUs) with Empire Springs Charter School, Harbor Springs Charter School, Pacific Springs, Vista Springs and Citrus Springs Charter School, charter schools under Springs Charter Schools, Inc. In connection with the MOUs, River Springs Charter School shares employees in senior leadership positions. Salaries and benefits are proportionately shared and paid directly by each of the charter schools to the employees. Senior leadership includes Assistant Superintendents for the following departments: Business, Administrative Operations, Personnel, Pupil Services, and IT/Facilities. The Superintendent's contract is separately approved by each charter school's Board of Directors. The MOUs also allow for on-loan employees excluding supervising teachers. All charter schools are operated by separate nonprofit organizations with no common members of the board. Additionally, River Springs Charter School utilizes Springs Charter Schools, Inc. for professional development.

As of June 30, 2019, $586,444 was due to the Charter from the affiliate organizations and $95,065 was due to affiliates from River Springs Charter School as a result of certain shared operational costs.

NOTE 12 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the School's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts not available include amounts set aside for program services that could be drawn upon if the Board of Directors approves that action.

Liquidity - changes may occur

	2019	2018
Financial assets, at year-end:		
Cash and cash equivalents	$ 14,606,882	$ 17,674,514
Accounts Receivable	4,405,169	1,609,788
Financial assets available to meet cash needs for general expenditures within one year	$ 19,012,051	$ 19,284,302

NOTE 13 – AUDIT ADJUSTMENT

River Springs Charter School received a donation from Toyota of Temecula for a four wheel vehicle alignment platform. The equipment donation was valued at $30,000. River Springs received the donation on January 5th, 2017. Net assets and equipment have been adjusted to reflect these changes.

NOTE 14 – SUBSEQUENT EVENTS

River Springs Charter School has evaluated subsequent events for the period from June 30, 2019 through December 3, 2019, the date the financial statements were available to be issued. Management did notify the external auditors that Revenue anticipation notes (RAN's) were issued.

SUPPLEMENTARY INFORMATION SECTION

RIVER SPRINGS CHARTER SCHOOL
CHARTER ORGANIZATIONAL STRUCTURE
Currently Active Board Members

River Springs Charter School, located in Riverside County, was formed as a nonprofit public benefit corporation on June 12, 2006 and numbered by the State Board of Education in January 2006 as Charter No. 0753. The Charter was authorized to operate as a charter school through the Riverside County Office of Education. Classes began in August 2007 for students in kindergarten through twelfth grade.

GOVERNING BOARD

Name	Office	Term Expiration
Sheila Ryle	Chair	June 30, 2021
Chuck Vela	Vice Chair	June 30, 2020
Reginald Wadlington	Treasurer	June 30, 2022
Jessica Mercer	Secretary	June 30, 2022
Carl Burke	Director	June 30, 2020
Charlene Punzio	Director	June 30, 2022
Stephen Darrow	Director	June 30, 2020

ADMINISTRATION

Dr. Kathleen Hermsmeyer
Superintendent

Amy Podratz *Assistant Supt., Administrative Operations*	Tanya Rogers *Assistant Supt., Business*	Dr. Vivian Price *Assistant Supt., Education*
Dr. Robert Hennings *Assistant Supt., Pupil Personnel Services*	Diane Anvari *Assistant Supt., Personnel*	Philip Hermsmeyer *Assistant Supt., Facilities & I.T.*

RIVER SPRINGS CHARTER SCHOOL
SCHEDULE OF AVERAGE DAILY ATTENDANCE
JUNE 30, 2019

	Second Period Report	Annual Report
Certificate No.	**62B80CEA**	
Non-Classroom Based ADA:		
Grades TK/K through 3	2,472.38	2,481.39
Grades 4 through 6	1,718.10	1,722.62
Grades 7 and 8	1,054.93	1,059.79
Grades 9 through 12	986.18	984.10
Total Non-Classroom Based ADA	6,231.59	6,247.90

RIVER SPRINGS CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
Passed through California Department of Education:			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	$ 1,195,230
Title II, Part A, Teacher Quality	84.367	14341	188,527
Title III, English Learner Student Program	84.365	14346	80,427
Title IV, Part A, Student Support and Academic Enrichment	84.424	15396	74,493
Special Education Cluster:			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	1,169,227
IDEA Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611	84.027A	15197	185,169
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	5,245
IDEA Preschool Staff Development, Part B, Sec 619	84.173A	13431	53
Subtotal Special Education Cluster			1,359,694
Vocational Programs: Voc & Appl Tech Secondary II (Carl Perkins Act)	84.048	14893	69,003
Total U. S. Department of Education			2,967,374
U. S. DEPARTMENT OF AGRICULTURE:			
Passed through California Department of Education:			
National School Lunch Program	10.555	13391	753,248
Total U. S. Department of Agriculture			753,248
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Passed through California Department of Health Services:			
Medicaid:			
Medi-Cal Billing Option	93.778	10013	163,618
Medi-Cal Administrative Activities	93.778	10060	108,166
Subtotal Medicaid			271,784
Total U. S. Department of Health & Human Services			271,784
Total Federal Expenditures			$ 3,992,406

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2019 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2019:

	CFDA Number	Amount
Total Federal Revenues reported in the Statement of Activities		$ 3,954,863
Medi-Cal Billing Options		37,543
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		$ 3,992,406

RIVER SPRINGS CHARTER SCHOOL
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (UNAUDITED TOTALS) WITH AUDITED FINANCIAL STATEMENTS
JUNE 30, 2019

	Charter Schools Enterprise Fund
June 30, 2019, net position per Annual Financial and Budget Report (Unaudited Actuals)	$ 12,950,764
Adjustments:	
Increase (decrease) in total net assets:	
Record depreciation expense	(1,615,732)
Prior period adjustment - Equipment Donation	30,000
Reclassification of Clean Energy Funds to fixed assets	953,126
To adjust ending balance of long-term debt	(194,717)
Reversal of overestimated expense accruals	1,865,547
Total increase (decrease) in total net assets	1,038,224
June 30, 2019, net assets per audited financial statements	$ 13,988,988

NOTE 1- PURPOSE OF SCHEDULES

A. Charter Organizational Structure

This schedule provides information about the Charter's authorizing agency, grades served, members of the governing body, and members of the administration.

B. Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the charter school. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to charter schools. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

C. Reconciliation of Annual Financial and Budget Report (Unaudited Actuals) with Audited Financial Statements

This schedule provides the information necessary to reconcile fund balance reported in the Charter Schools Enterprise Fund on the Annual Financial and Budget Report (Unaudited Actuals) to net assets on the audited financial statements.

OTHER INDEPENDENT AUDITOR'S REPORTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
River Springs Charter School
Temecula, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of River Springs Charter School (the "Charter") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Charter's basic financial statements and have issued our report thereon dated REPORT DATE.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Charter's internal control over financial reporting ("internal control") to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Member of AICPA
5151 Murphy Canyon Road, Ste. 135, San Diego, CA 92123
P: (858) 565-2700 F: (858) 565-7399 E: info@cwdlcpa.com www.cwdlcpa.com
CalCPA

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Charter's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CWDL, Certified Public Accountants

San Diego, California
December 3, 2019

Member of AICPA
5151 Murphy Canyon Road, Ste. 135, San Diego, CA 92123
P: (858) 565-2700 F: (858) 565-7399 E: info@cwdlcpa.com www.cwdlcpa.com
CalCPA

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Governing Board
Springs Charter Schools
Temecula, California

Report on Compliance for Each Major Federal Program

We have audited River Springs Charter School's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of River Springs Charter School's major federal programs for the year ended June 30, 2019. River Springs Charter School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of River Springs Charter School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about River Springs Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of River Springs Charter School's compliance.

Member of AICPA
5151 Murphy Canyon Road, Ste. 135, San Diego, CA 92123
P: (858) 565-2700 F: (858) 565-7399 E: info@cwdlcpa.com www.cwdlcpa.com
CalCPA

Opinion on Each Major Federal Program

In our opinion, River Springs Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of River Springs Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered River Springs Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of River Springs Charter School's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CWDL, Certified Public Accountants

San Diego, California
December 3X, 2019

Member of AICPA
5151 Murphy Canyon Road, Ste. 135, San Diego, CA 92123
P: (858) 565-2700 F: (858) 565-7399 E: info@cwdlcpa.com www.cwdlcpa.com
CalCPA

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

To the Board of Directors of
River Springs Charter School
Temecula, California

Report on State Compliance

We have audited River Springs Charter School's compliance with the types of compliance requirements described in the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810, could have a direct and material effect on each of River Springs Charter School's state programs for the fiscal year ended June 30, 2019, as identified below.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of River Springs Charter School's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below. An audit includes examining, on a test basis, evidence about River Springs Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the requirements referred to above. However, our audit does not provide a legal determination of River Springs Charter School's compliance with those requirements.

Opinion on State Compliance

In our opinion, River Springs Charter School complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2019.

Member of AICPA
5151 Murphy Canyon Road, Ste. 135, San Diego, CA 92123
P: (858) 565-2700 F: (858) 565-7399 E: info@cwdlcpa.com www.cwdlcpa.com
CalCPA

Procedures Performed

In connection with the audit referred to above, we selected and tested transactions and records to determine River Springs Charter School's compliance with the state laws and regulations applicable to the following items:

PROGRAM NAME	PROCEDURES PERFORMED
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	Not applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Coursed Based	Not applicable
Charter Schools:	
Attendance	Yes
Mode of Instruction	Not applicable
Nonclassroom-Based Instruction/Independent Study	Yes
Determination of Funding for Nonclassroom-Based Instruction	Yes
Annual Instructional Minutes - Classroom Based	Not applicable
Charter School Facility Grant Program	Not applicable

San Diego, California
December 3, 2019

Member of AICPA
5151 Murphy Canyon Road, Ste. 135, San Diego, CA 92123
P: (858) 565-2700 F: (858) 565-7399 E: info@cwdlcpa.com www.cwdlcpa.com
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FINDINGS AND QUESTIONED COSTS SECTION

RIVER SPRINGS CHARTER SCHOOL
SUMMARY OF AUDITOR'S RESULTS
JUNE 30, 2019

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Non-compliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Type of auditors' report issued:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program of Cluster
84.010	Title I, Part A, Basic Grants Low-Income and Neglected
10.555	National School Lunch Program

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Internal control over state programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Type of auditors' report issued on compliance for state programs:	Unmodified

RIVER SPRINGS CHARTER SCHOOL
FINANCIAL STATEMENT FINDINGS
JUNE 30, 2019

FIVE DIGIT CODE	AB3627 FINDING TYPES
20000	Inventory of Equipment
30000	Internal Control
60000	Miscellaneous

There were no audit findings related to the financial statements during fiscal year 2019.

RIVER SPRINGS CHARTER SCHOOL
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019

FIVE DIGIT CODE	AB3627 FINDING TYPES
50000	Federal Compliance

There were no audit findings and questioned costs related to state awards during fiscal year 2019.

RIVER SPRINGS CHARTER SCHOOL
STATE AWARD FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019

FIVE DIGIT CODE	AB3627 FINDING TYPES
10000	Attendance
40000	State Compliance
42000	Charter School Facilities Program
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Missassignments
72000	School Accountability Report Card

There were no audit findings and questioned costs related to state awards during fiscal year 2019.

RIVER SPRINGS CHARTER SCHOOL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019

There were no audit findings and questioned costs during fiscal year 2018.

APPENDIX C

FINANCIAL PROJECTIONS OF THE BORROWER[†]

[†] Projections were prepared by the Borrower, and assume average funding levels of $8,572 per unit of Average Daily Attendance ("ADA") across grade spans and projected ADA of 6,736 for the 2020-21 school year. See "CERTAIN RISK FACTORS Financial Projects" in the forepart of this Limited Offering Memorandum and "APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWER – OPERATING AND FINANCIAL INFORMATION – State Aid Payments and ADA" attached to this Limited Offering Memorandum.

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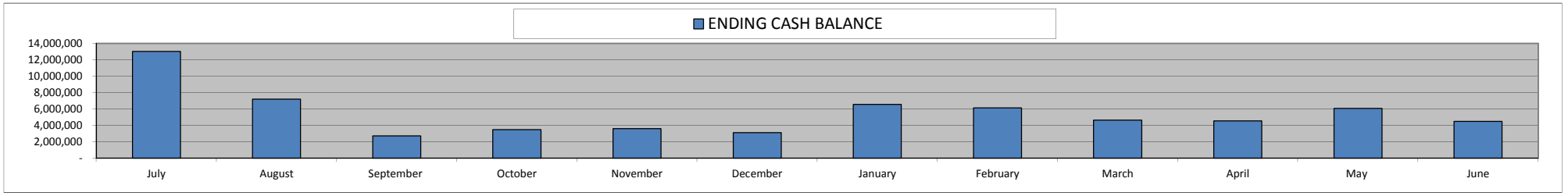
River Springs Charter School
2020 Revenue Anticipation Notes Series A
2020-21 Projected Monthly Cash Flow Statement

Interceptable 2020-21 Projected Revenues:	$ 20,189,103					
Total 2020A RANs Principal and Interest:	6,815,972					
Average Debt Service Coverage Ratio:	296%	Monthly Coverage Ratio:	295%	292%	294%	328%

Description	2020-21 Budget	July	August	September	October	November	December	January	February	March	April	May	June	Accruals (July)	Total For Year
BEGINNING CASH		11,103,664	13,044,684	7,212,031	2,700,956	3,470,266	3,597,425	3,109,228	6,566,852	6,120,047	4,641,798	4,534,222	6,053,013	4,484,479	11,103,664
CASH INFLOWS															
REVENUES															
LCFF State Aid*	49,108,849	-	2,449,147	2,449,147	4,408,465	4,408,465	4,408,465	4,408,465	4,408,465	4,433,646	4,433,646	4,433,646	-	8,867,292	49,108,849
LCFF: Education Protection Acct	8,634,584	-	-	-	2,121,181	-	-	2,121,181	-		2,196,112	-		2,196,112	8,634,584
LCFF: In-Lieu-Of Property Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Federal Revenues	5,285,348	51,105	47,709	86,321	504,323	71,554	-	696,797	222,900	1,105,353	196,290	1,105,353	1,105,353	92,291	5,285,348
Other State Revenues	2,368,323	158	59,348	2,954	108,282	137,029	206,529	386,586	26,854	35,075	8,228	568,201	568,201	260,877	2,368,323
Other Local Revenues	6,067,839	19,991	6,500	132,128	482,662	649,055	35,752	679,050	71,633	49,382	493,283	1,677,465	1,677,465	93,472	6,067,839
TTL REVENUES	71,464,943	71,254	2,562,704	2,670,550	7,624,912	5,266,103	4,650,747	8,292,079	4,729,852	5,623,456	7,327,559	7,784,665	3,351,019	11,510,044	71,464,943
EXPENDITURES															
All Certificated Salaries	26,653,264	2,132,261	2,132,261	2,132,261	2,132,261	2,132,261	2,132,261	2,132,261	2,132,261	2,132,261	2,132,261	2,132,261	2,132,261	1,066,131	26,653,264
All Classified Salaries	11,112,512	896,170	896,170	896,170	896,170	896,170	896,170	896,170	896,170	896,170	896,170	896,170	896,170	358,468	11,112,512
All Benefits	13,199,418	1,064,469	1,064,469	1,064,469	1,064,469	1,064,469	1,064,469	1,064,469	1,064,469	1,064,469	1,064,469	1,064,469	1,064,469	425,788	13,199,418
All Materials & Supplies	4,406,633	928,543	928,543	928,543	160,094	160,094	160,094	160,094	160,094	160,094	160,094	160,094	160,094	180,161	4,406,633
All Services (except RANs Interest)	12,463,919	1,557,990	1,557,990	1,557,990	1,557,990	623,196	623,196	623,196	623,196	623,196	623,196	623,196	623,196	1,246,392	12,463,919
All Capital Outlay (Depreciation)	1,800,000	-	-	-	-	-	-	-	-	-	-	-	-	1,800,000	1,800,000
All Other Outgo	3,206,603	208,907	866,601	208,907	208,907	208,907	208,907	208,907	246,621	281,179	168,476	58,830	282,100	49,351	3,206,603
2020A RANs Interest	315,972		-	-	-				-	87,639	108,320	96,388	23,625	-	315,972
TTL EXPENSES	73,158,321	6,788,341	7,446,035	6,788,341	6,019,892	5,085,098	5,085,098	5,085,098	5,122,811	5,245,008	5,152,987	5,031,408	5,181,916	5,126,290	73,158,321
Budgeted Net Revenues	(1,693,378)														(1,693,378)
Net Change in Prior Year Receivables		9,204,685													9,204,685
Net Change in Prior Year Payables		(546,578)													(546,578)
Fixed Asset Acquisitions (from Gen Fund)															-
Other Changes Affecting Cash		-	(949,322)	(393,284)	(835,710)	(53,846)	(53,846)	250,643	(53,846)	(53,846)	(53,846)	748,372	748,372		(700,160)
2019A RANs Repayment															-
2020A RANs Repayment										(1,802,851)	(2,228,303)	(1,982,838)	(486,010)		(6,500,000)
NET INFLOWS/OUTFLOWS		8,658,107	(949,322)	(393,284)	(835,710)	(53,846)	(53,846)	250,643	(53,846)	(1,856,697)	(2,282,149)	(1,234,466)	262,363	-	7,957,947
ENDING CASH BALANCE		13,044,684	7,212,031	2,700,956	3,470,266	3,597,425	3,109,228	6,566,852	6,120,047	4,641,798	4,534,222	6,053,013	4,484,479	10,868,233	17,368,233
Days Cash on Hand		67	37	14	18	18	16	34	31	24	23	31	23	56	



* LCFF State Aid received in last 3 business days of month shown in subsequent month.

Assumes 100% of May 2021 and June 2021 LCFF State Aid is deferred until first week of July 2021.

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APPENDIX D

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a summary of certain provisions of the Indenture and Loan Agreement which are not described elsewhere in this Limited Offering Memorandum. This Summary does not purport to be comprehensive and reference should be made to such documents for a full and complete statement of their provisions. All capitalized terms used with respect to the Notes and not defined in this Limited Offering Memorandum have the meanings set forth in the Indenture.

DEFINITIONS

*"**2015 Indenture**"* means that certain Indenture, dated as of November 1, 2015, by and between the California School Finance Authority and U.S. Bank National Association, relating to the issuance of the California School Finance Authority Educational Facility Revenue Bonds (River Springs Charter School Project) Series 2015A and Series 2015B (Taxable) (the "2015 Bonds").

*"**2017 Indenture**"* means that certain Indenture, dated as of December 1, 2017, by and between the California School Finance Authority and U.S. Bank National Association, relating to the issuance of the California School Finance Authority Educational Facility Revenue Bonds (River Springs Charter School) Series 2017A and Series 2017B (Taxable) (the "2017 Bonds").

*"**Act**"* means the Joint Exercise of Powers Act, comprising Articles 1, 2, 3 and 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6500) of the Government Code of the State of California, as now in effect and as it may from time to time hereafter be amended or supplemented.

*"**Additional Payments**"* shall have the meaning given such term in the Loan Agreement.

*"**Administrative Fees and Expenses**"* means any application, commitment, financing or similar fee charged, or reimbursement for administrative or other expenses incurred, by the Authority or the Trustee in connection with the Notes, including Additional Payments.

*"**Apportionment Funds**"* means apportionment payments for Local Control Funding Formula ("LCFF") payments payable by the State to the Borrower during the 2020-21 fiscal year in respect of the School.

*"**Approved Buyer**"* means (1) a "qualified institutional buyer" as defined in Rule 144A promulgated under the Securities Act of 1933, as in effect on the date hereof (the "Securities Act"); (2) an "accredited investor" as defined in paragraphs (1) through (3) of subsection (a) of Section 501 ("Section 501") of Regulation D promulgated under the Securities Act; (3) an entity that is directly or indirectly wholly owned or controlled by the purchaser/bondholder representative (being a financial institution described in (1) above; (4) an "accredited investor" as defined in paragraph (5) of subsection (a) of said Section 501, provided that the minimum net worth shall be $5,000,000; (5) an "accredited investor" as defined in paragraph (6) of subsection (a) of said Section 501, provided that the minimum income (individual or joint) shall be $1,000,000; (6) an entity all of the investors in which are described in (1), (2) or (3) above; or (7) a custodian or trustee for a party described in (1), (2), (3), (4) or (5) above.

"***Authority***" means the California Municipal Finance Authority, or its successors and assigns, a joint exercise of powers authority formed by a Joint Exercise of Powers Agreement, dated as of January 1, 2004 by and among certain California cities, counties and special districts, as may be amended from time to time (the "Joint Powers Agreement") pursuant to the Act.

"***Authority Issuance Fee***" means $_____.

"***Authority Annual Fee***" means: the greater of (i) 1.5 basis points (0.015%) times the principal amount of the Notes outstanding on the issuance date (for the initial Authority Annual Fee) or on the first day of the month in which the anniversary of the issuance date occurs (for each subsequent Authority Annual Fee), or (ii) $500.

"***Authority Representative***" means with respect to the Authority, any member of the Board of Directors of the Authority (the "Board") or the Executive Director of the Authority, or any other person designated as an Authority Representative by a certificate signed by a member of the Board or such Executive Director and filed with the Trustee.

*"**Authorized Borrower Representative**"* means the Chief Financial Officer, Superintendent, President or such other person as may be designated by any of such officials to sign for the Borrower, by written certificate furnished to the Authority and the Trustee, as a person authorized to act on behalf of the Borrower. Such certificate shall contain the specimen signature of such person, shall be signed on behalf of the Borrower by any officer of the Borrower and may designate an alternate or alternates.

*"**Authorized Denominations**"* means $250,000 and any integral multiple of $5,000 in excess thereof.

*"**Beneficial Owner**"* means, (i) when used with reference to the book entry only system of the Depository, the person who is considered the beneficial owner of the Notes and, with respect to the Notes pursuant to the arrangements for book entry determination of ownership applicable to the Depository and, (ii) for purposes of continuing disclosure, any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Notes and, with respect to the Notes (including persons holding such through nominees, depositories or other intermediaries) or (b) is treated as the owner of any Notes and, with respect to the Notes for federal income tax purposes.

*"**Book Value***" means, when used in connection with Property of a Person, the value of such Property, net of accumulated depreciation, as it is carried on the books of such Person and in conformity with generally accepted accounting principles.

*"**Borrower**"* means River Springs Charter School, Inc., a California nonprofit public benefit corporation.

*"**Borrower Documents**"* means the Loan Agreement and the Note Purchase Agreement.

*"**Borrower Resolution**"* means the resolution or other authorizing action adopted by the Borrower authorizing the Loan and execution and delivery of the Borrower Documents.

*"**Business Day**"* means any day other than a Saturday, a Sunday or a day on which banking institutions in the city in which the Principal Corporate Trust Office is located are authorized or obligated by law or executive order to be closed.

*"**Certificate of the Authority,**" "**Consent of the Authority,**" "**Order of the Authority,**" "**Request of the Authority,**"* or *"**Requisition of the Authority**"* mean, respectively, a written certificate, consent, order, request or requisition of the Authority signed by or on behalf of the Authority by an Authority Representative authorized by the Authority to execute such a document on its behalf.

*"**Certificate of the Borrower,**" "**Consent of the Borrower,**" "**Request of the Borrower,**" "**Requisition of the Borrower,**"* or *"**Statement of the Borrower**"* mean, respectively, a written certificate, consent, request, requisition or statement of the Borrower executed on its behalf by an Authorized Borrower Representative.

*"**Charter School Law**"* means the Charter Schools Act of 1992, constituting Part 26.8, commencing with Section 47600 of Division 4 of Title 2 of the Education Code of the State, as now in effect and as it may from time to time hereafter be amended or supplemented.

"***Closing Date***" shall mean _____, 2020, the date of original issuance and delivery of the Notes.

*"**Code**"* means the Internal Revenue Code of 1986, or any successor code or law, and any regulations in effect or promulgated thereunder.

*"**Continuing Disclosure Agreement**"* means the Continuing Disclosure Agreement, dated as of _____ 1, 2020, among the Borrower and the Dissemination Agent, as dissemination agent, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

*"**Costs of Issuance**"* means all items of expense directly or indirectly payable by or reimbursable to the Authority or the Borrower and related to the original authorization, execution, sale and delivery of the Notes, including but not limited to costs of preparation and reproduction of documents, fees and expenses of the Authority, the Trustee, legal fees and charges of bond counsel, special counsel, disclosure counsel and Trustee's counsel, underwriter's fees and expenses, rating agency fees and any other costs, charges or fees in connection with the original delivery of the Notes.

*"**Costs of Issuance Fund**"* means the fund by that name established pursuant to the Indenture.

*"**Debt Service**"* means, for any period of time, the sum of (a) the interest payable during such period on all Outstanding Notes and (b) that portion of the principal amount of all Outstanding Notes maturing on each principal payment date during such period.

*"**Defeasance Obligations**"* means any obligations authorized under applicable State law and the related financing documents to be deposited in escrow for the defeasance of any indebtedness of the Borrower.

*"**Depository**"* means The Depository Trust Company and its successors and assigns, or any other depository selected as set forth in the Indenture which agrees to follow the procedures required to be followed by such depository in connection with the Notes.

*"**Dissemination Agent**"* means U.S. Bank National Association.

*"**Education Code**"* means the Education Code of the State of California.

*"**Electronic Notice**"* means notice through telecopy, telegraph, telex, facsimile, transmission, internet, e-mail or other electronic means of communication, capable of making a written record.

*"**Eligible Securities**"* means any of the following obligations as and to the extent that such obligations are at the time legal investments for moneys held hereunder and then proposed to be invested therein (provided that the Trustee shall be entitled to rely upon any Request of the Borrower as conclusive certification to the Trustee that the investments described therein are so authorized under the laws of the State of California) and shall be the sole investments in which amounts on deposit in any fund or account created under the Indenture or under the Loan Agreement shall be invested:

(1) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America or any Federal Reserve Bank and CATS and TIGRS) or obligations the timely payment of the principal of and interest on which are unconditionally guaranteed by the United States of America;

(2) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies, provided that such obligations are backed by the full faith and credit of the United States of America (stripped securities shall constitute Eligible Securities only if they have been stripped by the agency itself); U.S. Export-Import Bank, Farmers Home Administration, Federal Financing Bank, General Services Administration, U.S. Maritime Administration, U.S. Department of Housing and Urban Development, Government National Mortgage Association, and Federal Housing Administration;

(3) bonds, debentures, notes, or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities shall constitute Eligible Securities only if they have been stripped by the agency itself): Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation ("FHLMC"), Federal National Mortgage Association ("FNMA"), Student Loan Marketing Association, Resolution Funding Corporation or Farm Credit System;

(4) bonds or notes issued by any state or municipality which are rated by S&P, Fitch and Moody's in one of the three highest rating categories assigned by such agencies;

(5) repurchase agreements with either a primary dealer on the reporting dealer list of the Federal Reserve or any bank, which, in either case, is rated "A" or better by S&P and Moody's, provided that (a) the term of such repurchase agreement is not greater than thirty days, (b) the Trustee or third party acting solely as agent for the Trustee has possession of the collateral, (c) the collateral is valued weekly and the market value of the collateral is maintained at an amount equal to at least 104% (or, if the collateral consists of obligations of FHLMC or FNMA, 105%) of the amount of cash transferred by the Trustee to the dealer bank or securities firm under the repurchase agreement plus interest, (d) failure to maintain the requisite collateral levels will require the Trustee to liquidate the collateral immediately, (e) the repurchase securities are either obligations of, or fully guaranteed as to principal and interest by, the United States or any federal agency backed by the full faith and credit of the United States; (f) the repurchase securities are free and clear of any third-party lien or claim; and (g) there shall have been delivered to the Trustee, the Authority, and the Borrower an Opinion of Counsel to the effect that such repurchase agreement meets all guidelines under State law for legal investment of public funds;

(6) investment agreements, including guaranteed investment contracts ("GICs") with providers in one of the two highest rating categories of Moody's and S&P;

(7) money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of "AAAm-G," "AAA-m," or "AA-m" and if rated by Moody's rated "Aaa," "Aa1" or "Aa2," including such funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services or for which the Trustee or an affiliate of the Trustee serves as investment administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives fees from funds for services rendered, (ii) the Trustee collects fees for services rendered pursuant to the Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to the Indenture may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee;

(8) certificates of deposit secured at all times by collateral described in (1) and/or (2) above, issued by commercial banks, savings and loan associations or mutual savings banks relating to collateral held by a third party, and in which collateral the Trustee on behalf of the Noteholders has a perfected first security interest;

(9) certificates of deposit, savings accounts, deposit accounts or money market deposits that are insured by FDIC, including BIF and SAIF;

(10) commercial paper rated, at the time of purchase, "Prime-1" by Moody's and "A-1" or better by S&P;

(11) money market deposits, federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A-3" or better by Moody's and "A-1" or "A" or better by S&P;

(12) shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter 4 of the Government Code of the State as it may be amended;

(13) the State of California's Pooled Money Investment Account;

(14) the State of California's Local Agency Investment Fund; and

(15) obligations of a bank or other financial institution rated at least "Aa3" by Moody's or "AA-" by S&P.

*"**Environmental Regulations**"* means any federal, state or local law, statute, code, ordinance, regulation, requirement or rule relating to dangerous, toxic or hazardous pollutants, Hazardous Substances or chemical waste, materials or substances.

*"**Event of Default**"* means any of the events specified in the Events of Default section of the Indenture.

*"**Fiscal Year**"* means, with respect to the Borrower, the twelve-month period beginning July 1 and ending on June 30, or such other twelve-month period as may be designated in a written Statement of the Borrower delivered to the Authority and the Trustee.

*"**Fitch**"* means Fitch Ratings, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Authority.

*"**Government Obligations**"* means noncallable and nonprepayable direct obligations of the United States of America or obligations which as to full and timely payment of principal and interest constitute full faith and credit obligations of the United States of America (excluding therefrom unit investment trusts and money market funds comprised of such securities).

*"**Gross Revenues**"* means, for any Fiscal Year, all of the revenues, income, cash receipts and other money received by the Borrower, or received by the Trustee on behalf of the Borrower pursuant to the Indenture, that are legally available for payment of the obligations of the Borrower under the Loan Agreement; provided, however, that Gross Revenues shall not include such portions of State apportionments that are subject to intercept pursuant to Section 17199.4 of the California Education Code relating to the 2015 Bonds or the 2017 Bonds.

"***Hazardous Substances***" means (a) any oil, flammable substance, explosives, radioactive materials, hazardous wastes or substances, toxic wastes or substances or any other wastes, materials or pollutants which (i) pose a hazard to the Borrower or to persons on or about the Borrower or (ii) cause the Borrower to be in

violation of any Environmental Regulation; (b) asbestos in any form which is or could become friable, urea formaldehyde foam insulation, transformers or other equipment which contain dielectric fluid containing levels of polychlorinated biphenyls, or radon gas; (c) any chemical, material or substance defined as or included in the definition of "waste," "hazardous substances," "hazardous wastes," "hazardous materials," "extremely hazardous waste," "restricted hazardous waste," or "toxic substances" or words of similar import under any Environmental Regulation including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), 42 USC §§ 9601 et seq.; the Resource Conservation and Recovery Act ("RCRA"), 42 USC §§ 6901 et seq.; the Hazardous Materials Transportation Act, 49 USC §§ 1801 et seq.; the Federal Water Pollution Control Act, 33 USC §§ 1251 et seq.; the California Hazardous Waste Control Law ("HWCL"), Cal. Health & Safety Code §§ 25100 et seq.; the Hazardous Substance Account Act ("HSAA"), Cal. Health & Safety Code §§ 25300 et seq.; the Underground Storage of Hazardous Substances Act, Cal. Health & Safety Code §§ 25280 et seq.; the Porter-Cologne Water Quality Control Act (the "Porter-Cologne Act"), Cal. Water Code §§ 13000 et seq., the Safe Drinking Water and Toxic Enforcement Act of 1986 (Proposition 65); and Title 22 of the California Code of Regulations, Division 4, Chapter 30; (d) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any governmental authority or agency or may or could pose a hazard to the health and safety of the occupants of the Borrower or the owners and/or occupants of property adjacent to or surrounding the Borrower, or any other person coming upon the Borrower or adjacent property; or (e) any other chemical, materials or substance which may or could pose a hazard to the environment.

"***Indenture***" means the indenture, as originally executed or as it may from time to time be supplemented, modified or amended by any supplemental indenture entered into pursuant to the provisions hereof.

*"**Independent Consultant**"* means a Person that (1) does not have any direct financial interest or any material indirect financial interest in the Borrower, (2) is not connected with the Borrower as an officer, employee, promoter, trustee, partner, director or Person performing similar functions, and (3) is designated by the Borrower, qualified to pass upon questions relating to the financial affairs of facilities of the type or types operated by the Borrower and having a favorable reputation for skill and experience in the financial affairs of such facilities.

"***Intercept***" means the deposit of Interceptable Revenues with the Trustee pursuant to the Intercept Direction.

"***Intercept Direction***" means the direction of the Borrower to the RCOE to provide for the deposit of Interceptable Revenues to the Trustee, substantially in the form attached to the Loan Agreement as Exhibit A.

"***Interceptable Revenues***" means all Apportionment Funds receivable on behalf of the Borrower and attributable to the 2020-21 fiscal year to be received on or after March 1, 2021.

*"**Intercreditor Agreement**"* means the Intercreditor Agreement, dated as of _____ 1, 2020, by and among U.S. Bank National Association, in its role as trustee under the 2015 Indenture, U.S. Bank National Association, in its role as trustee under the 2017 Indenture, U.S. Bank National Association, in its role as the Trustee, and the Borrower.

*"**Interest Account**"* means the account by that name in the Revenue Fund established pursuant to the Indenture.

*"**Interest Payment Date**"* means the Principal Payment Date.

*"**Irrevocable Deposit**"* means the irrevocable deposit in trust, with any trustee or escrow agent authorized to act in such capacity, of cash in an amount (or Government Obligations the principal of and interest on which will be in an amount), and under terms sufficient to pay all or a portion of the principal of

and/or premium, if any, and interest on, as the same shall become due, of any indebtedness of the Borrower which would otherwise be considered Outstanding.

*"**Loan**"* means the loan of Note proceeds from the Authority to the Borrower pursuant to the Loan Agreement.

*"**Loan Agreement**"* means that certain loan agreement, dated as of _____ 1, 2020, between the Authority and the Borrower, as originally executed or as it may from time to time be supplemented, modified or amended subject to and in accordance with the terms thereof and of the Indenture.

*"**Loan Repayments**"* has the meaning given such term in the Loan Agreement.

*"**Moody's**"* means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Borrower.

*"**Noteholder**"* or *"**Holder**"* means, with respect to any Note, the person in whose name such Note is registered.

*"**Note Purchase Agreement**"* means the Note Purchase Agreement, dated _____, 2020, by and among the Underwriter and the Authority, and approved by the Borrower.

*"**Notes**"* means the California Municipal Finance Authority Revenue Anticipation Notes (River Springs Charter School), Series 2020, authorized and issued pursuant to the Indenture and any notes issued in exchange or replacement thereof in accordance with the Indenture.

*"**Opinion of Bond Counsel**"* means an Opinion of Counsel by a nationally recognized bond counsel firm experienced in matters relating to the exclusion from gross income for federal income tax purposes of interest payable on obligations of state and political subdivisions.

*"**Opinion of Counsel**"* means a written opinion of counsel (which may be counsel for the Authority) selected by the Authority.

*"**Optional Redemption Account**"* means the account by that name in the Redemption Fund established pursuant to the Indenture.

*"**Outstanding,**"* when used as of any particular time with reference to Notes, means (subject to the provisions of the Indenture) all Notes theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except (a) Notes theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Notes with respect to which all liability of the Authority shall have been discharged in accordance with the Indenture; and (c) Notes for the transfer or exchange of which, or in lieu of or in substitution for which, other Notes shall have been authenticated and delivered by the Trustee pursuant to the Indenture.

*"**Payments**"* means (i) all moneys (except any money received to be used for the payment of Administrative Fees and Expenses) received by the Trustee with respect to the Intercept, (ii) all moneys, if any, received by the Trustee directly from, or on behalf of, any of the Borrower, pursuant to the Loan Agreement (excluding Additional Payments not directed to be deposited into the any fund or account created and held under the Indenture), and (iii) all income derived from the investment of any money in any fund or account established pursuant to the Indenture.

*"**Person**"* means an individual, corporation, firm, association, partnership, trust or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

*"**Principal Account**"* means the account by that name in the Revenue Fund established pursuant to the Indenture.

*"**Principal Corporate Trust Office**"* means for the Trustee originally appointed hereunder, the corporate trust office of U.S. Bank National Association, which at the date of execution of the Indenture is that specified in the Indenture, provided however, that for purposes of presentation of Notes for payment or for registration of transfer and exchange such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency or operations business shall be conducted.

*"**Principal Payment Date**"* means the principal payment date for the Notes, which occurs on _____, 2021.

*"**Property**"* means any and all rights, titles and interests in and to any and all property of the Borrower whether real or personal, tangible or intangible and wherever situated whether currently owned or acquired in the future.

*"**Property, Plant and Equipment**"* means all Property that is property, plant and equipment under generally accepted accounting principles.

*"**Rating Agency**"* means at any time any nationally recognized rating agency including Fitch, Moody's or S&P, then rating the Notes at the request of the Authority or the Borrower.

*"**Rating Category**"* means (i) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier and (ii) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

"***RCOE***" means the Riverside County Office of Education.

*"**Rebate Fund**"* means the fund by that name established pursuant to the Indenture.

*"**Record Date**"* means, with respect to the Interest Payment Date for the Notes, the first day of the calendar month of such Interest Payment Date, whether or not such day is a Business Day.

*"**Responsible Officer**"* of the Trustee means and includes a duly authorized officer of the Trustee, with regular responsibility for the administration of matters related to the Indenture.

"***Retained Rights***" means Authority right to receive Administrative Fees and Expenses and any Additional Payments, any right to be indemnified, held harmless or defended and rights to inspection and to receive notices, certificates and opinions, express rights to give approvals, consents or waivers.

*"**Revenue Fund**"* means the fund by that name established pursuant to the Indenture.

*"**S&P**"* means S&P Global Ratings, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the state of New York, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Authority.

"***School***" means River Springs Charter School (CDE No. 33-10330-0110833).

*"**Securities Depositories**"* means The Depository Trust Company, 55 Water Street, 50th Floor, New York, N.Y. 10041-0099 Attention: Call Notification Department, Fax (212) 855-7232 or to such other addresses and/or such other securities depositories as the Authority may designate to the Trustee in writing.

*"**Special Record Date**"* means the date established by the Trustee pursuant to the Indenture as a record date for the payment of defaulted interest on Notes.

*"**Special Redemption Account**"* means the account by that name in the Redemption Fund established pursuant to the Indenture.

*"**State**"* means the State of California.

*"**Supplemental Indenture**"* or *"**Indenture supplemental hereto**"* means any indenture hereafter duly authorized and entered into between the Authority and the Trustee in accordance with the provisions of the Indenture.

*"**Trustee**"* means U.S. Bank National Association, as trustee hereunder, or the successor as Trustee hereunder as provided in the Indenture.

*"**Underwriter**"* means Stifel, Nicolaus & Company, Incorporated, its successors and assigns.

*"**Working Capital Fund**"* means the fund by that name established pursuant to the Indenture.

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The Indenture provides for, among other things, the issuance, execution and delivery of Notes and sets forth the terms thereof, the nature and extent of the security, various rights of Noteholders, rights, duties and immunities of the Trustee and the rights and obligations of the Authority.

Certain other provisions of the Indenture are set forth elsewhere in this Limited Offering Memorandum. See "THE NOTES," "ESTIMATED SOURCES AND USES OF FUNDS" and "SECURITY AND SOURCES OF PAYMENT FOR THE NOTES." Certain provisions of the Indenture are summarized below. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Indenture.

The Notes

Note Register. The Trustee will keep or cause to be kept, at its Principal Corporate Trust Office, sufficient books for the registration of transfer of the Notes, which shall at all reasonable times during normal business hours upon reasonable notice be open to inspection by the Authority; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register the transfer or cause to be registered the transfer, on said books, of Notes as provided in the Indenture.

Temporary Notes. The Notes may be initially issued in temporary form exchangeable for definitive Notes when ready for delivery. The temporary Notes may be printed, lithographed or typewritten, shall be of such denomination as may be determined by the Authority, shall be in registered form and may contain such reference to any of the provisions of the Indenture as may be appropriate. Every temporary Note shall be executed by the Authority and authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive Notes. If the Authority issues temporary Notes, it will execute and furnish definitive Notes without delay, and thereupon the temporary Notes may be surrendered, for cancellation, in exchange therefor at the Principal Corporate Trust Office of the Trustee, and the Trustee shall authenticate and deliver in exchange for such temporary Notes an equal aggregate principal amount of definitive Notes of

authorized denominations, of the same maturity or maturities. Until so exchanged, the temporary Notes shall be entitled to the same benefits under the Indenture as definitive Notes authenticated and delivered thereunder.

Notes Mutilated, Lost, Destroyed or Stolen. If any Note shall become mutilated, the Authority, at the expense of the Holder of said Note, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Note of like tenor in exchange and substitution for the Note so mutilated, but only upon surrender to the Trustee of the Note so mutilated. Every mutilated Note so surrendered to the Trustee shall be canceled by it and delivered to, or upon the order of, the Authority. If any Note issued hereunder shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence be satisfactory to it and indemnity satisfactory to it shall be given, the Authority, at the expense of the Holder, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Note of like tenor in lieu of and in substitution for the Note so lost, destroyed or stolen. If any Note mutilated, lost, destroyed or stolen shall have matured, instead of issuing a substitute Note the Trustee may pay the same without surrender upon receipt of indemnity satisfactory to the Trustee. The Authority may require payment from the Holder of a sum not exceeding the actual cost of preparing each new Note issued pursuant to this paragraph and of the expenses which may be incurred by the Authority and the Trustee. Any Note issued under the provisions of this paragraph in lieu of any Note alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Authority whether or not the Note so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of the Indenture with all other Notes secured by the Indenture.

Use of Depository. Notwithstanding any provision of the Indenture to the contrary:

(a) The Notes initially shall be registered as provided in the Indenture. Registered ownership of the Notes, or any portion thereof, may not thereafter be transferred except:

(i) To any successor of the Depository or its nominee, or to any Substitute Depository designated pursuant to clause (ii) of this subsection (a) ("Substitute Depository"); provided that any successor of the Depository or Substitute Depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;

(ii) To any Substitute Depository designated by the Authority (at the direction of the Borrower) and not objected to by the Trustee, upon (1) the resignation of the Depository or its successor (or any Substitute Depository or its successor) from its functions as depository or (2) a determination by the Authority (at the direction of the Borrower) that the Depository or its successor (or any Substitute Depository or its successor) is no longer able to carry out its functions as depository; provided that any such Substitute Depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(iii) To any person as provided below, upon (1) the resignation of the Depository or its successor (or Substitute Depository or its successor) from its functions as depository; provided that no Substitute Depository which is not objected to by the Trustee can be obtained or (2) a determination by the Authority (with the concurrence of the Borrower) that it is in the best interests of the Authority to remove the Depository or its successor (or any Substitute Depository or its successor) from its functions as depository.

(b) In the case of any transfer pursuant to clause (i) or clause (ii) above, upon receipt of the Outstanding Notes by the Trustee, together with a Request of the Authority to the Trustee, a single new Note for each maturity shall be executed and delivered in the aggregate principal amount of the Notes of such maturity then Outstanding, registered in the name of such successor or such Substitute Depository, or their nominees, as the case may be, all as specified in such Request of the Authority. In the case of any transfer pursuant to clause (iii) above, upon receipt of the Outstanding Notes by the Trustee, new Notes shall be executed and delivered in such denominations numbered in consecutive order from R-1 up and registered in the names of such persons as are requested in such a Request of the Authority, subject to the limitations of the

Indenture, provided the Trustee shall not be required to deliver such new Notes within a period less than sixty (60) days from the date of receipt of such a Request of the Authority.

(c) In the case of an advance refunding of the Notes, if any, evidencing all or a portion of the principal amount then Outstanding, the Depository shall make an appropriate notation on the Notes indicating the date and amounts of such reduction in principal.

(d) The Authority and the Trustee shall be entitled to treat the person in whose name any Note is registered as the Noteholder thereof for all purposes of the Indenture and any applicable laws, notwithstanding any notice to the contrary received by the Trustee or the Authority; and the Authority and the Trustee shall have no responsibility for transmitting payments to, communication with, notifying, or otherwise dealing with any beneficial owners of the Notes. Neither the Authority nor the Trustee will have any responsibility or obligations, legal or otherwise, to the beneficial owners or to any other party including the Depository or its successor (or Substitute Depository or its successor), except for the Holder of any Note.

(e) So long as the outstanding Notes are registered in the name of Cede & Co. or its registered assigns, the Authority and the Trustee shall cooperate with Cede & Co., as sole registered Noteholder, and its registered assigns in effecting payment of the principal of and interest on the Notes by arranging for payment in such manner that funds for such payments are properly identified and are made immediately available on the date they are due.

Validity of Notes. The validity of the authorization and issuance of the Notes is not dependent on and shall not be affected in any way by any proceedings taken by the Authority or the Trustee with respect to or in connection with the Loan Agreement. The recital contained in the Notes that the same are issued pursuant to the Act and the Constitution and laws of the State shall be conclusive evidence of their validity and of compliance with the provisions of law in their issuance.

Issuance of Notes

Authentication and Delivery of Notes. At any time after the execution of the Indenture, the Authority may execute the Notes, and the Trustee, upon the Order of the Authority, shall authenticate and deliver the Notes in accordance with the Indenture, in each case exclusive of the Notes executed and authenticated as provided in the Indenture.

Pledge and Assignment; Establishment and Application of Funds and Accounts

Pledge and Assignment. Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, there are pledged to secure the payment of the principal of and interest on the Notes in accordance with their terms and the provisions of the Indenture, all of the Payments (except Payments described in clause (i) of the definition thereof) and any other amounts (excluding proceeds of the sale of Notes) held in any fund or account established pursuant to the Indenture (other than the Rebate Fund). Said pledge shall constitute a lien on and security interest in such assets and shall attach and be valid and binding from and after delivery of the Notes, without any physical delivery thereof or further act.

The Authority assigns to the Trustee, for the benefit of the Holders from time to time of the Notes, all of the Payments (except Payments described in clause (i) of the definition thereof) and other amounts pledged in paragraph (a) of this Section and all of the right, title and interest of the Authority in, to and under the Loan Agreement (except for the Retained Rights). The Trustee shall be entitled to and shall receive all of such assigned Payments, and any such Payments collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee. The Trustee also shall be entitled to and shall (subject to the provisions of the Indenture) take all steps, actions and proceedings following any event of default under the Loan Agreement

reasonably necessary in its judgment, or as directed in writing by the Holder, to enforce, either jointly with the Authority or separately, all of the rights of the Authority assigned to the Trustee and all of the obligations of the Borrower under the Loan Agreement.

The Borrower shall take all actions necessary for the Trustee to collect directly from RCOE the amounts set forth in the Intercept Direction on the dates set forth in the Intercept Direction. The Payments described in the definition thereof are assigned to the Trustee, for the benefit of the Holders of the Notes, by virtue of the filing of the Intercept Direction with RCOE. The Trustee shall be entitled to and shall receive all of such assigned Payments.

All Payments shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the "Revenue Fund" which the Trustee is hereby directed to establish, maintain and hold in trust. All Payments shall be held in trust for the benefit of the Holders from time to time of the Notes but shall nevertheless be disbursed, allocated and applied solely for the uses and purposes hereinafter in the Indenture.

The Notes are not and shall not be deemed to constitute a debt or liability of the State, or any political subdivision thereof, and are not and shall not be deemed to be a pledge of the faith and credit of the State, or any political subdivision thereof, other than the Authority, which shall only be obligated to pay the Notes solely from the Payments and funds herein provided therefor. The issuance of the Notes shall not directly or indirectly or contingently obligate the State or any political subdivision thereof to levy or to pledge any form of taxation whatever for the Notes or to make any appropriation for their payment. Nothing in the Indenture, the Act or otherwise is an undertaking by the Authority or the State or any political subdivision thereof to fund the transfers described in the Intercept Direction or to funds available to the Borrower in any amount or at any time.

Application of Interest Account. All amounts in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Notes as it shall become due and payable (including accrued interest on any Notes purchased or redeemed prior to maturity pursuant to the Indenture).

Application of Principal Account. All amounts in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Notes, as provided in the Indenture with respect to Notes.

Establishment and Application of Redemption Fund. The Trustee shall establish and maintain within the Redemption Fund a separate Optional Redemption Account and a separate Special Redemption Account. The Trustee shall accept all moneys deposited for redemption and shall deposit such moneys into the Optional Redemption Account or the Special Redemption Account, as applicable. All amounts deposited in the Optional Redemption Account and in the Special Redemption Account shall be accepted and used and withdrawn by the Trustee solely for the purpose of redeeming Notes, in the manner and upon the terms and conditions specified in the Indenture, at the next succeeding date of redemption for which notice has not been given and at the redemption prices then applicable to redemptions from the Optional Redemption Account and the Special Redemption Account, respectively; provided that, at any time prior to giving such notice of redemption, the Trustee shall, upon written direction of the Borrower, apply such amounts to the purchase of Notes at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as the Borrower may direct, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable to such Notes (or, if such Notes are not then subject to redemption, the par value of such Notes); and provided further that in the case of the Optional Redemption Account in lieu of redemption at such next succeeding date of redemption, or in combination therewith, amounts in such account may be transferred to the Revenue Fund and credited against Loan Repayments in order of their due date as set forth in a Request of the Borrower.

Working Capital Fund. The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Working Capital Fund."

Moneys deposited in the Working Capital Fund shall be withdrawn from such fund pursuant to Requisition(s) of the Borrower.

The Requisitions of the Borrower shall be substantially in the form attached to the Indenture. Each such Requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts.

Any amounts remaining in such Working Capital Fund five Business Days prior to the Principal Payment Date shall be transferred to the Principal Account for payment of principal on the Notes. Upon such transfer, the Working Capital Fund shall be closed.

Establishment and Application of Costs of Issuance Fund. The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Costs of Issuance Fund." Moneys deposited in said fund shall be used and withdrawn by the Trustee to pay the Costs of Issuance of the Notes upon Requisition of the Borrower stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund, and including a copy of the invoice or statement evidencing the costs incurred. On the one hundred eightieth (180th) day following the initial issuance of the Notes, or upon the earlier Request of the Borrower, amounts, if any, remaining in the Costs of Issuance Fund shall be transferred to the Revenue Fund and the Costs of Issuance Fund shall be closed.

Investment of Moneys in Funds and Accounts. All moneys in any of the funds, accounts and subaccounts established pursuant to the Indenture, shall be invested by the Trustee solely in such Eligible Securities as are specified in a Request of the Borrower, provided, however, that, if the Borrower does not file such a Request with the Trustee, the Trustee shall invest to the extent practicable in investments described in clause (7) of the definition of the term "Eligible Securities"; provided, however, that any such investment shall be made by the Trustee only if, prior to the date on which such investment is to be made, the Trustee shall have received a Request of the Borrower specifying a specific money market fund and, if no such Request of the Borrower is so received, the Trustee shall hold such moneys uninvested.

All interest, profits and other income received from the investment of moneys in the Rebate Fund shall be deposited when received in the Rebate Fund. All other interest, profits and other income received from the investment of moneys shall be deposited in the Revenue Fund.

Investments in any and all funds and accounts established pursuant to the Indenture may be commingled for purposes of making, holding and disposing of investments, notwithstanding provisions in the Indenture for transfer to or holding in a particular fund amounts received or held by the Trustee thereunder, provided that the Trustee shall at all times account for such investments strictly in accordance with the particular funds to which they are credited and otherwise as provided in the Indenture. The Trustee may act as principal or agent in the making or disposing of any investment. To the extent Eligible Securities are registrable, such investments shall be registered in the name of the Trustee. The Trustee may sell or present for redemption, any securities so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such securities are credited, and the Trustee shall not be liable or responsible for any loss resulting from such investment. The Trustee shall have no investment discretion.

The Trustee is authorized, in making or disposing of any investment permitted by the Indenture, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Trustee or for any third person or dealing as principal for its own account.

No float forward or forward purchase agreement or other arrangement, agreement or financial product may be utilized in connection with the Revenue Fund.

The Borrower acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Borrower the right to receive brokerage confirmations of security transactions as they occur, the Borrower specifically waive receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Borrower periodic cash transaction statements which shall include detail for all investment transactions made by the Trustee pursuant to the Indenture.

Amounts Remaining in Funds and Accounts. Any amounts remaining in the Revenue Fund or any other fund or account established under the Indenture after payments in full of the Notes (or after provision for payment thereof as provided herein) and payment of the fees, charges and expenses of the Trustee and the Authority, shall belong and be paid to the Borrower by the Trustee.

Additional Payments. The Trustee shall transfer the Additional Payments constituting the Authority Annual Fee to or at the direction of the Authority when due, to the extent of amounts received from the Borrower therefor.

Rebate Fund. (a) The Trustee shall establish and maintain, when required, a fund separate from any other fund established and maintained under the Indenture designated as the Rebate Fund. Within the Rebate Fund, the Trustee shall maintain such accounts as shall be necessary to comply with instructions of the Borrower given pursuant to the terms and conditions of the Tax Certificate. Subject to the transfer provisions provided in paragraph (e) below, all money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement (as defined in the Tax Certificate), for payment to the federal government of the United States of America. Neither the Authority, nor the Borrower nor the Holder of any Notes shall have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by the provisions of the Indenture described under the headings "—Rebate Fund" and "COVENANTS – Tax Covenants" herein and by the Tax Certificate (which is incorporated into the Indenture by reference). The Trustee shall be deemed conclusively to have complied with such provisions if it follows the directions of the Borrower including supplying all necessary information in the manner provided in the Tax Certificate, and shall have no liability or responsibility to enforce compliance by the Borrower or the Authority with the terms of the Tax Certificate or any other tax covenants contained in the Indenture. The Trustee shall not be responsible for calculating rebate amounts or for the adequacy or correctness of any rebate report or rebate calculations. The Trustee shall have no independent duty to review such calculations or enforce the compliance by the Borrower with such rebate requirements. The Trustee shall have no duty or obligation to determine the applicability of the Code and shall only be obligated to act in accordance with written instructions provided by the Borrower.

(b) Upon the Borrower's written direction, an amount shall be deposited to the Rebate Fund by the Trustee from deposits by the Borrower, if and to the extent required, so that the balance in the Rebate Fund shall equal the Rebate Requirement. Computations of the Rebate Requirement shall be furnished by or on behalf of the Borrower in accordance with the Tax Certificate. The Trustee shall supply to the Borrower and/or the Authority all necessary information in the manner provided in the Tax Certificate to the extent such information is reasonably available to the Trustee.

(c) The Trustee shall have no obligation to rebate any amounts required to be rebated pursuant to the Indenture, other than from moneys held in the funds and accounts created under the Indenture or from other moneys provided to it by the Borrower.

(d) At the written direction of the Borrower, the Trustee shall invest all amounts held in the Rebate Fund in Eligible Securities, subject to the restrictions set forth in the Tax Certificate. Moneys shall not be transferred from the Rebate Fund except as provided in paragraph (e) below. The Trustee shall not be liable for any consequences or losses arising from such investment.

(e) Upon receipt of the Borrower's written directions, the Trustee shall remit part or all of the balances in the Rebate Fund to the United States, as so directed. In addition, if the Borrower so directs, the

Trustee will deposit money into or transfer money out of the Rebate Fund from or into such accounts or funds as directed by the Borrower's written directions; provided, however, only moneys in excess of the Rebate Requirement may, at the written direction of the Borrower or the Authority, be transferred out of the Rebate Fund to such other accounts or funds or to anyone other than the United States in satisfaction of the arbitrage rebate obligation. Any funds remaining in the Rebate Fund after remission to the United States of America, redemption and payment of all of the Bonds and payment and satisfaction of any Rebate Requirement, or provision made therefor satisfactory to the Trustee, and payment of all fees and expenses of the Trustee, shall be withdrawn and remitted to the Borrower.

(f) Notwithstanding any other provision of this Indenture, including in particular the provisions of the Indenture described under the heading "THE NOTES – Defeasance" in the forepart of this Limited Offering Memorandum, the obligation to remit the Rebate Requirement to the United States and to comply with all other requirements of the Indenture described under the headings "—Rebate Fund" and "COVENANTS – Tax Covenants" herein and the Tax Certificate shall survive the defeasance or payment in full of the Notes.

COVENANTS

Punctual Payment. The Authority shall punctually pay, but only out of Payments and pledged funds as provided in the Indenture, the principal and interest to become due in respect of every Note issued under the Indenture at the times and places and in the manner provided therein and in the Notes, according to the true intent and meaning thereof.

Extension of Payment of Notes. The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Notes or the time of payment of any of the claims for interest by the purchase or funding of such Notes or claims for interest or by any other arrangement except with the written consent of the Noteholders and, if the maturity of any of the Notes or the time of payment of any such claims for interest shall be extended without the written consent of the Noteholders, such Notes or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Notes then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this paragraph shall be deemed to limit the right of the Authority to issue Notes for the purpose of refunding any Outstanding Notes, and such issuance shall not be deemed to constitute an extension of maturity of Notes.

Encumbrance Upon Payments. The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Payments and other assets pledged or assigned under the Indenture while any of the Notes are Outstanding, except the pledge and assignment created by the Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, including other programs under the Act, and reserves the right to issue other obligations for such purposes.

Power to Issue Notes and Make Pledge and Assignment. The Authority is duly authorized pursuant to law to issue the Notes and to enter into the Indenture and to pledge and assign the Payments and other assets purported to be pledged and assigned under the Indenture in the manner and to the extent provided in the Indenture. The Authority has duly authorized the execution and delivery of the Notes and the Indenture under the terms and provisions of the Act and a resolution adopted by its Board of Directors and further represents, covenants and warrants that all requirements have been met and procedures have occurred in order to ensure the enforceability against the Authority of the Notes and the Indenture. The Authority has taken all necessary action and has complied with all provisions of the Act required to make the Notes and the Indenture the valid, legal and binding limited obligations of the Authority.

Accounting Records and Financial Statements. The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with the Trustee's accounting practices for

books of record and account relating to similar trust accounts and in accordance with the customary standards of the corporate trust industry for such books of record and account, in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of Notes, the Payments, the Loan Agreement and all funds and accounts established pursuant to the Indenture. Such books of record and account shall be available for inspection by the Authority, the Borrower and any Noteholder, or his agent or representative duly authorized in writing, at reasonable hours, upon reasonable notice and under reasonable circumstances.

Other Covenants; Amendment of the Loan Agreement.

(a) Subject to the provisions of the Indenture, the Trustee shall promptly collect all amounts due pursuant to the Loan Agreement and, upon an Event of Default, enforce and take all steps, actions and proceedings reasonably necessary for the enforcement of all of the rights of the Authority under the Loan Agreement assigned to it pursuant to the Indenture.

(b) The Authority shall not amend, modify or terminate any of the terms of the Loan Agreement, or consent to any such amendment, modification or termination, without the prior written consent of the Trustee. The Trustee shall give such written consent if but only if (1) it has received a written representation from the Borrower to the effect that such amendment or modification will not materially and adversely affect the interests of the Holders of the Notes; provided that, if an Event of Default described in paragraph (a), (b) or (c) of Section 7.01 of the Indenture has occurred and is continuing, the Trustee rather than the Borrower shall make a determination that such amendment or modification will not materially and adversely affect the interests of the Holders of the Notes (provided that, in making such determination, the Trustee may conclusively rely on written representations of financial consultants or advisors or the opinion or advice of counsel), or (2) the Holders of a majority in aggregate principal amount of the Notes then Outstanding consent in writing to such amendment, modification or termination, provided that no such amendment, modification or termination shall reduce the amount of Loan Repayments payable to the Authority, or extend the time for making such payments, without the written consent of all of the Holders of the Notes then Outstanding.

(c) The Trustee shall promptly collect all amounts due from the Borrower pursuant to the Loan Agreement, will perform all duties imposed upon it pursuant to the Loan Agreement and, upon an Event of Default, shall enforce, and take all steps, actions and proceedings reasonably necessary for the enforcement of, all of the rights of the Authority (other than the Retained Rights) and all of the obligations of the Borrower under the Loan Agreement, subject to all rights and protections contained in the Indenture.

Further Assurances. The Authority will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture and for the better assuring and confirming unto the Holders of the Notes of the rights and benefits provided in the Indenture.

Continuing Disclosure. Pursuant to the Loan Agreement, the Borrower has undertaken all responsibility for compliance with continuing disclosure requirements pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5), and the Authority shall have no liability to the Holders of the Notes or any other person with respect to Securities and Exchange Commission Rule 15c2-12. The Dissemination Agent has covenanted under the Continuing Disclosure Agreement that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement and the Loan Agreement applicable to it. Notwithstanding any other provision of the Indenture, failure of the Borrower or the Dissemination Agent to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; however, the Trustee at the written request of the Underwriter (as defined in the Continuing Disclosure Agreement) or the Holders of at least 25% aggregate principal amount of Outstanding Notes, shall (but only to the extent the Trustee has been tendered funds in an amount satisfactory to it or it has been otherwise indemnified from and against any loss, liability, cost or expense, including without limitation, fees and expenses of its counsel and agents and additional fees and charges of the Trustee) or any Noteholder or Beneficial Owner may take such actions as

may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Borrower to comply with its continuing disclosure obligations under the Loan Agreement or, as to any Noteholder or Beneficial Owner, to cause the Trustee to comply with its obligations under this provision. For purposes of this provision, "Beneficial Owner" means any person which (1) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Notes (including persons holding Notes through nominees, depositories or other intermediaries), or (2) is treated as the owner of any Notes for federal income tax purposes.

Tax Covenants. The Authority covenants that it shall not take any action, or fail to take any action, if such action or failure to take such action would result in the interest on the Notes not being excluded from gross income for federal income tax purposes under Section 103 of the Code. Without limiting the generality of the foregoing, the Authority covenants that it will comply with the requirements of the Tax Certificate, which is incorporated into the Indenture as if fully set forth therein. This covenant shall survive the payment in full or the defeasance of the Notes. In the event that at any time the Authority is of the opinion that for purposes of the Indenture it is necessary or helpful to restrict or limit the yield on the investment of any moneys held by the Trustee under the Indenture, and provided that such action shall not conflict with the requirements of the Tax Certificate, the Authority shall so instruct the Trustee in a Request of the Authority accompanied by a supporting Opinion of Bond Counsel, and the Trustee shall take such action as may be directed in accordance with such instructions.Notwithstanding any provisions summarized under this caption "—Tax Covenants", if the Authority shall provide to the Trustee an Opinion of Bond Counsel to the effect that any specified action required under this paragraph is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on the Notes, the Trustee may conclusively rely on such opinion in complying with the requirements of this paragraph and the Tax Certificate, and the covenants under the Indenture shall be deemed to be modified to that extent.The covenants of the Authority summarized under this caption "—Tax Covenants" are made solely in reliance on the representations and covenants of the Borrower set forth in the Loan Agreement, the Tax Certificate and a default by the Borrower with respect thereto shall not be considered a default of the Authority under the Indenture. The covenants of the Authority under this caption "—Tax Covenants" are limited to those actions within its control, and further limited to the extent that the costs and expenses of taking such actions are borne by the Borrower or a third party.*Intercept Covenants.* The Trustee shall, on the Interest Payment Date, the Principal Payment Date, or on any date which a transfer from RCOE to the Trustee is scheduled pursuant to any Intercept Direction, notify the Authority and the Borrower of any shortfall in amounts received by the Trustee from RCOE compared to the amounts set forth in any Intercept Direction for such date. If, subsequent to any shortfall for which the Trustee has sent notice pursuant to the preceding sentence, the Trustee shall receive payment of amounts sufficient to cure such shortfall, the Trustee shall, within ten (10) Business Days thereof, notify the Authority and the Borrower of the receipt of such payment.

Events of Default

Events of Default; Waiver of Default. If one or more of the following events ("Events of Default") shall happen, that is to say: (a) if default shall be made by the Authority in the due and punctual payment of the principal of any Note as the same shall become due and payable (whether at maturity, by declaration or otherwise); (b) if default shall be made by the Authority in the due and punctual payment of interest on any Note when and as such interest shall become due and payable; (c) if any occurrence and continuance of an "Event of Default" under the Loan Agreement; or (d) if default shall be made by the Authority in the performance or observance of any other of the covenants, agreements or conditions on its part in the Indenture or in the Notes contained, and such default shall have continued for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority by the Trustee, or to the Authority, the Borrower, and the Trustee by the Holders of not less than a majority in aggregate principal amount of the Notes at the time Outstanding, except that, in each case, if such failure can be remedied but not within such 60-day period, such failure shall not become an Event of Default for so long as the Authority shall diligently proceed to remedy the same; then and in each and every such case

during the continuance of such Event of Default, the following paragraphs under "—Institution of Legal Proceedings by Trustee" apply.

Institution of Legal Proceedings by Trustee.

(a) If one or more of the Events of Default shall occur, the Trustee in its discretion may, and upon the written request of the Holders of a majority in principal amount of the Notes then Outstanding, and upon being indemnified to its satisfaction therefor, the Trustee shall proceed to protect or enforce its rights or the rights of the holders of Notes under the Indenture and the Loan Agreement, by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained herein or therein, or in aid of the execution of any power herein or therein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights or duties hereunder, provided that any such request from the Noteholders shall not be in conflict with any rule of law or with the Indenture, expose the Trustee to personal liability or be unduly prejudicial to Noteholders not joining therein.

(b) Notwithstanding anything to the contrary in the Indenture, the Authority shall have no obligation to, and instead the Trustee may, without further direction from the Authority, take any and all steps, actions and proceedings, to enforce any or all rights of the Authority (other than those specifically retained by the Authority pursuant to the Indenture) under the Indenture or the Loan Agreement, including, without limitation, the rights to enforce the remedies upon the occurrence and continuation of an Event of Default and the obligations of the Borrower under the Loan Agreement.

Application of Moneys Collected by Trustee. Any moneys collected by the Trustee pursuant to the provisions of the Indenture summarized under the caption "—Institution of Legal Proceedings by Trustee" above and any other amounts then held by the Trustee under the Indenture, shall be applied in the following order, at the date or dates fixed by the Trustee and, in the case of distribution of such moneys on account of principal upon presentation of the Notes, and stamping thereon the payment, if only partially paid, and upon surrender thereof, if fully paid:

First: To the payment of costs and expenses of collection and reasonable compensation to the Trustee for its own services and for the services of counsel, agents and employees by it properly engaged and employed, and all other expenses and liabilities incurred, and for advances, together with interest on such advances at a rate per annum equal to the Note yield plus two percent, made pursuant to the provisions of the Indenture.

Second: In case the principal of any of the Notes shall have become due by declaration or otherwise and remains unpaid, first to the payment of interest in default, and then to the payment of the principal of all Notes then due and unpaid, in every instance such payment to be made ratably to the persons entitled thereto without discrimination or preference.

Whenever moneys are to be applied pursuant to the provisions of the Indenture summarized under this caption "Application of Moneys Collected by Trustee," such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be the Interest Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal and past-due interest to be paid on such date shall cease to accrue.

Whenever all principal of and interest on all Notes have been paid under the provisions of the Indenture summarized under this caption "—Application of Moneys Collected by Trustee" and all fees,

expenses and charges of the Trustee (including without limitation those of its attorneys) have been paid, any balance remaining in the funds and accounts under the Indenture shall be paid to the Borrower.

Effect of Delay or Omission to Pursue Remedy. No delay or omission of the Trustee or of any Holder of Notes to exercise any right or power arising from any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every power and remedy given by the provisions of the Indenture governing Events of Default to the Trustee or to the Holders of Notes may be exercised from time to time, and as often as shall be deemed expedient. In case the Trustee shall have proceeded to enforce any right under the Indenture, and such proceedings shall have been discontinued or abandoned because of waiver or for any other reason, or shall have been determined adversely to the Trustee, then and in every such case the Authority and the Trustee, and the Holders of the Notes, severally and respectively, shall be restored to their former positions and rights under the Indenture in respect to the trust estate; and all remedies, rights and powers of the Authority, the Trustee and the Holders of the Notes shall continue as though no such proceedings had been taken.

Remedies Cumulative. No remedy herein conferred upon or reserved to the Trustee or to any Holder of the Notes is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or now or hereafter existing at law or in equity.

Covenant to Pay Notes in Event of Default. The Authority covenants that, upon the happening of any Event of Default, the Authority will pay, but only out of Payments, to the Trustee, upon demand, for the benefit of the Holders of the Notes, the whole amount then due and payable thereon (by declaration or otherwise) for interest and principal as the case may be, and all other sums which may be due under the Indenture or secured thereby, including reasonable compensation to the Trustee and its agents and counsel and any expenses or liabilities incurred by the Trustee under the Indenture and, its agents and counsel. In case the Authority shall fail to pay the same forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, shall be entitled to institute proceedings at law or in equity in any court of competent jurisdiction to recover judgment for the whole amount due and unpaid, together with costs and reasonable attorneys' fees, subject, however, to the condition that such judgment, if any, shall be limited to, and payable solely out of, Payments as provided in the Indenture and not otherwise. The Trustee shall be entitled to recover such judgment as aforesaid, either before or after or during the pendency of any proceedings for the enforcement of the Indenture, and the right of the Trustee to recover such judgment shall not be affected by the exercise of any other right, power or remedy for the enforcement of the provisions of the Indenture.

Trustee Appointed Agent for Noteholders. The Trustee is hereby appointed the agent and attorney-in-fact of the Holders of all Notes Outstanding under the Indenture for the purpose of filing any claims relating to the Notes.

Power of Trustee to Control Proceedings. Subject to the immediately following paragraph, in the event that the Trustee, upon the happening of an Event of Default, shall have taken some action, by judicial proceedings or otherwise, pursuant to its duties under the Indenture, whether upon its own discretion or upon the request of the Holders of a majority in aggregate principal amount of the Notes then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Holders of the Notes, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not, unless there no longer continues an Event of Default under the Indenture, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Holders of at least a majority in aggregate principal amount of the Notes Outstanding under the Indenture opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

Limitation on Noteholders' Right to Sue. Notwithstanding any other provision of the Indenture, no Holder of any Note issued under the Indenture shall have the right to institute any suit, action or proceeding at

law or in equity, for any remedy under or upon the Indenture or the Loan Agreement, unless (a) such Holder shall have previously given to the Trustee written notice of the occurrence of an Event of Default under the Indenture; (b) the Holders of at least a majority in aggregate principal amount of all the Notes then Outstanding shall have made written request upon the Trustee to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name; (c) said Holders shall have tendered to the Trustee indemnity satisfactory to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Holder of Notes of any remedy under the Indenture; it being understood and intended that no one or more Holders of Notes shall have any right in any manner whatever by his or their action to enforce any right under the Indenture, except in the manner therein provided, and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner therein provided and for the equal benefit of all Holders of the Outstanding Notes.

The right of any Holder of any Note to receive payment of the principal of and interest on such Note out of Payments and the funds pledged in the Indenture, as therein provided, on and after the respective due dates expressed in such Note, or to institute suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder, notwithstanding any provision of the Indenture.

Authority Retained Rights. Nothing in the provisions of the Indenture governing Events of Default shall limit in any respect the right of the Authority to enforce or waive any of its Retained Rights under the Loan Agreement.

The Trustee

Duties, Immunities and Liabilities of Trustee.

(a) The Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in the Indenture. The Trustee shall, during the existence of any Event of Default which has not been cured or waived, exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs and no implied duties (including fiduciary duties) shall be imposed on the Trustee.

(b) The Authority may remove the Trustee at any time unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee if at any time requested to do so by the Borrower (unless an Event of Default shall have occurred and then be continuing) or at any time by an instrument or concurrent instruments in writing signed by the Holders of not less than a majority in aggregate principal amount of the Notes then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with subparagraph (e) below, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee, and thereupon shall appoint, with the written consent of the Borrower (unless an Event of Default has occurred and is continuing, at which time consent of the Borrower shall not be required) and Holders of not less than a majority in aggregate principal amount of the Notes then Outstanding (or their attorneys duly authorized in writing), a successor Trustee by an instrument in writing.

(c) The Trustee may at any time resign by giving written notice of such resignation to the Authority, and by giving the Noteholders notice of such resignation by mail at the addresses shown on the Note registration books maintained by the Trustee. Upon receiving such notice of resignation, the Authority shall appoint, with the written consent of the Borrower (unless an Event of Default has occurred and is continuing, at which time consent of the Borrower shall not be required) and Holders of not less than a majority in aggregate principal amount of the Notes then Outstanding (or their attorneys duly authorized in writing), a successor Trustee by an instrument in writing.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within forty-five (45) days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Noteholder (on behalf of himself and all other Noteholders) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Indenture shall signify its acceptance of such appointment by executing and delivering to the Authority and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the Request of the Authority or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and conveying to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under the Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions therein set forth. Upon request of the successor Trustee, the Authority shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this paragraph, the Authority shall mail a notice of the succession of such Trustee to the trusts under the Indenture to the Noteholders at the addresses shown on the Note registration books maintained by the Trustee. If the Authority fails to mail such notice within thirty (30) days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Authority.

(e) Any Trustee appointed under the provisions of the Indenture shall be a national banking association, a trust institution or banking institution having trust powers, doing business and having a corporate trust office in California or, if it shall not have a corporate trust office in California, having the power under California law to perform all the duties of the Trustee under the Indenture as evidenced by an opinion of its counsel, having, or if it is a member of a bank holding company system its parent shall have, a combined capital (exclusive of borrowed capital) and surplus of at least $50,000,000 and subject to supervision or examination by State or federal authorities. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this paragraph (e), the Trustee shall resign immediately in the manner and with the effect specified in the Indenture.

(f) Upon the occurrence and continuance of an Event of Default, before taking any foreclosure action or any action which may subject the Trustee to liability under any Environmental Law, the Trustee may require that a satisfactory indemnity bond, indemnity or environmental impairment insurance be furnished for the payment or reimbursement of all expenses to which it may be put and to protect it against all liability resulting from any claims, judgments, damages, losses, penalties, fines, liabilities (including strict liability) and expenses which may result from such foreclosure or other action. The term "Environmental Laws" shall mean all federal, state and local environmental, land use, zoning, health, chemical use, safety and sanitation laws, statutes, ordinances and codes relating to the protection of the environment or governing the use, storage, treatment, generation, transportation, processing, handling, production or disposal of Hazardous Substances

and the rules, regulations, policies, guidelines, interpretations, decisions, orders and directives of federal, state and local governmental agencies and authorities with respect thereto.

Merger or Consolidation. Any company into which any successor Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the successor Trustee, if any, may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under the immediately preceding paragraph (e), shall be the successor to such successor Trustee without the execution or filing of any paper or any further act, anything in the Indenture to the contrary notwithstanding.

Rights of Trustee.

(a) The recitals of facts herein and in the Notes contained shall be taken as statements of the Authority, and the Trustee does not assume any responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of the Indenture, the Loan Agreement or the Notes, or incur any responsibility in respect thereof, other than in connection with the duties or obligations under the Indenture or in the Notes assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Notes. The Trustee shall not be liable in connection with the performance of its duties under the Indenture, except for its own negligence or willful misconduct.

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

(c) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a majority in aggregate principal amount of the Notes at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture. The permissive right of the Trustee to do things enumerated in the Indenture shall not be construed as a duty.

(d) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request, order or direction of any of the Noteholders pursuant to the provisions of the Indenture unless such Noteholders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which may be incurred therein or thereby.

(e) The Trustee shall not be deemed to have knowledge of any Event of Default other than an Event of Default under the Indenture in connection with principal and interest payments of any Note unless and until a Responsible Officer of the Trustee shall have actual knowledge thereof, or shall have received written notice thereof, at its Principal Corporate Trust Office. Except as otherwise expressly provided in the Indenture, the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements in the Indenture or of any of the documents executed in connection with the Notes or as to the existence of an Event of Default under the Indenture.

(f) No provision of the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties thereunder, or in the exercise of its rights or powers. The Trustee has no obligation or liability to the Noteholders for the payment of interest or principal with respect to the Notes.

(g) The Trustee shall not be bound to ascertain or inquire as to the validity or genuineness of any collateral given to or held by it. The Trustee shall not be responsible for the recording or filing of any document relating to the Indenture or of financing statements (or continuation statements in connection therewith) or of any supplemental instruments or documents of further assurance as may be required by law in order to perfect the security interests in any collateral given to or held by it.

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

(i) The Trustee agrees to accept and act upon instructions or directions pursuant to the Indenture sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Trustee shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the Borrower elect to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee's understanding of such instructions shall be deemed controlling. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The Borrower agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

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

(k) The Trustee may execute any of the trusts or powers under the Indenture and perform the duties required of it thereunder by or through attorneys, agents, affiliates, or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its duty under the Indenture, and the Trustee shall not be answerable for the acts or omissions of any such attorney, agent, or receiver selected by it with reasonable care.

(l) The Trustee shall have no responsibility or liability with respect to any information, statements or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Notes.

(m) The Trustee shall not be required to review or inspect, and shall not be deemed to have notice of, the contents of any financial statement delivered to the Trustee, it being expressly understood that the Trustee shall only receive and hold such documents as a repository for examination and copying by any Holder at such Holder's expense during business hours on Business Days with reasonable prior notice.

(n) Upon the occurrence and continuance of an Event of Default, before taking any foreclosure action or any action which may subject the Trustee to liability under any Environmental Regulation, the Trustee may require that a satisfactory indemnity bond, indemnity or environmental impairment insurance be furnished for the payment or reimbursement of all expenses to which it may be put and to protect it against all liability resulting from any claims, judgments, damages, losses, penalties, fines, liabilities (including strict liability) and expenses which may result from such foreclosure or other action. The Trustee shall not be required to take any foreclosure action if the approval of a government regulator shall be a condition precedent to taking such action.

(o) Whether or not therein expressly so provided, every provision of the Indenture, the Loan Agreement or related documents relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions summarized under this caption "—Rights of Trustee."

(p) To the fullest extent permitted by law and notwithstanding anything in the Indenture to the contrary, the Trustee shall not be personally liable for (i) special, consequential or punitive damages, however

styled, including, without limitation, lost profits or (ii) the acts or omissions of any nominee, correspondent, clearing agency, or securities depository through which it holds securities or assets.

Right of Trustee to Rely on Documents. The Trustee shall be protected in acting upon any notice, requisition, resolution, request, consent, order, certificate, report, opinion, Note or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may be counsel of or to the Authority, 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 under the Indenture in good faith and in accordance therewith.

The Trustee shall not be bound to recognize any person as the Holder of a Note unless and until such Note is submitted for inspection, if required, and his title thereto is satisfactorily established, if disputed.

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

Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of the Indenture shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Authority and any Noteholder, and their agents and representatives duly authorized in writing, at reasonable hours, upon reasonable notice and under reasonable conditions.

Compensation and Indemnification of Trustee. The Authority (solely from payments received from the Borrower) shall from time to time, subject to any agreement between the Authority and the Trustee then in force, pay to the Trustee compensation for its services rendered by it in the execution of the trusts created by the Indenture and in the exercise and performance of any of the powers and duties under the Indenture of the Trustee, which compensation shall not be limited by any provision of law with respect to the compensation of a trustee of an express trust, and the Authority will reimburse the Trustee for all its advances (with interest on such advances at the maximum rate allowed by law) and expenditures, including but not limited to advances to and fees and expenses of independent accountants, counsel (including in-house counsel to the extent not duplicative of other counsel's work) and engineers or other experts employed by it, and reasonably required, in the exercise and performance of its powers and duties under the Indenture. The Authority covenants and agrees to indemnify the Trustee (solely from Payments received from the Borrower) against any loss, expense and liability (other than those which are due to the Trustee's negligence or default) which it may incur arising out of or in the exercise and performance of its powers and duties under the Indenture, including the costs and expenses of defending against any claim of liability. The obligations of the Authority summarized in this paragraph shall survive resignation or removal of the Trustee under the Indenture and payment of the Notes and discharge of the Indenture.

Modification of the Indenture

Modification without Consent of Noteholders. Subject to the conditions and restrictions contained in the Indenture, the Authority and the Trustee, from time to time and at any time may enter into an indenture or indentures supplemental to the Indenture, which indenture or indentures thereafter shall form a part of the Indenture, including, without limitation, for one or more of the following purposes, provided that the Authority and the Trustee shall have received an Opinion of Bond Counsel to the effect that such amendment or modification is permitted by the Indenture:

(a) to add to the covenants and agreements of the Authority contained in the Indenture, other covenants and agreements thereafter to be observed, or to assign or pledge additional security for the Notes, or to surrender any right or power herein reserved to or conferred upon the Authority; provided such amendment or modification will not materially and adversely affect the interests of the Holders of the Notes;

(b) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing, correcting or supplementing any defective provision, contained in the Indenture, or in regard to such matters or questions arising under the Indenture as the Authority may deem necessary or desirable and not inconsistent with the Indenture; provided such amendment or modification will not materially and adversely affect the interests of the Holders of the Notes;

(c) to modify, amend or supplement the Indenture or any indenture supplemental hereto in such manner as to permit the qualification hereof or thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and, if they so determine, to add to the Indenture or any indenture supplemental hereto such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939, as amended, or similar federal statute; provided such amendment or modification will not materially and adversely affect the interests of the Holders of the Notes;

(d) in connection with an amendment of any agreement permitted by Indenture for the purpose of conforming the terms, conditions and covenants of the Indenture to the corresponding or related provisions of such amended agreement;

(e) to modify or eliminate the book-entry registration system for the Notes; or

(f) to comply with requirements of a Rating Agency in order to obtain or maintain a rating on any Notes.

Any supplemental indenture authorized by the provisions summarized above may be executed by the Authority and the Trustee without the consent of the Holders of any of the Notes at the time Outstanding, notwithstanding any of the provisions summarized under the caption "—Modifications with Consent of Noteholders" below, but the Trustee shall not be obligated to enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under the Indenture or otherwise.

The Trustee shall mail an executed copy of a supplemental indenture authorized by the provisions of the Indenture and any document related thereto or executed in connection therewith to the Borrower and each Rating Agency then rating the Notes promptly after execution by the Authority and the Trustee. The Authority shall mail drafts of any such documents to such parties prior to execution thereof.

Modification with Consent of Noteholders. With the consent of the Holders of not less than a majority in aggregate principal amount of the Notes at the time Outstanding), the Authority and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental to the Indenture for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture; provided, however, that no such supplemental indenture shall (1) extend the fixed maturity of any Notes or reduce the rate of interest thereon or extend the time of payment of interest, or reduce the amount of the principal thereof or (2) reduce the aforesaid percentage of Holders of Notes whose consent is required for the execution of such supplemental indentures or extend the time of payment or permit the creation of any lien on the Payments or the assets pledged in the Indenture prior to or on a parity with the lien of the Indenture or deprive the Holders of the Notes of the lien created by the Indenture upon the Payments or the assets pledged therein, without the consent of the Holders of all of the Notes then Outstanding. Upon the filing with the Trustee of evidence of the consent of Noteholders, as aforesaid, the Trustee shall join with the Authority in the execution of such supplemental indenture unless such supplemental indenture affects the Trustee's own rights, duties or immunities under the Indenture or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, enter into such supplemental indenture.

It shall not be necessary for the consent of the Noteholders under the provisions of the Indenture summarized under this caption "—Modifications with Consent of Noteholders" to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof.

Promptly after the execution by the Authority and the Trustee of any supplemental indenture pursuant to under the provisions of the Indenture summarized under this caption "*–Modification with Consent of Noteholders*", the Authority shall mail a notice to the Trustee setting forth in general terms the substance of such supplemental indenture, and the Trustee, upon receipt of such notice, shall mail such notice to the Borrower and the Noteholders at the addresses shown on the Note registration books maintained by the Trustee, at the expense of the Borrower. Any failure of the Authority or the Trustee to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture.

The Trustee shall mail an executed copy of such supplemental indenture and any amendment of the Loan Agreement in accordance with the Indenture to the Borrower, each Rating Agency then rating the Notes promptly after execution by the Authority, the Trustee, and in the case of the Loan Agreement, the Borrower. The Authority shall mail drafts of any such documents to such parties prior to execution thereof.

Effect of Supplemental Indenture. Upon the execution of any supplemental indenture pursuant to the provisions of the Indenture shall be, and shall be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Authority, the Trustee and all Holders of Outstanding Notes shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such supplemental indenture shall be part of the terms and conditions of the Indenture for any and all purposes.*Opinion of Counsel as to Supplemental Indenture.* Subject to the provisions of the Indenture summarized above under the caption "The Trustee-Right of Trustee to Rely on Documents" and "—Modification with Consent of Noteholders" for an Opinion of Bond Counsel, the Trustee and the Authority shall be provided an Opinion of Counsel as conclusive evidence that any supplemental indenture executed pursuant to the provisions of the Indenture complies with the requirements of the Indenture and shall have no liability to Holders in excluding any Supplemental Indenture in reliance on an Opinion of Bond Counsel.

Notation of Modification on Notes; Preparation of New Notes. Notes authenticated and delivered after the execution of any supplemental indenture pursuant to the provisions of the Indenture may bear a notation, in form approved by the Authority, as to any matter provided for in such supplemental indenture, and if such supplemental indenture shall so provide, new Notes, so modified as to conform, in the opinion of the Authority, to any modification of the Indenture contained in any such supplemental indenture, may be prepared by the Authority, authenticated by the Trustee and delivered without cost to the Holders of the Notes then Outstanding, upon surrender for cancellation of such Notes, in equal aggregate principal amounts.

MISCELLANEOUS

Liability of Authority Limited to Payments. The Authority shall not be liable for payment of the principal of, redemption price or interest on the Notes or any other costs, expenses, losses, damages, claims or actions of any conceivable kind on any conceivable theory, under or by reason of or in connection with the Indenture, the Notes or any other documents, except only to the extent amounts are received for the payment thereof from the Borrower under the Loan Agreement.

Destruction of Notes. Whenever in the Indenture provision is made for the cancellation by the Trustee and the delivery to the Authority of any Notes, the Trustee shall, in lieu of such cancellation and delivery, destroy such Notes (in the presence of an officer of the Authority, if the Authority shall so require) and at the request of the Authority deliver a certificate of such destruction to the Authority.

Evidence of Rights of Noteholders. Any request, consent or other instrument required or permitted by the Indenture to be signed and executed by Noteholders may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Noteholders in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any person of Notes transferable by delivery, shall be sufficient for any purpose of the Indenture and shall be conclusive in favor of the Trustee and of the Authority if made in the manner provided in this paragraph.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument acknowledged the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

The ownership of Notes shall be proved by the bond registration books held by the Trustee.

Any request, consent, or other instrument or writing of the Holder of any Note shall bind every future Holder of the same Note and the Holder of every Note issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Authority in accordance therewith or reliance thereon.

Disqualified Notes. In determining whether the Holders of the requisite aggregate principal amount of Notes have concurred in any demand, request, direction, consent or waiver under the Indenture, Notes which are owned or held by or for the account of the Authority or the Borrower or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the Borrower shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. Notes so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this paragraph if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Notes and that the pledgee is not a person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the Borrower. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee. Upon request of the Trustee, the Authority and the Borrower shall specify in a certificate to the Trustee those Notes disqualified pursuant to this paragraph and the Trustee may conclusively rely on such certificate.

Money Held for Particular Notes. The money held by the Trustee for the payment of the interest, principal due on any date with respect to particular Notes shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Holders of the Notes entitled thereto.

Funds and Accounts. Any fund required by the Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds shall at all times be maintained in accordance with customary standards of the corporate trust industry, to the extent practicable, and with due regard for the requirements of the Indenture and for the protection of the security of the Notes and the rights of every Holder thereof.

Waiver of Personal Liability. No member, officer, agent or employee of the Authority shall be individually or personally liable for the payment of the principal (or redemption price) of or interest on the Notes or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing contained in the Indenture shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law or by the Indenture.

Governing Law; Venue. The Indenture, the Loan Agreement and the Notes are contracts made under the laws of the State of California and shall be governed by and construed in accordance with the Constitution and laws applicable to contracts made and performed in the State of California. The Indenture, the Loan Agreement and the Notes shall be enforceable in the State of California, and any action arising out of the Indenture, Loan Agreement or the Notes shall be filed and maintained in San Diego County, California, unless the Authority waives this requirement.

SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

The Loan Agreement provides for, among other things, the loan of the Notes proceeds by the Authority to the Borrower, certain covenants of the Borrower relating to the loan and of the use of proceeds, including repayment of the loan, and defines events of default and remedies therefor.

Certain other provisions of the Loan Agreement are set forth in this Limited Offering Memorandum. See "SECURITY AND SOURCES OF PAYMENT FOR THE NOTES." Certain provisions of the Loan Agreement are summarized below. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Loan Agreement.

Findings, Representations, Covenants and Warranties

Representations of the Authority. The Authority makes the following representations and warranties to the Borrower:

The Authority is a joint exercise of powers agency duly organized and existing under the laws of the State and is duly authorized to issue the Notes and to perform its obligations under the Loan Agreement.

All requirements have been met and procedures have occurred in order to authorize the execution and delivery of the Loan Agreement. The Authority has taken all necessary action and has complied with all provisions of the law required to make the Loan Agreement a valid and binding limited obligation of the Authority, except to the extent limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally, by the application of equitable principles regardless of whether enforcement is sought in a proceeding at law or in equity, or by public policy.

The Notes have been duly authorized, executed and delivered by the Authority. Nothing in the Loan Agreement shall be construed as requiring the Authority to provide any financing for the purposes of the Loan Agreement other than the proceeds of the Notes or to provide sufficient moneys for all of the cost of financing the Borrower's working capital.

To the best knowledge of the Authority, there is no action, suit, proceeding, inquiry or investigation by or before any court, governmental agency or public board or body pending or threatened against the Authority that (i) affects or seeks to prohibit, restrain or enjoin the issuance, execution or delivery of the Notes, the origination of the loan or the lending of the proceeds of the Notes to the Borrower, or the execution and delivery of the Financing Documents, (ii) affects or questions the validity or enforceability of the Notes or the Financing Documents or (iii) questions the tax-exempt status of interest on the Notes.

Representations and Warranties of the Borrower. The Borrower represents and warrants to the Authority that, as of the date of execution of the Loan Agreement and as of the date of delivery of the Notes to the initial purchasers thereof (such representations and warranties to remain operative and in full force and effect regardless of the issuance of the Notes or any investigations by or on behalf of the Authority or the results thereof):

(a) The Borrower is a nonprofit public benefit corporation duly incorporated and in good standing under the laws of the State, and has full legal right, power and authority to enter into the Borrower

Documents, and to carry out all of its obligations under and consummate all transactions contemplated by the Borrower Documents, and by proper corporate action has duly authorized the execution, delivery and performance of the Borrower Documents.

The officers of the Borrower executing the Borrower Documents are duly and properly in office and fully authorized to execute the same.

The Borrower Documents have been duly authorized, executed and delivered by the Borrower.

The Borrower Documents, as and when assigned to the Trustee pursuant to the Indenture, will constitute the legal, valid and binding agreements of the Borrower enforceable against the Borrower by the Trustee in accordance with their terms for the benefit of the Holders of the Notes, and any rights of the Authority and obligations of the Borrower not so assigned to the Trustee constitute the legal, valid, and binding agreements of the Borrower enforceable against the Borrower by the Authority in accordance with their terms; except in each case as enforcement may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally, by the application of equitable principles regardless of whether enforcement is sought in a proceeding at law or in equity and by public policy.

The execution and delivery of the Borrower Documents, the consummation of the transactions therein contemplated and the fulfillment of or compliance with the terms and conditions thereof, will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under the articles of incorporation of the Borrower, its bylaws, any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, loan agreement, lease, contract or other agreement or instrument to which the Borrower is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Borrower, which conflict, violation, breach, default, lien, charge or encumbrance might have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Borrower Documents, or the financial condition, assets, properties or operations of the Borrower.

No consent or approval of any trustee or holder of any indebtedness of the Borrower or any guarantor of indebtedness of or other provider of credit or liquidity of the Borrower, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority (except with respect to any state securities or "blue sky" laws) is necessary in connection with the execution and delivery of the Borrower Documents, or the consummation of any transaction herein or therein contemplated, or the fulfillment of or compliance with the terms and conditions hereof or thereof, except as have been obtained or made and as are in full force and effect.

There is no action, suit, proceeding, inquiry or investigation, before or by any court or federal, state, municipal or other governmental authority, pending, or to the knowledge of the Borrower, after reasonable investigation, threatened, against or affecting the Borrower or the assets, properties or operations of the Borrower which, if determined adversely to the Borrower or its interests, would have a material adverse effect upon the consummation of the transactions contemplated by, or the validity of, the Borrower Documents, or upon the financial condition, assets, properties or operations of the Borrower.

The Borrower is not in default (and no event has occurred and is continuing which with the giving of notice or the passage of time or both could constitute a default) (i) under the Borrower Documents, or (ii) with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Borrower Documents, or the financial condition, assets, properties or operations of the Borrower.

All tax returns (federal, state and local) required to be filed by or on behalf of the Borrower have been filed, and all taxes shown thereon to be due, including interest and penalties, except such, if any, as are being actively contested by the Borrower in good faith, have been paid or adequate reserves have been made for the payment thereof which reserves, if any, are reflected in the audited financial statements described therein.

As to the Borrower, no written information, exhibit or report furnished to the Authority in connection with the negotiation of the Borrower Documents 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 therein, in the light of the circumstances under which they were made, not misleading; provided, however, that the Borrower has not made any independent investigation or inquiry into the truth, accuracy or completeness of any report written or provided by any third party.

All material certificates, approvals, permits and authorizations of applicable local governmental agencies, and agencies of the State and the federal government have been or will be obtained with respect to the use of the proceeds of the Notes by the Borrower; and the Borrower's operations will be conducted pursuant to and in accordance with such certificates, approvals, permits and authorizations.

The Borrower acknowledges, represents and warrants that it understands the nature and structure of the transactions relating to the financing of working capital pursuant to the Borrower Documents and the Indenture; that it is familiar with the provisions of all of the documents and instruments relating to such financing to which the Borrower is a party or of which it is a beneficiary, including the Indenture; that it understands the risks inherent in such transactions; and that it has not relied on the Authority for any guidance or expertise in analyzing the financial or other consequences of the transactions contemplated by the Borrower Documents and the Indenture.

The Borrower is an organization described in Section 501(c)(3) of the Code and is exempt from federal income tax under Section 501(a) of the Code, except for unrelated business taxable income under Section 511 of the Code, and is not a private foundation as described in Section 509(a) of the Code.

The proceeds of the Loan will be used by the Borrower solely to satisfy one or more of its charitable purposes, which have been previously recognized by the Internal Revenue Service as bona fide charitable purposes. The Borrower has full power and authority to carry on its business as now being conducted and to enter into the Borrower Documents and the transactions contemplated therein.

All financial statements and information heretofore delivered to the Authority, including without limitation, information relating to the financial condition of the Borrower, and/or any guarantor, and including the audited consolidated balance sheets of the Borrower at June 30, 2019 and June 30, 2018, and the related consolidated statements of income and consolidated statements of cash flows for the years ended June 30, 2019 and June 30, 2018 (copies of which have been furnished to the Authority) fairly and accurately present the financial position of each respective entity at such date and the results of operations for the year ended on such date, and have been prepared (except where specifically noted therein) in accordance with generally accepted accounting principles consistently applied. Since the date of such statements, there has been no material adverse change in the financial condition or results of operations of the Borrower or other subjects of such statements.

The Borrower's purposes, character, activities, and methods of operation have not changed since its organization and are not different from the purposes, character, activities and methods of operation contemplated at the time of its determination by the Internal Revenue Service to be an organization described in section 501(c)(3) of the Code; no Borrower has or will divert any part of its corpus or income for a purpose or purposes other than the purpose or purposes for which it is organized or operated; no Borrower has operated, or will operate, in a manner that would result in it being classified as an "action" organization within the meaning of Section 1.501(c)(3)-(1)(c)(3) of the Regulations, including, but not limited to, promoting or attempting to influence legislation by propaganda or otherwise as a substantial part of its activities; none of its

directors, officers, or any related Persons, or any other Person having a private or professional interest in the Borrower's activities has acquired or received, nor will such Persons be allowed to acquire or receive, directly or indirectly, any of the Borrower's goods, services, income or assets, without fair compensation or consideration received in exchange therefor; it has not received any indication or notice to the effect that the Borrower's exemption from federal income taxation under Section 501(c)(3) of the Code has been revoked or modified, or that the Internal Revenue Service is considering revoking or modifying such exemption, and such exemption is still in full force and effect; no Borrower has devoted or will devote more than an insubstantial part of its activities in furtherance of a purpose other than an exempt purpose within the meaning of Section 501(c)(3) of the Code; and no Borrower has taken any action, or knows of any action that any other Person has taken, or knows of the existence of any condition that would cause the Borrower to lose its exemption from federal income taxation under Section 501(c)(3) of the Code.

Except as provided in the Indenture and the Loan Agreement, the Borrower shall not pledge or otherwise encumber, or permit the pledge or encumbrance of, any money, investment, or investment property as security for payment of any amounts due under the Loan Agreement or shall establish any segregated reserve or similar fund for such purpose and shall not prepay any such amounts in advance of the redemption date of an equal principal amount of the Notes.

The Borrower has made and shall continue to make all required contributions to all employee benefit plans, if any, and it does not have knowledge of any material liability which has been incurred by the Borrower or remains unsatisfied for any taxes or penalties with respect to any employee benefit plan or any multi-employer plan, and each such plan has been administered in compliance with its terms and the applicable provisions of ERISA and any other federal or state law.

Other than as disclosed in the Borrower Documents, the Borrower has no known material contingent liabilities payable from its Gross Revenues, or has a material financial obligation payable from its Gross Revenues under any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Borrower is a party or by which the Borrower is otherwise bound, other than (x) obligations being refinanced with the proceeds of the Loan and (y) obligations incurred in connection with the ownership and operation of its facilities incurred in the ordinary course of business, none of which constitutes indebtedness for borrowed money.

The Borrower has not entered into the transaction contemplated by the Loan Agreement or the Borrower Document with the actual intent to hinder, delay, or defraud any creditor and the Borrower has received reasonably equivalent value in exchange for its obligations under the Borrower Documents. Giving effect to the transactions contemplated by the Borrower Documents, the fair saleable value of the Borrower's assets exceeds and will, immediately following the execution and delivery of the Borrower Documents, exceed the Borrower's total liabilities, including, without limitation, subordinated, unliquidated, disputed or contingent liabilities. The fair saleable value of the Borrower's assets is and will, immediately following the execution and delivery of the Borrower Documents, be greater than the Borrower's probable liabilities, including the maximum amount of its contingent liabilities or its debts as such debts become absolute and matured. No Borrower intends to, or believes that it will, incur debts and liabilities (including, without limitation, contingent liabilities and other commitments) beyond its ability to pay such debts as they mature (taking into account the timing and amounts to be payable on or in respect of obligations of the Borrower).

The Borrower is not (1) an "investment company" or a company "controlled" by an "investment company," within the meaning of the Investment Company Act of 1940, as amended; (2) a "holding company" or a "subsidiary company" of a "holding company" or an "affiliate" of either a "holding company" or a "subsidiary company" within the meaning of the Public Utility Holding Company Act of 1935, as amended; or (3) subject to any other federal or state law or regulation which purports to restrict or regulate its ability to borrow money.

The Borrower reasonably believes that the Gross Revenues will be sufficient (without any other borrowing) during the term of the Loan to pay the principal of, prepayment premium, if any, and interest on the Loan.

All representations, warranties and certifications made by the Borrower in connection with the delivery of the Notes on the Closing Date, including, but not limited to, those representations, warranties and certifications contained in any certificate or agreement executed by the Borrower, are true, correct, and complete in all material respects as of the Effective Date.

During the term of the Loan, the Borrower will receive or otherwise have (without additional borrowing) sufficient funds to repay and discharge the Loan, based on all funds received by the Borrower and future projections upon historical experience and reasonable expectations.

The Borrower acknowledges, represents and warrants that it understands the nature and structure of the transactions relating to the financing of its working capital; that it is familiar with the provisions of all of the documents and instruments relating to such financing to it is a party or of which it is a beneficiary; that it understands the risks inherent in such transactions; and that it has not relied on the Authority for any guidance or expertise in analyzing the financial or other consequences of the transactions contemplated by the Loan Agreement and the Indenture or otherwise relied on the Authority for any advice.

During the term of the Loan, so long as the Borrower has any obligations outstanding thereunder, it shall cause the School to maintain the legal authority to operate as a public charter school in the State.

Loan Financing; Loan Repayments; Indemnification

Agreement to Issue Notes and Application of Note Proceeds. In order to fund the Loan and for the other purposes set forth in the Indenture, the Authority, concurrently with the execution of the Loan Agreement, has issued, sold and delivered the Notes and directed the proceeds thereof to be deposited with the Trustee and applied as provided in the Indenture. The Borrower hereby agrees that the proceeds of the Notes shall be applied solely in accordance with the Indenture.

The Borrower approves the terms of the Indenture and, to the extent applicable, agrees to be bound by such terms.

The Loan; Loan Repayments; Intercept; Additional Payments.

(a) <u>The Loan</u>. The Authority agrees, upon the terms and conditions specified in the Loan Agreement, to loan to the Borrower the proceeds received by the Authority from the sale of the Notes by causing such proceeds to be deposited with the Trustee for disposition as provided in the Indenture. The obligation of the Authority to make the Loan is limited solely to such sale proceeds of the Notes received by the Authority and shall be deemed fully discharged upon the deposit of the proceeds of the Notes with the Trustee pursuant to the Loan Agreement.

<u>Loan Repayments</u>. In consideration of the issuance of the Notes by the Authority and the loan of the proceeds thereof to the Borrower, the Borrower agrees that, on or before June 10, 2021, and as long as any of the Notes remain Outstanding, it shall pay to the Trustee for deposit in the Revenue Fund such amount as is required by the Trustee to make the transfers and deposits required on such date by the Indenture. Notwithstanding the foregoing, if five Business Days prior to any interest or principal payment date with respect to the Notes, the aggregate amount in the Revenue Fund is for any reason insufficient or unavailable to make the required payments of principal (or Redemption Price) of or interest on the Notes then becoming due (whether by maturity, redemption or acceleration), the Borrower shall forthwith pay the amount of any such deficiency to the Trustee. Each payment by the Borrower to the Trustee under the Loan Agreement (the "Loan

Repayments") shall be in lawful money of the United States of America and paid to the Trustee at its designated corporate trust office and held, invested, disbursed and applied as provided in the Indenture.

Intercept. Simultaneous with the execution and delivery of the Notes, the Borrower shall deliver an Intercept Direction to RCOE relating to the School. All deposits of moneys derived from the Intercept Direction under the Loan Agreement shall be made at the corporate trust office of the Trustee set forth in the Intercept Direction. The Borrower shall timely revise its Intercept Direction to require transfers to such other location as shall be designated in writing by the Trustee.

Additional Payments. In addition to the Loan Repayments, the Borrower shall also pay to the Authority or to the Trustee, as the case may be, "Additional Payments," as follows:

All taxes and assessments of any type or character charged to the Authority or to the Trustee affecting the amount available to the Authority or the Trustee from payments to be received hereunder or in any way arising due to the transactions contemplated by the Loan Agreement (including taxes and assessments assessed or levied by any public agency or governmental authority of whatsoever character having power to levy taxes or assessments) but excluding franchise taxes based upon the capital and/or income of the Trustee and taxes based upon or measured by the net income of the Trustee; provided, however, that the Borrower shall have the right to protest any such taxes or assessments and to require the Authority or the Trustee, at the Borrower's expense, to protest and contest any such taxes or assessments levied upon them and that the Borrower shall have the right to withhold payment of any such taxes or assessments pending disposition of any such protest or contest unless such withholding, protest or contest would adversely affect the rights or interests of the Authority or the Trustee;

All reasonable fees, charges and expenses of the Trustee for services rendered under the Indenture and all amounts referred to in the provisions of the Indenture summarized under the caption "—Compensation and Indemnification of Trustee" above, as and when the same become due and payable;

The reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Authority or the Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under the Loan Agreement, the other Borrower Documents or the Indenture;

The Authority Issuance Fee, the Authority Annual Fee and the reasonable fees and expenses of the Authority or any agent or attorney selected by the Authority to act on its behalf in connection with the Borrower Documents, the Notes or the Indenture, including, without limitation, any and all reasonable expenses incurred in connection with the authorization, issuance, sale and delivery of any such Notes or in connection with any litigation, investigation or other proceeding which may at any time be instituted involving the Loan Agreement, the Borrower Documents, the Notes or the Indenture or any of the other documents contemplated thereby, or in connection with the reasonable supervision or inspection of the Borrower, its properties, assets or operations or otherwise in connection with the administration of the Borrower Documents;

Any amounts due and payable by the Borrower as arbitrage rebate under Section 148 of the Code, pursuant to Borrower's covenants and agreements with respect thereto in the Indenture, the Loan Agreement and the Tax Certificate;

The amount necessary to replenish any fund established under the Indenture, but only to the extent then required under the Indenture.

Such Additional Payments shall be billed to the Borrower by the Authority or the Trustee from time to time, together with a statement certifying that the amount billed has been incurred or paid by the Authority or the Trustee for one or more of the above items. After such a demand, amounts so billed shall be paid by the Borrower within thirty (30) days after the date of invoice. Notwithstanding the foregoing, the Authority shall not be required to submit a bill to the Borrower for payment of the Authority Annual Fee or any amounts due with respect to arbitrage rebate under Section 148 of the Code, the calculation and payment for which is the responsibility of the Borrower.

The Authority Issuance Fee and the initial Authority Annual Fee shall be paid to the Authority by the Borrower on the Closing Date. Thereafter, the Authority Annual Fee shall be due and payable by the Borrower in advance on July 1 of each year commencing with the first such date following the Closing Date. Borrower's obligation to pay the Authority Issuance Fee and the Authority Annual Fee shall in no way limit amounts payable by the Borrower to the Authority under the Borrower Documents, including for the enforcement thereof.

Failure to Make Payments. In the event the Borrower shall fail to deposit, or fail to cause to be deposited, with the Trustee any Loan Repayments or Additional Payments as required by the provisions of the Loan Agreement summarized under the caption "—The Loan; Loan Repayments; Additional Payments" above, the Loan Repayments, Additional Payments or other payments required under the Loan Agreement not timely paid from such Gross Revenues shall continue as an obligation hereunder of the Borrower until the amount in default shall have been fully paid.

Obligations of Borrower Unconditional; Non-Recourse Obligations.

The Borrower shall pay to or upon the order of the Authority, at or before the time when payable by the Authority, all costs and liabilities incurred by the Authority, including without limitation fees and expenses of counsel to the Authority, in connection with the issuance of the Notes and the making of the Loan to the Borrower under the Loan Agreement, or otherwise as a result of the transactions contemplated by the Borrower Documents or the Indenture.

Subject to the provisions of the Loan Agreement, the obligation of the Borrower to make the payments as required in this section, and to perform and observe any and all of the other covenants and agreements on its part contained in the Loan Agreement, shall be absolute and unconditional irrespective of any defense or any rights of setoff, recoupment, or counterclaim which the Borrower may otherwise have against the Authority. No Borrower shall: (1) suspend, discontinue, or abate any payment required by this section (except as expressly provided herein); (2) fail to observe any of its other covenants or agreements in the Loan Agreement; or (3) terminate the Loan Agreement for any cause whatsoever (except as provided therein), including without limiting the generality of the foregoing, any declaration or finding that the Notes, the Indenture, or any portion of the Loan Agreement are invalid or unenforceable, and, any failure of the Authority to perform and observe any agreement, whether expressed or implied, or any duty, liability, or obligation, arising out of or in connection with the Loan Agreement or otherwise.

Notwithstanding anything in the Loan Agreement to the contrary, the liability of the Borrower under the Loan Agreement to any person or entity, including, but not limited to, the Trustee or the Authority and their respective successors and assigns, is limited to the Gross Revenues and the amounts held in the funds and accounts created under the Indenture or under the Loan Agreement, and such persons and entities shall look exclusively thereto, or to such other security as may from time to time be given for the payment of obligations arising out of the Loan Agreement or any other agreement securing the obligations of the Borrower with respect to the Loan or the Notes.

The Authority covenants that it shall not take recourse against the Borrower or any of its Affiliates with respect to the failure by the Borrower or any of its Affiliates to make any payment

under the Loan Agreement or the Notes except recourse to the Gross Revenues and the amounts held in the funds and accounts created under the Indenture or under the Loan Agreement, or to such other security as may from time to time be given for the payment of obligations arising out of the Loan Agreement or any other agreement securing the obligations of the Borrower with respect to the Loan or the Notes.

Costs of Issuance and Other Expenses. In addition to the payments required to be paid by the Borrower under the provisions of the Loan Agreement summarized under the caption "—The Loan; Loan Repayments; Intercept; Additional Payments" above, the Borrower agrees that it shall pay from the proceeds of the Notes or Gross Revenues or other legally available funds of the Borrower, all Costs of Issuance of the Notes. The Borrower agrees that it also shall pay all expenses incurred by it, including the expenses of its counsel. The Borrower shall also pay the costs of filing any financing statement(s) pursuant to the Loan Agreement.

The Borrower acknowledges that certain provisions of the Indenture set forth Administrative Fees and Expenses of the Trustee as the amount of compensation and reimbursement payable from funds held under the Indenture to the Trustee. In the event that the Trustee incurs fees and expenses in the course of performing its duties in excess of Administrative Fees and Expenses or in excess of the funds available for the payment thereof under the Indenture, the Borrower agrees to compensate and reimburse the Trustee from Gross Revenues or other funds of the Borrower, for Administrative Fees and Expenses and for any extraordinary fees and expenses, which compensation to the Trustee shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust.

The Borrower covenants and agrees to pay and indemnify the Authority and the Trustee against all reasonable and documented fees, costs and charges, including reasonable fees and expenses of attorneys, accountants, consultants and other experts, incurred in good faith (and with respect to the Trustee, without negligence) and arising out of or in connection with the Borrower Documents, the Notes or the Indenture. These obligations and those summarized under the caption "—Indemnification" below shall remain valid and in effect notwithstanding repayment of the Loan or the Notes or termination of the Loan Agreement or the Indenture or resignation or removal of the Trustee.

Indemnification. To the fullest extent permitted by law, the Borrower agrees to indemnify, hold harmless and defend the Authority, the Trustee, and each of their respective officers, members, directors, officials, employees, attorneys and agents (collectively, the "Indemnified Parties"), against any and all losses, damages, claims, actions, suits, liabilities, costs and expenses of any conceivable nature, kind or character (including, without limitation, reasonable attorneys' fees, litigation and court costs, amounts paid in settlement and amounts paid to discharge judgments) to which the Indemnified Parties, or any of them, may become subject under any statutory law (including federal or state securities laws) or at common law or otherwise, arising out of or based upon or in any way relating to:

(i) the Notes, the Indenture, or the Borrower Documents, or the execution or amendment hereof or thereof or in connection with transactions contemplated thereby, including the issuance, sale or resale of the Notes;

any act or omission of the Borrower or any of its agents, contractors, servants, employees or licensees in connection with the Loan, or the operations of the Borrower;

any lien or charge upon payments by the Borrower to the Authority or the Trustee, as the case may be, under the Loan Agreement, or any taxes (including, without limitation, all ad valorem taxes and sales taxes), assessments, impositions and other charges imposed on the Authority or the Trustee;

any violation of any Environmental Regulations with respect to, or the release of any Hazardous Substances by the Borrower;

any defeasance or redemption, in whole or in part, of the Notes;

any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact contained in any offering or disclosure document or disclosure or continuing disclosure document for the Notes or any of the documents relating to the Notes, or any omission or alleged omission from any offering or disclosure document or disclosure or continuing disclosure document for the Notes of any material fact necessary to be stated therein in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading, or any failure to timely file any continuing disclosure document in connection with the Notes required by any undertaking or by any applicable law, rule or regulation;

any declaration of taxability of interest on the Notes, or allegations that interest on the Notes is taxable or any regulatory audit or inquiry regarding whether interest on the Notes is taxable; or

the Trustee's acceptance or administration of the trust of the Indenture, or the exercise or performance of any of its powers or duties thereunder, under the Loan Agreement or under any of the documents relating to the Notes to which it is a party;

except (A) in the case of the foregoing indemnification of the Trustee or any of its respective officers, members, directors, officials, employees, attorneys and agents, to the extent such damages are caused by the negligence or willful misconduct of such Indemnified Party; or (B) in the case of the foregoing indemnification of the Authority or any of their officers, members, directors, officials, employees, attorneys and agents, to the extent such damages are caused by the willful misconduct of such Indemnified Party. In the event that any action or proceeding is brought against any Indemnified Party with respect to which indemnity may be sought under the Loan Agreement, the Borrower, upon written notice from the Indemnified Party, shall assume the investigation and defense thereof, including the employment of counsel selected by the Indemnified Party, and shall assume the payment of all expenses related thereto, with full power to litigate, compromise or settle the same in its sole discretion; provided that the Indemnified Party shall have the right to review and approve or disapprove any such compromise or settlement. Each Indemnified Party shall have the right to employ separate counsel in any such action or proceeding and participate in the investigation and defense thereof, and the Borrower shall pay the fees and expenses of such separate counsel; provided, however, that such Indemnified Party may only employ separate counsel at the expense of the Borrower if in the judgment of such Indemnified Party a conflict of interest exists by reason of common representation or if all parties commonly represented do not agree as to the action (or inaction) of counsel.

The rights of any persons to indemnity under the Loan Agreement and rights to payment of fees and reimbursement of expenses pursuant to the provisions of the Loan Agreement summarized under the captions "—The Loan; Loan Repayments; Intercept; Additional Payments" and "—Costs of Issuance and Other Expenses" above and this caption "—Indemnification" shall survive the final payment or defeasance of the Notes and in the case of the Trustee any resignation or removal. The provisions of the Loan Agreement summarized under this caption "—Indemnification" shall survive the termination of the Loan Agreement.

Gross Revenue Pledge.

(a) Subject only to the provisions of the Loan Agreement permitting the application thereof for the purposes and on the terms and conditions set forth in the Loan Agreement and the terms of the Intercreditor Agreement, the Borrower pledges, and to the extent permitted by law grants a security interest to the Trustee in, all of the Gross Revenues of the Borrower to secure the payment of Loan Repayments and the performance by the Borrower of its other obligations under the Loan Agreement. The Borrower shall execute and cause to be filed Uniform Commercial Code financing statements, shall execute and cause to be sent to the Trustee a notice of the security interest granted under the Loan Agreement and shall execute and deliver such other documents (including, but not limited to, control agreements and continuation statements) as may be necessary or reasonably requested by the Trustee in order to perfect or maintain as perfected such security interest or give

public notice thereof. Notwithstanding anything to the contrary contained in the Loan Agreement, neither the Trustee nor any other Person (other than the Borrower) shall be responsible for any initial filings of any financing statements or the information contained therein (including the exhibits thereto), the perfection or priority of any such security interests, or the accuracy or sufficiency of any description of collateral in such initial filings or for filing any modifications or amendments to the initial filings required by any amendments to Article 9 of the Uniform Commercial Code.

Additional Covenants and Agreements of Borrower

Inspection of Books.

(a) The Authority and the Trustee shall have the right, but not obligation, upon reasonable notice, during business hours, to examine and audit any and all of the Borrower's records or accounts pertaining to the Loan, the Indenture, the Intercept and the Loan Agreement.

Upon written notice to the Borrower delivered at least five Business Days in advance of an inquiry, the Borrower shall make its management personnel available for periodic inquiries from the Authority; provided that the Borrower shall not be obligated to incur any material out-of-pocket costs in connection with such meetings or inquiries.

Reports and Information. At the request of the Authority or the Trustee, their agents, employees or attorneys, the Borrower shall furnish to the Authority and the Trustee, such information as may be reasonably requested in writing from time to time relative to compliance by the Borrower with the provisions of the Loan Agreement, including, without limitation, the most recently prepared consolidated financial statements.

Notice. Promptly following obtaining knowledge of an Event of Default under the Borrower Document, the Borrower hereby agree to provide to the Trustee and to the Authority notice of such Event of Default (such notice to include a description of the nature of such event and what steps are being taken to remedy such Event of Default).

Reliance. The Borrower hereby recognizes and agrees that the representations and covenants set forth in the Loan Agreement may be relied upon by all Persons interested in the legality and validity of the Notes including, without limitation, the Trustee for the benefit of the Owners of the Notes. In performing its duties and obligations hereunder, the Trustee may rely upon statements and certificates of the Borrower believed in good faith to be genuine and upon audits of the books and records of the Borrower pertaining to the Loan. The Trustee, in its name or as assignee of the Authority, may, for and on behalf of the Noteholders, enforce all rights of the Authority which have been assigned to and are held by the Trustee and all obligations of the Borrower under and pursuant to the Loan Agreement, whether or not the Authority has pursued or attempted to enforce any of such rights and obligations. In addition, the Authority and the Trustee may consult with counsel, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Authority or the Trustee hereunder in good faith and in conformity with the opinion of such counsel. In determining whether any default or lack of compliance by the Borrower exists under the Loan Agreement, none of the Trustee or the Authority shall be required to conduct any investigation into or review of the operations or records of the Borrower and may rely solely upon any notice or certificate delivered to the Trustee by the Borrower with respect to the occurrence or absence of a default.

Prohibition on Liens. Except for any lien made in connection with the issuance of the Notes and already existing on the Closing Date, including in connection with the 2015 Bonds and the 2017 Bonds, and except as provided in the Intercreditor Agreement, the Borrower covenants and agrees that it will not create, assume or suffer to exist any lien upon the Gross Revenues.

Continuing Disclosure. The Borrower hereby covenants and agrees that it shall comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision

of the Loan Agreement or the Indenture, failure of the Borrower or the Dissemination Agent to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default under the Loan Agreement or under the Indenture.

Warranty of Truth. The Borrower covenants that no information, certificate, statement in writing or report required by the Loan Agreement, any other Borrower Documents or otherwise furnished by the Borrower to the Authority or the Trustee shall contain any untrue statement of a material fact or omit a material fact necessary to make such information, certificate, statement or report not misleading as it relates to the Borrower.

Prohibited Uses. No portion of the proceeds of the Notes shall be used to finance or refinance any program or any activity related to, or any facility, place or building to be used (1) primarily for sectarian instruction or study or as a place for devotional activities or religious worship or (2) by a person that is not a 501(c)(3) Organization or a Governmental Unit or by a 501(c)(3) Organization (including the Borrower) in an "unrelated trade or business" (as set forth in Section 513(a) of the Code), in such a manner or to such extent as would result in any of the Notes being treated as an obligation not described in Section 103(a) of the Code. The Borrower may not operate in any manner except in conjunction with a school under the Charter School Law.

Indenture Provisions. The execution and delivery of the Loan Agreement shall constitute conclusive evidence of approval of the Indenture by the Borrower. Whenever the Indenture by its terms imposes a duty or obligation upon the Borrower, such duty or obligation shall be binding upon the Borrower to the same extent as if the Borrower were an express party to the Indenture, and the Borrower shall carry out and perform all of its obligations under the Indenture as fully as if the Borrower was a party to the Indenture.

Defaults and Remedies

Events of Default. Any one of the following which occurs and continues shall constitute an Event of Default under the Loan Agreement:

(a) failure by the Borrower to pay or cause to be paid any interest on the Loan when due and payable, and such failure continues for five (5) calendar days or more; or

(b) failure by the Borrower to pay or cause to be paid principal of, or premium, if any, on the Loan; or

(c) failure by the Borrower to pay or cause to be paid when due any other amounts required to be paid under the Loan Agreement and continuation of such failure to pay for ten (10) Business Days following the giving of written notice thereof to the Borrower; or

(d) failure of the Borrower to observe and perform any covenant, condition or agreement on its part to be observed or performed under the Loan Agreement (other than failure by the Borrower to pay the amounts required to be paid under the Loan Agreement, and other than as provided in subparagraph (e) below) after the Borrower shall have been given 60 days' written notice specifying such default and requesting it be remedied, except that, if the failure is unable to be remedied within 60 days, such failure shall not be an Event of Default for so long as the Borrower diligently proceeds to remedy the default; or

(e) voluntary initiation by the Borrower of any proceeding under any federal or state law relating to bankruptcy, insolvency, arrangement, reorganization, readjustment of debt or any other form of debtor relief, or the initiation against the Borrower of any such proceeding that shall remain undismissed for 60 calendar days after service of notice of such initiation upon the Borrower, or failure by the Borrower to promptly have discharged any execution, garnishment or attachment of such consequence as would impair the ability of the Borrower to carry on its operations, or assignment by the Borrower for the benefit of creditors, or

the entry by the Borrower into an agreement of composition with creditors or the failure generally by the Borrower to pay its debts as they become due;

(f) occurrence and continuance of an "Event of Default" under the Indenture, provided, however, that an Event of Default under the Indenture arising solely from the actions or inactions of the Authority or the Trustee shall not be an Event of Default under the Loan Agreement; or

(g) any representation or warranty made in the Loan Agreement or any statement or representation made by the Borrower in any certificate, report, opinion, financial statement or other instrument furnished in connection with the Loan or any of the Borrower Documents proves to be false or misleading in any material respect when made.

Remedies.

(a) Upon the occurrence of an Event of Default pursuant to the provisions of the Loan Agreement summarized under the caption "—Events of Default" above and at any time thereafter during the continuance of such Event of Default, the Trustee may take one or more or any combination of the following remedial steps:

By written notice to the Borrower, declare the unpaid indebtedness on the Notes and all amounts then due and payable hereunder, whether by acceleration of maturity or otherwise, to be immediately due and payable, whereupon the same shall become immediately due and payable; and

Take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under the Loan Agreement, or to enforce performance and observance of any obligation, agreement or covenant of the Borrower under the Loan Agreement, the Notes or any other Borrower Document.

Any amounts collected pursuant to action taken by the Trustee under this paragraph (a) shall be applied in accordance with provisions of the Indenture. Notwithstanding anything in the Loan Agreement to the contrary, the indebtedness of the Borrower under the Loan Agreement may be separately and independently accelerated with or without an acceleration of the Notes.

(b) If the Trustee shall have proceeded to enforce the rights of the Authority under the Loan Agreement and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Authority, then the Borrower, the Trustee and the Authority shall be restored respectively to their several positions and rights hereunder, and all rights, remedies and powers of the Borrower, the Authority and the Trustee shall continue as though no such proceedings had taken place.

(c) Subject to the terms of the Intercreditor Agreement, upon the occurrence of an Event of Default pursuant to the provisions of the Loan Agreement summarized under the caption "—Events of Default" above and at any time thereafter during the continuance of such Event of Default, the Borrower shall enter into and maintain a depository account control agreement, for the benefit of the Trustee, among the Borrower, the Trustee and each depository bank at which the Borrower maintains accounts in which Gross Revenues are deposited, and the Borrower shall cause all Gross Revenues of the Borrower to be deposited in such accounts.

Additional Remedies. In addition to the above remedies, if an Event of Default occurs under the Loan Agreement, the Authority and the Trustee shall have the right and remedy, without posting bond or other security, to have the provisions of the Loan Agreement specifically enforced by any court having equity jurisdiction, it being acknowledged and agreed that any such breach will cause irreparable injury to the Trustee or the Authority and that money damages will not provide an adequate remedy thereto.

No Remedy Exclusive. No remedy in the Loan Agreement conferred upon or reserved to the Authority is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Loan Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Trustee or the Authority to exercise any remedy reserved to it as set forth in the caption "—Defaults and Remedies" it shall not be necessary to give notice, other than such notice as may be required therein. Such rights and remedies as are given the Authority under the Loan Agreement shall also extend to Trustee on behalf of the Holders of the Notes, who shall be entitled to the benefit of all covenants and agreements therein contained.

No Additional Waiver Implied by One Waiver. In the event any agreement or covenant contained in the Loan Agreement should be breached by the Borrower and thereafter waived by the Authority or the Trustee, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach under the Loan Agreement.

Agreement to Pay Fees and Expenses Upon Default. In the event the Borrower is in default under any provision of the Loan Agreement or causes an event of default under the other Borrower Documents, the Borrower shall be liable to, and upon demand shall pay to, the Trustee all reasonable fees and disbursements of such Persons and its agents (including attorneys' fees and expenses) that are reasonably connected therewith or incidental thereto, except with respect to the Trustee, and such payment obligation shall be reduced to the extent such fees and disbursements are paid to the Trustee from money available therefor under the Indenture.

Prepayment

Prepayment of the Loan.

(a) *General*. As further described below, the Borrower shall have the right, so long as all amounts which have become due hereunder have been paid, at any time or from time to time to prepay all or any part of its Loan Repayments and the Authority agrees that the Trustee shall accept such prepayments when the same are tendered. Prepayments may be made by payments of cash or surrender of Notes. All such prepayments (and the additional payment of any amount necessary to pay the applicable redemption price, if any, payable upon the redemption of Notes) shall be deposited upon receipt in the applicable account of the Redemption Fund and, at the request of and as determined by the Borrower, credited against payments due hereunder or used for the redemption of Outstanding Notes in the manner and subject to the terms and conditions set forth in the Indenture. The Borrower also shall have the right to surrender Notes acquired by it in any manner whatsoever to the Trustee for cancellation, and such Notes, upon such surrender and cancellation, shall be deemed to be paid and retired. Notwithstanding any such prepayment or surrender of Notes, as long as any Notes remain Outstanding or any Additional Payments required to be made under the Loan Agreement remain unpaid, the Borrower shall not be relieved of its obligations hereunder.

Prepayment in Whole or in Part. The Loan may be prepaid in whole or in part at any time by delivering to the Trustee amounts sufficient to defease a like principal amount of Notes to the special redemption date pursuant to the Indenture or the Principal Payment Date pursuant to the Indenture.

Prepayment in Whole or in Part from Amounts Deposited with Trustee in connection with School Charter Revocation. The Loan may be prepaid in whole or in part at any time in connection with the redemption of the Notes pursuant to the Indenture.

Redemption of Notes Upon Prepayment. Upon prepayment of the Loan as provided in the Loan Agreement, the Trustee shall do any of the following, as applicable: (1) call all or part of the Notes for

redemption, as required by the Indenture in the respective amounts set forth in the applicable paragraph of the Indenture and (2) provide for the defeasance of Notes pursuant to the Indenture.

Amount of Prepayment. In the event of any prepayment pursuant to the Loan Agreement, the amount of the Loan deemed to be prepaid shall be equal to the principal amount of Notes defeased or redeemed as described in the Indenture. In the case of prepayment of the Loan in full, the Borrower shall pay to the Trustee an amount sufficient, together with other funds held by the Trustee and available for such purpose, to pay all reasonable and necessary fees and expenses (including attorneys' fees) of the Authority, the Trustee and any paying agent accrued and to accrue through final payment of the Notes and all other liabilities of the Borrower accrued and to accrue under the Loan Agreement and shall pay to the Authority an amount required by the Loan Agreement. In the case of partial prepayment of the Loan, the Borrower shall pay or cause to be paid to the Trustee an amount sufficient, together with other funds held by the Trustee and available for such purpose, to pay expenses of redemption of the Notes to be redeemed upon such prepayment.

The Borrower agrees that it will not prepay the Loan or any part thereof, except in amounts sufficient to redeem Notes in Authorized Denominations.

Miscellaneous

Amendments; Modifications in Writing. Except as otherwise provided in the Loan Agreement or the Indenture, subsequent to the initial issuance of Notes and prior to their payment in full, or provision for such payment having been made as provided in the Indenture, the Loan Agreement may be effectively amended, changed, modified, altered or terminated only as permitted under the Indenture, by written instrument executed by the parties hereto. The Authority agrees that it will not consent to an amendment of the Indenture without the approval of the Borrower.

Non-Liability of Authority. The Authority shall not be obligated to pay the principal (or redemption price) of or interest on the Notes, except from certain Payments and other moneys and assets received by the Trustee pursuant to the Loan Agreement. Neither the faith and credit nor the taxing power of the State or any political subdivision thereof, nor the faith and credit of the Authority or any member is pledged to the payment of the principal (or redemption price) or interest on the Notes. Neither the Authority nor its members, officers, directors, agents or employees or their successors and assigns shall be liable for any costs, expenses, losses, damages, claims or actions, of any conceivable kind on any conceivable theory, under, by reason of or in connection with the Loan Agreement, the Notes or the Indenture, except only to the extent amounts are received for the payment thereof from the Borrower under the Loan Agreement.

The Borrower acknowledges that the Authority's sole source of moneys to repay the Notes will be provided by the payments made by the Borrower to the Trustee pursuant to the Loan Agreement, together with other amounts received by the Trustee pursuant to the Indenture and investment income on certain funds and accounts held by the Trustee under the Indenture, and agrees that if such amounts shall ever prove insufficient to pay all principal (or redemption price) and interest on the Notes as the same shall become due (whether by maturity, redemption, acceleration or otherwise), then upon notice from the Trustee, the Borrower shall pay such amounts as are required from time to time to prevent any deficiency or default in the payment of such principal (or redemption price) or interest, including, but not limited to, any deficiency caused by acts, omissions, nonfeasance or malfeasance on the part of the Trustee, the Borrower, the Authority or any third party, subject to any right of reimbursement from the Trustee, the Authority or any such third party, as the case may be, therefor but solely, in the case of the Authority, from the Payments, other than with respect to any deficiency caused by the willful misconduct of the Authority.

Waiver of Personal Liability. No director, member, officer, agent or employee of the Authority or any director, officer, agent or employee of the Borrower shall be individually or personally liable for the payment of any principal (or redemption price) or interest on the Notes or any other sum under the Loan Agreement or be subject to any personal liability or accountability by reason of the execution and delivery of the Loan

Agreement, but nothing therein contained shall relieve any such member, director, officer, agent or employee from the performance of any official duty provided by law or by the Loan Agreement.

APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement"), dated as of June 1, 2020, is executed and delivered by and between River Springs Charter School, Inc., a California nonprofit public benefit corporation (the "Borrower"), and U.S. Bank National Association, as dissemination agent (the "Dissemination Agent") in connection with the issuance by the California Municipal Finance Authority (the "Authority") of its Revenue Anticipation Notes (River Springs Charter School) Series 2020 (the "Notes"). The Notes are being issued pursuant to an Indenture dated as of June 1, 2020 (the "Indenture") by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee"). The proceeds of the Notes are being loaned by the Authority to the Borrower pursuant to a Loan Agreement dated as of June 1, 2020 (the "Loan Agreement"). Pursuant to the Loan Agreement, the Borrower has covenanted and agreed to provide the timely notices of the occurrence of certain events.

Section 1. Purpose of Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Borrower for the benefit of the Registered Owners of the Notes (for such purpose beneficial owners of the Notes shall also be considered Registered Owners of the Notes) and to assist Stifel, Nicolaus & Company, Incorporated (the "Participating Underwriter") in marketing the Notes.

Section 2. Defined Terms. In addition to the definitions set forth in the Indenture or the Loan Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined herein, the following capitalized terms shall have the following meanings:

"Authority" means the California Municipal Finance Authority, its successors and assigns.

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

"Borrower" means River Springs Charter School, Inc., a California nonprofit public benefit corporation.

"Disclosure Representative" shall mean the Executive Director or Associate Director or such other officer, agent or employee as the Borrower shall designate in writing to the Dissemination Agent from time to time.

"Dissemination Agent" means U.S. Bank National Association, as dissemination agent under this Disclosure Agreement, its successors and assigns.

"EMMA" means the Electronic Municipal Market Access system operated by the MSRB and the primary portal for complying with the continuing disclosure requirements of the Rule.

"Events Notices" means the notices required to be given by the Borrower pursuant to Section 3 of this Disclosure Agreement.

"Financial Obligation" means: (a) a debt obligation; (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b). The term "Financial Obligation" does not include municipal securities as to which a final official statement has been provided to the Repository consistent with the Rule.

"Fiscal Year" means the twelve month accounting period used with respect to the operations of the Borrower ending June 30 of each year; provided, however, the Borrower, by resolution duly passed, may change such accounting period to end on another date if such change is found and determined to be necessary or appropriate for budgetary or other fiscal purposes.

"Limited Offering Memorandum" means the Limited Offering Memorandum dated as of _____ __, 2020, relating to the Notes.

"MSRB" means the Municipal Securities Rulemaking Board, located at 1300 I Street NW, Suite 1000, Washington, DC 20005, its successors and assigns.

"Indenture" means the Indenture, dated as of June 1, 2020, between the Authority and the Trustee.

"Notes" means the Authority's Revenue Anticipation Notes (River Springs Charter School) Series 2020.

"Participating Underwriter" means Stifel, Nicolaus & Company, Incorporated, as original purchaser of the Notes, its successors and assigns.

"Repository" means EMMA.

"Rule" means SEC Rule 15c2-12(b)(5) promulgated by the SEC under the Securities Exchange Act of 1934, as amended or supplemented by the SEC from time to time.

"School" means River Springs Charter School.

"SEC" means the Securities and Exchange Commission, its successors and assigns.

"Trustee" means U.S. Bank National Association, its successors and assigns.

Section 3. Provision of Monthly Reports.

(a) On or before ten (10) business days after the end of each month, the Borrower shall provide to EMMA, or shall cause the Dissemination Agent to provide to EMMA:

(i) enrollment and average daily attendance of each School as of the last day of such month; and

(ii) the amounts deposited to the Revenue Fund pursuant to the Intercept during such month.

(b) As soon as is practicable after the completion of any of the disclosure reports required by paragraph (a) (collectively referred to as the "Monthly Reports"), the Borrower shall provide the Dissemination Agent and the Participating Underwriter with a copy (which may be by electronic transfer) of each Monthly Report as requested. The Dissemination Agent shall, at the Borrwer's cost, transmit the information contained in the Monthly Reports to the Authority, at its request. The Dissemination Agent shall have no duty regarding such information other than to retain any such information that it receives and to transmit same in accordance with the Disclosure Agreement.

(c) If the Borrower does not provide to the Dissemination Agent a copy of a Monthly Report by the applicable date required in Section 3(a) above, the Dissemination Agent shall, in a timely manner, send a notice to the Borrower, EMMA, and the Participating Underwriter, in substantially the form attached as EXHIBIT A. In the event that the Borrower files the Monthly Reports directly with EMMA on or before the

dates required in Section 3(a) above, the Borrower shall promptly provide the Dissemination Agent with a certification, or other documentation reasonably required by the Dissemination Agent, that the filing of the Monthly Report was made in a timely manner on or before the date required herein and such filing contained the information required by this Disclosure Agreement.

Section 4. Provision of Quarterly Reports.

(a) On or before sixty (60) days after the end of each of the Borrower's fiscal quarter, commencing with the fiscal quarter ending June 30, 2020, the Borrower shall provide to EMMA, or shall cause the Dissemination Agent to provide to EMMA:

(i) year-to-date balance sheet of the Borrower, as of the last day of such fiscal quarter, in the form set forth in the Limited Offering Memorandum; and

(ii) year-to-date statement of revenues and expenditures, as of the last day of such fiscal quarter, in the form set forth in the Limited Offering memorandum.

(b) As soon as is practicable after the completion of any of the disclosure reports required by paragraph (a) (collectively referred to as the "Quarterly Reports"), the Borrower shall provide the Dissemination Agent and the Participating Underwriter with a copy (which may be by electronic transfer) of each Quarterly Report as requested. The Dissemination Agent shall, at the Borrower's cost, transmit the information contained in the Quarterly Reports to the Authority, at its request. The Dissemination Agent shall have no duty regarding such information other than to retain any such information that it receives and to transmit same in accordance with the Disclosure Agreement.

(c) If the Borrower does not provide to the Dissemination Agent a copy of a Quarterly Report by the applicable date required in Section 4(a) above, the Dissemination Agent shall, in a timely manner, send a notice to the Borrower, EMMA, and the Participating Underwriter, in substantially the form attached as EXHIBIT A. In the event that the Borrower files the Quarterly Reports directly with EMMA on or before the dates required in Section 4(a) above, the Borrower shall promptly provide the Dissemination Agent with a certification, or other documentation reasonably required by the Dissemination Agent, that the filing of the Quarterly Report was made in a timely manner on or before the date required herein and such filing contained the information required by this Disclosure Agreement.

Section 5. Reporting of Listed Events.

(a) Pursuant to the provisions of this Section 5, the Borrower shall give, or cause to be given, notice of the occurrence of any of the following events with respect to Notes, if material:

(i) non-payment related defaults;

(ii) modifications to rights of Note holders;

(iii) optional, unscheduled or contingent Note calls;

(iv) unless described in Section 3(b)(vii) below, other material notices or determinations with respect to the tax exempt status of Notes or other events affecting the tax exempt status of Notes;

(v) release, substitution or sale of property securing repayment of Notes;

(vi) the consummation of a merger, consolidation or acquisition involving the Borrower or the sale of all or substantially all of the assets of the Borrower (other than in the ordinary course of

business) or 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 in accordance with its terms;

(vii) appointment of a successor or additional trustee or change in name of a trustee; or

(viii) incurrence of a Financial Obligation of the Borrower or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Borrower, any of which affect security holders.

(b) Pursuant to the provisions of this Section 5, the Borrower shall give, or cause to be given, notice of the occurrence of any of the following events with respect to Notes:

(i) principal and interest payment delinquencies;

(ii) defeasances;

(iii) rating changes;

(iv) unscheduled draws on debt service reserves reflecting financial difficulties;

(v) unscheduled draws on any credit enhancements reflecting financial difficulties;

(vi) substitution of credit or liquidity providers, or their failure to perform;

(vii) adverse tax opinions affecting the tax exempt status of Notes, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701-TEB);

(viii) tender offers;

(ix) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Borrower, any of which reflect financial difficulties; and

(x) bankruptcy, insolvency, receivership or a similar proceeding by the Borrower.

For purposes of the event identified in clause (ix) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Borrower in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court of governmental authority has assumed jurisdiction over substantially all of the assets or business of the Borrower, 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 Borrower.

(c) Upon the occurrence of a Listed Event specified in Section 5(a), the Borrower shall as soon as possible determine if such event would be material. The Dissemination Agent shall have no responsibility for such determination.

(d) If the Borrower has determined that the occurrence of a Listed Event specified in Section 5(a) would be material, or upon the occurrence of a Listed Event specified in Section 5(b), the Borrower shall notify the Dissemination Agent in writing within three business days of the occurrence of such event in a

format suitable for filing with the MSRB, with instructions to the Dissemination Agent to file a notice of the occurrence of such Listed Event pursuant to subsection (e).

(e) If the Dissemination Agent has been instructed in writing by the Borrower to report the occurrence of a Listed Event and has received a notice of the occurrence in a format suitable for filing with the MSRB, the Dissemination Agent shall file such notice with the MSRB with a copy to the Participating Underwriter in a timely manner not in excess of ten business days after the occurrence of the event.

(f) The Borrower shall interpret the events identified in subsections (a)(viii) and (b)(ix) in accordance with Release No. 34-83885 adopted by the Securities and Exchange Commission on August 20, 2018 and or any future guidance or releases provided by the Securities and Exchange Commission.

Section 6. Use of EMMA. Any filings required to be made with or notices to be given to the MSRB under this Disclosure Agreement shall be effected by sending the filing or notice to EMMA at www.emma.msrb.org in an electronic format accompanied by identifying information as prescribed by the MSRB, or to such other entity and in such other format as may be designated under the Rule. The Dissemination Agent agrees to comply with the provisions of EMMA in making such filings and giving such notices under this Disclosure Agreement.

Section 7. Termination of Reporting Obligation. The obligations of the Borrower and the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption, prepayment or payment in full of all of the Notes. If such termination occurs prior to the final maturity of Notes, the Borrower shall give notice of such termination in the same manner as for a Listed Event under Section 5(d) hereof.

Section 8. Dissemination Agent. The Borrower may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out their obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice prepared by the Borrower pursuant to this Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the Borrower shall be the Dissemination Agent. The initial Dissemination Agent shall be U.S. Bank National Association. The Dissemination Agent may resign its duties under this Disclosure Agreement upon 60 days prior written notice to the Borrower.

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

(a) If the amendment or waiver relates to the provisions of Section 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 Notes, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original execution and delivery of the Notes, 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 the Holders of Notes in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel or another party unaffiliated with the Borrower, materially impair the interests of the Holders or Beneficial Owners of Notes.

If the amendment relates to the accounting principles to be followed in preparing financial statements, notice of such change shall be given in the same manner as for a Listed Event under Section 5(d).

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

Section 11. Default. In the event of a failure of the Borrower or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Dissemination Agent (at the written direction of the Holders of not less than 25% in aggregate principal amount of Notes then outstanding and upon being indemnified to its satisfaction therefor, shall, or the Participating Underwriter or any Holder of Notes may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Borrower or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an event of default under Notes, the Indenture, or the Loan Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the Borrower or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance. The Dissemination Agent shall not be required to take any action whatsoever to cause the Borrower to comply with its obligations under this Dissemination Agreement.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and no implied covenants or obligations of the Dissemination Agent shall arise in this Disclosure Agreement. The Borrower agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, fees, expenses and liabilities which it may incur arising out of the disclosure of information pursuant to this Disclosure Agreement or arising out of or in the exercise or performance of their 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, as the case may be. The obligations of the Borrower under this Section shall survive resignation or removal of the Dissemination Agent, termination of this Disclosure Agreement and payment of Notes. The Dissemination Agent shall have no liability for the Borrower's failure to report any event as to which the Borrower has not provided an information report in format suitable for filing with the MSRB. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in a fiduciary capacity. The obligations of the Borrower under this Section shall survive resignation of the Dissemination Agent or the termination of this Dissemination Agreement. In the absence of bad faith on its part, the Dissemination 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 Dissemination Agent by the Disclosure Representative and conforming to the requirements of this Disclosure Agreement. In the case of any description of any Listed Events, or any opinions which by any provision hereof are specifically required to be furnished to the Dissemination Agent, the Dissemination Agent shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Disclosure Agreement, but shall be under no duty to verify independently or investigate the accuracy or completeness of any information contained therein or the correctness of any opinion furnished hereunder. No provision of this Disclosure Agreement shall require the Dissemination 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. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, or other paper or document believed by it to be genuine and to have been signed or presented by the Disclosure

Representative. The Dissemination Agent may consult with counsel of its choice and the written advice of such counsel or any opinion of counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon, it being understood that for purposes of this provision, that such counsel may be counsel to the Borrower. The Borrower shall not be liable for the fees and expenses of any such counsel consulted by the Dissemination Agent without the prior consent of the Borrower. The Dissemination Agent shall not be bound to make any investigation into the facts or matters stated in the description of a Listed Event.

Section 13. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the Borrower:

River Springs Charter School
Attn: Assistant Superintendent, Business
43466 Business Park Drive
Temecula, California 92590

To Dissemination Agent:

U.S. Bank National Association
633 West Fifth Street, 24th Floor
Los Angeles, California 90071

A copy of each notice shall be sent to the Participating Underwriter as follows:

Stifel, Nicolaus & Company, Incorporated
Attn: John Kim
515 S. Figueroa Street, Suite 1800
Los Angeles, California 90071

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 14. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Borrower, the Dissemination Agent, the Participating Underwriter, and Holders and Beneficial Owners from time to time of Notes, and shall create no rights in any other person or entity.

Section 15. Fees and Expenses. Except to the extent limited by Section 11 hereof, the Dissemination Agent shall be entitled to payment and reimbursement from the Borrower for its services rendered hereunder and all rightful advances and other expenses reasonably made or incurred by the Dissemination Agent.

Section 16. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one instrument.

Section 17. Choice of Law. This Disclosure Agreement shall be governed by and construed in accordance with the laws of the State of California, provided that to the extent this Disclosure Agreement addresses matters of federal securities laws, including the Rule, this Disclosure Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

Section 18. Severability. If any portion of this Disclosure Agreement shall be held invalid or inoperative, then, so far as is reasonable and possible (i) the remainder of this Disclosure Agreement shall be considered valid and operative, and (ii) effect shall be given to the intent manifested by the portion held invalid or inoperative.

Section 19. Other Instruments. The Borrower and the Dissemination Agent covenant and agree that they will execute such other and further instruments and documents as are or may become necessary or convenient to effectuate and carry out this Disclosure Agreement.

Section 20. Captions, Titles, and Headings. The captions, titles, and headings used in this Disclosure Agreement are for convenience only and shall not be construed in interpreting this Disclosure Agreement.

Section 21. Entire Agreement. This Disclosure Agreement contains the entire understanding among the parties and supersedes any prior understandings or written or oral agreements between them respecting the subject matter of this Disclosure Agreement.

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IN WITNESS WHEREOF, the undersigned have duly authorized, executed and delivered this Continuing Disclosure Agreement as of the date first written above.

RIVER SPRINGS CHARTER SCHOOL, INC., a California nonprofit public benefit corporation, as Borrower

By: _____
Kathleen Hermsmeyer
Superintendent

U.S. BANK NATIONAL ASSOCIATION, as Dissemination Agent

By: _____
Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE MONTHLY OR QUARTERLY REPORT

Name of Issuer:	California Municipal Finance Authority
Name of Bond Issue:	California Municipal Finance Authority Revenue Anticipation Notes (River Springs Charter School) Series 2020
Dissemination Agent:	U.S. Bank National Association
Name of Borrower:	River Springs Charter School, Inc.
Date of Issuance:	_____ __, 2020

NOTICE IS HEREBY GIVEN that the Borrower has not provided a [Monthly Report][Quarterly Report] with respect to the above-named Notes as required by the Continuing Disclosure Agreement, dated as of _____ 1, 2020, between the undersigned Dissemination Agent and the Borrower. The Borrower anticipates that the [Monthly Report] [Quarterly Report] will be filed by _____.

Dated: _____

U.S. BANK NATIONAL ASSOCIATION,
as Dissemination Agent

cc: Stifel, Nicolaus & Company, Incorporated

APPENDIX F

BOOK-ENTRY SYSTEM

The Depository Trust Company ("DTC"), will act as securities depository for the Notes. The Notes 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 Note certificate will be issued for each maturity of each Series of Notes, each in the aggregate principal amount of that maturity of Notes, and will be deposited with DTC. If, however, the aggregate principal amount of any series and 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 series and maturity.

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 3.6 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.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("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 Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes 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 Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes 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.

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 Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Notes 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority 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 Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, 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 the Authority or the Trustee, 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.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Note certificates are required to be printed and delivered.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Borrower believes to be reliable, but neither the Authority nor the Borrower take responsibility for the accuracy thereof.

APPENDIX G

FORM OF OPINION OF NOTE COUNSEL

[Closing Date]

California Municipal Finance Authority
Carlsbad, California

$_____
CALIFORNIA MUNICIPAL FINANCE AUTHORITY
REVENUE ANTICIPATION NOTES
(RIVER SPRINGS CHARTER SCHOOL)
SERIES 2020

Ladies and Gentlemen:

We have examined a certified copy of the record of proceedings relating to the issuance by the California Municipal Finance Authority (the "Authority") of California Municipal Finance Authority Revenue Anticipation Notes (River Springs Charter School) Series 2020 (the "Notes"). The Notes are issued pursuant to an indenture, dated as of _____ 1, 2020 (the "Indenture"), by and between the Authority and Wilmington Trust, National Association, as trustee (the "Trustee"), and a resolution duly adopted by the Authority on _____ __, 2020. The Indenture provides that the Notes are issued for the purpose of making a loan of the proceeds thereof to River Springs Charter School, Inc., a California nonprofit public benefit corporation (the "Borrower"), pursuant to a Loan Agreement, dated as of _____ 1, 2020 (the "Loan Agreement"), by and between the Authority and the Borrower. Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Indenture.

In our capacity as Note Counsel, we have examined originals or copies certified or otherwise identified to our satisfaction as being true copies of the (i) Indenture, (ii) the Loan Agreement, (iii) the Tax Certificate, dated the date hereof, (iv) the Limited Offering Memorandum, dated as of _____ __, 2020 (the "Limited Offering Memorandum"), (v) the Note Purchase Agreement concerning the Notes, dated _____ __, 2020, (the "Purchase Agreement"), by and between the Authority, the Borrower and Stifel, Nicolaus & Company, Incorporated, as underwriter (the "Underwriter"), (vi) letters, certificates and opinions of counsel to the Authority, the Borrower, the Trustee and others delivered pursuant to Section 4 of the Purchase Agreement, and (vii) such other laws, documents, certifications, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

We have relied on the opinion of Linda Rhoads Parks, Esq., counsel to the Borrower, regarding, among other matters, the status of the Borrower as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). We note that such opinion is subject to a number of qualifications and limitations. Neither Note Counsel nor counsel to the Borrower can give or has given any opinion or assurance about the future activities of the Borrower, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the resulting changes in enforcement thereof by the Internal Revenue Service ("IRS"). Failure of the Borrower to be organized and operated in accordance with the Internal Revenue Service's requirements for the maintenance of its status as an organization described in Section 501(c)(3) of the Code may result in interest on the Notes being included in gross income for federal income tax purposes, possibly from the date of issuance of the Notes, or could otherwise adversely affect the federal income tax status of the Notes.

We have assumed, but have not independently verified, that the signatures on all documents, letters, opinions and certificates which we have examined (whether originals or copies) are genuine, that all

documents submitted to us are authentic and were duly and properly executed by the parties thereto and that all representations made in the documents that we have reviewed and all legal conclusions contained in the opinions referred to in the preceding paragraph are true and accurate. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Loan Agreement, the Tax Certificate and the Purchase Agreement, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest (and original issue discount) on the Notes to be included in gross income for federal income tax purposes.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof we are of the opinion that:

1. The Notes have been duly authorized, executed and issued.

2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Authority. The Indenture creates a valid pledge to secure the payment of the principal of, premium, if any, and interest on the Notes, of the Payments and any other amounts (excluding proceeds of the sale of the Notes) held by the Trustee in the funds and accounts established pursuant to the Indenture (except the Rebate Fund and the Administrative Fees Fund), subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. The Indenture also creates a valid assignment to the Trustee, for the benefit of the holders from time to time of the Notes, of the right, title and interest of the Authority in the Loan Agreement (to the extent more particularly described in the Indenture).

3. The Notes are valid and binding limited obligations of the Authority, payable solely from the Payments and other assets pledged and assigned therefor under the Indenture and are not a lien or charge upon the funds or property of the Authority except to the extent of the aforementioned pledge and assignment. The Notes shall never constitute the debt or indebtedness of the Authority within the meaning of any provision or limitation of the Constitution of the State of California, and shall not constitute nor give rise to a pecuniary liability of the Authority or a charge against its general credit or taxing powers.

4. The Loan Agreement has been duly authorized, executed and delivered by, and constitutes the valid and binding agreement of, the Authority.

5. Under existing statutes, regulations, rulings and judicial decisions, assuming the accuracy of certain representations and compliance by the Authority and the Borrower with certain covenants of the Indenture, the Loan Agreement, the Tax Certificate and other documents pertaining to the Notes and certain requirements of the Code, regarding the organization and operation of the Borrower, the use, expenditure and investment of Note proceeds and the timely payment of certain investment earnings to the United States Treasury, interest on the Notes is excluded from gross income of the owners of the Notes for purposes of federal income taxation. The amount treated as interest on the Notes and excluded from gross income for federal income tax purposes will depend upon the taxpayer's election under IRS Notice 94-84, 1994-2 C.B. 559. Furthermore, interest on the Notes is exempt from State of California personal income tax. We can give no opinion or assurance about the future activities of the Borrower, or about the effect of future changes in the Code, the applicable regulations, the interpretations thereof or the resulting changes in enforcement thereof by the Internal Revenue Service. Failure to comply with the covenants and requirements described above or failure of the Borrower to be organized and operated in accordance with the Internal Revenue Service's requirements for the maintenance of status as an organization described in Section 501(c)(3) of the Code may cause interest on the Notes to be includable in gross income for federal income tax purposes retroactively to the date of issuance of the Notes.

6. Interest on the Notes is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals.

We express no opinion regarding other federal or state income tax consequences caused by ownership of, or the receipt of interest on, the Notes.

The foregoing opinions relate to the matters described herein only as of the date hereof. Certain requirements and procedures contained or referred to in the Indenture or other relevant documents relating to the Notes may be changed, and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with an approving opinion of counsel nationally recognized in the area of tax-exempt obligations. We express no opinion as to the effect on the exclusion of interest on the Notes from gross income of the owners of the Notes for federal income tax purposes with respect to any such change.

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Notes has concluded with their issuance, and we disclaim any obligation to update this letter. We call attention to the fact that the rights and obligations under the Indenture, the Loan Agreement, the Tax Certificate and the Notes and their enforceability may be subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the foregoing documents nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or subject to the lien of the Indenture or the Loan Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Finally, we undertake no responsibility herein for the accuracy, completeness or fairness of the Limited Offering Memorandum or other offering material relating to the Notes and express no opinion with respect thereto.

Respectfully submitted,

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APPENDIX H

FORM OF INVESTOR LETTER

California Municipal Finance Authority U.S. Bank National Association

Stifel Nicolaus & Company, Incorporated

Re: $_____ California Municipal Finance Authority Revenue Anticipation Notes (River Springs Charter School) Series 2020

Ladies and Gentlemen:

The undersigned (the "Purchaser") hereby acknowledges that it is purchasing $_____ aggregate principal amount of California Municipal Finance Authority (the "Authority") Revenue Anticipation Notes (River Springs Charter School) Series 2020 (the "Notes") issued pursuant to an indenture, dated as of _____ 1, 2020 (the "Indenture"), between the Authority and U.S. Bank National Association (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

This letter is being provided pursuant to a Note Purchase Agreement, dated _____ __, 2020 (the "Purchase Agreement"), among the Authority, River Springs Charter School, Inc., a California nonprofit public benefit corporation (the "Borrower"), and Stifel Nicolaus & Company, Incorporated

The undersigned acknowledges that the Notes are being delivered for the purpose of financing working capital (the "Project") for the Borrower; and (ii) pay certain expenses incurred in connection with the issuance of the Notes, as more particularly described in the Loan Agreement, dated as of _____ 1, 2020 (the "Loan Agreement"), by and between the Authority and the Borrower. The Notes and the interest thereon are payable solely out of certain revenues and income received by the Authority or the Trustee pursuant to the Loan Agreement. The Indenture and the Loan Agreement are referred to herein as the "Note Documents."

The Purchaser does hereby certify, represent and warrant for the benefit of the Authority and the Trustee that:

(a) The Purchaser is an "Approved Buyer."

(b) The Purchaser has sufficient knowledge and experience in financial and business matters, including the purchase and ownership of tax-exempt obligations and is capable of evaluating the merits and risks of its investment in the Notes. The Purchaser is able to bear the economic risk of, and an entire loss of, an investment in the Notes.

(c) The Purchaser is acquiring the Notes solely for its own account for investment purposes, and does not presently intend to make a public distribution of, or to resell or transfer, all or any part of the Notes.

(d) The Purchaser understands that the Notes have not been registered under the Securities Act of 1933 or under any state securities laws. The Purchaser agrees that it will comply with any applicable state and federal securities laws then in effect with respect to any disposition of the Notes by it, and further acknowledges that any current exemption from registration of the Notes does not affect or diminish such requirements.

(e) The Purchaser is familiar with the conditions, financial and otherwise, of the Borrower. Further, the Purchaser understands that the Notes involve a high degree of risk. Specifically, and without in any manner limiting the foregoing, the Purchaser understands and acknowledges that, among other risks, the Notes are payable solely from the Payments. The Purchaser has been provided an opportunity to ask questions of, and the Purchaser has received answers from, representatives of the Borrower and the Trustee regarding the terms and conditions of the Notes. The Purchaser has obtained all information requested by it in connection with the issuance of the Notes as it regards necessary to evaluate all merits and risks of its investment in the Notes. The Purchaser has reviewed the documents executed in conjunction with the issuance of the Notes, including, without limitation, the Indenture and the Loan Agreement, and the Limited Offering Memorandum relating to the Notes, dated as of _____ __, 2020.

(f) The Purchaser is not now and has never been controlled by, or under common control with, the Borrower. The Borrower has never been and is not now controlled by the Purchaser. The Purchaser has entered into no arrangements with the Borrower or with any affiliate in connection with the Notes, other than as disclosed to the Authority.

(g) The Purchaser has authority to purchase the Notes and to execute this letter and any other instruments and documents required to be executed by the Purchaser in connection with the purchase of the Notes. The undersigned is a duly appointed, qualified, and acting officer of the Purchaser and is authorized to cause the Purchaser to make the certifications, representations and warranties contained herein by execution of this letter on behalf of the Purchaser.

(h) In entering into this transaction, the Purchaser has not relied upon any representations or opinions of the Authority or the Trustee relating to the legal consequences or other aspects of its investment in the Notes, nor has it looked to, nor expected, the Authority to undertake or require any credit investigation or due diligence reviews relating to the Borrower, its financial condition or business operations, the Project (including the financing or management thereof), or any other matter pertaining to the merits or risks of the transactions contemplated by the Loan Agreement and the Indenture, or the adequacy of the funds pledged to the Trustee to secure repayment of the Notes.

(i) The Purchaser understands that the Notes are not secured by any pledge of any moneys received or to be received from taxation by the Authority (which has no taxing power), the State of California or any political subdivision or taxing district thereof; that the Notes will never represent or constitute a general obligation or a pledge of the faith and credit of the Authority, the State of California or any political subdivision thereof; that no right will exist to have taxes levied by the State of California or any political subdivision thereof for the payment of principal and interest on the Notes; and that the liability of the Authority with respect to the Notes is subject to further limitations as set forth in the Notes and the Indenture.

(j) The Purchaser has been informed that the Notes (i) have not been and will not be registered or otherwise qualified for sale under the "Blue Sky" laws and regulations of any jurisdiction, (ii) will not be listed on any stock or other securities exchange, and (iii) will carry no rating from any rating service.

(k) The Purchaser acknowledges that it has the right to sell and transfer the Notes, subject to compliance with the transfer restrictions set forth in the Indenture. Failure to comply with the transfer restrictions set forth in the Indenture shall cause the purported transfer to be null and void. The Purchaser agrees to indemnify and hold harmless the Authority with respect to any claim asserted against the Authority that arises with respect to any sale, transfer or other disposition of the Notes by the Purchaser in violation of the provisions of the Indenture.

(l) Neither the Trustee, Bond Counsel, the Authority, its members, its governing body, or any of its employees, counsel or agents will have any responsibility to the Purchaser for the accuracy or completeness of information obtained by the Purchaser from any source regarding the Borrower or its financial condition or regarding the Notes, the provision for payment thereof, or the sufficiency of any security therefor. No written

information has been provided by the Authority to the Purchaser with respect to the Notes. The Purchaser acknowledges that, as between the Purchaser and all of such parties, the Purchaser has assumed responsibility for obtaining such information and making such review as the Purchaser deemed necessary or desirable in connection with its decision to purchase the Notes.

The Purchaser acknowledges that the sale of the Notes to the Purchaser is made in reliance upon the certifications, representations and warranties herein by the addressees hereto. Capitalized terms used herein and not otherwise defined have the meanings given such terms in the Indenture, dated as of _____ 1, 2020 between the Authority and the Trustee.

Date: _____ __, 2020

Very truly yours,
[NAME OF PURCHASER]

By: _____

Name: _____

Title: _____