

PRELIMINARY LIMITED OFFERING MEMORANDUM DATED [____], 2023

NEW ISSUES—FULL BOOK-ENTRY

Rating: S&P: [____]
(See “RATING” herein)

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Series 2023A Bonds (including any original issue discount properly allocable to an owner of a Series 2023A Bond) is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax; however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the alternative minimum tax imposed on individual. For tax years beginning after December 31, 2022, interest on the Series 2023A Bonds may affect the federal alternative minimum tax imposed on certain corporations. Bond Counsel is also of the opinion that interest on the Series 2023 Bonds is exempt from State of California personal income taxes. For a more detailed description of such opinions of Bond Counsel, see “TAX MATTERS” herein.

\$[____]*
**CALIFORNIA SCHOOL FINANCE AUTHORITY
CHARTER SCHOOL REVENUE BONDS
(CAMINO NUEVO CHARTER ACADEMY -
OBLIGATED GROUP)
SERIES 2023A**

\$[____]*
**CALIFORNIA SCHOOL FINANCE AUTHORITY
CHARTER SCHOOL REVENUE BONDS
(CAMINO NUEVO CHARTER ACADEMY -
OBLIGATED GROUP)
SERIES 2023B (TAXABLE)**

Dated: Date of Delivery

Due: July 1 as shown on page (i)

This cover page contains information for general reference only. It is not intended as a summary of these issues. Investment in the Series 2023 Bonds involves a significant degree of risk and is speculative in nature. Investors must read the entire Limited Offering Memorandum to obtain information essential to making an informed investment decision. Capitalized terms used, but not defined on this cover page have the meanings assigned to them in the Limited Offering Memorandum or in Appendices D and E thereto.

The California School Finance Authority Charter School Revenue Bonds (Camino Nuevo Charter Academy - Obligated Group) Series 2023A, in the aggregate principal amount of \$[____]* (the “Series 2023A Bonds” or the “Tax-Exempt Bonds”) and the California School Finance Authority Charter School Revenue Bonds (Camino Nuevo Charter Academy - Obligated Group) Series 2023B (Taxable), in the aggregate principal amount of \$415,000* (the “Series 2023B Bonds” or the “Taxable Bonds” and, together with the Series 2023A Bonds, the “Series 2023 Bonds”) will be issued by the California School Finance Authority (the “Authority”) pursuant to an Indenture, dated as of [____] 1, 2023 (the “Bond Indenture”), by and between the Authority and U.S. Bank Trust Company, National Association, as trustee (the “Bond Trustee”). The Authority will loan the proceeds of the Series 2023 Bonds to Grupo Nuevo Los Angeles (the “Borrower”), a California nonprofit public benefit corporation and an entity 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 [____] 1, 2023 (the “Loan Agreement”), by and between the Authority and the Borrower and approved and acknowledged by the Landlords (as defined herein).

The Series 2023 Bonds and the interest thereon are payable solely out of certain revenues and income received by the Authority or the Bond Trustee pursuant to the Loan Agreement and Obligation No. 1 relating to the Series 2023 Bonds (“Obligation No. 1”) issued by the Borrower in an amount equal to the aggregate principal amount of the Series 2023 Bonds pursuant to a Master Indenture of Trust, dated as of [____] 1, 2023 (the “Original Master Indenture”), as supplemented by a Supplemental Master Indenture for Obligation No. 1, dated as of [____] 1, 2023 (the “First Supplemental Master Indenture” and, together with the Original Master Indenture, the “Master Indenture”), by and between the Borrower, as representative of the Obligated Group, the initial Members of the Obligated Group, and U.S. Bank Trust Company, National Association, as master trustee thereunder (the “Master Trustee”). The initial Members of the Obligated Group (each a “Member”) are Fifteenth and Ardmore LLC, a California limited liability company, 3500 West Temple LLC, a California limited liability company, GNLA 3435 W Temple LLC, a California limited liability company, and GNLA 697 S Burlington LLC, a California limited liability company (each a “Landlord” and collectively, the “Landlords”), the sole member of each of which is the Borrower.

The proceeds of the Series 2023 Bonds will be used to (1) refinance costs of the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and equipping (A) an educational facility known as Camino Nuevo Elementary #3, located at 2755 W 15th St, Los Angeles, CA 90006 (“Eisner Middle Campus”), (B) administrative offices, located at 3435 W. Temple St., Los Angeles, CA 90026 (“Head Office Facility”), (C) an educational facility known as Camino Nuevo High School #2, located at 3500 and 3515 W. Temple Street, Los Angeles, CA 90004 (“Dalzell High Campus”) and (D) an educational facility known as Camino Nuevo Charter Academy, located at 697 S. Burlington Avenue, Los Angeles, CA 90057 (“Burlington Campus” and collectively with Eisner Middle Campus, Head Office Facility, and Dalzell High, the “Facilities”); (2) finance certain capital improvements to the Facilities; (3) pay capitalized interest on the Series 2023 Bonds; (4) fund a debt service reserve fund with respect to the Series 2023 Bonds; (5) fund related working capital; and (6) pay certain expenses incurred in connection with the issuance of the Series 2023 Bonds (collectively, the “Project”). A deposit to the Reserve Account for the Series 2023 Bonds in an amount equal to the Reserve Account Requirement will be funded by proceeds of a grant pursuant to the Authority’s Charter School Facilities Credit Enhancement Program or another similar program administered by the Authority.

The Series 2023 Bonds are limited obligations of the Authority payable from Payments received under the Bond Indenture (including amounts payable under the Leases) and other amounts held in the funds established by the Bond Indenture (except the Rebate Fund) and payments to be made pursuant to Obligation No. 1. The obligations of the Borrower under the Loan Agreement are payable from the Payments required to be deposited with the Bond Trustee pursuant to the Bond Indenture.

The Facilities will be leased to Camino Nuevo Charter Academy (the “Lessee”), a California nonprofit public benefit corporation and an entity described in Section 501(c)(3) of the Code, pursuant to certain lease agreements (the “Leases”), by and between the Borrower and the applicable Landlord, and will be used by the Lessee for the operation of the Schools. The Lessee will make payments of Rent under the Leases from revenues derived solely from the Schools, and any other charter school operated by the Lessee in the Facilities. See “THE LEASES” in the Limited Offering Memorandum.

Interest on the Series 2023 Bonds will be payable semiannually on each January 1 and July 1, commencing [____]*. The Series 2023 Bonds are being issued as fully registered bonds 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 Series 2023 Bonds. Purchases of beneficial interests in the Series 2023 Bonds 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 Series 2023 Bonds, (i) payments of the principal of and premium, if any, and interest on such Series 2023 Bonds 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 G – BOOK-ENTRY SYSTEM” attached hereto.

The Series 2023 Bonds are subject to optional, mandatory and extraordinary redemption prior to maturity as described under “THE SERIES 2023 BONDS – Redemption” herein.

* Preliminary subject to change.

THE PURCHASE AND HOLDING OF THE SERIES 2023 BONDS INVOLVE RISKS THAT MAY NOT BE APPROPRIATE FOR CERTAIN INVESTORS. THE SERIES 2023 BONDS ARE TO BE OFFERED AND SOLD (INCLUDING IN SECONDARY MARKET TRANSACTIONS) ONLY TO “QUALIFIED INSTITUTIONAL BUYERS” OR “ACCREDITED INVESTORS” (EACH AS DEFINED HEREIN). IN ADDITION, THE INITIAL PURCHASERS OF THE SERIES 2023 BONDS WILL BE REQUIRED TO SUBMIT AN INVESTOR LETTER TO THE AUTHORITY AND THE BOND TRUSTEE. SEE “NOTICE TO INVESTORS” AND “TRANSFER RESTRICTIONS” HEREIN.

THE SERIES 2023 BONDS ARE NOT AND SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA (THE “STATE”) OR OF ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE AUTHORITY, AND ARE NOT AND SHALL NOT BE DEEMED TO BE A PLEDGE OF THE FAITH AND CREDIT OF THE STATE, OR OF ANY POLITICAL SUBDIVISION THEREOF, BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS PROVIDED THEREFOR UNDER THE BOND INDENTURE. NEITHER THE STATE NOR THE AUTHORITY SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF THE SERIES 2023 BONDS, OR THE REDEMPTION PREMIUM, IF ANY, OR INTEREST THEREON, EXCEPT FROM THE FUNDS PROVIDED THEREFOR UNDER THE BOND INDENTURE. THE ISSUANCE OF THE SERIES 2023 BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE AUTHORITY HAS NO TAXING POWER. NOTHING IN THE BOND 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 NOTICES (DEFINED HEREIN) OR TO MAKE FUNDS AVAILABLE TO THE OBLIGATED GROUP SCHOOLS IN ANY AMOUNT OR AT ANY TIME.

The Series 2023 Bonds 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 Kutak Rock LLP, Bond Counsel to the Authority, the approval of certain matters for the Underwriter by Orrick, Herrington & Sutcliffe LLP, as Underwriter’s Counsel, the approval of certain matters for the Borrower, the Lessee and the Landlords by Musick, Peeler & Garrett LLP. It is expected that the Series 2023 Bonds in definitive form will be available for delivery through the facilities of The Depository Trust Company, on or about _____, 2023.

Honorable Fiona Ma
Treasurer of the State of California
as Agent for Sale

RBC CAPITAL MARKETS

Dated: _____ 2023

MATURITY SCHEDULE

\$[]*

**CALIFORNIA SCHOOL FINANCE AUTHORITY
CHARTER SCHOOL REVENUE BONDS
(CAMINO NUEVO CHARTER ACADEMY - OBLIGATED GROUP)
SERIES 2023A**

\$ _____ % Term Bond due July 1, 20__ ; Price: ____%; Yield: ____%; CUSIP⁽¹⁾
\$ _____ % Term Bond due July 1, 20__ ; Price: ____%; Yield: ____%; CUSIP⁽¹⁾
\$ _____ % Term Bond due July 1, 20__ ; Price: ____%; Yield: ____%; CUSIP⁽¹⁾
\$ _____ % Term Bond due July 1, 20__ ; Price: ____%; Yield: ____%; CUSIP⁽¹⁾

\$[]*

**CALIFORNIA SCHOOL FINANCE AUTHORITY
CHARTER SCHOOL REVENUE BONDS
(CAMINO NUEVO CHARTER ACADEMY - OBLIGATED GROUP)
SERIES 2023B (TAXABLE)**

\$ _____ % Term Bond due July 1, 20__ ; Price: ____%; Yield: ____%; CUSIP⁽¹⁾

* Preliminary, subject to change.

⁽¹⁾ The above-referenced CUSIP numbers have been assigned by an independent company not affiliated with the Authority, the Borrower, the Lessee, the Underwriter or the Bond Trustee, and are included solely for the convenience of the holders of the Series 2023 Bonds. None of the Authority, the Borrower, the Lessee, the Underwriter or the Bond Trustee is responsible for the selection or uses of such CUSIP numbers, and no representation is made as to their correctness on the Series 2023 Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2023 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities. CUSIP Global Services is managed on behalf of the American Bankers Association by FactSet Research Systems Inc.

This Limited Offering Memorandum does not constitute an offer to sell the Series 2023 Bonds or the solicitation of an offer to buy, nor shall there be any sale of the Series 2023 Bonds 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 Series 2023 Bonds, 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 Lessee, 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, the Lessee or the Borrower since the date hereof.

References to website addresses presented herein, including the Appendices hereto, are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Limited Offering Memorandum for purposes of Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934.

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 pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2023 BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2023 BONDS 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, THE LESSEE, AND THE SCHOOLS” 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. None of the Borrower, the Lessee or the Obligated Group plans 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 Series 2023 Bonds are to be offered and sold (including in secondary market transactions) only to Qualified Institutional Buyers or Accredited Investors (each as defined herein). The Bond Indenture under which the Series 2023 Bonds will be issued contains provisions limiting transfers of the Series 2023 Bonds and beneficial ownership interests in the Series 2023 Bonds only to Qualified Institutional Buyers or Accredited Investors. In addition, the face of each Series 2023 Bond will contain a legend indicating that it is subject to transfer restrictions as set forth in the Bond Indenture and the initial purchasers of the Series 2023 Bonds will be required to execute and deliver to the Authority and the Bond Trustee an investor letter or bondholder representative letter, as appropriate, in the form attached hereto as APPENDIX I.

Each purchaser of any Series 2023 Bonds 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 Bond Trustee as follows:

1. That the Series 2023 Bonds are payable solely from certain revenues derived by the Authority under the Loan Agreement from amounts received by the Bond Trustee pursuant to the Intercepts (as defined herein), and from certain funds and accounts established and maintained pursuant to the Bond Indenture;

2. That it is a Qualified Institutional Buyer or an Accredited Investor and that it is purchasing the Series 2023 Bonds 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 of 1933, as amended (the “Securities Act”) or other applicable securities laws;

3. That the Series 2023 Bonds (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 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 have participated in the preparation of this Limited Offering Memorandum;

5. That the Series 2023 Bonds and beneficial ownership interests therein may only be transferred to Qualified Institutional Buyers or Accredited Investors; and

6. That the Authority, the Borrower, the Lessee, the Bond 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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**CALIFORNIA SCHOOL FINANCE AUTHORITY
CHARTER SCHOOL REVENUE BONDS
(CAMINO NUEVO CHARTER ACADEMY -
OBLIGATED GROUP)
SERIES 2023A**

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**CALIFORNIA SCHOOL FINANCE AUTHORITY
CHARTER SCHOOL REVENUE BONDS
(CAMINO NUEVO CHARTER ACADEMY -
OBLIGATED GROUP)
SERIES 2023B (TAXABLE)**

INTRODUCTION

General

This Limited Offering Memorandum, including the cover page, the inside cover page, page (i), and Appendices hereto (the “Limited Offering Memorandum”), is provided to furnish information with respect to the sale and delivery of (i) the California School Finance Authority Charter School Revenue Bonds (Camino Nuevo Charter Academy - Obligated Group) Series 2023A, in the aggregate principal amount of \$[]* (the “Series 2023A Bonds” or the “Tax-Exempt Bonds”) and the California School Finance Authority Charter School Revenue Bonds (Camino Nuevo Charter Academy - Obligated Group) Series 2023B (Taxable), in the aggregate principal amount of \$[]* (the “Series 2023B Bonds” or the “Taxable Bonds” and, together with the Series 2023A Bonds, the “Series 2023 Bonds”) issued by the California School Finance Authority (the “Authority”). Any capitalized terms in this Limited Offering Memorandum that are not defined herein have the meanings assigned to them in “APPENDIX D – SUMMARY OF PRINCIPAL BOND DOCUMENTS” and “APPENDIX E – SUMMARY OF THE LEASES” hereto.

The Series 2023 Bonds

The Series 2023 Bonds will be issued pursuant to Chapter 18 (commencing with Section 17170) of Part 10 of Division 1 of Title 1 of the Education Code of the State of California (the “Act”) and an Indenture, dated as of [] 1, 2023 (the “Bond Indenture”), by and between the Authority and U.S. Bank Trust Company, National Association, as trustee (the “Bond Trustee”). The Series 2023 Bonds will bear interest payable on January 1 and July 1 of each year, commencing []* (each such date, an “Interest Payment Date”) and will be subject to optional, mandatory and extraordinary redemption prior to maturity as set forth under “THE SERIES 2023 BONDS – Redemption” herein.

The proceeds of the Series 2023 Bonds will be loaned to Grupo Nuevo Los Angeles (the “Borrower”), a California nonprofit public benefit corporation and an entity 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 [] 1, 2023 (the “Loan Agreement”), by and between the Authority and the Borrower and approved and acknowledged by the Landlords (as defined herein). The Landlords will lease the applicable Facilities (as hereinafter defined) to Camino Nuevo Charter Academy (the “Lessee”), a California nonprofit public benefit corporation and an entity described in Section 501(c)(3) of the Code, pursuant to the following lease agreements, each by and between the Lessee and the applicable Landlord and dated as of [] 1, 2023, (collectively, the “Leases”): (i) those certain Lease Agreements, dated as of [] 1, 2023, between GNLA 3435 W Temple LLC and the Lessee with respect to the Head Office Facility (as hereinafter defined); (ii) those certain Lease Agreements, dated as of [] 1, 2023, between Fifteenth and Ardmore LLC and the Lessee with respect to the Eisner Middle Campus (as hereinafter defined); (iii) those certain Lease Agreements, dated as of [] 1, 2023, between 3500 West Temple LLC and the Lessee with respect to the Dalzell High Campus; and (iv) those certain Lease Agreements, dated as of [] 1, 2023, between GNLA 697 S Burlington LLC and the Lessee with respect to the Burlington Campus. See “THE LEASES” herein and “APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWER, THE LESSEE, AND THE SCHOOLS” attached hereto. GNLA 3435 W Temple LLC, Fifteenth and Ardmore LLC, 3500 West Temple LLC and GNLA 697 S Burlington LLC are referred to collectively herein as the “Landlords”.

The Series 2023 Bonds and the interest thereon are payable solely out of certain revenues and income received by the Authority or the Bond Trustee pursuant to the Loan Agreement and Obligation No. 1 relating to the

* Preliminary subject to change.

Series 2023 Bonds (“Obligation No. 1”) issued by the Borrower in an amount equal to the aggregate principal amount of the Series 2023 Bonds pursuant to a Master Indenture of Trust, dated as of [] 1, 2023 (the “Original Master Indenture”), as supplemented by a Supplemental Master Indenture for Obligation No. 1, dated as of [] 1, 2023 (the “First Supplemental Master Indenture” and, together with the Original Master Indenture, the “Master Indenture”), by and between the Borrower, as representative of the Obligated Group, the initial Members of the Obligated Group, and U.S. Bank Trust Company, National Association, as master trustee thereunder (the “Master Trustee”). See “THE SERIES 2023 BONDS” herein. The initial Members of the Obligated Group are the Landlords.

The Series 2023 Bonds 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 Series 2023 Bonds are to be sold (including secondary market transactions) only to Qualified Institutional Buyers or Accredited Investors. Pursuant to the Bond Indenture, “Qualified Institutional Buyer” means a “qualified institutional buyer” as defined in Rule 144A promulgated under the Securities Act of 1933, as amended (the “Securities Act”). Pursuant to the Bond Indenture, “Accredited Investor” means an “accredited investor” as described in Section (a) of Rule 501 of Regulation D under the Securities Act. The Bond Indenture and the Series 2023 Bonds contain provisions limiting transfers of the Series 2023 Bonds and beneficial ownership interests in the Series 2023 Bonds to Qualified Institutional Buyers or Accredited Investors. In addition, each initial purchaser of the Series 2023 Bonds must execute an investor letter or bondholder representative letter, as appropriate, in the form of “APPENDIX I – FORMS OF INVESTOR LETTER” in connection with its initial purchase of the Series 2023 Bonds. The face of each Series 2023 Bond will contain a legend indicating that such Series 2023 Bond is subject to the transfer restrictions set forth in the Bond Indenture. See “TRANSFER RESTRICTIONS” and “CERTAIN RISK FACTORS – Purchases and Transfers of Series 2023 Bonds Restricted to Qualified Institutional Buyers and Accredited Investors” herein.

Authority for Issuance

The Series 2023 Bonds will be issued by the Authority pursuant to the Act, a resolution of the Authority, and the Bond Indenture. See “THE AUTHORITY” herein.

Use of Proceeds

The proceeds of the Series 2023 Bonds will be used to (1) refinance costs of the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and equipping (A) an educational facility known as Camino Nuevo Elementary #3, located at 2755 W 15th St, Los Angeles, CA 90006 (“Eisner Middle Campus”), (B) administrative offices, located at 3435 W. Temple St., Los Angeles, CA 90026 (“Head Office Facility”), (C) an educational facility known as Camino Nuevo High School #2, located at 3500 and 3515 W. Temple Street, Los Angeles, CA 90004 (“Dalzell High Campus”) and (D) an educational facility known as Camino Nuevo Charter Academy, located at 697 S. Burlington Avenue, Los Angeles, CA 90057 (“Burlington Campus” and collectively with Eisner Middle Campus, Head Office Facility, and Dalzell High Campus, the “Facilities”); (2) finance certain capital improvements to the Facilities; (3) pay capitalized interest on the Series 2023 Bonds; (4) fund a debt service reserve fund with respect to the Series 2023 Bonds; (5) fund related working capital; and (6) pay certain expenses incurred in connection with the issuance of the Series 2023 Bonds (collectively, the “Project”). A deposit to the Reserve Account for the Series 2023 Bonds in an amount of the Reserve Account Requirement will be funded by proceeds of a grant pursuant to the Authority’s Charter School Facilities Credit Enhancement Program or another similar program administered by the Authority. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2023 BONDS – Bond Indenture – Reserve Account” herein.

On the date of issuance of the Series 2023 Bonds (the “Closing Date”), the Facilities will be acquired by the Borrower and will be leased to the Lessee pursuant to the Leases. The Facilities will be used by the Lessee for the operation of the public charter schools known as Camino Nuevo High #2 (Dalzell Lance High School) (the “High School”), Camino Nuevo Elementary #3 (Jane B. Eisner) (the “Middle School”), and Camino Nuevo Charter Academy (Burlington) (“CNCA”). The High School, the Middle School and CNCA are referred to herein collectively as the “Schools.”

See “PLAN OF FINANCE” herein and “APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWER, THE LESSEE, AND THE SCHOOLS” attached hereto.

The Borrower

The Borrower is a California nonprofit public benefit corporation and an entity described in Section 501(c)(3) of the Code, and was formed in 2012 to support the charter schools operated by the Lessee by holding title to property and managing, operating and leasing property. The Borrower will use a portion of the proceeds of the Series 2023 Bonds to complete the Project. For more information regarding the Borrower, see “APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWER, THE LESSEE, AND THE SCHOOLS” hereto.

The Lessee and the Schools

[The Lessee was founded in 2012 and currently operates five charter schools on six sites, including CNCA, the Middle School, the High School, Camino Nuevo Charter Academy #2 (Kayne Siart) (“CNCA #2”), Camino Nuevo Elementary #3 (Jose A. Castellanos) (“Castellanos”) and Camino Nuevo Charter Academy #4 (Sandra Cisneros) (“CNCA #4”). Revenues of CNCA #4, Castellanos and CNCA #4 are not security for the Series 2023 Bonds or for the obligations of the Borrower under the Loan Agreement or for the obligations of the Obligated Group under Obligation No. 1.] *[To confirm structure/included schools/pledged revenues]*

For more information regarding the Lessee and the Schools, see “APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWER, THE LESSEE, AND THE SCHOOL” hereto.

Security for the Series 2023 Bonds

The Series 2023 Bonds and the interest thereon are payable solely out of certain revenues and income received by the Authority or the Bond Trustee pursuant to the Loan Agreement, the Intercepts (as defined below), and the Obligations issued by the Borrower in an amount equal to the aggregate principal amount of the Series 2023 Bonds pursuant to the Master Indenture.

Pursuant to and to the extent described in the Bond Indenture, the Authority assigns to the Bond Trustee certain of the Authority’s rights under the Loan Agreement, including the right to receive payments thereunder, but excluding any deposits to the Rebate Fund. Pursuant to the Loan Agreement, the Borrower certifies that it will cause the Lessee to make payments of Rent under the Leases directly to the Bond Trustee for deposit in the Revenue Fund. Payment of management fees to the Lessee from the revenues of the Schools will be subordinated to the obligation to pay Rent under the Leases. See “THE LEASES” herein. Pursuant to the Deeds of Trust (as defined herein), the Landlords grant to the Master Trustee first priority liens on their respective fee simple interests in the Facilities. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2023 BONDS” herein.

State Intercept Program. In connection with the issuance of the Series 2023 Bonds, the Lessee will provide instructions to the State Controller’s Office (the “State Controller”) to make apportionments (each an “Intercept”) to the Bond Trustee with respect to the Schools, in amounts and on dates provided in a written notice (each an “Intercept Notice”), which amounts are expected to be sufficient in the aggregate to repay the Series 2023 Bonds and pay necessary and incidental costs. Funds received by the Bond Trustee pursuant to the Intercepts constitute Payments (as defined in the Bond Indenture) and will be held in trust and will be disbursed, allocated and applied solely for the uses and purposes set forth in the applicable Bond Indenture, including the payment of debt service on the Series 2023 Bonds. Under the laws of the State of California (the “State”), except as described therein, no party, including the Lessee, the Borrower or any of their respective creditors will have any claim to the money apportioned or anticipated to be apportioned to the Bond Trustee by the State Controller pursuant to the Intercepts. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2023 BONDS” and “CERTAIN RISK FACTORS – Bankruptcy” below.

Limited Obligations. The Series 2023 Bonds are limited obligations of the Authority. The Authority is not obligated to advance any moneys derived from any source other than Payments (as defined in the Bond Indenture) and other assets pledged under the Bond Indenture, whether for the payment of the principal or redemption price of

or interest on the Series 2023 Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2023 BONDS” herein.

Obligated Group and Related Parties. The initial Members of the Obligated Group are the Landlords. The Landlords will lease the applicable Facilities to the Lessee pursuant to the Leases. Each Landlord is a California limited liability company the sole member of which is the Borrower. Each Landlord (other than GNLA 3435 W Temple LLC) owns and currently leases the applicable Facilities (other than the Head Office Facility) to the Lessee, and such leases will be amended and restated and/or succeeded by the Leases. The Borrower currently owns the Head Office Facility, on or prior to the issuance of the Series 2023 Bonds, ownership of the Head Office Facility will be transferred to GNLA 3435 W Temple LLC. For more information regarding the Landlords, see “APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWER, THE LESSEE, AND THE SCHOOLS” hereto.

In connection with the issuance of the Series 2023 Bonds, the Borrower, as representative of the Obligated Group, and the Landlords, as the initial Members of the Obligated Group, will enter into the Master Indenture with the Master Trustee. Under the Master Indenture, each member jointly and severally covenants and agrees (a) to pay or cause to be paid promptly all required payments at the place, on the dates and in the manner provided in the Master Indenture and related supplements and obligations and (b) to faithfully observe and perform all of the conditions, covenants and requirements of the Master Indenture and related supplements and obligations.

Initially, the Landlords will be the only Members of the Obligated Group. The Borrower is the Obligated Group Representative but is not a Member of the Obligated Group. Although additional members may be added to the Obligated Group in connection with future projects and financings, the Borrower, the Lessee and the Members make no assurances that additional members will be added to the Obligated Group. Additionally, Members withdraw from the Obligated Group as set forth in the Master Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2023 BONDS – The Master Indenture” herein.

For additional information regarding the Borrower, the Lessee and the Schools, see “APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWER, THE LESSEE, AND THE SCHOOLS” attached hereto.

Redemption

The Series 2023 Bonds will be subject to optional redemption, extraordinary redemption, and mandatory sinking fund redemption as described below under “THE SERIES 2023 BONDS – Redemption.”

Certain Risk Factors

The Series 2023 Bonds may not be a suitable investment for all investors. Prospective purchasers of the Series 2023 Bonds 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 Series 2023 Bonds.

Limited Duties of the Trustees

The Bond Trustee. Under the terms of the Bond Indenture, the Bond Trustee will not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements in the Bond Indenture or of any of the documents executed in connection with the Series 2023 Bonds or as to the existence of an Event of Default under the Bond Indenture. Additionally, neither the Bond Trustee nor any of its directors, officers, employees, agents or affiliates will be responsible for nor have any duty to monitor the performance or any action of the Authority, the Borrower, or any of their directors, members, officers, agents, affiliates or employee, nor will the Bond Trustee have any liability in connection with the malfeasance or nonfeasance by any such party. The Bond Trustee may assume performance by all such Persons of their respective obligations. The Bond Trustee will have no enforcement or notification obligations relating to breaches of representations or warranties of any other Person. Further, the Bond Trustee shall be protected in acting upon any notice, requisition, resolution, request, consent,

order, judgment, decree, certificate, report, opinion, bond 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 Master Trustee. Under the terms of the Master Indenture, the Master Trustee will not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, obligation or other paper or document. Additionally, the Master Trustee may rely and will be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, obligation or other paper or documents believed by it to be genuine and to have been signed or presented by the proper party or parties.

Miscellaneous

This Limited Offering Memorandum contains brief descriptions of, among other things, the Series 2023 Bonds, the Bond Indenture, the Loan Agreement, the Leases, the Master Indenture, the First Supplemental Master Indenture, Obligation No. 1, the Borrower, the Landlords, the Lessee and the Schools. All references in this Limited Offering Memorandum to documents are qualified in their entirety by reference to such documents, and references to the Series 2023 Bonds are qualified in their entirety by reference to the form of the Series 2023 Bonds included in the Bond Indenture. The Lessee 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.

Limited Offering of Series 2023 Bonds

The Series 2023 Bonds are to be offered and sold (including in secondary market transactions) only to Qualified Institutional Buyers or Accredited Investors. The Bond Indenture contains provisions limiting transfers of the Series 2023 Bonds and beneficial ownership interests in the Series 2023 Bonds only to Qualified Institutional Buyers or Accredited Investors. In addition, the face of each Series 2023 Bond will contain a legend indicating that it is subject to transfer restrictions as set forth in the Bond Indenture and the initial purchasers of the Series 2023 Bonds will be required to execute and deliver to the Authority and the Bond Trustee an investor letter or bondholder representative letter, as appropriate, in the form attached hereto as APPENDIX I. See “TRANSFER RESTRICTIONS” herein.

Each purchaser of any Series 2023 Bond 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 Bond Trustee as follows:

1. That the Series 2023 Bonds are payable solely from certain revenues derived by the Authority under the Loan Agreement from amounts received by the Bond Trustee pursuant to the Intercepts, and from certain funds and accounts established and maintained pursuant to the Bond Indenture;
2. That it is a Qualified Institutional Buyer or an Accredited Investor and that it is purchasing the Series 2023 Bonds 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 Series 2023 Bonds (a) have not been registered under the Securities Act of 1933 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 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,” and that none of such parties have participated in the preparation of this Limited Offering Memorandum;

5. That the Series 2023 Bonds and beneficial ownership interests therein may only be transferred to Qualified Institutional Buyers or Accredited Investors; and

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

THE AUTHORITY

The Authority is a public instrumentality of the State of California created pursuant to provisions of the Act. The Authority is authorized to issue the Series 2023 Bonds under the Act and to make the loan contemplated by the Loan Agreement and to secure the Series 2023 Bonds by a pledge of the Payments and certain other funds and accounts as provided in the Bond Indenture.

THE SERIES 2023 BONDS

The following is a summary of certain provisions of the Series 2023 Bonds. Reference is made to the Series 2023 Bonds for the complete text thereof and to the Bond Indenture for all of the provisions relating to the Series 2023 Bonds. The discussion herein is qualified by such reference.

General

The Series 2023 Bonds are being issued pursuant to the Bond Indenture in the aggregate principal amount set forth on the cover of this Limited Offering Memorandum. The Series 2023 Bonds will initially be delivered as registered bonds 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 Bond Indenture and as described herein. See “TRANSFER RESTRICTIONS” herein. The Series 2023 Bonds will be dated the date of issuance and will bear interest at the rates set forth on page (i) hereof from their dated date. Interest on the Series 2023 Bonds will be calculated on the basis of a 360-day year of twelve 30-day months and will be payable in arrears on each Interest Payment Date. The Series 2023 Bonds will mature in the amounts and in each of the years as set forth on page (i) hereof.

The Series 2023 Bonds, when issued, will be registered in the name of Cede & Co., as nominee of DTC, and will be evidenced by one Bond for each maturity of a Series in the total aggregate principal amount of the Series 2023 Bonds of such maturity. Registered ownership of the Series 2023 Bonds, or any portion thereof, may not thereafter be transferred except as set forth in the Bond Indenture. So long as Cede & Co. is the registered owner of the Series 2023 Bonds, as nominee of DTC, references herein to the Bondholders, holders or registered owners will mean Cede & Co. as aforesaid and will not mean the “beneficial owners” of the Series 2023 Bonds.

The principal and redemption price of and interest on the Series 2023 Bonds will be payable in lawful money of the United States of America upon surrender at the principal corporate trust office of the Bond Trustee. The interest on any Series 2023 Bond will be payable to the person whose name appears on the registration books of the Bond 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 Series 2023 Bonds will be entitled to receive payments of interest on the Series 2023 Bonds 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 Bond Trustee by the applicable Record Date for such payment. So long as Cede & Co. is the registered owner of the Series 2023 Bonds, principal of and interest on the Series 2023 Bonds are payable in same day funds by the Bond Trustee to Cede & Co., as nominee for DTC, and the payment of principal or redemption price shall be made without presentment.

Any interest not punctually paid or duly provided for will thereafter cease to be payable to the Bondholder on such Record Date and will be paid to the person in whose name the Bond is registered at the close of business on

the date established by the Bond Trustee pursuant to the Bond Indenture as a record date for the payment of defaulted interest on the Series 2023 Bonds (the “Special Record Date”). The Special Record Date will be fixed by the Bond Trustee, notice thereof being given to the Bondholders not less than 10 days prior to such Special Record Date.

Book-Entry Only System

DTC will act as securities depository for the Series 2023 Bonds. The Series 2023 Bonds will be issued as fully registered securities without coupons in Authorized Denominations. The Series 2023 Bonds 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 Bond certificate will be issued for each maturity of a Series of Bonds set forth on page (i) of this Limited Offering Memorandum, and will be deposited with DTC. For additional information regarding DTC and its book-entry only system, see “APPENDIX G – BOOK-ENTRY SYSTEM” attached hereto.

Transfer of Series 2023 Bonds

Beneficial ownership interests in the Series 2023 Bonds may not be purchased by, or transferred to, any person except a Qualified Institutional Buyer or an Accredited Investor. The registration of any Series 2023 Bond may be transferred upon the books required to be kept by the Bond Trustee, by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of any such Series 2023 Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Bond Trustee. The Bond Trustee will require the Holder requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer, and there shall be no other charge to any Holder for any such transfer. The Bond Trustee will not be required to register the transfer of any Series 2023 Bond 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 Series 2023 Bond selected for redemption in whole or in part as provided in the Bond Indenture or during the period established by the Bond Trustee for selection of Series 2023 Bonds for redemption and after a Bond has been selected for redemption. The Series 2023 Bonds are subject to certain transfer restrictions under the Bond Indenture, as described herein under “TRANSFER RESTRICTIONS.”

Exchange of Series 2023 Bonds

Series 2023 Bonds may be exchanged at the principal corporate trust office of the Bond Trustee for a like aggregate principal amount of the Series 2023 Bonds of the same maturity of other Authorized Denominations. The Bond 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 Series 2023 Bonds will be required to be made during the period established by the Bond Trustee for selection of Series 2023 Bonds for redemption and after a Series 2023 Bond has been selected for redemption.

Redemption

Optional Redemption.* The Series 2023A Bonds are subject to redemption prior to their respective stated maturities, at the option of the Borrower from any amounts in the Redemption Fund, in whole or in part on any date on or after July 1, 20__, at a redemption price equal to 100%* of the principal amount of the Series 2023A Bonds called for redemption, plus accrued interest to the date fixed for redemption.

The Series 2023B Bonds are not subject to redemption prior to their respective stated maturities at the option of the Borrower.

Extraordinary Optional Redemption from Insurance and Condemnation Proceeds. The Series 2023 Bonds are subject to redemption prior to their stated maturity, at the option of the Borrower, as a whole or in part on

* Preliminary, subject to change.

any date from moneys required to be transferred from the Insurance and Condemnation Proceeds Fund to the Special Redemption Account at a redemption price equal to 100% of the principal amount of the Series 2023 Bonds called for redemption, together with interest accrued thereon to the date of redemption[, plus an amount equal to the unamortized portion of the net original issue premium thereon interpolated on a straight-line basis].

Extraordinary Mandatory Redemption due to Change of Use. The Series 2023 Bonds are subject to redemption prior to their stated maturity, as a whole or in part, on any date from Loan prepayments made by the Borrower in the event the Project is used or operated in any manner that violates the provisions of the Act, at a redemption price equal to 100% of the principal amount of the Series 2023 Bonds called for redemption plus interest accrued thereon to the date fixed for redemption, plus an amount equal to the unamortized portion of the net original issue premium thereon interpolated on a straight-line basis, on the earliest date for which notice of redemption can reasonably be given in accordance with the Bond Indenture.

Extraordinary Optional Redemption Relating to Revocation or Non-Renewal of School Charter. The Series 2023 Bonds are subject to redemption in whole prior to their stated maturity, on any date, at the option of the Borrower, in the event the charter of an Obligated Group School is revoked or not renewed by its authorizer and the Obligated Group School 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, plus an amount equal to the unamortized portion of the net original issue premium thereon interpolated on a straight-line basis.

Mandatory Sinking Account Redemption. The Series 2023A Bonds maturing July 1, 20__, are subject to redemption prior to their respective stated maturity in part, by lot, from Mandatory Sinking Account Payments established pursuant to the Bond Indenture in the following amounts and on the following dates:

Series 2023A Term Bonds Maturing July 1, 20__

Mandatory Redemption Date (July 1)	Principal Amount
<u> </u>	<u> </u>

† Maturity Date.

The Series 2023A Bonds maturing July 1, 20__, are subject to redemption prior to their respective stated maturity in part, by lot, from Mandatory Sinking Account Payments established pursuant to the Bond Indenture in the following amounts and on the following dates:

Series 2023A Term Bonds Maturing July 1, 20__

Mandatory Redemption Date (July 1)	Principal Amount
<u> </u>	<u> </u>

† Maturity Date.

The Series 2023A Bonds maturing July 1, 20__, are subject to redemption prior to their respective stated maturity in part, by lot, from Mandatory Sinking Account Payments established pursuant to the Bond Indenture in the following amounts and on the following dates:

Series 2023A Term Bonds Maturing July 1, 20__

Mandatory Redemption Date (July 1)	Principal Amount
<u> </u>	<u> </u>

† Maturity Date.

The Series 2023A Bonds maturing July 1, 20__, are subject to redemption prior to their respective stated maturity in part, by lot, from Mandatory Sinking Account Payments established pursuant to the Bond Indenture in the following amounts and on the following dates:

Series 2023A Term Bonds Maturing July 1, 20__

Mandatory Redemption Date (July 1)	Principal Amount
<u> </u>	<u> </u>

† Maturity Date.

The Series 2023B Bonds maturing July 1, 20__, are subject to redemption prior to their respective stated maturity in part, by lot, from Mandatory Sinking Account Payments established pursuant to the Bond Indenture in the following amounts and on the following dates:

Series 2023B Term Bonds Maturing July 1, 20__

Mandatory Redemption Date (July 1)	Principal Amount
<u> </u>	<u> </u>

† Maturity Date.

Notice of Redemption. In connection with the redemption of Series 2023 Bonds (other than mandatory sinking fund redemption) the Borrower will give notice of redemption to the Bond Trustee (with a copy to the Authority) not less than 30 days prior to the redemption date (or such shorter notice the Bond Trustee may approve). Notice of redemption of any Series 2023 Bonds will be given by the Bond Trustee upon the written request of the

Borrower. Notice of any redemption of Series 2023 Bonds will be mailed postage prepaid by the Bond Trustee not less than 30 nor more than 60 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 Bond Indenture. Each notice of redemption will contain all of the following information: (a) the date of such notice; (b) the name of the Series 2023 Bonds and the date of issue of the Series 2023 Bonds; (c) the redemption date; (d) the redemption price; (e) the dates of maturity of the Series 2023 Bonds to be redeemed; (f) if less than all of the Series 2023 Bonds of any maturity are to be redeemed, the distinctive numbers of the Series 2023 Bonds of each maturity to be redeemed; (g) in the case of Series 2023 Bonds redeemed in part only, the respective portions of the principal amount of the Series 2023 Bonds of each maturity to be redeemed; (h) the CUSIP number, if any, of each maturity of Series 2023 Bonds to be redeemed; (i) a statement that such Series 2023 Bonds must be surrendered by the Holders at the principal corporate trust office of the Bond Trustee, or at such other place or places designated by the Bond Trustee; (j) a statement that such redemption is conditioned upon the receipt by the Bond 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 is set forth in such Conditional Notice (as defined herein), 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 Bond Indenture; and (l) notice that further interest on such Series 2023 Bonds, 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 Series 2023 Bonds.

If money is not received as described in the Bond Indenture, the Bond Trustee, within a reasonable time after the date on which such redemption was to occur, shall 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 Series 2023 Bonds pursuant to the notice of redemption. Failure of the Bond Trustee to give such notice or any defect therein will not in any way impair or affect the validity of the proceedings for redemption.

Any notice of optional redemption may state that such redemption will be conditioned (“Conditional Notice”) upon the receipt by the Bond Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, premium, if any, and interest on such Series 2023 Bonds to be redeemed or upon the occurrence of such other event or condition as shall be set forth in such Conditional Notice, and that, if such moneys shall not have been so received, or if such other event or condition shall have occurred or failed to occur (as the case may be), such Conditional Notice shall be of no force and effect and the redemption of the Series 2023 Bonds specified in the Conditional Notice shall no longer be required. The Bond Trustee will within a reasonable time thereafter give notice, in the manner in which the original Conditional Notice was given, of the cancellation of such redemption.

Notwithstanding the foregoing, in connection with the redemption of any Series 2023 Bonds held through the book-entry-only system of DTC, in the event of any conflict between the notice requirements of the Bond Indenture and the requirements and procedures of DTC, the requirements and procedures of DTC will control.

Effect of Notice. A certificate of the Bond Trustee or the Borrower that notice of call and redemption has been given to Holders as provided in the Bond Indenture and as may be further required in the Continuing Disclosure Agreement will be conclusive as against all parties. The actual receipt by the Holder of any Series 2023 Bond 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, will not affect the validity of the proceedings for the redemption of such Series 2023 Bonds or the cessation of interest, if any, on the date fixed for redemption.

When notice of redemption has been given as provided for in the Bond Indenture, and when the redemption price of the Series 2023 Bonds called for redemption being on deposit or otherwise available to the Bond Trustee, the Series 2023 Bonds 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 Series 2023 Bonds at the place specified in the notice of redemption, such Series 2023 Bonds will be redeemed and paid at the redemption price thereof out of the money provided therefor. The Holders of such Series 2023 Bonds so called for redemption after such redemption date will look for the payment of such Series 2023 Bonds and the

redemption premium thereon, if any, only to the escrow fund established for such purpose. All Series 2023 Bonds redeemed will be cancelled forthwith by the Bond Trustee and will not be reissued.

Right to Rescind Notice of Extraordinary Redemption. Upon written notice, or oral notice, promptly confirmed by written notice, from the Borrower that the Borrower has cured the conditions that caused the Series 2023 Bonds to be subject to extraordinary redemption for the reasons described in this section (captioned “Redemption”), the Borrower may rescind any extraordinary redemption and notice thereof on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the Holders of the Series 2023 Bonds so called for redemption, with a copy to the Bond Trustee. 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 Series 2023 Bond 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 Series 2023 Bonds 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 provided, if any, the Series 2023 Bonds 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 Series 2023 Bonds to be redeemed upon presentation and surrender of such Series 2023 Bonds, 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 Series 2023 Bonds 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 Series 2023 Bonds, said monies will be held in or returned or transferred to the Redemption Fund for payment of any Outstanding Bonds of the Borrower payable from said fund; provided, however, that if said monies are part of the proceeds of refunding bonds of the Borrower, said monies will be transferred to the fund created for the payment of principal of and interest on such Series 2023 Bonds. If no such refunding bonds 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 Series 2023 Bonds for Redemption. When any redemption is made pursuant to any of the provisions of the Bond Indenture and less than all of the Outstanding Series 2023 Bonds are to be redeemed, the Bond Trustee shall select the Series 2023 Bonds to be redeemed from the Outstanding Series 2023 Bonds 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 and the Mandatory Sinking Account Payments shall be reduced pro-rata.

In no event will Series 2023 Bonds be redeemed in amounts other than whole multiples of Authorized Denominations. For purposes of redeeming Series 2023 Bonds in denominations greater than minimum Authorized Denominations, the Bond Trustee will assign to such Series 2023 Bonds a distinctive number for each such principal amount and, in selecting Series 2023 Bonds for redemption by lot, will treat such amounts as separate Series 2023 Bonds. The Bond Trustee will promptly notify the Authority and the Borrower in writing of the numbers of the Series 2023 Bonds selected for redemption.

“Outstanding” under the Bond Indenture means all Series 2023 Bonds theretofore, or thereupon being, authenticated and delivered by the Bond Trustee under the Bond Indenture except: (a) Series 2023 Bonds theretofore canceled by the Bond Trustee or surrendered to the Bond Trustee for cancellation; (b) Series 2023 Bonds with respect to which all liability of the Authority has been discharged in accordance with the Bond Indenture; and (c) Series 2023 Bonds for the transfer or exchange of which, or in lieu of or in substitution for which other Series 2023 Bonds have been authenticated and delivered by the Bond Trustee pursuant to the Bond Indenture.

Purchase in Lieu of Redemption. Under the Bond Indenture, the Borrower has the option to cause the Series 2023 Bonds to be purchased in lieu of any scheduled redemption pursuant to the Bond Indenture. Such option may be exercised by delivery to the Bond Trustee on or prior to the Business Day preceding the scheduled redemption date of a written notice of the Borrower, specifying that the Series 2023 Bonds shall not be redeemed, but instead shall be purchased by the Borrower. Upon delivery of such notice, the Series 2023 Bonds shall not be

redeemed but shall instead be subject to purchase by the Borrower at the applicable redemption price, which shall be payable on the date that would have been the redemption date. The principal amount of Series 2023 Bonds so purchased in lieu of redemption shall be applied as a credit to the next Mandatory Sinking Account Payment for the applicable series of Series 2023 Bonds. The Borrower may at any time surrender to the Bond Trustee for cancellation by it any Bonds previously issued and delivered, which the Borrower may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, will be deemed to be paid and retired.

Defeasance

Discharge of Bond Indenture. Series 2023 Bonds may be paid or caused to be paid in any of the following ways, provided that the Borrower also pays or causes to be paid any other sums payable under the Bond Indenture: (a) by paying or causing to be paid the principal of and interest on the Series 2023 Bonds Outstanding as and when the same become due and payable; (b) by depositing with the Bond Trustee, in trust, at or before maturity, money or securities in the necessary amount to pay or redeem Series 2023 Bonds Outstanding; or (c) by delivering to the Bond Trustee, for cancellation by it, all Series 2023 Bonds Outstanding.

If all Series 2023 Bonds then Outstanding are paid or caused to be paid as provided above and all other sums payable under the Bond Indenture are also paid or caused to be paid, and if the Borrower has paid all Additional Payments and any indemnification owed to the Authority and any other fees and expenses payable to the Authority under the Loan Agreement, then and in that case, at the election of the Borrower (evidenced by a Certificate of the Borrower, filed with the Bond Trustee signifying the intention to discharge all such indebtedness and the Bond Indenture), and notwithstanding that any Series 2023 Bonds have not been surrendered for payment, the Bond Indenture and the pledge of Payments made under the Bond Indenture and all covenants, agreements and other obligations of the Authority under the Bond Indenture will cease, terminate, become void and be completely discharged and satisfied, except as provided in the Bond Indenture. In such event, upon request of the Borrower, the Bond 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 Bond Trustee will pay over, transfer, assign or deliver to the Borrower all moneys or securities or other property held by it pursuant to the Bond Indenture which are not required for the payment of Series 2023 Bonds not theretofore surrendered for such payment and which are not required for the payment of fees and expenses of the Bond Trustee.

Discharge of Liability on Series 2023 Bonds. Upon the deposit with the Bond Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the Bond Indenture) to pay any Outstanding Bond, whether upon or prior to its maturity, then all liability in respect of such Series 2023 Bond will cease, terminate, become void and be completely discharged and satisfied, except only that thereafter the Holder thereof will be entitled to payment of the principal of and interest on such Series 2023 Bond, and such payments will be payable under such Series 2023 Bond but only out of the money or securities deposited with the Bond Trustee as aforesaid for its payment; provided further, however, that the provisions of “– Payment of Series 2023 Bonds after Discharge of Bond Indenture” hereinafter will apply in all events.

The Borrower may at any time surrender to the Bond Trustee for cancellation by it any Series 2023 Bonds previously issued and delivered, which the Borrower may have acquired in any manner whatsoever, and such Series 2023 Bonds, upon such surrender and cancellation, will be deemed to be paid and retired.

Deposit of Money or Securities with Bond Trustee. Whenever in the Bond Indenture it is provided or permitted that there be deposited with or held in trust by the Bond Trustee money or securities in the amount necessary to pay any Series 2023 Bonds, such amount (which may include money or securities held by the Bond Trustee in the funds established pursuant to the Bond 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 Series 2023 Bonds 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 Bond Trustee will have been irrevocably instructed (by the terms of the Bond Indenture or by request of the Borrower) to apply such money to the payment of such principal of and interest on such Series 2023 Bonds and provided, further, that the Bond Trustee will have received (i) an Opinion of Bond Counsel to the effect that such deposit will not cause interest on the Tax-Exempt Bonds to be included in the gross income of the holder thereof for federal income tax purposes and that the Series 2023 Bonds to be discharged are no longer Outstanding; and (ii) a verification report of a firm of certified public accountants or other financial services firm acceptable to the Bond Trustee 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 Series 2023 Bonds to be discharged to and including their maturity date.

Payment of Bonds after Discharge of Bond Indenture. Notwithstanding any provision of the Bond Indenture, and subject to applicable escheat laws, any moneys (including interest) held by the Bond Trustee in trust for the payment of the principal of or interest on any Series 2023 Bonds and remaining unclaimed for one year after the principal of all the Outstanding Bonds has become due and payable (whether at maturity or by declaration as provided in the Bond 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 Series 2023 Bonds became due and payable, will be repaid to the Borrower free from the trusts created by the Bond Indenture, and all liability of the Bond Trustee with respect to such moneys will thereupon cease; provided, however, that before the repayment of such moneys to the Borrower as aforesaid, the Bond Trustee may (at the cost of the Borrower) first mail to the holders of Series 2023 Bonds which have not yet been paid, at the addresses shown on the registration books maintained by the Bond Trustee, a notice, in such form as may be deemed appropriate by the Bond Trustee, with respect to the Series 2023 Bonds 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

The Series 2023 Bonds are to be offered and sold (including in secondary market transactions) only to Qualified Institutional Buyers or Accredited Investors. The foregoing limitation will cease to apply (without notice to or consent of any Bondholder) upon and after receipt by the Bond Trustee from the Borrower of a rating letter by Fitch, S&P or Moody's indicating that the Series 2023 Bonds are rated "A-" or "A3," as applicable, or better. The Bond Trustee will as soon as practicable, but in no event more than ten calendar days after receipt by the Bond Trustee of such rating letter, notify each Bondholder that (i) the restrictions set forth in the Bond Indenture requiring that the Beneficial Owners of the Series 2023 Bonds be Qualified Institutional Buyers or Accredited Investors will be of no further force or effect and (ii) the Authorized Denominations of the Series 2023 Bonds will be \$5,000 and any multiple in excess thereof. Pursuant to the Bond Indenture, "Qualified Institutional Buyer" means a "qualified institutional buyer" as defined in Rule 144A promulgated under the Securities Act. Pursuant to the Bond Indenture, "Accredited Investor" means an "accredited investor" as described in Section (a) of Rule 501 of Regulation D under the Securities Act.

In addition, the face of each Series 2023 Bond will contain a legend indicating that it is subject to transfer restrictions as set forth in the Bond Indenture. See "CERTAIN RISK FACTORS – Purchases and Transfers of Series 2023 Bonds Restricted to Qualified Institutional Buyers and Accredited Investors" herein. On or prior to the date of delivery of the Series 2023 Bonds, the initial purchasers of the Series 2023 Bonds will be required to execute and deliver to the Authority and the Bond Trustee an investor letter or bondholder representative letter, as appropriate, in the form attached hereto as APPENDIX I.

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ESTIMATED SOURCES AND USES OF FUNDS*

The following table sets forth the estimated sources and uses of funds related to the Series 2023 Bonds.

	Series 2023A Bonds	Series 2023B Bonds	Total ³
Sources:			
Par Amount of Series 2023 Bonds			
[Plus/Minus] Original Issue [Premium/Discount]			
Wire from the Authority ¹			
Total Sources			
Uses:			
Repay Prior Obligations			
Project Fund			
Grant-Funded Reserve Subaccount ¹			
Costs of Issuance ²			
Total Uses³			

¹ Grant pursuant to Charter School Facilities Credit Enhancement Program or another similar program administered by the Authority, for deposit in Grant-Funded Reserve Subaccount. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2023 BONDS – Reserve Account." See also "CERTAIN RISK FACTORS – Reserve Account."

² Includes costs of issuing the Series 2023 Bonds and Underwriter's discount.

³ Totals may not foot due to rounding.

PLAN OF FINANCE

The proceeds of the Series 2023 Bonds will be used to (1) refinance costs of the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and equipping of the Facilities; (2) finance certain capital improvements to the Facilities; (3) pay capitalized interest on the Bonds; (4) fund a debt service reserve fund with respect to the Series 2023 Bonds; (5) fund related working capital; and (6) pay certain expenses incurred in connection with the issuance of the Series 2023 Bonds. A deposit to the Reserve Account for the Series 2023 Bonds in an amount of the Reserve Account Requirement will be funded by proceeds of a grant pursuant to the Authority's Charter School Facilities Credit Enhancement Program or another similar program administered by the Authority.

Refinance Prior Obligations

Series 2013 Refunded Bonds. A portion of the proceeds of the Series 2023 Bonds will be applied to redeem the outstanding California School Finance Authority School Finance Variable Rate Demand Revenue Bonds (Camino Nuevo-3500 West Temple LLC Project) Series 2013 (the "Series 2013 Refunded Bonds"), outstanding in the principal amount of \$[____], on or about the date of issuance of the Series 2023 Bonds.

The proceeds of the Series 2013 Bonds were loaned to 3500 West Temple LLC and were applied to finance and refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and equipping of the Dalzell High Campus.

* Preliminary, subject to change.

Series 2017 Refunded Bonds. A portion of the proceeds of the Series 2023 Bonds will be applied to redeem the outstanding \$[_____] principal amount California School Finance Authority School Finance Variable Rate Demand Revenue Bonds (Camino Nuevo-[GNLA 697 S Burlington LLC Project]) Series 2017 (the “Series 2017 Refunded Bonds”), outstanding in the principal amount of \$[_____] on or about the date of issuance of the Series 2023 Bonds.

The proceeds of the Series 2017 Bonds were loaned to GNLA 697 S Burlington LLC and were applied to finance and refinance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing and equipping of the Burlington Campus.

Other Prior Obligations. Fifteenth and Ardmore LLC has an outstanding loan in the original principal amount of \$1,629,670.25 from Wells Fargo Bank, National Association (the “Eisner Middle Campus Loan”), the proceeds of which were applied to [_____]. On the Closing Date, a portion of the proceeds of the Series 2023 Bonds will be applied to repay the outstanding balance of principal and interest for the Eisner Middle Campus Loan, equal to approximately \$[1,223,814] as of March 1, 2023.

The Borrower has an outstanding loan in the original principal amount of \$920,000 from Wells Fargo Bank, National Association (the “Head Office Facility Loan”), the proceeds of which were applied to [refinance a loan on the property at which the Head Office Facility is located]. On the Closing Date, a portion of the proceeds of the Series 2023 Bonds will be applied to repay the outstanding balance of principal and interest for the Head Office Facility Loan, equal to approximately \$[701,225] as of March 1, 2023.

For more information regarding the Facilities and the Project, see “APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWER, THE LESSEE, AND THE SCHOOLS – THE FACILITIES” and “– THE FACILITIES AND THE PROJECT” attached hereto.

The Leases

On the Closing Date, the Landlords will lease the applicable Facilities to the Lessee pursuant to the Leases for the operation of the Schools. The primary source of Gross Revenues for the Members of the Obligated Group are the payments of Rent received pursuant to the Leases. See “THE LEASES” herein and “APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWER, THE LESSEE, AND THE SCHOOLS” attached hereto.

DEBT SERVICE SCHEDULE

The following table sets forth, for each year ended July 1, the amounts required each year to be paid with respect to the Series 2023 Bonds, assuming no prepayment other than for mandatory sinking fund redemptions. As of the Closing Date, the Borrower and the Lessee will have no outstanding Indebtedness other than in connection with the Series 2023 Bonds.

Year Ending July 1	Series 2023A Bonds		Series 2023B Bonds		Total Series 2023 Bonds Debt Service ⁽¹⁾
	Principal	Interest	Principal	Interest	
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
2036					
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2049					
2050					
2051					
2052					
2053					
2054					
2055					
2056					
2057					
2058					
2059					
2060					
2061					
2062					
Totals⁽¹⁾					

⁽¹⁾ Totals may not foot due to rounding.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2023 BONDS

Limited Obligations of the Authority

The Series 2023 Bonds and interest thereon constitute special, limited obligations of the Authority and are payable solely from certain revenues received under the Bond Indenture and from certain funds and accounts established and maintained under the Bond Indenture. The Authority is not obligated to advance any moneys derived from any source whatsoever for the payment of the principal or redemption price or interest with respect to the Series 2023 Bonds.

THE SERIES 2023 BONDS ARE NOT AND SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR LIABILITY OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE AUTHORITY, AND ARE NOT AND SHALL NOT BE DEEMED TO BE A PLEDGE OF THE FAITH AND CREDIT OF THE STATE, OR OF ANY POLITICAL SUBDIVISION THEREOF, BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS PROVIDED THEREFOR UNDER THE BOND INDENTURE. NEITHER THE STATE NOR THE AUTHORITY SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF THE SERIES 2023 BONDS, OR THE REDEMPTION PREMIUM, IF ANY, OR INTEREST THEREON, EXCEPT FROM THE FUNDS PROVIDED THEREFOR UNDER THE BOND INDENTURE. THE ISSUANCE OF THE SERIES 2023 BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE AUTHORITY HAS NO TAXING POWER. NOTHING IN THE BOND 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 NOTICES OR TO MAKE FUNDS AVAILABLE TO THE OBLIGATED GROUP SCHOOLS IN ANY AMOUNT OR AT ANY TIME.

Bond Indenture

Pledge of Payments and Other Amounts. In the Bond Indenture, the Authority pledges to secure the payment of the principal of and interest on the Series 2023 Bonds in accordance with their terms and the provisions of the Bond 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 Series 2023 Bonds) held in any fund or account (other than the Rebate Fund) established pursuant to the Bond Indenture. 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 Series 2023 Bonds, without any physical delivery thereof or further act.

“Payments,” under the Bond Indenture, means (i) all moneys (except any money received to be used for the payment of Administrative Fees and Expenses) received by the Bond Trustee with respect to the Intercepts, (ii) all moneys, if any, received by the Bond 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 Bond Indenture) or Obligation No. 1, and (iii) all income derived from the investment of any money in any fund or account established pursuant to the Bond Indenture. See “APPENDIX D – SUMMARY OF PRINCIPAL BOND DOCUMENTS – BOND INDENTURE” attached hereto.

State Intercept Program. In connection with the issuance of the Series 2023 Bonds, the Lessee will provide instructions to the State Controller to make the Intercepts to the Bond Trustee with respect to the Schools in amounts and on dates provided in the Intercept Notices which amounts are expected to be sufficient in the aggregate to repay the Series 2023 Bonds and pay necessary and incidental costs. Funds received by the Bond Trustee pursuant to the Intercepts constitute Payments (as defined in the Bond Indenture) and will be held in trust and will be disbursed, allocated and applied solely for the uses and purposes set forth in the Bond Indenture, including if necessary, the payment of debt service on the Series 2023 Bonds. Under the laws of the State, no party, including the Lessee, the Borrower or any of their respective creditors will have any claim to the money apportioned or anticipated to be apportioned to the Bond Trustee by the State Controller pursuant to the Intercepts.

In addition, the Loan Agreement provides that notwithstanding any provision of the Loan Agreement to the contrary, the Borrower will instruct or cause each Landlord to instruct the Lessee to pay any shortfall in Base Rent

(as defined in each Lease) directly to the Bond Trustee for deposit in the Revenue Fund. See “APPENDIX D – SUMMARY OF PRINCIPAL BOND DOCUMENTS – LOAN AGREEMENT” attached hereto.

Rent under the Leases is payable by the Lessee solely from the Gross School Revenues, as defined in each of the Leases, which are derived from the operations of the Schools, and any other schools operated by the Lessee that may operate in the Facilities leased from Members of the Obligated Group in the future, as well as any revenues received by the Lessee relating to the sublease or joint occupancy of the Facilities with a third party. See “THE LEASES – Payment of Rent” and “– Certain Covenants Under the Leases” herein. Revenues generated from any other schools whose charters are held and/or that are operated and/or managed by the Lessee, or assets and revenues generated from sources other than the Project, are not available for payment of Rent or otherwise available to the Authority, Master Trustee, Bond Trustee, Investors and/or Bondholders.

[How will Head Office Facility rent be paid? Out of what schools’ revenues?]

Assignment of Payments and Other Amounts, Loan Agreement, Leases, and Deed of Trust. The Authority assigns to the Bond Trustee, for the benefit of the Holders from time to time of the Series 2023 Bonds, (i) all of the Payments (except Payments described in clause (i) of the definition thereof) and other amounts pledged under “– Pledge of Payments and Other Amounts” above, (ii) all of the right, title and interest of the Authority in, to and under the Loan Agreement (except for the Authority’s right to the payment of the Administrative Fees and Expenses, any Additional Payments, any right to be indemnified, held harmless or defended, any right to receive information, reports, certifications or other documents and any right to notice, consent, approval or inspection under the Bond Indenture or under the Loan Agreement, and the obligation of the Borrower to make deposits pursuant to the Tax Regulatory Agreement). The Authority will also cause Obligation No. 1 to be registered in the name of the Bond Trustee.

The Bond Trustee will be entitled to and will receive all of the assigned 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 Bond Trustee and will forthwith be paid by the Authority to the Bond Trustee. The Bond Trustee will be entitled to and will (subject to the provisions of the Bond Indenture, including its rights and protections thereunder) take all steps, actions and proceedings following any event of default under the Loan Agreement reasonably necessary in its judgment (or as directed by a majority of the Holders) to enforce, either jointly with the Authority or separately, all of the rights of the Authority assigned to the Bond Trustee and all of the obligations of the Borrower under the Loan Agreement.

The Borrower will take all actions necessary for the Bond Trustee to collect directly from the State Controller the amounts set forth in the Intercept Notices on the dates set forth in the Intercept Notices. The Payments described in clause (i) of the definition thereof are assigned to the Bond Trustee, for the benefit of the Holders of the Series 2023 Bonds, by virtue of the filing of the Intercept Notices with the State Controller. The Bond Trustee shall be entitled to and shall receive all of such assigned Payments.

Revenue Fund. The Bond Trustee will establish, maintain and hold in trust a special fund designated as the “Revenue Fund.” All Payments will be promptly deposited by the Bond 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 Series 2023 Bonds but will nevertheless be disbursed, allocated and applied solely for the uses and purposes set forth in the Bond Indenture. The Bond Trustee will establish within the Revenue Fund an Interest Account, a Principal Account, and a Reserve Account for the payment of debt service on the Series 2023 Bonds.

Interest Account. All amounts in the Interest Account will be used and withdrawn by the Bond Trustee solely for the purpose of paying interest on the Series 2023 Bonds as it becomes due and payable (including accrued interest on any Series 2023 Bonds purchased or redeemed prior to maturity pursuant to the Bond Indenture).

Within the Interest Account, the Bond Trustee will establish and maintain the Capitalized Interest Subaccount. The Bond Trustee will make transfers from the Capitalized Interest Subaccount to the Interest Account, on the 5th of each month, in the amounts and in the date ranges specified in the Bond Indenture.

Principal Account. All amounts in the Principal Account will be used and withdrawn by the Bond Trustee solely for the purpose of paying the principal or Mandatory Sinking Account Payments of the Series 2023 Bonds, as provided in the Bond Indenture.

The Bond Trustee will establish and maintain within the Principal Account a separate subaccount for the Series 2023 Bonds, designated as the “____ Sinking Account,” inserting therein the series and maturity (if more than one such account is established) for each Term Bond. On or before July 1 in each year, the Bond Trustee will transfer the amount deposited in the Principal Account on that date pursuant to the Bond Indenture, as described in “– Allocation of Revenues” below, from the Principal Account to the Sinking Account for the purpose of making a Mandatory Sinking Account Payment (if such deposit is required in such month). With respect to the Sinking Account, on each Mandatory Sinking Account Payment date established for the Sinking Account, the Bond Trustee will transfer the amount deposited in the Principal Account pursuant to the Bond Indenture for the purpose of applying the Mandatory Sinking Account Payment required on that date to the redemption (or payment at maturity, as the case may be) of Series 2023 Bonds, upon the notice and in the manner provided in the Bond Indenture; provided that, at any time prior to giving such notice of such redemption, the Bond Trustee will apply such moneys to the purchase of Series 2023 Bonds 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, in writing, except that the purchase price (excluding accrued interest) will not exceed the par amount of such Series 2023 Bonds. If, during the twelve-month period immediately preceding said Mandatory Sinking Account Payment date, the Bond Trustee has purchased Series 2023 Bonds with moneys in the Sinking Account, or, during said period and prior to giving said notice of redemption, the Borrower has deposited Series 2023 Bonds with the Bond Trustee, or Series 2023 Bonds were at any time purchased or redeemed by the Bond Trustee from the Redemption Fund and allocable to said Mandatory Sinking Account Payment, such Series 2023 Bonds so purchased or deposited or redeemed will be applied, to the extent of the full principal amount thereof, to reduce said Mandatory Sinking Account Payment. In the event of a redemption of all or a portion of the Series 2023 Bonds, the Borrower will provide the Bond Trustee with a revised sinking fund schedule giving effect to the optional redemption so completed. All Series 2023 Bonds purchased or deposited pursuant to the provisions of the Bond Indenture summarized in this paragraph will be delivered to the Bond Trustee and cancelled. Any amounts remaining in the Sinking Account when all of the Series 2023 Bonds are no longer Outstanding will be withdrawn by the Bond Trustee and transferred to the Revenue Fund. All Series 2023 Bonds purchased from the Sinking Account or deposited by the Borrower with the Bond Trustee will be allocated first to the next succeeding Mandatory Sinking Account Payment, then to the remaining Mandatory Sinking Account Payments as the Borrower directs.

The Term Bonds, which are Series 2023 Bonds payable on or before their specified maturity dates from Mandatory Sinking Account Payments, will be redeemed (or paid at maturity, as the case may be) by application of Mandatory Sinking Account Payments as set forth in “THE SERIES 2023 BONDS – Redemption – Mandatory Sinking Fund Redemption.”

Reserve Account. Under the Bond Indenture, the Bond Trustee will establish a reserve account (the “Reserve Account”) within the Revenue Fund, and the Bond Trustee will establish and maintain the Bond Reserve Subaccount and the Grant-Funded Reserve Subaccount within the Reserve Account. All amounts in the Reserve Account will be used and withdrawn by the Bond Trustee solely for the purpose of making up any deficiency in the Interest Account or Principal Account that exists on the date when monies on deposit in the Interest Account or the Principal Account are required to be applied, as provided in the Indenture, or (together with any other funds available) for the payment or redemption of all Outstanding Series 2023 Bonds; provided, however, that monies and securities held by the Bond Trustee in the Grant-Funded Reserve Subaccount shall not be used for the redemption of all Series 2023 Bonds then Outstanding as set forth under “THE SERIES 2023 BONDS – Redemption” herein. The Bond Trustee will draw from the Bond Reserve Subaccount until exhausted prior to making any draw from the Grant-Funded Reserve Subaccount. The Reserve Account Requirement is sized at maximum annual debt service. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2023 BONDS” herein.

Amounts on deposit in the Reserve Account will be valued by the Bond Trustee at their fair market value each January 1 and July 1 and the Bond Trustee will notify the Borrower of the results of such valuation. If the amount on deposit in the Reserve Account on the first Business Day following such valuation is less than one-hundred percent (100%) of the Reserve Account Requirement (as defined below), the Borrower has agreed in the Loan Agreement to make the deposits to the Reserve Account required by the Bond Indenture. If the amount on

deposit in the Reserve Account on the first Business Day following such valuation is greater than the Reserve Account Requirement, then (i) the amount of money on deposit in the Grant-Funded Reserve Subaccount greater than the Reserve Account Requirement will be paid to the Authority free and clear of the lien of the Bond Indenture and (ii) any additional excess will be withdrawn from the Bond Reserve Subaccount of the Reserve Account and transferred to the Revenue Fund. See “CERTAIN RISK FACTORS” herein.

“Reserve Account Requirement” means as of any date of calculation, an amount which will be equal to the least of (i) 10% of the original principal amount of the Series 2023 Bonds, (ii) the maximum annual debt service with respect to the Series 2023 Bonds Outstanding, (iii) 125% of average annual debt service with respect to the Bonds, and (iv) for the last Bond Year only, the total debt service with respect to the Series 2023 Bonds Outstanding. Maximum annual debt service and average annual debt service, for purposes of this definition, will be calculated on the basis of 12-month periods ending on July 1 of any year in which Series 2023 Bonds are Outstanding.

On the date of issuance of the Series 2023 Bonds, \$_____, constituting the Reserve Account Requirement for the Series 2023 Bonds, will be deposited in the Reserve Account. Such deposit is expected to be funded by proceeds of a grant pursuant to the Authority’s Charter School Facilities Credit Enhancement Program or another similar program administered by the Authority in the amount of the Reserve Account Requirement. [The Reserve Account Requirement on the date of issuance of the Series 2023 Bonds is sized at maximum annual debt service of the Series 2023 Bonds.]

Repair and Replacement Fund. The Bond Trustee will establish, maintain and hold in trust a separate fund designated as the “Repair and Replacement Fund,” which shall be used solely for the purposes set forth in the Bond Indenture. Moneys in the Repair and Replacement Fund to be used to pay for capital items not budgeted as ordinary maintenance and repair costs related to the Facilities shall be disbursed upon receipt of a requisition of the Borrower, and the Bond Trustee is authorized and directed to issue payments for each such disbursement upon receipt of such a requisition. The Bond Trustee may conclusively rely upon such requisition and will have no responsibility or duty to investigate any of the matters set forth therein.

Amounts on deposit in the Repair and Replacement Fund shall be valued by the Bond Trustee at their fair market value each January 1 and July 1, beginning [July 1, 20__], and the Bond Trustee shall notify the Borrower of the results of such valuation in the form of its regular periodic statement. If the amount on deposit in the Repair and Replacement Fund on the first (1st) Business Day following such valuation is less than one hundred percent (100%) of the Repair and Replacement Fund Requirement, the Borrower has agreed in the Loan Agreement to make the deposits in the Repair and Replacement Fund required by the Bond Indenture. If the amount on deposit in the Repair and Replacement Fund on the first (1st) Business Day following such valuation is greater than the Repair and Replacement Fund Requirement, then any additional excess shall be withdrawn from the Repair and Replacement Fund and transferred to the Revenue Fund.

When (i) the amount of principal of, and premium, if any, and interest on the Outstanding Series 2023 Bonds is equal to or less than the sum of the balance of the Revenue Fund, the balance of the Redemption Fund and the balance of the Repair and Replacement Fund, and (ii) all other amounts owed under the Loan Agreement and the Bond Indenture have been paid, moneys held in the Repair and Replacement Fund may be deposited into the Revenue Fund and credited against payments of Loan Repayments required under the Loan Agreement.

Pursuant to the Bond Indenture, the Repair and Replacement Fund Requirement means \$[____]; provided, however, that the Repair and Replacement Fund Requirement will initially be \$0 as of the date of delivery of the Series 2023 Bonds and will increase by \$[____] on the first Business Day of each month commencing [____] 1, 2023, until the Repair and Replacement Fund Requirement equals \$[____].

[Working Capital Fund.] The Bond Trustee will 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 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 Bond Trustee shall have no duty to confirm the accuracy of such facts.]

Project Fund. The Bond Trustee will establish, maintain and hold in trust a separate fund under the Bond Indenture designated as the “Project Fund.” The moneys in the Project Fund shall be disbursed pursuant to Requisitions of the Borrower, which shall be substantially in the form provided in the Bond Indenture. No moneys in the Project Fund shall be used to pay Costs of Issuance. From time to time, the Borrower may transfer, or cause to be transferred, funds for deposit in the Project Fund prior to the Completion Date.

Upon completion of the Project, the Borrower will deliver a Completion Certificate to the Bond Trustee and make the final requisition of funds from the Project Fund. Any amounts thereafter remaining in such Project Fund shall be transferred by the Bond Trustee, at the direction of the Borrower (i) to the Redemption Fund for the redemption of Series 2023 Bonds pursuant to the Bond Indenture, (ii) to the Interest Account for payment of interest on the Series 2023 Bonds, or (iii) to the Borrower, upon delivery to the Bond Trustee of (A) the Completion Certificate, (B) a written request of the Borrower and (C) delivery of an Opinion of Bond Counsel substantially to the effect that such transfer would not, in and of itself, adversely affect the exclusion from gross income for federal income tax purposes of interest on the Tax-Exempt Bonds. Upon such transfer, the Project Fund shall be closed.

Allocation of Payments. Promptly upon receipt, the Bond Trustee will deposit the Payments to the Revenue Fund. On or before the 25th day of each month commencing [] 25, 2023, the Bond Trustee will transfer from the Revenue Fund and deposit into the following respective accounts (each of which the Bond Trustee will establish and maintain within the Revenue Fund), and then to the Repair and Replacement Fund, to the Rebate Fund, and to the Administration 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 deposit) at the time of deposit to be satisfied before any transfer is made to any account or fund subsequent in priority; provided, however, no moneys deposited in the Revenue Fund pursuant to the Intercepts will be deposited to the Rebate Fund:

(1) To the Interest Account, one-sixth of the amount of interest becoming due and payable on the next succeeding Interest Payment Date on all Bonds then Outstanding, until the balance in said account is equal to said aggregate amount of interest; provided that from the date of delivery of the Series 2023 Bonds to the first Interest Payment Date with respect to the Series 2023 Bonds (if less than six months), transfers to the Interest Account shall be sufficient on a monthly pro rata basis to pay the aggregate amount of interest becoming due and payable on such Interest Payment Date;

(2) To the Principal Account, one-twelfth of the aggregate amount of principal becoming due to redeem or pay Series 2023 Bonds or to make Mandatory Sinking Account Payments and payable on the next succeeding Principal Payment Date, until the balance in said Principal Account is equal to said aggregate amount of such principal and Mandatory Sinking Account Payments; provided that from the date of delivery of the Series 2023 Bonds until the first Principal Payment Date with respect to the Series 2023 Bonds (if less than twelve months), transfers to the Principal Account shall be sufficient on a monthly pro rata basis to pay the principal and Mandatory Sinking Account Payments becoming due and payable on said Principal Payment Date;

(3) To the Grant-Funded Reserve Subaccount of the Reserve Account, (a) the greater of (i) the amount designated for deposit to the Grant-Funded Reserve Subaccount of the Reserve Account in a written direction of the Borrower, and (ii) the aggregate, combined amount of all prior withdrawals made from the Grant-Funded Reserve Subaccount of the Reserve Account to make up a deficiency in the Interest Account or the Principal Account, until the balance in the Grant-Funded Reserve Subaccount of the Reserve Account has been restored to its pre-withdrawals level, and (b) in the event the balance in said subaccount shall be less than the amount deposited in such subaccount pursuant to the Bond Indenture due to valuation of the Eligible Securities deposited therein in accordance with the Bond Indenture, the amount necessary to increase the balance in said subaccount to an amount at least equal to the amount deposited in such subaccount pursuant to the Bond Indenture (until deposits on account of such valuation deficiency are sufficient to increase the balance in said account to said amount);

(4) To the Bond Reserve Subaccount of Reserve Account, (a) the greater of (i) the amount designated for deposit to the Bond Reserve Subaccount of Reserve Account in a written direction of the Borrower, and (ii) one-half of the aggregate amount of each prior withdrawal from the Reserve Account for the purpose of making up a deficiency in the Interest Account or Principal Account (until deposits on account of such withdrawal are sufficient to fully restore the amount withdrawn), provided that no deposit need be made into the Reserve Account if the

balance in said account is at least equal to the Reserve Account Requirement, and (b) in the event the balance in said account shall be less than the Reserve Account Requirement due to valuation of the Eligible Securities deposited therein in accordance with the Bond Indenture, the amount necessary to increase the balance in said account to an amount at least equal to the Reserve Account Requirement (until deposits on account of such valuation deficiency are sufficient to increase the balance in said account to said amount);

(5) To the Repair and Replacement Fund, \$[____], [on the 25th day of each month commencing [____] 25, 2023], until the balance therein is at least equal to the Repair and Replacement Fund Requirement, and thereafter (i) the greater of (A) the amount designated for deposit in the Repair and Replacement Fund in a written direction of the Borrower, and (B) one-sixth of the aggregate amount of each prior withdrawal from the Repair and Replacement Fund, provided that no deposit need be made into the Repair and Replacement Fund if the balance in said account is at least equal to the Repair and Replacement Fund Requirement, and (ii) in the event the balance in said account is less than the Repair and Replacement Fund Requirement due to valuation of the Eligible Securities deposited therein in accordance with the Bond Indenture or due to an increase in the Repair and Replacement Fund Requirement, the amount necessary to increase the balance in said account to an amount at least equal to the Repair and Replacement Fund Requirement (until deposits on account of such valuation deficiency, if any, are sufficient to increase the balance in said account to said amount);

(6) To the Rebate Fund, such amounts as are required to be deposited therein by instruction from the Borrower given in accordance with the Bond Indenture (including the Tax Regulatory Agreement); and

(7) To the Administration Fund, an amount equal to one-twelfth of the annual Administrative Fees and Expenses.

Moneys remaining in the Revenue Fund after the foregoing transfers will be transferred on the first Business Day of each month, commencing [____] 1, 2023*, by the Bond Trustee to or at the direction of the Borrower free and clear of the lien of the Bond Indenture.

See “APPENDIX D – SUMMARY OF PRINCIPAL BOND DOCUMENTS – BOND INDENTURE” and “– LOAN AGREEMENT” attached hereto.

For more information on the Project, the Borrower, the Lessee, and the Schools, see “PLAN OF FINANCE” and “APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWER, THE LESSEE, AND THE SCHOOLS” attached hereto.

The Loan Agreement

The Authority and the Borrower will enter into the Loan Agreement to provide for the loan by the Authority to the Borrower of proceeds from the sale of the Series 2023 Bonds. In consideration of the issuance of the Series 2023 Bonds by the Authority and the application of the proceeds thereof as provided in the Bond Indenture, the Borrower agrees to issue, or cause to be issued, and to cause to be authenticated and delivered to the Authority, Obligation No. 1, pursuant to the Master Indenture and the First Supplemental Master Indenture, concurrently with the issuance and delivery of the Series 2023 Bonds. The Authority will assign its rights in the Loan Agreement (except for the right to receive any Administrative Fees and Expenses, any Additional Payments, any right to be indemnified, held harmless or defended, any right to receive information, reports, certifications or other documents and any right to notice, consent, approval or inspection under the Bond Indenture or under the Loan Agreement, and the obligation of the Borrower to make deposits pursuant to the Tax Regulatory Agreement) to the Bond Trustee. Pursuant to the Loan Agreement, the Borrower agrees to pay, or cause to be paid, the Loan Repayments from Gross Revenues, including Rental Payments, or from any other legally available funds of the Borrower. The Loan Repayments payable by the Borrower under the Loan Agreement are expected to be equal in the aggregate to an amount which, together with other funds in the Revenue Fund then available for the payment of principal and interest on the Series 2023 Bonds, shall be sufficient to provide for the payment in full of the interest on, premium, if any, and principal of the Series 2023 Bonds as the same become due and payable. In addition to

* Preliminary, subject to change.

such Loan Repayments, the Borrower is also required under the Loan Agreement to pay Additional Payments to the Authority, to the Bond Trustee or to the appropriate payee, as the case may be, as follows:

(a) All taxes and assessments of any type or character charged to the Authority or to the Bond Trustee affecting the amount available to the Authority or the Bond Trustee from payments to be received under the Loan Agreement 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 Bond Trustee and taxes based upon or measured by the net income of the Bond Trustee; provided, however, that the Borrower will have the right to protest any such taxes or assessments and to require the Authority or the Bond Trustee, at the Borrower's expense, to protest and contest any such taxes or assessments levied upon them and that the Borrower will 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 Bond Trustee;

(b) All reasonable fees, charges and expenses of the Bond Trustee and the Master Trustee, as applicable, for services rendered under the Bond Indenture and the Master Indenture, respectively, and all amounts referred to in the Bond Indenture and Master Indenture, as and when the same become due and payable;

(c) The fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Authority or the Bond Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under the Loan Agreement, the other Borrower Documents or the Bond Indenture;

(d) All fees and expenses of any Rating Agency then rating the Series 2023 Bonds and the Rebate Analyst, and if a deposit is required to be made to the Rebate Fund as a result of any calculation made pursuant to the Bond Indenture, the amount of such deposit, which will be deposited in the Rebate Fund not later than the tenth day of the calendar month immediately following the date on which such calculation was made pursuant to the Bond Indenture;

(e) All amounts necessary for deposit into the Repair and Replacement Fund pursuant to the Bond Indenture;

(f) The annual fee of the Authority and the fees and expenses of the Authority or any agent or attorney selected by the Authority to act on its behalf in connection with the Loan Agreement, the other Borrower Documents, the Series 2023 Bonds or the Bond Indenture, including, without limitation, any and all expenses incurred in connection with the authorization, issuance, sale and delivery of any such Series 2023 Bonds or in connection with any litigation, investigation, inquiry or other proceeding which may at any time be instituted involving the Loan Agreement, the other Borrower Documents, the Series 2023 Bonds or the Bond Indenture or any of the other documents contemplated thereby, or in connection with the supervision or inspection of the Borrower, its properties, assets or operations or otherwise in connection with the administration of the Loan Agreement and the other Borrower Documents; and

(g) The amount necessary to replenish any fund established under the Bond Indenture, but only to the extent then required under the Bond Indenture.

All such payments will be made by the Borrower from the Gross Revenues or other legally available funds for payment to the Person or Persons entitled to such payments or for deposit to the appropriate fund or account held by the Bond Trustee under the Bond Indenture. See "APPENDIX D – SUMMARY OF PRINCIPAL BOND DOCUMENTS – THE LOAN AGREEMENT" attached hereto.

The Master Indenture

Joint and Several Obligations of the Obligated Group. Under the Master Indenture, each Member jointly and severally covenants and agrees (a) to pay or cause to be paid promptly all Required Payments at the place, on the dates and in the manner provided in the Master Indenture, the First Supplemental Master Indenture, Obligation

No. 1, and any Related Supplement and any Obligation, and (b) to faithfully observe and perform all of the conditions, covenants and requirements of the Master Indenture, the First Supplemental Master Indenture, Obligation No. 1, and any Related Supplement and any Obligation. Each Member acknowledges and agrees that the time of such payment and performance is of the essence of the obligations under the Master Indenture.

Initially, the Landlords will be the only Members of the Obligated Group. The Borrower will be the Obligated Group Representative but is not a Member of the Obligated Group. The Lessee is not a Member of the Obligated Group, is not a party to the Master Indenture and is obligated solely as lessee under the Leases, in respect of payment from the sources specified therein relating to the Obligated Group Schools and the Facilities*, and is not responsible, party to or otherwise obligated under the Loan Agreement, the Bond Indenture, the Master Indenture, or the First Supplemental Master Indenture, to make payments directly on the Loan, Obligation No. 1, or the Series 2023 Bonds.

Subject to the provisions of the Master Indenture permitting withdrawal from the Obligated Group, the obligation of each Member to make Required Payments is a continuing one and is to remain in effect until all Required Payments have been paid in full in accordance with the Master Indenture. All moneys from time to time received by the Obligated Group Representative or the Master Trustee to reduce liability on Obligations, whether from or on account of the Members or otherwise, will be regarded as payments in gross without any right on the part of any one or more of the Members to claim the benefit of any moneys so received until the whole of the amounts owing on Obligations has been paid or satisfied and so that in the event of any such Member's filing bankruptcy, the Obligated Group Representative or the Master Trustee will be entitled to prove up the total indebtedness or other liability on Obligations Outstanding as to which the liability of such Member has become fixed.

Each such Obligation will be a primary obligation and will not be treated as ancillary to or collateral with any other obligation and will be independent of any other security so that the covenants and agreements of each Member under the Master Indenture will be enforceable without first having recourse to any such security or source of payment and without first taking any steps or proceedings against any other Person. The Obligated Group Representative and the Master Trustee are each empowered to enforce each covenant and agreement of the Master Indenture, and to enforce the making of Required Payments. Each Member will authorize the Obligated Group Representative and the Master Trustee to enforce or refrain from enforcing any covenant and agreement of the Members under the Master Indenture and to make any arrangement or compromise with any particular Member or Members as the Obligated Group Representative or the Master Trustee may deem appropriate, consistent with the Master Indenture and any Related Supplement. Each Member will waive in favor of the Obligated Group Representative and the Master Trustee all rights against the Obligated Group Representative, the Master Trustee and any other Member, insofar as is necessary to give effect to any of the provisions of the Master Indenture.

The Master Trustee will not take recourse against the Borrower, the Obligated Group Representative or any of the Members with respect to the failure by the Borrower, the Obligated Group Representative or any of the Members to make any Required Payment under the Master Indenture and any Related Supplement except recourse to the Gross Revenues and the amounts held in the funds and accounts created under the Related Bond Indenture (except the Rebate Fund) or under the Master Indenture, or to such other security as may from time to time be given for the payment of obligations arising out of the Master Indenture, any Related Supplement or any other agreement securing the obligations of the Borrower or any of the Members with respect to the Related Bonds.

For a more detailed discussion of entry to or withdrawal from the Obligated Group, see "APPENDIX D – SUMMARY OF PRINCIPAL BOND DOCUMENTS – THE MASTER INDENTURE" attached hereto.

Gross Revenue Fund. (a) Each Member of the Obligated Group agrees in the Master Indenture that, unless otherwise provided in a Related Supplement or if such Related Bonds are payable in full from funds that are subject to the Intercept, so long as any of the Obligations remain Outstanding, all of the Gross Revenues of the Obligated Group will be deposited as soon as practicable upon receipt in a fund designated as the "Gross Revenue Fund" which the Members will establish and maintain, subject to the provisions of the Master Indenture, in one or more

* As used in this section captioned " – The Master Indenture", the terms "Facility" and "Facilities" shall have the meaning set forth in the Master Indenture.

accounts at such banking institution or institutions as the Members will from time to time designate in writing to the Master Trustee for such purpose (the "Depository Bank(s)"). The Gross Revenue Fund shall contain the Charter School Rent Payment Account, the Ground Rent Account, the Related Bonds Account, the Additional Payments Account, and such other accounts or subaccounts as the Master Trustee finds necessary or desirable.

(b) Subject only to the provisions of the Master Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, each Member, respectively, pledges, and to the extent permitted by law grants a security interest to the Master Trustee in, the Gross Revenue Fund and all of the Gross Revenues of the Obligated Group to secure the payment of Required Payments and the performance by the Members of their other obligations under the Master Indenture. Each Member, respectively, will execute and cause to be filed Uniform Commercial Code financing statements, will execute and cause to be sent to each Depository Bank and to the Master Trustee a notice of the security interest granted under the Master Indenture 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 Master 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 Master Trust Indenture, neither the Master 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.

(c) Amounts in the Gross Revenue Fund may be used and withdrawn by any Member at any time for any lawful purpose, except as hereinafter provided. In the event that any Member is delinquent for more than one business day in the payment of any Required Payment with respect to any Obligation issued pursuant to a Related Supplement, the Master Trustee, upon notice from the Obligated Group Representative or actual knowledge of such delinquency, will notify the Obligated Group Representative and the Depository Bank(s) of such delinquency, and, the Obligated Group Representative or the appropriate Member will cause the Depository Bank(s) to enter into a control agreement in order to transfer the Gross Revenue Fund to the name and credit of the Master Trustee. The Gross Revenue Fund will continue to be held in the name and to the credit of the Master Trustee until six months after the amounts on deposit in said fund are sufficient to pay in full, or have been used to pay in full, all Required Payments in default and all other Events of Default known to the Master Trustee will have been made good or cured to the satisfaction of the Master Trustee or provision deemed by the Master Trustee to be adequate will have been made therefor, whereupon the Gross Revenue Fund (except for the Gross Revenues required to make such payments or cure such defaults) will be returned to the name and credit of the appropriate Members. During any period that the Gross Revenue Fund is held in the name and to the credit of the Master Trustee, the Master Trustee will use and withdraw amounts in said Fund from time to time (1) first, to pay Ground Rent directly to each respective lessor under each Ground Lease when and as due, in the amount designated in a written request of the lessor(s) (unless such Ground Rent is expressly subordinated by the terms of the applicable Ground Lease to the payment or any amounts due under the Related Supplement), (2) second, to make Required Payments as such payments become due (whether by maturity, redemption, acceleration or otherwise), and, if such amounts will not be sufficient to pay in full all such payments due on any date, then to the payment of Required Payments ratably without any discrimination or preference, (3) third, to such other payments in the order which the Master Trustee, in its discretion, will determine to be in the best interests of the Holders of Obligations without discrimination or preference, and (4) fourth, to pay Ground Rent directly to each respective lessor under each Ground Lease when and as due in the amount designed by a written request of the lessor(s) (if such Ground Rent is expressly subordinated by the terms of the applicable Ground Lease to the payment of the Required Payments. During any period that the Gross Revenue Fund is held in the name and to the credit of the Master Trustee, the Members will not be entitled to use or withdraw any of the Gross Revenues of the Obligated Group unless and to the extent that the Master Trustee at its sole discretion so directs for the payment of current or past due operating expenses of the Members; provided, however, that the Members will be entitled to use or withdraw any amounts in the Gross Revenue Fund which do not constitute Gross Revenues of the Obligated Group. Under the Master Indenture, each Member agrees to execute and deliver all instruments as may be required to implement the Master Indenture. Each Member further agrees that a failure to comply with the terms of described under this section will cause irreparable harm to the Holders and will entitle the Master Trustee, with or without notice, to take immediate action to compel the specific performance of the obligations of the Members as provided in the Master Indenture.

(d) Immediately upon receipt of Gross Revenues pursuant to a Lease or School Loan Agreement, the Master Trustee shall pay or deposit from the amounts on deposit in the Gross Revenue Fund from amounts received pursuant to such Lease or School Loan Agreement the following amounts in the order indicated:

(i) The amount representing Rent of each of the Obligated Group Schools (in accordance with the Rent schedule which shall be attached to the related Supplemental Master Indenture executed in connection with the Related Bonds) shall be transferred into the Charter School Rent Payment Account within the Gross Revenue Fund, and the Master Trustee shall then immediately withdraw and pay, deposit or transfer the following amounts in the order indicated from such account:

(A) *First:* To the Ground Rent Account, if applicable, the aggregate amount of Ground Rent, if any, becoming due and payable during the next succeeding payment period in respect of all Ground Leases as designated on the Ground Lease payment schedule furnished to the Master Trustee (each such schedule shall be attached to the applicable Related Supplement), until the balance in said account is at least equal to such aggregate amount (unless such Ground Rent is expressly subordinated by the terms of the applicable Ground Lease to payments due under the Related Supplement).

(B) *Second:* To the Related Bonds Account, the amount necessary to pay all Required Payments on the next date upon which such payments become due; provided, however, that such amounts shall exclude any Required Payments received directly by a Related Bond Trustee pursuant to an Intercept.

(C) *Third:* To the Additional Payments Account, the amount necessary to pay all Additional Payments pursuant to any Related Loan Agreement on the next date upon which such payments become due; provided, however, that such amounts shall exclude any Required Payments received directly by a Related Bond Trustee pursuant to an Intercept.

(D) *Fourth:* To the Ground Rent Account, if applicable, the aggregate amount of Ground Rent, if any, becoming due and payable during the next succeeding payment period in respect of all Ground Leases as designated on the Ground Lease payment schedule furnished to the Master Trustee (each such schedule shall be attached to the applicable Related Supplement), until the balance in said account is at least equal to such aggregate amount (if such Ground Rent is expressly subordinated by the terms of the applicable Ground Lease to payments due under the Related Supplement).

(E) *Fifth:* Any money remaining following such transfers shall be transferred and released to the Member that is the Landlord or Lender under the related Lease or School Loan Agreement, as applicable, to which such remaining money is allocable.

(ii) The balance of Gross Revenues received by the Master Trustee pursuant to a Lease or School Loan Agreement and not transferred into the Charter School Rent Payment Account pursuant to this section shall immediately, and in any event not later than one Business Day following receipt thereof, be transferred to or upon the order of Lessee.

(e) The Master Trustee shall apply the monies deposited in the foregoing accounts of the Gross Revenue Fund as follows:

(i) Amounts deposited to the Ground Rent Account shall be paid directly to each respective lessor under each Ground Lease to pay Ground Rent when and as due in the amount designated in a written request of the Lessor(s).

(ii) Amounts deposited in the Related Bonds Account shall be paid directly to each Related Bond Trustee to pay amounts due and payable under each Related Bonds Indenture.

(iii) Amounts deposited in the Additional Payments Account shall be paid directly to the respective payees of Additional Payments pursuant to (and as defined in) each Related Loan Agreement.

Under the Master Indenture, “Gross Revenues” means all revenues, income, receipts and money received by or on behalf of the Members from all lawfully available sources, including (a) gross revenues derived from the operation and possession of each Member’s facilities; (b) gifts, grants, bequests, donations and contributions, exclusive of any gifts, grants, bequests, donations and contributions to the extent specifically restricted by the donor to a particular purpose inconsistent with their use for the payment of Required Payments; (c) proceeds derived from (i) accounts receivable, (ii) securities and other investments, (iii) inventory and other tangible and intangible property, and (iv) contract rights and other rights and assets now or hereafter owned by each Member, (d) rentals received from the lease of space and (e) School Loan Repayments; provided, however, that Gross Revenues shall not include (1) income derived from Defeasance Obligations that are irrevocably deposited in escrow to pay the principal of or interest on any Indebtedness; (2) any gains or losses resulting from the early extinguishment of Indebtedness, the sale, exchange or other disposition of Property not in the ordinary course of business, or the reappraisal, reevaluation or write-up of assets, or any other extraordinary gains or losses; (3) net unrealized gain (losses) on investments on investments and Financial Products Agreements; (4) proceeds of borrowing; (5) condemnation proceeds; (6) insurance proceeds; and (7) income derived from, or accounts receivable for, repayment to any Member of loans made by any other Member or Members.

THE SERIES 2023 BONDS ARE INTENDED TO BE PAYABLE IN FULL FROM FUNDS SUBJECT TO THE INTERCEPTS. ACCORDINGLY, NO GROSS REVENUE FUND WILL INITIALLY BE CREATED IN CONNECTION WITH THE ISSUANCE OF THE SERIES 2023 BONDS. SEE “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2023 BONDS – BOND INDENTURE – STATE INTERCEPT PROGRAM AND “ – ASSIGNMENT OF PAYMENTS AND OTHER AMOUNTS, LOAN AGREEMENT, LEASES, AND DEED OF TRUST” AND “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2023 BONDS – THE LOAN AGREEMENT” HEREIN.

Limitations on Additional Indebtedness. Under the Master Indenture, each Member covenants and agrees that it will not incur any Additional Indebtedness after the issuance of the Series 2023 Bonds except as follows:

(a) Long-Term Indebtedness may be incurred if, prior to the issuance of such Additional Indebtedness, the following is satisfied: an Independent Consultant selected by the Obligated Group Representative provides a written report to the Master Trustee setting forth projections which indicate that:

(i) a Consolidated Payment Obligations Coverage Ratio for each of the three consecutive full Fiscal Years beginning in the earlier of:

(A) the first full Fiscal Year following the estimated date of completion and initial use of all revenue-producing facilities to be financed with such Additional Indebtedness, based upon a certified written estimated completion date by the consulting engineer for such Facility or Facilities; or

(B) the first full Fiscal Year in which the obligor of such Additional Indebtedness will have scheduled payments of interest on or principal of the Additional Indebtedness to be issued for the payment of which provision has not been made as indicated in the report of such Independent Consultant from proceeds of such Additional Indebtedness, investment income thereon or from other appropriate sources (other than Consolidated Net Operating School Revenue), provides for a Consolidated Payment Obligations Coverage Ratio, taking into account all Outstanding Long-Term Indebtedness and the Additional Indebtedness to be issued, of not less than 1.20:1.00; and

(ii) the Consolidated Payment Obligations Coverage Ratio for the Fiscal Year immediately preceding the assumption of the proposed Additional Indebtedness is calculated to be at least 1.10:1.00 in such Fiscal Year, or would have been greater than it would otherwise have been absent such proposed Additional Indebtedness.

The report of the Independent Consultant will take into account: (i) the audited results of operations and verified enrollment of the Obligated Group Schools for the most recently completed Fiscal Year, (ii) projected enrollment of the Obligated Group Schools, and (iii) Gross Revenues at the completion of such Facility or Facilities financed with such Additional Indebtedness. In addition, the report of the Independent Consultant will assume that the Long-Term Indebtedness then to be incurred will have been outstanding for the entire year.

(b) Long-Term Indebtedness may be incurred for the purpose of refunding any Outstanding Indebtedness, if prior to the incurrence thereof, there is delivered to the Bond Trustee an Officer's Certificate demonstrating that (i) the Maximum Annual Debt Service will not increase by more than 10% after the incurrence of such proposed refunding Long-Term Indebtedness and after giving effect to the disposition of the proceeds thereof; or (ii) the total Debt Service on the Indebtedness being refinanced will not increase by more than 10% after the incurrence of such proposed refunding Long-Term Indebtedness and after giving effect to the disposition of the proceeds thereof; or (iii) the requirements of subsection (a)(i) above are met; provided that the foregoing will not apply to any refinancing with Balloon Indebtedness.

(c) Short-Term Indebtedness may be incurred by any Member as long as the Short-Term Indebtedness is made payable from such Member's Gross Revenues.

(d) Indebtedness consisting of purchase money obligations with respect to any item of equipment related to the Facilities may be incurred without limitation.

(e) Indebtedness consisting of leases (other than those described in paragraph (f) below) which are considered operating leases under generally accepted accounting principles, the term of which does not exceed two years, may be incurred without limitation.

(f) Leases for a charter school facility the term of which exceeds two years shall be deemed to be Indebtedness and may be incurred only if, prior to the incurrence of such Indebtedness, an Independent Consultant selected by the Borrower provides a written report to the Bond Trustee indicating that the Consolidated Payment Obligations Coverage Ratios required to be met under the Long-Term Indebtedness provisions set forth in paragraph (a) above are satisfied, assuming only for the purposes of such calculation that such lease Indebtedness constitutes additional Long-Term Indebtedness.

(g) Subordinated Indebtedness may be incurred without limitation.

"Consolidated Net Operating School Revenue" means the sum of all Net Operating School Revenue (as such term is defined in the related Lease or School Loan Agreement) related to all Leases and School Loan Agreements for all Lessees of all Facilities as that computation would be applied to the operations of a Lessee of a Facility financed with Related Bonds; provided that with respect to calculation of the Consolidated Payment Obligations Coverage Ratio in connection with the issuance of Additional Indebtedness, "Consolidated Net Operating School Revenue" means the sum of all Net Operating School Revenue (as such term is defined in the related Lease or School Loan Agreement) related to all Leases and School Loan Agreements for all Lessees of all Facilities and proposed Facilities as that computation would be applied to the operations of an existing or proposed school Lessee of an existing or proposed Facility financed with Related Bonds or to be financed with Additional Indebtedness, and excluding therefrom the payment obligations associated with any loan or other indebtedness to be refinanced or retired from proceeds of the Long-Term Indebtedness then to be incurred.

"Consolidated Payment Obligations" means the sum of all Lessee Payment Obligations for all Lessees of all Facilities and proposed Facilities.

"Consolidated Payment Obligations Coverage Ratio" means the ratio determined by dividing Consolidated Net Operating School Revenue for such period by the Consolidated Payment Obligations.

"Lessee Payment Obligations" means (a) that portion of the total lease payment obligation under any Lease by a Lessee of any Facility or proposed Facility, or portion of such Facility, characterized therein as "Base Rent"

plus (b) the repayment obligations for a Lessee under any School Loan Agreement for the financing of such Lessee's improvement or equipping of any Facility or proposed Facility, or portion of such Facility, characterized therein as "School Loan Repayments."

"School Loan Agreement" means any loan agreement pursuant to which a Lessee borrows money from a Member of the Obligated Group for the benefit of a Facility at which a School is located.

"Additional Indebtedness" means any Indebtedness (including all Obligations) incurred subsequent to the execution and delivery of the Master Indenture, other than Obligation No. 1.

"Balloon Indebtedness" means Long-Term Indebtedness 25% or more of the principal of which becomes due (either by maturity or mandatory redemption) during any period of 12 consecutive months, which portion of the principal is not required by the documents governing such Indebtedness to be amortized by redemption prior to such date.

"Indebtedness" means all obligations for borrowed money, installment sales and capitalized lease obligations, incurred or assumed by a Member (other than Indebtedness of one Member to another Member or the Guaranty by any Member of Indebtedness of any other Member), including Guaranties, Long-Term Indebtedness, Short-Term Indebtedness or any other obligation for payments of principal and interest with respect to money borrowed, provided, however, that if more than one Member shall have incurred or assumed a Guaranty of a Person other than a Member, or if more than one Member shall be obligated to pay any obligation, for purposes of any computations or calculations under the Master Indenture such Guaranty or obligation shall be included only one time.

"Long-Term Indebtedness" means Indebtedness having an original maturity greater than one year or renewable at the option of a Member for a period greater than one year from the date of original incurrence or issuance thereof unless, by the terms of such Indebtedness, no Indebtedness is permitted to be outstanding thereunder for a period of at least twenty (20) consecutive days during each calendar year.

"Short-Term Indebtedness" means all Indebtedness having an original maturity less than or equal to one year and not renewable at the option of a Member for a term greater than one year from the date of original incurrence or issuance; provided however, that any Short-Term Indebtedness that has been issued as revenue anticipation notes ("RANs") will not be included or counted as Short-Term Indebtedness to the extent that the RANs are secured by deferred state apportionment revenues expressly pledged and deposited in an intercept account to pay such RANs.

Amendment of Leases or School Loan Agreements. There will be no amendment, modification or termination of any of the Leases (as defined in the Master Indenture) or School Loan Agreements without (1) an Officer's Certificate delivered to the Master Trustee stating that the amendment, modification or termination of the Lease or School Loan Agreement contemplated will not have a material adverse effect on the financial position of the Obligated Group or (2) the prior written consent of the Master Trustee, which consent shall only be given if:

(a) in the Opinion of Bond Counsel, such amendment is necessary to preserve the exclusion of interest on related Tax-Exempt Bonds from gross income for purposes of federal income taxation or the exemption of interest on the related Tax-Exempt Bonds from state income taxation;

(b) (1)(A) the Holders of a majority in principal amount of the related Tax-Exempt Bonds then Outstanding consent in writing to such amendment, modification or termination or (B) in the Opinion of Counsel, such amendment, modification or termination will not materially adversely affect the interests of the Related Bondholders or result in any material impairment of the security given for the payment of the Related Bonds, and (2) the Master Trustee shall receive an Opinion of Bond Counsel substantially to the effect that such amendment, modification or termination will not, in and of itself, adversely affect any exclusion of interest on the Related Bonds that are Tax-Exempt Bonds from gross income for purposes of federal income taxation; or

(c) it has received a written representation from the Obligated Group Representative to the effect that such amendment or modification will not materially and adversely affect the interests of the Holders of the Related Bonds; provided that, if an Event of Default described in the Master Indenture has occurred and is continuing, the Master Trustee rather than the Borrower shall make a determination that such an amendment or modification will not materially and adversely affect the interest of the Holders of the Related Bonds (provided that, in making such determination, the Master Trustee may conclusively rely on written representations of financial consultants or advisors or the opinion or advice of counsel).

Cross-Collateralization; Extraordinary Monthly Rent. Pursuant to the Master Indenture, each Member covenants and agrees that each Lease will contain the following provisions:

If on the 25th of any month a Related Bond Trustee does not receive sufficient payments to make all deposits and or payments required under the Related Bond Indenture, the Related Bond Trustee will notify the Borrower and the related Lessee in writing of the deficiency (each such notice, an “Extraordinary Monthly Rent Notice”).

In the event that a Lessee under a Lease receives a notice (an “Extraordinary Monthly Rent Notice”) from either the lessor under such lease (the “Lessor”) or the Related Bond Trustee stating that the Related Bond Trustee has not received the payment of Rent with respect to a Related Project on or before that date that such required payment is due, then such Lessee shall pay the Extraordinary Monthly Rent to the Related Bond Trustee, but only from and to the extent of Gross School Revenues attributable to the Lessee’s operation of any Obligated Group School in the Facilities and legally available for such purpose, within three business days after such Lessee’s receipt of the Extraordinary Monthly Rent Notice. The Lessor shall covenant in such Lease to immediately provide the Lessee with a copy of any Extraordinary Monthly Rent Notice received by Lessor pursuant to the terms of the Master Indenture.

“Extraordinary Monthly Rent” means the amount set forth in such Extraordinary Monthly Rent Notice, which will be the Lessee’s Proportionate Share of the Extraordinary Monthly Rent.

“Proportionate Share” means the amount required to be paid by Lessee to ensure that all of the required Base Rent and School Loan Repayments with respect to all of the Related Projects have been timely made, said amount to be determined from time to time for each Obligated Group School in proportion to its respective share of Gross School Revenues attributable to the operation of such Obligated Group School. There is no assurance that the amount of Extraordinary Monthly Rent will be sufficient to cover any Rent not paid by any other Related Project (as defined in the Master Indenture).

The definition of “Rent” set forth under the related Lease shall include, as one component, the “Extraordinary Monthly Rent.”

Other Covenants. Each of the Members of the Obligated Group agrees to comply with other covenants set forth in the Master Indenture, including covenants to insure the Facilities against loss or damage. See “APPENDIX D – SUMMARY OF PRINCIPAL BOND DOCUMENTS – MASTER INDENTURE – Additional Covenants” and related definitions attached hereto.

Membership in Obligated Group. Additional Members may be added to the Obligated Group from time to time provided that prior to such addition the Master Trustee receives:

(a) a copy of a resolution of the Governing Body of the proposed new Member which authorizes the execution and delivery of a Related Supplement and compliance with the terms of the Master Indenture;

(b) a Related Supplement executed by the Obligated Group Representative, the new Member and the Master Trustee pursuant to which the proposed new Member (1) agrees to become a Member, (2) agrees to be bound by the terms and restrictions imposed by the Master Indenture and the Obligations, and (3) irrevocably appoints the Obligated Group Representative as its agent and attorney-in-fact and grants to the Obligated Group Representative

full power to execute Related Supplements authorizing the issuance of Obligations and to execute and deliver Obligations;

(c) an Opinion of Counsel addressed to the Master Trustee to the effect that (i) the proposed new Member has taken all necessary action to become a Member, and upon execution of the Related Supplement, such proposed new Member will be bound by the terms of the Master Indenture and (ii) the addition of such Member will not cause the Master Indenture or any Obligations to be subject to registration under the Securities Act of 1933, as amended, or the Trust Indenture Act of 1939, as amended (or, that any such registration, if required, has occurred);

(d) an Independent Consultant's or Accountant's report, or an Officer's Certificate, as appropriate, to the effect that the condition described in paragraph (a) under "— Limitations on Additional Indebtedness" above would be met for the incurrence of one dollar of additional Long-Term Indebtedness immediately following the addition of such new Member;

(e) an Opinion of Bond Counsel to the effect that the addition of such Member will not result in the inclusion of interest on any Related Bonds that purports to be a Tax-Exempt Bond in gross income for purposes of federal income taxation, nor cause the Master Indenture nor the Obligations issued under the Master Indenture to be subject to registration under the Securities Act of 1933, as amended or the Trust Indenture Act of 1939, as amended (or unless such registration, if required, has occurred);

(f) an Officer's Certificate to the effect that no Member, immediately after the addition of such new Member, would be in default in the performance or observance of any covenant or condition of the Master Indenture;

(g) a duly executed and delivered Deed of Trust encumbering all Property, Plant and Equipment of such new Member, subject only to Permitted Liens; and

(h) any other document, agreement, certificate, waiver or other instrument from such parties, as the Master Trustee reasonably requests.

Any certification or calculation made in accordance with this section may take into account the effect of the withdrawal of another Member or Members from the Obligated Group in connection with the addition of a Member to the Obligated Group.

Withdrawal from Obligated Group. Any Member may withdraw from the Obligated Group, and be released from further liability or obligation under the provisions of the Master Indenture, provided that prior to such withdrawal the Master Trustee receives:

(a) an Officer's Certificate to the effect that, immediately following withdrawal of such Member, no Member would be in default in the performance or observance of any covenant or condition of the Master Indenture;

(b) an Opinion of Bond Counsel to the effect that the withdrawal of such Member is in compliance with the conditions contained in this section, and such withdrawal will not result in the inclusion of interest on any Related Bonds that purports to be a Tax-Exempt Bond in gross income for purposes of federal income taxation, nor cause the Master Indenture nor the Obligations issued under the Master Indenture to be subject to registration under the Securities Act of 1933, as amended, or the Trust Indenture Act of 1939, as amended (or unless such registration, if required, has occurred); and

(c) either:

(i) an Officer's Certificate to the effect that either (1) no Related Bonds will remain outstanding following such withdrawal, or (2) the Related Bonds remaining outstanding following such withdrawal have been assigned a rating by at least one rating agency and the withdrawal of such Member will not cause a downgrade or withdrawal of such rating; or

(ii) an Independent Consultant's report stating that:

(1) (A) the forecasted Consolidated Payment Obligations Coverage Ratio for the two consecutive Fiscal Years immediately following such withdrawal, taking such withdrawal into account, is projected to be at least 1.25:1.00 in each Fiscal Year or would be greater than it would otherwise have been absent such withdrawal;

(B) the Consolidated Payment Obligations Coverage Ratio for the Fiscal Year immediately preceding such withdrawal is calculated to be at least 1.10:1.00 in such Fiscal Year, or would have been greater than it would otherwise have been, absent such withdrawal; and

(C) such withdrawal will not lower the Consolidated Payment Obligations Coverage Ratio for the most recent Fiscal Year for which Obligated Group Financial Statements are available by more than twenty percent (20%); or

(2) the forecasted Debt Service Coverage Ratio for the two consecutive Fiscal Years immediately following such withdrawal, taking such withdrawal into account, is projected to be not less than 1.00:1.00 in each Fiscal Year or would be greater than it would otherwise have been absent such withdrawal;

Any certification or calculation made in accordance with this section may take into account the effect of the addition of another Member or Members to the Obligated Group in connection with the withdrawal of a Member from the Obligated Group.

Upon compliance with the conditions described above, the Master Trustee shall execute any documents reasonably requested by the withdrawing Member to evidence the termination of such Member's obligations under the Master Indenture (including without limitation termination of the pledge of such Member's Gross Revenues) under any Related Supplements and under all Obligations (including without limitation reconveyance of the Mortgage encumbering such Member's Property, Plant and Equipment for the benefit of the Master Trustee).

Deeds of Trust

Pursuant to the Master Indenture, unless project funds allocated to the financing of such Facility* are escrowed until the filing of a Mortgage, each Member will enter into a mortgage (or mortgages), including leasehold deed of trust, deed of trust, security agreement, assignment of rents and leases and/or financing statement as provided therein (each, a "Deed of Trust") for the respective Facilities to secure the obligations of the Members under the Master Indenture and each Member, respectively, agrees to supplement such Deed of Trust or to execute and deliver such other deeds of trust or mortgages as may be necessary from time to time to grant to the Master Trustee a first priority lien on any Property, Plant and Equipment of the Member, subject to certain permitted liens. Each Deed of Trust also creates a current and absolute assignment of the rents under the applicable Leases in favor of the Master Trustee. See "THE LEASES" herein.

In connection with the issuance of the Series 2023 Bonds, each Landlord will enter into a Deed of Trust, dated as of [] 1, 2023, for its respective fee simple interest in the applicable Facility being financed with proceeds of the Series 2023 Bonds to secure its obligations under the Master Indenture.

In the Deeds of Trust, each Landlord absolutely and irrevocably assigns to the Master Trustee the rents under each Lease. The Property (as defined in each Deed of Trust) subject to the Deeds of Trust generally consists of all real and personal property that constitute each applicable Facility. Pursuant to the Master Indenture and in connection with the execution and delivery of each Deed of Trust, each Member has covenanted to obtain or cause to be obtained, at its own cost and expense, an ALTA title insurance policy on the each of the Facilities in an

* As used in this section captioned " – Deeds of Trust", the terms "Facility" and "Facilities" shall have the meaning set forth in the Master Indenture.

aggregate amount not less than the aggregate principal amount of the Related Bonds, less the amount of proceeds of the Related Bonds held in the Project Fund established with respect thereto until such funds are released from the Project Fund, naming and payable to the Master Trustee, insuring the leasehold or fee title interest of the respective members to the Facilities, subject only to Permitted Liens, issued by a title insurance company qualified to do business in the State. See “CERTAIN RISK FACTORS – Limitations On Value of the Facilities and to Remedies Under the Deeds of Trust” herein.

Additional Leases Governed by the Master Indenture

Under the Master Indenture, “Lease” is defined as the Lease and each other lease agreement pursuant to which a Lessee leases a facility at which a School (as defined in the Master Indenture) is located from a Member of the Obligated Group. Each Lease must contain the following provisions:

(a) An extraordinary monthly rent covenant substantially similar to the covenant described under the heading “– Cross-Collateralization; Extraordinary Monthly Rents” above;

(b) The definition of “Rent” set forth under the related Lease shall include, as one component, the “Extraordinary Monthly Rent;”

(c) A liquidity covenant substantially similar to the covenant described under the heading “THE LEASES – Certain Covenants Under the Lease – Liquidity Covenant” herein;

(d) A coverage ratio covenant substantially similar to the covenant described under the heading “THE LEASES – Certain Covenants Under the Lease – Consolidated Payment Obligations Coverage Ratio Covenant” herein;

(e) A covenant of the Lessee that it will not create, assume or suffer to exist any lien upon or pledge of the Gross School Revenues substantially as set forth under the heading “THE LEASES – Pledge and Security Interest” herein;

(f) A subordination of Support Office Management Fees substantially as set forth under the heading “THE LEASES – Subordination of Support Office Management Fees” herein; and

(g) Covenants substantially similar to those described under the heading “THE LEASES – Certain Covenants Under the Lease – Other Financial Covenants” herein.

Initially, the Landlords are the only Members of the Obligated Group, and the only Leases (as defined in the Master Indenture) are the Leases for the Facilities being financed with proceeds of the Series 2023 Bonds, and the only Obligated Group Schools (as defined in the Master Indenture) are CNCA, THE Middle School and the High School. The Lessee and the Borrower provide no assurances that other members of the Obligated Group, schools or leases will be added and be subject to the provisions of the Master Indenture.

THE LEASES

The following section contains brief descriptions of the Leases, emphasizing terms common to each of the for the Facilities. All references in this Limited Offering Memorandum to the Leases are qualified in their entirety by reference to the individual Leases, copies of which may be obtained by request to the Underwriter. See “APPENDIX E – SUMMARY OF THE LEASES” attached hereto.

General

The primary source of Gross Revenues for the Members of the Obligated Group is the payment of Rent received pursuant to the Leases. Under the Leases, each Landlord leases to the Lessee, and the Lessee leases from

each Landlord, a respective Facility. The provisions of each Lease are substantially similar except for the term of the Lease, the amount of rent payable and the Facility subject to each Lease.

For each Facility, the applicable Lease will have a term (each, a “Lease Term”) of approximately [35] years, which is scheduled to terminate on June 30, 20[].

Payment of Rent

Pursuant to each Lease, the Lessee will make monthly payments of Rent in advance on the 15th day of each calendar month. “Rent,” as defined under each Lease, is comprised of the following: (i) the monthly payment of Base Rent (as defined in such Lease); (ii) Additional Rent; (iii) Extraordinary Monthly Rent (as defined herein); (iv) Expenses; and (v) all other monetary obligations of the Lessee to Lessor or to third parties arising under the terms of the Lease. See “APPENDIX E – SUMMARY OF THE LEASES” attached hereto.

Under each Lease, in the event that the Lessee receives an Extraordinary Monthly Rent Notice from either the applicable Member or the Bond Trustee stating that the Bond Trustee has not received the payment of Rent with respect to a Related Project (as defined in the Master Indenture) on or before the date that such required payment is due, then Lessee is required to pay the Extraordinary Monthly Rent to the Bond Trustee within three business days after the Lessee’s receipt of the Extraordinary Monthly Rent Notice. As used in each Lease, the “Extraordinary Monthly Rent” means the amount set forth in such Extraordinary Monthly Rent Notice, which shall be the Lessee’s Proportionate Share, under the applicable Lease, of the Extraordinary Monthly Rent. As used in each Lease, “Proportionate Share” means the amount required to be paid by Lessee to ensure that all of the required Rent with respect to all of the Related Projects have been timely made.

Notwithstanding anything in the Lease to the contrary, Lessee’s obligation to pay the Rent and the other monetary payments provided for in the Lease to any person or entity, including the Lessor, Lender, or Bond Trustee, and their respective successors and assigns, is limited to, and shall not exceed, Gross School Revenues (as defined below), if any, and under no circumstances shall Lessee be required to advance any moneys derived from any source of income other than, or pay Rent or any other monetary obligation under this Lease which is in excess of, the Gross School Revenues, nor shall any other funds or property of Lessee be liable for the payment of Rent or any other monetary obligation under the Lease, and such persons and entities shall look exclusively thereto for satisfaction of any claims under the Lease. Lessor covenants that it shall not take recourse against Lessee with respect to the failure by Lessee to make any payment under this Lease except recourse to the Gross School Revenues. Nothing described in this paragraph will be construed to release Lessee from the performance of any of the agreements on its part contained in the Lease, and in the event Lessee shall fail to perform any such agreements on its part, Lessor may institute such action against Lessee as Lessor may deem necessary to compel performance so long as such action does not abrogate the limitation of liability of Lessee contained in the first sentence of this paragraph. Lessee may, at Lessee’s own cost and expense and in Lessee’s own name or in the name of Lessor prosecute or defend any action or proceeding or take any other action involving third persons which Lessee deems reasonably necessary in order to secure or protect Lessee’s right of possession, occupancy and use under the Lease, and in such event Lessor agrees to cooperate fully with Lessee and to take such action necessary to effect the substitution of Lessee for Lessor in such action or proceeding if Lessee shall so request.

As used in the Lease, the term “Gross School Revenues” means all revenue, income, receipts and money received by Lessee or on behalf of Lessee from all lawfully available sources attributable to its operation of the School, including from any applicable district or county or from the State pursuant to the Charter School Law from any general purpose entitlement, revenue limit, or State educational funding sources; but excluding gifts, grants, bequests, donations and contributions, to the extent specifically restricted by the donor to a particular purpose inconsistent with their use for Rent payments or operating expenses. Any other income, revenue, receipts, contributions or other monies received by Lessee not specifically described in the immediately preceding sentence shall not constitute Gross School Revenues. As used in the applicable Lease, the term “School” means the related School.

The Lessee covenants in the Leases to cause all payments of Base Rent and Additional Rent under each Lease to be received by the Trustee on behalf of the Members in lawful money of the United States on or before the day on which such payments are due, without abatement, deduction or offset. The Lessee covenants in the Leases to

take such action as may be necessary to include all such payments of Rent due thereunder in its annual budgets, to make, as necessary, annual appropriations for all such payments and to take such action annually as shall be required to provide funds in such year for such payments of Rent. See “APPENDIX E – SUMMARY OF THE LEASES” attached hereto.

Pursuant to each Lease, the Lessee covenants that payment of management fees to third parties will be subordinate to payments of Rent under the applicable Lease. See “– Certain Covenants under the Leases – Financial Covenants – Subordination of Collection of Management Fees” below..

Certain Covenants Under the Leases

General. Each Lease contains various covenants (including reporting covenants), representations and warranties made by the Lessee to the Members. Covenants include:

- (i) restrictions on the use of the Premises to the operation of a charter school;
- (ii) compliance by Lessee with applicable laws, including all environmental laws;
- (iii) sublease and assignment restrictions without the applicable Member’s consent;
- (iv) covenants to maintain insurance policy coverages required pursuant to the applicable Lease and the Master Indenture;
- (v) indemnification of the applicable Member pursuant to the Lease terms;
- (vi) covenant to take all reasonable actions to maintain the applicable Charter; and
- (vii) covenant not to take any action or omit to take any action that, if taken or omitted, would cause Lessee to lose status as an organization described under Section 501(c)(3) of the Code,

Liquidity Covenant. The Lessee will calculate Consolidated Days Cash on Hand for the Obligated Group Schools as of the last day of each Fiscal Year, commencing with the Fiscal Year ending June 30, 20[], based upon its audited financial statements for such Fiscal Year and file such reports with Master Trustee. For each calculation date, the Obligated Group Schools will maintain Consolidated Days Cash on Hand as of the last day of each Fiscal Year equal to or greater than [45] days.

“Consolidated Days Cash on Hand” means (i) the sum of Cash and Cash Equivalents of the Obligated Group Schools, as shown on the Lessee’s audited financial statements for each Fiscal Year, and any State payments accrued to such Fiscal Year and scheduled to be received within two months following the end of such Fiscal Year (“Cash on Hand”); divided by (ii) the Average Daily Expenses for Obligated Group Schools (as calculated for the most recent Fiscal Year ending before such date).

“Average Daily Expenses for Obligated Group Schools” means (A) cash requirements during such Fiscal Year related to or payable from revenues attributable to the Obligated Group Schools (excluding from such calculation all depreciation and other non-cash items), and including within such calculation on behalf of the Obligated Group Schools in the aggregate (i) all Operating Expenses for such Fiscal Year for the Obligated Group Schools, (ii) subordinated Support Office Management Fees, and (iii) the maximum annual sum of the Base Rent and School Loan Repayments payable under the Leases and School Loan Agreements for all Obligated Group Schools between any Lessee and any member of the Obligated Group for that year or any other year, divided by (B) 365.

The Lessee will provide a certificate to the Lessor and Master Trustee at the time of delivery of its annual audited financial statements for each Fiscal Year indicating whether the Lessee, on behalf of the Obligated Group Schools, has met the requirement set forth above. If the certificate indicates that such cash balance requirement has not been met, the Lessee covenants to retain an Independent Consultant at the expense of the Lessee, on behalf of

the Obligated Group Schools, within 45 days, to make recommendations to increase such balances in the then-current Fiscal Year to the required level or, if in the opinion of the Independent Consultant the attainment of such level is impracticable, to the highest level attainable in such Fiscal Year. The Lessee, on behalf of the Obligated Group Schools, agrees to implement the recommendations of the Independent Consultant, to the extent permitted by law. The Lessee will not be obligated to retain such an Independent Consultant more often than once during any 24 month period. See “– Approval of Consultants” herein.

No proceeds of any Short-Term Indebtedness will be considered unrestricted available cash for purposes of such calculation (other than the proceeds of any working capital loans made to bridge deferrals in State payments or start-up loans from the State or the California Department of Education).

Failure of the Obligated Group Schools to satisfy the Days Cash on Hand Requirement will not be a default or an Event of Default under the Leases.

Payment Coverage Ratio Covenant. The Lessee covenants and agrees to calculate for each Fiscal Year its Payment Coverage Ratio for each Lease and School Loan Agreement based on its audited financial statements for such Fiscal Year, and to provide a copy of such calculation for such period to the Lessor and the Master Trustee annually commencing with the Fiscal Year ending June 30 of the Fiscal Year in which such Lease is executed or June 30, 2023, whichever is later. The Lessee also covenants to maintain its Net Operating School Revenue so that its Payment Coverage Ratio at the end of each Fiscal Year is not less than 1.10 to 1.00; provided that, except as provided below, the Lessee’s failure to achieve the required Payment Coverage Ratio will not constitute an Event of Default under any Lease if the Lessee promptly engages an Independent Consultant to prepare a report, to be delivered to the Lessee, the Lessor and Master Trustee within 45 days of engagement, with recommendations for meeting the required Payment Coverage Ratio or, if in the opinion of the Independent Consultant the attainment of such level is impracticable, to the highest level attainable in such Fiscal Year. Under the Leases, the Lessee, on behalf of the Obligated Group Schools, agrees to implement the recommendations of the Independent Consultant, to the extent permitted by law. The Lessee will not be obligated to retain such an Independent Consultant more often than once during any 24 month period. Notwithstanding the foregoing, the Lessee’s failure to achieve a Payment Coverage Ratio of 1.00 to 1.00 will constitute an Event of Default under the applicable Lease. See “– Approval of Consultants” herein.

[Note: Master Indenture lease provisions exhibit refers to “Consolidated Payment Obligations Coverage Ratio” – which is correct?]

“Expenses” shall mean all costs and expenses of the ownership, operation, maintenance, repair or replacement, and insurance of the applicable Facility, as determined by standard accounting practices, as further described in the Leases.

“Management Agreement” means any agreement between the Lessee and a charter school, including charter schools operated or managed by the Lessee, pursuant to which the Lessee provides management services.

“Net Operating School Revenue” means Lessee’s Gross School Revenues attributable to operations of the applicable School minus Lessee’s Operating Expenses attributable to the applicable School; provided, that no determination thereof will take into account: (a) any gain or loss resulting from either the early extinguishment or refinancing of Obligated Group School Indebtedness or the sale, exchange or other disposition of capital assets not made in the ordinary course of business; (b) gifts, grants, bequests, donations or contributions, and income therefrom, to the extent specifically permanently restricted by the donor or by law to a particular purpose inconsistent with their use for the payment of Operating Expenses; (c) the net proceeds of insurance (other than business interruption insurance) and condemnation awards; (d) adjustments to the value of assets or liabilities resulting from changes in generally accepted accounting principles; (e) unrealized gains or losses that do not result in the receipt or expenditure of cash; and (f) nonrecurring items which involve the receipt, expenditure or transfer of assets.

“Obligated Group School Indebtedness” means Indebtedness (as such term is defined in the Master Indenture) related to or payable from revenues of the applicable Obligated Group School and to any other charter school operated by Lessee at the Facility subject to the applicable Lease.

“Operating Expenses” means except as provided below, all unrestricted expenses of the Lessee, attributable to operations of the applicable School, including maintenance, repair expenses, utility expenses, equipment lease and other rental expense (excluding the Base Rent, School Loan Repayments and the Extraordinary Monthly Rent or Extraordinary Monthly Payment, if any, but including Expenses and Additional Rent), administrative and legal expenses, miscellaneous operating expenses, advertising and promotion costs, payroll expenses (including taxes), the cost of material and supplies used for current operations of the Lessee, the cost of vehicles, equipment leases and service contracts, taxes upon the operations of the Lessee not otherwise mentioned in the Lease, charges for the accumulation of appropriate reserves for current expenses not annually recurrent, but which are such as may reasonably be expected to be incurred in accordance with generally accepted accounting principles, all in such amounts as reasonably determined by the Lessor. “Operating Expenses” shall exclude, however, (i) all subordinated Support Office Management Fees, (ii) depreciation and amortization, and (iii) any expenses which are treated as extraordinary in accordance with generally accepted accounting principles.

“Payment Coverage Ratio” means for any period of time the ratio determined by dividing (i) Net Operating School Revenue, by (ii) the amount of scheduled Base Rent under the applicable Lease.

“Support Office Management Fee” means any fee or charge, including any funds transfer recognized as an expenditure for accounting purposes, charged by Lessee for management services provided to the School, including pursuant to a Management Agreement, which fee shall be subordinate to the payment of Rent due under the Lease.

Approval of Consultants. Whenever a Lease provides for the retention or engagement of an Independent Consultant by the Lessee, such Independent Consultant will be engaged in the manner as set forth in the Lease. See “– Liquidity Covenant” and “– Payment Coverage Ratio Covenant” herein.

Upon the selection by the Lessee of an Independent Consultant as required under the provisions of a Lease, the Lessor will notify the Obligated Group Representative, who will notify the Master Trustee of such selection. The Master Trustee is required to, as soon as practicable but in no case longer than five Business Days after receipt of notice, notify the Holders of all Outstanding Related Bonds of such selection. Such notice (which shall be provided by the Obligated Group Representative) will (i) include the name of the Independent Consultant and a brief description of the Independent Consultant, (ii) state the reason that the Independent Consultant is being engaged including a description of the covenant(s) of the Lease that require the Independent Consultant to be engaged, and (iii) state that the Holder of the Outstanding Related Bonds will be deemed to have consented to the selection of the Independent Consultant named in such notice unless such Holder submits an objection to the selected Independent Consultant in writing (in a manner acceptable to the Master Trustee) to the Master Trustee within 15 days of the date that the notice is sent to the Holders. No later than two Business Days after the end of the 15-day objection period, the Master Trustee is required to notify the Obligated Group Representative of the number of objections. If 66.6% or more in aggregate principal amount of the Holders of the Outstanding Related Bonds have been deemed to have consented to the selection of the Independent Consultant, the applicable Lessor is required to cause the Lessee to engage the Independent Consultant within three Business Days. If 33.4% or more in aggregate principal amount of the Holders of the Outstanding Related Bonds have objected to the Independent Consultant selected, the Lessee will select another Independent Consultant which may be engaged upon compliance with the procedures described in the Lease.

Other Financial Covenants. Additionally, the Lessee will make the following covenants in the Leases:

Use of Public Moneys. The Lessee covenants that it will not use any public money, assets, and funds for support of the public school system that it receives through apportionments from the State in a manner that conflicts with or constitutes on its part or on the part of the applicable School a violation or breach of any California statute, rule or regulation governing the use of those moneys.

Use of Intercept Moneys. The Lessee covenants that all funds subject to an Intercept shall only be transferred to a Related Bonds Trustee for Related Bonds issued by the Authority.

Subordination of Support Office Management Fees. The Lessee agrees in the Leases that if the Lessee enters into a Management Agreement for the payment of Support Office Management Fees to the Lessee or any supporting organization of the Lessee under Internal Revenue Code Section 509(a)(3), or any of their respective

affiliates, with respect to the applicable School, Lessee shall amend any such Management Agreement for the School such that, so long as any Series 2023 Bonds remain outstanding: (i) the obligation of the Lessee to pay Support Office Management Fees relating to the applicable School shall be subordinate to its payment of operating expenses of the School, rent payments to Lessor under the Lease; (ii) the obligation of Lessee to pay Support Office Management Fees relating to the applicable School shall be suspended for any such time as the payment of Support Office Management Fees would cause the Lessee to fail to meet any of the financial covenants described above under “Liquidity Covenant” and “Payment Coverage Ratio Covenant”; and (iii) during any period of time when Support Office Management Fees remain unpaid, such fees shall accrue without interest.

If the Lessee has not engaged a separate manager with respect to the applicable School, Lessee agrees that it shall not apply any Gross School Revenues to costs and expenses of management unless and until all Rent is fully paid and the Loan is not in default.

Financial Reporting. The Lessee agrees to provide the Borrower, and upon written request of the Bond Trustee or Master Trustee, to the Bond Trustee or Master Trustee, the following information:

(a) If the Lessee is undertaking any construction at the Premises, not later than 60 days after the end of each fiscal quarter of Lessee, a construction progress report with respect to such construction, until such construction is substantially complete.

(b) Quarterly unaudited financial information and operating data of the Obligated Group Schools not later than 60 days after the end of each quarter, commencing with the quarter ending [June 30, 2023]

(c) Quarterly, not later than 60 days after the end of each quarter, commencing with the quarter ending [June 30, 2023], a report of the Obligated Group Schools’ quarterly enrollment data and waitlist data by grade for the previous fiscal quarter.

(d) Prior to the end of each fiscal year, a copy of the annual budget of the Obligated Group Schools for the subsequent Fiscal Year.

(e) Quarterly, not later than 60 days after the end of each quarter, commencing with the quarter ending [June 30, 2023], a year to date comparison of the revenue and expenditures in the unaudited financial statements for such quarter to the annual budget for the applicable fiscal year.

(f) Quarterly, not later than 60 days after the end of each quarter, commencing with the quarter ending [June 30, 2023], a copy of any recommendations of any Independent Consultant received in accordance with the Lease or the Master Indenture pursuant to the Liquidity Covenant and Payment Coverage Ratio covenant under the Leases described above.

(g) Annually, no later than six months after the close of each fiscal year, commencing with the Fiscal Year ending [June 30, 2023], copies of the audited financial statements of the Lessee and the Obligated Group Schools for the prior fiscal year prepared in accordance with generally accepted accounting principles applicable to nonprofit corporations from time to time, if available.

(h) Annually, no later than six months after the close of each fiscal year, commencing with the Fiscal Year ending [June 30, 2023], the certifications and calculations of the Days Cash on Hand for the Obligated Group Schools and the Payment Coverage Ratio for each School as described in the Liquidity Covenant and Payment Coverage Ratio covenant under the Leases described above.

(i) Such other information as may be reasonably requested by the Borrower, the Authority, the Bond Trustee or the Master Trustee.

Limitations on Obligated Group School Indebtedness. The Lessee covenants that it will not incur, assume or guarantee (“incur”) any Obligated Group School Indebtedness (secured or unsecured), except Obligated Group School Indebtedness with respect to purposes specifically benefiting the Lessee, and except as provided below.

(a) To the extent permitted by applicable law and if no Breach under the Leases, or an event that with the giving of notice or passage of time or both would constitute an Breach under the Leases, has occurred and is continuing, Lessee may incur or assume Nonrecourse Indebtedness (as defined below), but limited with Short-Term Indebtedness (as defined below), and Interim Indebtedness (as defined below) to a total aggregate principal amount outstanding at any time that is not in excess of the greater of: (1) 35% of Operating Expenses in any Fiscal Year, or (2) the maximum amount of advance apportionment and principal apportionment due to the Obligated Group Schools in any fiscal year that is deferred at any time or subject to deferral pursuant to Section 14041.6 of the California Education Code or Sections 16325.5 and 16326 of the California Government Code, or any subsequent legislation authorizing additional deferrals of such apportionments (collectively “Maximum Deferred Apportionment”).

(b) The Lessee may incur Short-Term Indebtedness (as defined below) for working capital purposes as in its judgment is deemed expedient, provided that in no event will the Lessee incur Short-Term Indebtedness, together with outstanding Nonrecourse Indebtedness and Interim Indebtedness (as defined below) in excess of the greater of: (1) 35% of Operating Expenses in any Fiscal Year, or (2) Maximum Deferred Apportionment.

(c) Lessee may incur Interim Indebtedness (as defined below) as in its judgment is deemed expedient, provided that in no event will Lessee incur Interim Indebtedness, together with outstanding Nonrecourse Indebtedness and Short-Term Indebtedness, on a combined basis, is in excess of the greater of: (1) 35% of Operating Expenses in any Fiscal Year, or (2) Maximum Deferred Apportionment.

(d) Obligated Group School Indebtedness consisting of leases for charter school facilities, the term of which do not exceed two years (including any term extension options), may be incurred without limitation. A lease for a charter school facility with a term exceeding two years (including any term extension options) shall not be considered Nonrecourse Indebtedness subject to the tests therefor set forth above, but may be incurred if an Independent Consultant selected by Lessee provides a written report to the Master Trustee (A) setting forth projections which indicate forecasted Payment Coverage Ratio for each of the fiscal years under the term of such lease, taking into account such lease, of not less than 1.10:1.00.

“Interim Indebtedness” means all Obligated Group School Indebtedness having an original maturity less than or equal to five years and not renewable at the option of Lessee for a term greater than five years from the date of original incurrence or issuance.

“Nonrecourse Indebtedness” means all Obligated Group School Indebtedness with respect to which the obligee is prevented by applicable law or contractual arrangement from exercising recourse, or any other right or remedy exercisable by a creditor, against all or any part of the Premises or the Improvements in order to pay, satisfy or discharge all or any part of the Obligated Group School Indebtedness.

“Obligated Group School Indebtedness” means Indebtedness (as such term is defined in the Master Indenture) related to or payable from revenues of the applicable Obligated Group School and to any other charter school operated by Lessee at the Facility subject to the subject to the Lease.

“Short-Term Indebtedness” means all Obligated Group School Indebtedness having an original maturity less than or equal to one year and not renewable at the option of Lessee for a term greater than one year from the date of original incurrence or issuance, provided however, that any Short-Term Indebtedness that has been issued as revenue anticipation notes (“RANS”) will not be included or counted as Short-Term Indebtedness to the extent that the RANS are secured by deferred state apportionment revenues expressly pledged and deposited in an intercept account to pay such RANS.

CERTAIN RISK FACTORS

Investment in the Series 2023 Bonds involves substantial risks. The following information should be considered by prospective investors in evaluating the Series 2023 Bonds. However, the following does not purport to be an exclusive listing of risks and other considerations which may be relevant to investing in the Series 2023 Bonds, 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 Obligated Group 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 Lessee to generate revenues needed to meet its obligations under the Leases, which could, in turn, have an adverse effect on the ability of the Borrower and the Obligated Group to generate sufficient revenues to meet their respective obligations to make payments due under the Loan Agreement and Obligation No. 1. The ability of the Lessee to generate sufficient revenues to make payments under the Leases is dependent upon a number of elements, including State budget pressures, demand for charter schools, the ability of the Schools 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 Schools' ability to achieve enrollment and fundraising levels. This, in turn, is affected by numerous circumstances both within and outside the control of the Obligated Group and the Lessee, 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 Schools' curriculum; the ability and energy of the Schools' faculties and administration; and the benevolence of the Schools' supporters. There can be no assurance given that revenues of the Obligated Group or the revenues of the Lessee attributable to the Schools 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 Obligated Group or the Lessee.

See "APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWER, THE LESSEE, AND THE SCHOOLS" and "APPENDIX B – CONSOLIDATED AUDITED FINANCIAL STATEMENTS OF THE LESSEE FOR THE FISCAL YEARS ENDED JUNE 30, [____]" attached hereto.

Risk of Loss

Purchase of the Series 2023 Bonds involves a high degree of risk. Any investor who, because of financial condition, is unable to bear the loss of an investment in the Series 2023 Bonds, or who, because of investment policies or otherwise, does not desire to assume, or have the ability to bear, the risks inherent with an investment in the Series 2023 Bonds, should not purchase the Series 2023 Bonds.

The Series 2023 Bonds may experience price fluctuations due to changes in interest rates and yield levels. As a result, the value of the Series 2023 Bonds may fluctuate significantly in the short-term. Further, such securities generally have a less liquid resale market. As a result, potential investors may have difficulty selling or disposing of the Series 2023 Bonds quickly in certain markets or market conditions.

Limited Liability of the Borrower and the Members of the Obligated Group

The Series 2023 Bonds are payable solely from payments to be made by the Borrower pursuant to the Loan Agreement and by the Obligated Group pursuant to Obligation No. 1, which payments, in turn, are to be derived from Rent required to be made by the Lessee pursuant to the Leases, as described above. Future revenues and expenses of the Lessee, including Gross School Revenues and any other legally available funds of the Lessee, are subject to conditions which may change in the future to an extent that cannot be determined at this time. Each Member of the Obligated Group is a special purpose entity, the sole purpose of which is to own the applicable Facilities, and the Members of the Obligated Group will not have any other assets.

Limited Liability of the Lessee

The Lessee's payment obligations under the Leases are limited to the Rent it is obligated to make to the applicable Landlords under the Leases, which Rent is limited in source to Gross School Revenues and any other legally available funds of the Lessee. The Series 2023 Bonds are payable solely from payments to be made by the Borrower pursuant to the Loan Agreement and by the Obligated Group pursuant to Obligation No. 1, which payments, in turn, are to be derived from Rent required to be made by the Lessee pursuant to the Leases, as described above. Future revenues and expenses of the Lessee, including Gross School Revenues and any other

legally available funds of the Lessee, are subject to conditions which may change in the future to an extent that cannot be determined at this time.

Other Lessee Schools

The Lessee operates additional charter schools other than the Schools, and may operate additional charter schools in addition to such other charter schools and the Schools in the future. See “APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWER, THE LESSEE, AND THE SCHOOLS – Affiliated Charter Schools.” None of the revenues or assets of such other charter schools are or would be available as security for the Lessee’s payment obligations under the Leases.

Although none of the revenues or assets of any other schools the Lessee may operate in the future are pledged as security for the Lessee's payment obligations under the Leases, the operations of any such schools could have an impact on the operations or financial performance of the Lessee and the Schools. For example, if operations of such other Lessee schools produced poor academic performance or resulted in the termination of one or more of the charters for such other schools, the Lessee and the Schools might face additional scrutiny in an attempt to renew the Charters. In addition, operation of any such future Lessee schools or any future operations of the Lessee unrelated to the Schools could result in the Lessee being subject to proceedings under State or Federal bankruptcy, insolvency or similar laws, which event would be an Event of Default under the Leases and the Loan Agreement and could lead to an acceleration of the payment of the Series 2023 Bonds.

Sufficiency of Revenues

The Series 2023 Bonds are payable primarily from Payments which are derived from payments received under the Loan Agreement and Obligation No. 1. Each Landlord will also encumber its respective fee simple interest in the applicable Facilities with a Deed of Trust as security for the obligation to make the payments under the Loan Agreement and Obligation No. 1.

The Borrower’s primary expected source of the revenues for the payment of its obligations under the Loan Agreement, and the Landlords’ primary expected source of the revenues for the payment of their obligations under Obligation No. 1, will be the Rent payments the Landlords receive from the Lessee pursuant to the Leases. Each Lease provides that the Lessee will be obligated to pay rent thereunder only from revenues derived from operation of the applicable Schools and the applicable Facilities. See “THE LEASES” herein. Based on present circumstances, including the successful operating history of the Schools, the Lessee believes it will generate a sufficient amount of such revenues to meet its payment obligations under the Leases representing the source of payment by the Borrower and the Obligated Group of debt service on the Series 2023 Bonds. However, one or more of the Charters may be terminated or not extended or renewed, or the basis of the assumptions utilized by the Lessee and the Borrower to formulate such beliefs may otherwise change. No representation or assurance can be made that the Borrower or the Obligated Group generate or will continue to generate sufficient revenues to meet their respective obligations under the Loan Agreement and Obligation No. 1 with respect to the Series 2023 Bonds.

AS NOTED ELSEWHERE HEREIN, THE OBLIGATION OF THE LESSEE TO MAKE PAYMENTS UNDER EACH LEASE IS A SPECIAL OBLIGATION LIMITED SOLELY TO THE APPLICABLE GROSS SCHOOL REVENUES, WHICH INCOME DERIVES SOLELY FROM THE OPERATION OF THE APPLICABLE OBLIGATED GROUP SCHOOL AND THE FACILITIES AND NOT ANY OTHER CHARTER SCHOOLS THAT MAY BE OPERATED BY OR ANY OTHER REVENUES OF THE LESSEE. NEITHER THE GENERAL REVENUES NOR THE REVENUES THE LESSEE MAY DERIVE FROM THE OPERATION OF CHARTER SCHOOLS OTHER THAN THE OBLIGATED GROUP SCHOOLS, NOR FROM ANY SCHOOL THE LESSEE MAY OPERATE IN THE FUTURE (OTHER THAN SCHOOLS THE LESSEE MAY OPERATE IN THE FACILITIES), ARE PLEDGED TO MAKE PAYMENTS WITH RESPECT TO THE LEASES OR THE SERIES 2023 BONDS. SEE “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2023 BONDS “ HEREIN.

Moreover, although in addition to the property subject to the Leases, the Borrower, the Landlords and their affiliates may own and lease other facilities themselves or through affiliates to other charter schools, and the Lessee may establish and operate, directly or through its affiliates, other charter schools, the obligations represented by the

Loan Agreement and Obligation No. 1 are not secured generally by such properties of the Borrower or the Landlords or their affiliates nor by the revenues of the Lessee that are not derived from operation of the Schools.

THE SERIES 2023 BONDS ARE NOT AND SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR LIABILITY OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE AUTHORITY, AND ARE NOT AND SHALL NOT BE DEEMED TO BE A PLEDGE OF THE FAITH AND CREDIT OF THE STATE, OR OF ANY POLITICAL SUBDIVISION THEREOF, BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS PROVIDED THEREFOR UNDER THE BOND INDENTURE. NEITHER THE STATE NOR THE AUTHORITY SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF THE SERIES 2023 BONDS, OR THE REDEMPTION PREMIUM, IF ANY, OR INTEREST THEREON, EXCEPT FROM THE FUNDS PROVIDED THEREFOR UNDER THE BOND INDENTURE. THE ISSUANCE OF THE SERIES 2023 BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE AUTHORITY HAS NO TAXING POWER. NOTHING IN THE BOND 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 NOTICES OR TO MAKE FUNDS AVAILABLE TO THE OBLIGATED GROUP SCHOOLS IN ANY AMOUNT OR AT ANY TIME.

Risks Related to Infectious Virus and/or Disease

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 Lessee's financial condition and operating results. The spread of COVID-19 is having significant negative impacts throughout the world, including in California. 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.

The Centers for Disease Control and Prevention and the State have provided guidance for school closures and health and safety protocols. The extent to which such measures remain necessary (whether now or in the future) cannot be determined or predicted at this time. In addition to school closures, the spread of COVID-19, among other causes, has created volatility in stock and bond markets in the United States and globally, which has affected the market for private activity bonds, like the Series 2023 Bonds, and which has affected or may affect the financial condition of the State and federal governments. While the effects of COVID-19, including these lagging school-level and financial market-related indicators, cannot be determined or predicted at this time, a continued or future outbreak may have a materially adverse effect on the operations of the Schools, on demand for the Schools’ services, or on the Schools’ financial condition as a result of the foregoing, materially adverse changes in the financial condition of the State or federal governments resulting in changes affecting funding of charter schools, or materially adverse changes in the public education marketplace in general. While the foregoing describes certain risks related to the coronavirus outbreak and COVID-19 ongoing as of the date of this Limited Offering Memorandum, the same types of risks may be associated with any contagious, epidemic, or pandemic disease. Any of the foregoing could have a material adverse effect on the ability of the Lessee to make payments due under the Leases representing debt service on the Series 2023 Bonds.

For additional information on state and local responses to COVID-19, see “APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWER, THE LESSEE, AND THE SCHOOLS – THE SCHOOLS – State- and School-Level Responses to COVID-19”.

Operating History; Reliance on Projections

The financial projections of the Lessee with respect to the Schools for the Fiscal Years ending June 30, [2023-27] set forth in “APPENDIX A – CERTAIN FINANCIAL INFORMATION – Financial Projections” (the “Projections”) were prepared by management of the Lessee (“Management”) in consultation with Campanile Group, Inc. (“Campanile”), and have not been independently verified by any other party. See APPENDIX A for information regarding current and projected enrollment of the Schools. No assurance is given that the Projections

will be met, or that the number of students attending the Schools may not diminish in the future. The projections of revenues and expenses contained in APPENDIX A are based upon the number of students projected to be enrolled at the Schools and were prepared by the Lessee for the Borrower and have not been independently verified by any party other than the Lessee.

No feasibility studies have been conducted with respect to operations of the Facilities pertinent to the Series 2023 Bonds. 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. Further, the Projections relate only to a limited number of fiscal years, and consequently do not cover the entire period that the Series 2023 Bonds will be outstanding.

MANAGEMENT HAS PREPARED THE PROJECTIONS BASED ON ASSUMPTIONS ABOUT FUTURE STATE FUNDING LEVELS AND FUTURE OPERATIONS OF THE FACILITIES, 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 “APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWER, THE LESSEE, AND THE SCHOOLS” 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 Schools 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 Schools to generate sufficient revenue to allow the Lessee to meet its obligations under the Leases representing debt service payments on the Series 2023 Bonds. 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 were to withhold State aid payments for any reason, even for a reason that is ultimately determined to be invalid or unlawful, the Schools could be forced to cease operations.

SB 740 Funding

The Schools have received SB 740 funding as described in “APPENDIX C – CHARTER SCHOOLS IN CALIFORNIA – STATE FUNDING OF EDUCATION – Allocation of State Funding to Charter Schools – Charter School Facility Grant Program Funding” in the past and Management expects that the School will continue receiving such funding relating to facilities costs of the Facilities.

SB 740 funding is subject to the following conditions: (i) reimbursable facility rent or lease costs cannot exceed prior year's costs on file with the Authority as of the 2016-17 fiscal year, subject to an adjustment of the annual COLA index; (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; and (iii) when the SB 740 program is oversubscribed, lease and rent costs are prioritized over maintenance and building costs. In order to be eligible for the SB 740 program, a charter school must be in good standing with its chartering authority and be in compliance with the terms of its charter at the time of application submission, and without interruption throughout the term of the grant. The Authority relies on information from the chartering authority regarding a school's good standing and compliance with the terms of its charter, though a charter school can also cure ineligibility based on claims that it has failed to meet generally accepted accounting principles, or engaged in fiscal mismanagement may submit evidence demonstrating fiscal insolvency directly to the Authority for review. See "APPENDIX C – CHARTER SCHOOLS IN CALIFORNIA – STATE FUNDING OF EDUCATION – Allocation of State Funding to Charter Schools – Charter School Facility Grant Program Funding."

The Schools currently receive SB 740 funding, and Management has assumed that the Schools will continue to receive SB 740 funding during the period covered by the Projections. See "APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWER, THE LESSEE, AND THE SCHOOLS – CERTAIN FINANCIAL INFORMATION – Financial Projections." Although Management currently anticipates the Schools receiving funding under SB 740 there can be no assurance that any particular level of SB 740 funding will be available in future fiscal years, that the Schools will be or remain eligible for such funding, or that such funding will not be reduced or eliminated by the State in the future.

Possible Offsets to State Apportionment

Section 41344 of the Education Code provides that if an audit or review requires the Schools 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.

Included in the principal apportionment is the general-purpose entitlement for charter schools, which are the "funds subject to intercept" pursuant to Section 17199.4 of the Education Code ("Section 17199.4"). Specifically, the funds subject to intercept are funds apportioned for purposes of the charter school block grant or the local control funding formula (as described in Section 17199.4) with respect to the Schools.

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 Lessee with respect to the Schools 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), 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 Schools.

Competition for Students; School Choice Initiatives

According to the Lessee, the Schools serve students residing primarily in the County of Los Angeles, California. See "APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWER, THE LESSEE, AND THE SCHOOLS – THE SCHOOLS – Service Area" and "– Competitive Schools." The Schools face constant competition for students and there can be no assurance that they will continue to attract and retain the number of

students needed to generate sufficient revenues for the Lessee to make payments under the Leases representing debt service payments on the Series 2023 Bonds.

As charter schools become more common, and as existing charter schools demonstrably provide an attractive educational choice, the number of charter schools may increase, leading to increased competition for established charter schools, such as the Schools.

Similarly, the implementation of a State voucher program providing tuition assistance to parents of students who could not otherwise afford tuition at a private, independent school, could increase competition facing charter schools by increasing the number of financially feasible school options available to parents. The implementation of any State voucher program would likely increase demand for private, independent schools, possibly adversely affecting enrollment at other schools, including both public schools and charter schools, like the Schools. The Lessee cannot determine the specific impact any voucher program might have on the operation or financial performance of the Schools, nor can the Lessee predict whether such a voucher program will be implemented in the future.

Default Under the Leases; No Assurance Regarding Subsequent Tenant

If there is a default by the Borrower under the Loan Agreement attributable to a default by the Lessee under one or more of the Leases, the Borrower and the Obligated Group will likely not have sufficient funds to satisfy their respective obligations under the Loan Agreement and Obligation No. 1 absent re-leasing – or in appropriate cases, selling – the applicable Facilities. Were the Lessee to default under one or more of the Leases, there is no assurance that the Borrower and the Obligated Group would be able to find new tenants for the applicable Facilities which could generate revenues in a sufficient amount to allow the Borrower and the Obligated Group to make payments under the Loan Agreement and Obligation No. 1 to satisfy debt service on the Series 2023 Bonds or a buyer that would purchase the Facilities for a sufficient amount to allow the Borrower to repay principal and interest with respect to the Loan. This risk is heightened by the fact that the Facilities have been improved specifically for use as charter school campuses (and/or related administrative facilities) and may be legally restricted to that use. Further, the Series 2023 Bonds are subject to redemption prior to their stated maturity, as a whole or in part, on any date from Loan prepayments made by the Borrower in the event the Project is used or operated in any manner that violates the provisions of the Act.

Survival of Leases after a Bond Default and Foreclosure

The Borrower, the Landlords, the Lessee, and the Master Trustee will enter into Subordination, Non-Disturbance and Attornment Agreements (the “SNDAs”) with respect to the Facilities. The SNDAs address the priority of the rights between the Lessee, the Landlords and the Master Trustee for the Facilities. The SNDAs provide that the Lessee’s rights under the Leases to the use, possession and enjoyment of the Facilities will not be disturbed by the Master Trustee so long as no event of default exists under the applicable Lease. The non-disturbance portion assures the Lessee that its rights to the Facilities will be preserved (“nondisturbed”) on specified conditions within control of the Lessee if the Borrower defaults on its Loan with the Authority or the Lessee defaults on its obligations under applicable Lease and the Master Trustee forecloses on the Facilities. The attornment component of the SNDAs provides that the Lessee will continue its obligations under the applicable Lease if a new landlord takes over such Lease.

Additional Indebtedness and Additional School Indebtedness

The Master Indenture permits the issuance of Additional Indebtedness on a parity basis with Obligation No. 1 if certain conditions are met. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2023 BONDS – The Master Indenture – Limitations on Additional Indebtedness” herein. The Lessee expects that the Borrower, the Landlords or other affiliates of the Lessee may acquire, construct and equip additional charter schools in the future. If they do, or for certain other expenses, they may issue Additional Indebtedness which may or may not be on a parity basis with Obligation No. 1 and may or may not be issued through the Master Indenture. If secured on a parity basis, any such parity indebtedness would be entitled to share ratably with the holders of the Series 2023 Bonds and any other holder of parity debt in any moneys realized from the exercise of remedies in the event of a default by the Borrower or the Obligated Group to the extent provided in the Bond Documents. The

amount of any such Additional Indebtedness is undetermined at this time. The issuance of Additional Indebtedness may adversely affect the investment security of the Series 2023 Bonds.

Under the Leases, the Lessee may also issue additional Obligated Group School Indebtedness, subject to certain conditions and limitations. See “THE LEASES – Certain Covenants Under the Leases – Limitations on Obligated Group School Indebtedness” herein. The issuance of such additional Obligated Group School Indebtedness may adversely affect the investment security of the Series 2023 Bonds.

Addition and Removal of Members

The Master Indenture permits the addition of Members under the Obligated Group, but it also permits the removal of Members, subject to certain conditions and limitations. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2023 BONDS – The Master Indenture – Withdrawal from Obligated Group” herein. Any such withdrawal of Members from the Obligated Group may decrease the revenues available for payment of debt service on the Series 2023 Bonds and may adversely affect the investment security of the Series 2023 Bonds.

Reserve Account

The Bond Indenture establishes a Reserve Account within the Revenue Fund, and a Grant Reserve Subaccount and Bond Reserve Subaccount thereunder, for payment of principal of and interest on the Series 2023 Bonds to the extent the Payments are insufficient to make such payments of principal and interest. Although the Borrower believes such reserve securing the Series 2023 Bonds to be reasonable and anticipates that the Payments will be sufficient to cover the debt service on the Series 2023 Bonds, there is no assurance that funds on deposit in the Reserve Account for the Series 2023 Bonds and future Payments will be sufficient to cover debt service on the Series 2023 Bonds.

Purchases and Transfers of Series 2023 Bonds Restricted to Qualified Institutional Buyers and Accredited Investors; Limited Market

As described in the “NOTICE TO INVESTORS” that precedes the Table of Contents of this Limited Offering Memorandum, the Series 2023 Bonds are to be sold (including in secondary market transactions) only to Qualified Institutional Buyers or Accredited Investors. The Bond Indenture contains provisions limiting transfers of the Series 2023 Bonds and beneficial interests therein to Qualified Institutional Buyers or Accredited Investors. The face of each Series 2023 Bond will contain a legend indicating that the Bond is subject to transfer restrictions as set forth in the Bond Indenture. The Series 2023 Bonds 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 Series 2023 Bonds.

The Series 2023 Bonds have no active trading market and neither the Borrower nor the Lessee intends to list the Series 2023 Bonds on any securities exchange. There is no assurance that the Series 2023 Bonds will at any time be rated. There can be no assurance that a market for the Series 2023 Bonds will develop, or that investors will be able to resell the Series 2023 Bonds at the offering price or at any price. Accordingly, an investor must bear the economic risk of its investment in the Series 2023 Bonds for an indefinite period of time. See “TRANSFER RESTRICTIONS” and “APPENDIX I – FORMS OF INVESTOR LETTER” in this Limited Offering Memorandum.

Risks Related to Limited Duties of the Trustees

The Bond Trustee. As set forth herein under the heading “INTRODUCTION – Limited Duties of the Trustees,” the Bond Trustee has no duty to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements in the Bond Indenture or of any of the documents executed in connection with the Series 2023 Bonds or as to the existence of an Event of Default under the Bond Indenture. In addition, neither the Bond Trustee nor any of its directors, officers, employees, agents or affiliates will be responsible for nor have any duty to monitor the performance or any action of the Authority, the Borrower, or any of their directors, members, officers, agents, affiliates or employee, nor will the Bond Trustee have any liability in connection with the

malfeasance or nonfeasance by any such party. As such, the Bond Trustee may only be able to identify and declare an Event of Default in connection with a non-payment under the Loan Agreement.

In addition, the Bond Indenture permits moneys in all funds and accounts established under the Bond Indenture, except for the Grant-Funded Reserve Account, to be invested and reinvested by the Bond Trustee, at the direction of the Borrower, in Eligible Securities only. The Bond Trustee will rely solely on the written direction of the Borrower in investing and reinvesting such moneys, without further investigation or independent determination as to whether such investments constitute Eligible Securities. As such, there is a risk that the Bond Trustee may invest or reinvest such moneys in investments that do not constitute Eligible Securities based on a faulty written direction of the Borrower.

See “INTRODUCTION – Limited Duties of the Trustees.”

The Master Trustee.

As set forth herein under the heading “INTRODUCTION – Limited Duties of the Trustees,” the Master Trustee has no duty to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, obligation or other paper or document. Further, the Master Trustee may rely and will be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, obligation or other paper or documents believed by it to be genuine and to have been signed or presented by the proper party or parties. As such, the Master Trustee may only be able to identify and declare an Event of Default in connection with a non-payment of a Required Payment on an Obligation.

See “INTRODUCTION – Limited Duties of the Trustees.”

Tax Related Issues

Tax-Exempt Status of Interest on the Tax-Exempt Bonds. The Code imposes a number of requirements that must be satisfied for interest on state and local obligations, such as the Tax-Exempt Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of Tax-Exempt Bond proceeds, limitations on the investment earnings of Tax-Exempt Bond proceeds prior to expenditure, a requirement that certain investment earnings on Tax-Exempt Bond 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, the Borrower, and the Lessee 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 Tax-Exempt Bonds as taxable, retroactively to the date of issuance of the Tax-Exempt Bonds.

Existence and Maintenance of Tax-Exempt Status. The Lessee has been organized to provide various educational and philanthropic services. See “APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWER, THE LESSEE, AND THE SCHOOLS” attached hereto. The tax-exempt status of the Tax-Exempt Bonds depends upon the existence and maintenance by the Lessee of its status as an organization described in Section 501(c)(3) of the Code. The existence and maintenance of such status is contingent on compliance with general rules promulgated in the Code and related regulations regarding the organization and operation of organizations described under Section 501(c)(3) of the Code, including the operation for charitable and educational purposes and avoidance of transactions which may result in more than an insubstantial amount of unrelated business activity and/or cause the assets of either 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 or more than an insubstantial amount of unrelated business activity is the revocation of tax-exempt status. Although the IRS has not frequently revoked the Section 501(c)(3) status of nonprofit corporations, it could do so in the future. Loss of tax-exempt status by the Lessee

could potentially result in loss of tax exemption of interest on the Tax-Exempt Bonds and of other existing and future tax-exempt debt of members of the Obligated Group, if any, and defaults in covenants regarding the Tax-Exempt Bonds and other existing and future tax-exempt debt, if any, would likely be triggered.

Less onerous sanctions have been enacted which enforce rules applicable to Section 501(c)(3) organizations, but these sanctions do not replace the other remedies available to the IRS as mentioned above.

State Income Tax Exemption. The loss by the Lessee 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”). To the extent the Lessee does not properly account for and report UBTI, if any, an investigation or audit could lead to a challenge which could result in taxes, interest and penalties with respect to unreported UBTI (which might be substantial) and in some cases could ultimately affect the tax-exempt status of the Lessee, as well as the exclusion from gross income for federal income tax purposes of the interest on the Tax-Exempt Bonds.

Exemption from Property Taxes. In recent years, State, county and local taxing authorities have been undertaking audits and reviews of the operations of tax-exempt corporations with respect to their real property tax exemptions. Management expects that the Facilities will be exempt from California real property taxation.

Tax Reform. From time to time there are legislative proposals in the United States Congress and the State Legislature that, if enacted, could alter or amend the federal and State income tax matters with respect to the Tax-Exempt Bonds, adversely affect the market value or liquidity of the Tax-Exempt Bonds, affect the Lessee's or the Borrower's income tax status or impact how the State funds public schools, including charter schools. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment or the status of tax exempt entities. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value or liquidity of the Tax-Exempt Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular lawsuit will be resolved, or whether the Tax-Exempt Bonds or the market value or liquidity thereof would be impacted thereby. Purchasers of the Tax-Exempt Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation.

Purchasers of the Tax-Exempt Bonds should be aware that future legislative actions (including federal income tax reform) may retroactively affect such investors' federal, state or local tax liability. In all such events, the market value of the Tax-Exempt Bonds may be impacted and the ability of holders to sell the Series 2023 Bonds in the secondary market may be reduced. No portion of the Series 2023 Bonds, including the Series 2023A Bonds, is subject to redemption upon a determination that interest on the Series 2023 Bonds is not excludable from gross income for federal income tax purposes.

Factors That Could Affect the Security Interest in the Facilities; Superior Liens

The Master Trustee's security interest in the Facilities may be subordinated to the interest and claims of others in several instances. Some examples of cases of subordination of prior claims are (i) statutory liens, (ii) rights arising in favor of the United States of America or any agency thereof, (iii) present or future prohibitions against assignment in any statutes or regulations, (iv) constructive trusts, equitable liens or other rights impressed or conferred by any state or federal court in the exercise of its equitable jurisdiction, (v) federal or state bankruptcy or insolvency laws that may affect the enforceability of the Loan Agreement, (vi) rights of third parties in amounts not in the possession of the Bond Trustee, (vii) claims that might arise if appropriate financing or continuation statements are not filed in accordance with the California Uniform Commercial Code as from time to time in effect, and (viii) mechanics liens.

Value of Property May Fluctuate; Limitations of Appraisals

Appraisals are estimates of value and not an assurance of what any particular property would bring on sale. Appraisals also are subject to numerous other limitations set forth therein. Potential investors should not assume that the appraised value set forth in “APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWER, THE LESSEE, AND THE SCHOOLS – THE FACILITIES AND THE PROJECT” represent a reliable estimate of what such Facilities would bring in liquidation following an Event of Default. See “APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWER, THE LESSEE, AND THE SCHOOLS – THE FACILITIES AND THE PROJECT – Appraisals” herein.

The summaries of the Appraisals contained herein are not meant to be exhaustive, and reference should be made to each of the Appraisals for a complete recital of their terms. The appraised values stated in the Appraisals represents only the opinion of the applicable Appraiser, and only as of the date of the Appraisal. No Appraiser will be engaged to update or revise any appraised value contained in an Appraisal in connection with the issuance of the Series 2023 Bonds.

There may be a difference between the actual value of the Facilities and the amount of the Series 2023 Bonds Outstanding from time to time, and that difference may be material and adverse to Bondholders. In particular, it cannot presently be determined with certainty what the value of the Facilities would be in the event of foreclosure under the Deeds of Trust, especially in light of the fact that the Facilities have been improved specifically for use as charter school educational buildings.

Further, the value of the Facilities at any given time will be directly affected by market and financial conditions which are not in the control of the parties involved in the Series 2023 Bond transaction. Real property values can fluctuate substantially depending on a variety of factors. There is nothing associated with the Facilities to suggest that their value would remain stable or would not decrease if the general values of property in the Schools’ service areas were to decline.

Limitations on Value of the Facilities and to Remedies Under the Deeds of Trust

The Borrower’s and the Obligated Group’s respective obligations under the Loan Agreement and Obligation No. 1 are secured by the lien and security interest in the Facilities granted under each Deed of Trust.

Maintenance of Value. The Facilities are located in a region that has experienced significant real property market volatility over the past several years. There can be no assurance made that, should the Obligated Group default in making the payments due under Obligation No. 1, including in the event the Lessee defaults in making the Rent payments due under the Leases, the Facilities could be foreclosed upon and sold for the amounts owed under Obligation No. 1.

Hazardous Substances. While governmental taxes, assessments and charges are common claims against the value of property, other less common claims may be relevant. One of the most serious in terms of the potential reduction in the value that may be realized is a claim with regard to hazardous substances. In general, the Borrower may be required by law to remedy conditions of the Facilities relating to release of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or the “Superfund Act,” is the most well-known and widely applicable of these laws. California laws with regard to hazardous substances are stringent and similar to certain federal acts. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner (or operator) had or has anything to do with the creation or handling of the hazardous substance. The effect, therefore, should any of the Facilities be affected by a hazardous substance, is generally to reduce the marketability and value of the parcel by the cost of remedying the condition. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling the hazardous substance. Any of these potentialities could significantly affect the value of the Facilities that would be realized upon a default and foreclosure.

See “APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWER, THE LESSEE, AND THE SCHOOLS – THE FACILITIES AND THE PROJECT – Environmental Inspections” herein for a description of environmental reports (the “ESAs”) regarding the Facilities.

Foreclosure. The practical realization of value from the real property subject to the Deeds of Trust upon any default will depend on the exercise of the remedies specified under the Deeds of Trust, principally, foreclosure. Under California law, however, the remedies specified in the Deeds of Trust may not be readily available or may be limited.

California law imposes certain procedural hurdles and time requirements on foreclosure. California permits foreclosure under a deed of trust either non-judicially by exercise of a power of sale provision in the deed of trust or by judicial sale. Prior to a non-judicial foreclosure, the trustee under the deed of trust must record a notice of default and election to sell, and send copies of the notice to various persons. The trustee then must wait at least three months before establishing the proposed sale date or noticing the same in the form mandated by California statute. The notice of sale must be posted in a public place and published once a week for three consecutive calendar weeks, with the first such publication preceding the proposed sale date by at least 20 days. In addition, the notice of sale must be recorded with the county recorder at least 14 days prior to the date of sale. Further, throughout the period prior to a foreclosure sale, the debtor under the deed of trust, any successor in interest and any person having a junior lien or encumbrance of record may cure any monetary default by paying the amount then due (exclusive of principal due by virtue of acceleration upon default) plus costs and expenses incurred (including certain statutorily limited attorney’s and trustee’s fees). Following a non-judicial sale, however, neither the debtor nor any junior lienholder has any right of redemption, but the creditors who benefit from the foreclosure sale are ordinarily prohibited from obtaining a deficiency judgment against the debtor.

Judicial foreclosure proceedings are generally subject to the delays and expenses typical of other lawsuits, and may require several years to complete. The primary advantage of a judicial foreclosure is that the creditor is entitled, subject to other limitations, to obtain a deficiency judgment against the debtor to the extent that the amount of the debt exceeds the fair market value of the property. Following a judicial foreclosure sale, however, the debtor and its successors in interest have a right to “redeem” the property for a period of one year from the date of sale (or a period of only three months if the proceeds of sale are sufficient to satisfy the debt, plus interest and costs).

Further, California’s so-called “one form of action” rule generally requires a creditor either to exhaust what rights it has under a deed of trust before pursuing other rights of collection (including set-off), or to forego resort to the deed of trust altogether. Other statutory provisions (such as the federal bankruptcy laws) also may have the effect of delaying enforcement of the liens and security interests under the Deeds of Trust in the event of a default. See “CERTAIN RISK FACTORS – Bankruptcy.”

Special Purpose Buildings. The Facilities are subject to the liens of the Deeds of Trust and are not general purpose buildings and may not be suitable for industrial or commercial use. If it were necessary to foreclose a judgment lien on the Facilities under “forced sale conditions” that are present in a foreclosure, it may be difficult to find a lessor and/or a purchaser permitted to and willing to occupy the Facilities, or the property may provide less than full value to the Bond Trustee. There can be no assurance that foreclosure sale proceeds will be sufficient to pay the amounts then outstanding on the Series 2023 Bonds.

Damage, Destruction or Condemnation. Although the Borrower will be required to obtain or cause to be obtained certain insurance against damage or destruction as set forth in the Loan Agreement and the Deeds of Trust, there can be no assurance that any portion of the Facilities will not suffer losses for which insurance cannot be or has not been obtained or that the amount of any such loss, or the period during which the applicable Landlord, as a result of damage or destruction to the applicable Facilities, cannot generate revenues, will not exceed the coverage of such insurance policies.

If the Facilities, or any portion thereof, are damaged or destroyed, or are taken in a condemnation proceeding, the proceeds of insurance or any condemnation award for the Facilities, or any portion thereof, must be applied as provided in the Loan Agreement to restore or rebuild the Facilities or to redeem Series 2023 Bonds. There can be no assurance that the amount of revenues available to restore or rebuild the Facilities, or any portion

thereof, or to redeem Series 2023 Bonds will be sufficient for that purpose, or that any remaining portion of the Facilities will generate revenues sufficient to pay the expenses of the Borrower and the Loan Repayments.

Seismic. Wildfire and Drought. The Facilities are located in a seismically active region of California and an area that may be endangered by wildfires from time to time. The frequency and severity of such wildfires may be enhanced by drought conditions that affect the region from time to time. Such drought conditions may also affect the habitability of, and employment opportunities in, the Schools' service areas, which may ultimately affect enrollment at the Schools.

The occurrence of severe seismic activity or exposure to fire could result in substantial damage to the Facilities, which could adversely affect the ability of the Lessee to operate the Facilities or make payments due under the Leases and/or the ability of the Borrower to make the Loan Repayments and could adversely affect the value of the Facilities. The Borrower and the Landlords not obligated by the Loan Agreement or the Master Indenture to maintain earthquake insurance on any portion of the Facilities and there can be no assurance that the Borrower or the Landlords will obtain such coverage in the future.

Flood. Pursuant to the Master Indenture, the Borrower has covenanted that, so long as any Facilities are located in a special flood hazard area as designated by the Federal Emergency Management Agency, the Borrower will maintain, or cause to be maintained flood insurance coverage in an amount equal to or greater than the replacement value of such Facilities. The Facilities are not located in a special flood hazard area.

Environmental Risks. There are potential risks relating to liabilities for environmental hazards with respect to the ownership of any real property. If hazardous substances are found to be located on a property, owners of such property may be held liable for costs and other liabilities related to the removal of such substances which costs and liabilities could exceed the value of the Facilities or any portion thereof.

See "APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWER, THE LESSEE, AND THE SCHOOLS – THE FACILITIES AND THE PROJECT – Environmental Inspections" herein for a description of the ESAs regarding the Facilities.

Environmental Regulation

The Facilities and any other properties the Borrower, the Landlords, or the Lessee may acquire and own or lease are and will be subject to various federal, State and local laws and regulations governing health and the environment. In general, these laws and regulations could result in liability for remediating adverse environmental conditions on or relating to the Facilities or such other properties, whether arising from pre-existing conditions or conditions arising as a result of activities conducted in connection with the ownership of and operations at the Facilities or such other properties. Costs incurred with respect to environmental remediation or liability could adversely affect the Lessee's financial condition and its ability to generate revenues sufficient to make payments under the Leases representing debt service on the Series 2023 Bonds. Excessive costs in connection with any such environmental remediation or any such liability to third parties could also make it difficult to successfully re-let the Facilities.

See "APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWER, THE LESSEE, AND THE SCHOOLS – THE FACILITIES AND THE PROJECT – Environmental Inspections" herein for a description of the ESAs regarding the Facilities. The ESAs speak only as of the date of the respective reports, and none of the Phase I Consultants have been asked to perform any additional assessments since the time of the assessments described in the ESAs and no party to the Series 2023 Bond transaction will obtain new or updated environmental assessments for the Facilities prior to the Closing Date. The ESAs are subject to the limitations specified therein. More generally, no environmental assessment can completely eliminate uncertainty regarding the potential for recognized environmental conditions in connection with a subject property. Costs incurred by the Borrower with respect to environmental remediation or liability could adversely affect the financial condition thereof.

Potential investors must refer to the complete ESAs for a full understanding of such limitations, and for additional information pertinent to such assessments and reports. Costs incurred by either the Borrower, the Landlords or the Lessee with respect to environmental remediation or liability could adversely affect its financial condition. Copies of the ESAs are available upon request and the payment of a reasonable copying, mailing and handling charge from the Underwriter.

See “APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWER, THE LESSEE, AND THE SCHOOLS – THE FACILITIES AND THE PROJECT – Environmental Inspections.”

Bankruptcy

Bankruptcy or other insolvency or similar proceedings affecting the Borrower, the Landlords or the Lessee may delay and otherwise adversely affect the enforcement of rights in the property granted as security for the obligations related to Series 2023 Bonds, including those granted by the Bond Indenture, the Loan Agreement, the Leases, and the Deeds of Trust. For example, if the Borrower, a Landlord or the Lessee became a debtor in bankruptcy proceedings under Federal bankruptcy law, those proceedings would stay any proceeding to foreclose the lien of a Deed of Trust pending further order of the bankruptcy court, and could affect the Bond Trustee's ability to obtain direct payments pursuant to the Loan Agreement. If the Borrower's, a Landlord's or the Lessee's obligations in connection with the Series 2023 Bonds exceeded the value of the collateral security for the obligations, then in Federal bankruptcy proceedings, the recovery for the Bondholders might be limited to the value of that collateral. In such a bankruptcy proceeding, a reorganization plan containing provisions, for example, deferral or other changes in loan or bond payment dates or amounts on the Series 2023 Bonds, could be confirmed and become effective even if the plan were not supported by some or all of the holders of the Series 2023 Bonds. As further example, in the event the Borrower, a Landlord or the Lessee became a debtor in Federal bankruptcy proceedings, the Borrower's, such Landlord's or the Lessee's leases could be rejected, resulting in a breach as of the date of the filing of the bankruptcy petition. Each of the legal opinions delivered in connection with the issuance of the Series 2023 Bonds will be qualified as to the effect of State and federal laws, rulings and decisions, including bankruptcy laws, affecting remedies and affecting the enforceability of remedies, creditors' rights generally, and the documents described herein.

Factors Associated with Education

There are a number of factors affecting charter schools in general, including the Schools, that could have an adverse effect on the Lessee's financial position and its ability to make the payments required under the Leases. These factors include, but are not limited to, the ability to attract a sufficient number of students; increasing costs of compliance with federal or State regulatory laws or regulations, including, without limitation, laws or regulations concerning environmental quality, work safety and accommodating persons with disabilities; any unionization of the Lessee's work force with consequent impact on wage scales and operating costs of the Schools; changes in existing statutes regarding the powers of charter schools or their funding. The Lessee cannot assess or predict the ultimate effect of these factors on its operations or financial results.

Dependency of State Finances; State Financial Difficulties

Charter 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 – Specific Risks of Charter Schools – Budgetary Constraints; Dependence on State Aid Payments that are Subject to Annual Appropriation and Political Factors” below.

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 “APPENDIX C – CHARTER SCHOOLS IN CALIFORNIA – STATE FUNDING OF EDUCATION.” 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. None of the Borrower, the Lessee or any other party to the Series 2023 Bond transaction can predict how State income or State education funding will vary over the entire term of the Series 2023 Bonds. No party to the Series 2023 Bond transaction takes any responsibility for informing owners of the Series 2023 Bonds 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 Legislative Analyst’s Office, 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

Charter 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 general fund) and the annual budget process.

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 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 “APPENDIX C – CHARTER SCHOOLS IN CALIFORNIA – 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 Lessee’s ongoing viability and its ongoing ability to make payments under the Leases representing debt service on the Series 2023 Bonds.

Credit Enhancement Grant

Program regulations related to the Charter School Facilities Credit Enhancement Program or any other program of the Authority in connection with which a deposit (the “Credit Enhancement Grant”) will be made to the Grant-Funded Reserve Subaccount upon the issuance of the Series 2023 Bonds require compliance with certain State and federal laws and regulations, including but not limited to certain regulations relating to (i) procurement and (ii) actual and apparent conflicts of interest. Failure to comply with these regulations may result in liability of and/or adversely affect the finances of the Borrower, including loss of eligibility for the Credit Enhancement Grant. The Borrower and the Lessee have covenanted to comply with all applicable State and federal regulations and other legal requirements related to the Charter School Facilities Credit Enhancement Program or any other program of the Authority pursuant to which the Credit Enhancement Grant may be funded.

The Credit Enhancement Grant will be deposited in the debt service reserve account for the Series 2023 Bonds upon the issuance thereof.

Key Management

The Lessee's and the Schools' performance reflects the vision and commitment of a few key personnel who comprise its management and administration. Loss of one of these or other key personnel could adversely affect the Lessee's operations and financial results. For more information regarding key personnel, see "APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWER, THE LESSEE, AND THE SCHOOLS – THE SCHOOLS – Leadership Team."

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, the Bond Indenture and the Deeds of Trust upon a default depends upon the exercise of various remedies specified in the Loan Agreement, the Bond Indenture and the Deeds of Trust. 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, the Bond Indenture and the Deeds of Trust 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, the Bond Indenture or the Deeds of Trust. Accordingly, the ability of the Authority, the Bond Trustee or the Master Trustee to exercise remedies under the Loan Agreement, the Bond Indenture and the Deeds of Trust upon an Event of Default could be impaired by the need for judicial or regulatory approval.

Specific Risks of Charter Schools

Charter Schools Act. In California, various constitutional and statutory provisions affecting charter schools were adopted as measures that qualified to appear on the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted further affecting the revenues of charter schools or their ability to expend such revenues. Future changes to the laws applicable to charter schools in California, and in particular the Charter Schools Act, could be adverse to the Lessee's financial interests and could adversely affect the security for the Series 2023 Bonds. The Lessee cannot predict the provisions or likelihood of success or failure of any future initiatives, and can provide no assurance that the California legislature will not in the future amend the laws affecting charter schools in a manner adverse to the interests of the registered owners of the Series 2023 Bonds. For more information on the laws governing charter schools in California, see "APPENDIX C – CHARTER SCHOOLS IN CALIFORNIA" herein. Adverse State budget considerations could prompt the legislature to seek voter approval to reduce constitutional requirements for public school funding. As noted, State budget considerations may adversely affect appropriations for charter school funding.

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

Neither the Borrower nor the Lessee makes any representation as to whether any proposed amendments to the Charter Schools Act or any other provisions of State law applicable to charter schools will be enacted into law, or what, if any, impact such proposed amendments would have on the Borrower or the Lessee.

Non-Renewal or Revocation of Charters. The Charter Schools Act enables charter authorizers to approve charters which may be renewed after evaluation and can be revoked at any time because of either educational non-performance or fiscal mismanagement. See “APPENDIX C – CHARTER SCHOOLS IN CALIFORNIA” herein. Management of the Lessee believes that it has stable relationships with the Charter Authorizer, and representatives on the State Board of Education, each of which, under appropriate circumstances, is authorized to grant charters under the Charter Schools Act. See “APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWER, THE LESSEE, AND THE SCHOOLS” herein.

Charter Schools Generally. The operations of the Lessee currently relate to the ownership and operation of the Schools. Operations of the Schools are dependent on sufficient enrollment, adequate revenues from such enrollment and the management of expenses. The operation of a charter school is governed in part by its approved charter petition, with the Schools' operations subject to the Charters. A charter school may not charge tuition to a student attending the charter school. The failure of the Schools to meet the requirements of State law, termination, revocation or non-renewal of one or more of the Charters, or the inability to secure approval of a charter petition from another authorizing body, from the Charter Authorizer, or on appeal to the State Board of Education (“SBE”), would have a materially adverse effect on the ability of the Borrower to make the payments under the Loan Agreement to be used to pay debt service on the Series 2023 Bonds. See “CERTAIN RISK FACTORS – Specific Risks of Charter Schools – Non-renewal or Revocation of Charters” herein. For a summary of certain State laws applicable to California charter schools, see “APPENDIX C – CHARTER SCHOOLS IN CALIFORNIA” 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 Charter will not be subject to legal challenge. See “ABSENCE OF MATERIAL LITIGATION – The Borrower, the Landlords, and the Lessee” herein and “APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWER, THE LESSEE, AND THE SCHOOLS – LITIGATION” attached hereto. Any failure of the Lessee to have a charter for the Schools in place would have a material adverse effect on the Borrower, the Obligated Group and the Lessee and their ability to generate revenues necessary to make the respective payments under the Loan Agreement and Obligation No. 1 in order to provide sufficient revenues to satisfy the debt service requirements for the Series 2023 Bonds.

Budgetary Constraints; Dependence on State Aid Payments that are Subject to Annual Appropriation and Political Factors. Charter schools are funded primarily from State and local tax revenues. Budgetary pressures at the State or local level may jeopardize future funding levels, which may adversely affect the ability of the Borrower and the Obligated Group to make the respective payments under the Loan Agreement and Obligation No. 1. See “APPENDIX C – CHARTER SCHOOLS IN CALIFORNIA – STATE FUNDING OF EDUCATION” herein. California charter schools such as the Schools 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, including the school's enrollment and average daily attendance. The amount of aid provided by the State in any year is subject to appropriation by the California Legislature. The Legislature bases its decisions about appropriations on many factors, including the State's economic performance. Further, 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 Lessee to generate sufficient revenue to meet its operating expenses and to meet its obligations under the Leases representing debt service payments on the Series 2023 Bonds. 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 were to withhold State aid payments for any reason, even for a reason that is ultimately determined to be invalid or unlawful, the Schools could be forced to close.

Enrollment Levels. The Lessee's revenues and financial strength will depend in part upon maintaining certain enrollment levels at the Schools. A reduction in enrollment at one or more the Schools would cause a reduction in revenues available to pay amounts due under the Leases. See “APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWER, THE LESSEE, AND THE SCHOOLS” attached hereto.

Risk of Reduction in ADA Funding. Since the majority of funds for the Schools’ operations come from the State on the basis of ADA, the Schools are 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 Schools 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. Such a loss of revenues could adversely affect the ability of the Lessee to make Rent payments due under the Leases and, consequently, the ability of the Borrower and the Obligated Group to make payments under the Loan Agreement and Obligation No. 1, as applicable.

In addition, the Charter Schools Act prohibits a charter school from imposing fees or charges for its educational services. Therefore, the Schools depend upon the receipt of ADA-based funding, as well as philanthropic support, if any. There are few if any feasible alternatives for the Lessee, the Borrower or the Obligated Group to cause revenues to increase, other than through the Schools' increase of their student enrollment and ADA.

Compliance with the Elementary and Secondary Education Act. The ESSA, which reauthorized the Elementary and Secondary Education Act (“ESEA”), was signed into law by then-President Obama in December 2015. Prior to the ESSA, under the No Child Left Behind Act of 2001 (“NCLB”) schools identified for failing to make Adequate Yearly Progress (“AYP”) for two consecutive years were required to develop a two-year school improvement plan and submit the plan for review and approval. Prior to 2014, in California, the NCLB required school districts to make a determination of AYP for every school in their district. In order for a district or school to meet AYP, it had to meet four sets of requirements. The requirements included: (i) student participation rate on statewide tests; (ii) percentage of students scoring at the proficient level or above in English-language arts and mathematics on statewide tests; (iii) Growth API; and (iv) graduation rate (if grade 12 students are enrolled).

The U.S. Department of Education (“USDOE”) issued final guidance and regulations for the implementation of the ESSA on November 28, 2016. The final regulations provide additional time for states to submit their ESSA consolidated state plans under the new law. The California Department of Education (“CDE”) submitted its consolidated state plan to the USDOE in September, 2017. The USDOE provided an Interim Feedback Letter to the CDE on December 21, 2017, which requested clarifying or additional information to ensure that the State Plan met all statutory and regulatory requirements. The CDE submitted its revised consolidated state plan on May 30, 2018. The USDOE provided a Feedback Letter to the CDE in June, 2018, which requested additional information or revision to ensure that the State Plan met all statutory and regulatory requirements. On July 12, 2018, the USDOE approved the CDE’s ESSA plan. CDE amended its ESSA plan in November 2018; USDOE approved the amendment in November 2019.

Failure of the Schools to meet the requirements of ESSA may have a material adverse effect on the Lessee and its ability to generate revenues sufficient to make payments under the Loan Agreement representing debt service on the Series 2023 Bonds.

Under State law, the right to operate a charter school may be revoked if the school fails to make or meet reasonable progress toward achievement of goals, objectives, content standards, pupil performance standards or applicable federal requirements.

Litigation

Schools are often the subject of litigation. Educator’s professional liability and other actions alleging wrongful conduct and seeking punitive damages often are filed against education providers such as the Schools. Litigation may also arise from the corporate and business activities of the Schools, the Lessee or any other Lessee-run schools or the Borrower as to employee-related matters. As with educator’s professional liability, many of these risks are covered by insurance, but some are not. For example, some business disputes and workers’ compensation claims are not covered by insurance or other sources and, in whole or in part, may be a liability of the Lessee or the

Borrower if determined or settled adversely. Although the Lessee maintains insurance policies covering educator's professional and general liability, management of the Lessee is unable to predict the availability, cost or adequacy of such insurance in the future. See "APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWER, THE LESSEE, AND THE SCHOOLS – LITIGATION."

Reputational Risk

The Lessee is subject to financial and other risks that differ from those of other for-profit and nonprofit institutions and public schools. These risks include, among others, (a) changes in the reputation of the Lessee, any potential future charter schools operated by the Lessee, or to the Schools, their faculty or student body, either generally or with respect to certain academic or extracurricular areas which may affect enrollment; (b) litigation brought against the Lessee, any potential future charter school operated by the Lessee, or the Schools by parents, civil authorities, students or former or potential employees; (c) the potential insufficiency of funds raised through gifts, grants and donations; and (d) competition from other public, charter and private schools for students, trained faculty and administrative staff due to differences in salary, benefits and other factors. There can be no assurance that these or other factors will not adversely affect the Lessee's financial condition and its ability to make payments under the Leases representing debt service on the Series 2023 Bonds.

Failure to Provide Ongoing Disclosure

The Borrower and the Lessee will enter into a Continuing Disclosure Agreement related to the Series 2023 Bonds with Campanile, as dissemination agent, pursuant to Securities and Exchange Commission Rule 15c2-12 (the "Rule") in connection with the issuance of the Series 2023 Bonds. Any material failure to comply with the Continuing Disclosure Agreement and the Rule in the future may adversely affect the liquidity of the affected Series 2023 Bonds and their market price in the secondary market. See "CONTINUING DISCLOSURE" and "APPENDIX F – FORM OF CONTINUING DISCLOSURE AGREEMENT."

Use of Facilities

No assurance can be given as to whether a challenge to the educational use of the Facilities brought would result in an interruption of an Obligated Group School's operations and have a material negative impact on the Revenues. Any court order prohibiting the educational use of the Facilities would entitle the Master Trustee to submit a claim on the lender's title insurance policy. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2023 BONDS" herein.

Cyber Security

Each of the Lessee's and the Schools' information technology services and systems may be critical to operations or involve the storage, processing and transmission of sensitive data, including valuable intellectual property, other proprietary or confidential data, regulated data, and personal information of employees, students and others. Successful breaches, employee malfeasance, or human or technological error could result in, for example, unauthorized access to, disclosure, modification, misuse, loss, or destruction of the Lessee's, the Schools', or other third party data or systems; theft of sensitive, regulated, or confidential data including personal information and intellectual property; the loss of access to critical data or systems; service or system disruptions or denials of service.

Campus Security

Schools are generally subject to risks related to campus security, including but not limited to bullying, abuse, and, in extreme cases, physical violence. While Management considers the Facilities to be secure, instances of breaches of campus security in the future may have a materially adverse effect on the Lessee's operations of the Schools and/or the Lessee's or the Schools' reputation, and may result in litigation, any of which could adversely affect the Lessee's financial condition and its ability to make payments under the Leases representing debt service on the Series 2023 Bonds.

Summary

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Series 2023 Bonds. In order for potential investors to identify risk factors and make an informed decision, potential investors should be thoroughly familiar with this entire Limited Offering Memorandum including the appendices hereto.

ABSENCE OF MATERIAL LITIGATION

The Authority

To the knowledge of the Authority, 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 or threatened against the Authority seeking to restrain or enjoin the sale or issuance of the Series 2023 Bonds, or in any way contesting or affecting any proceedings of the Authority taken concerning the sale thereof, the pledge or application of any moneys or security provided for the payment of the Series 2023 Bonds, the validity or enforceability of the documents executed by the Authority in connection with the Series 2023 Bonds, the completeness or accuracy of this Limited Offering Memorandum or the existence or powers of the Authority relating to the sale of the Series 2023 Bonds.

The Borrower, the Landlords, and the Lessee

To the knowledge of the Borrower, the Landlords, and the Lessee, 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, the Landlords, or the Lessee seeking to restrain or enjoin the sale or issuance of the Series 2023 Bonds, or in any way contesting or affecting any proceedings of the Borrower, the Landlords, or the Lessee taken concerning the sale thereof, the pledge or application of any moneys or security provided for the payment of the Series 2023 Bonds, the validity or enforceability of the documents executed by the Borrower, the Landlords, or the Lessee in connection with the Series 2023 Bonds, the completeness or accuracy of the Limited Offering Memorandum or the existence or powers of the Borrower, the Landlords, or the Lessee relating to the sale of the Series 2023 Bonds.

TAX MATTERS

The Series 2023A Bonds

General Matters. In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Series 2023A Bonds (including any original issue discount properly allocable to an owner of a Series 2023A Bond) is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals. The opinion described above assumes the accuracy of certain representations and compliance by the Authority and the Borrower and the Lessee with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Series 2023A Bonds. Failure to comply with such requirements could cause interest on the Series 2023A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2023A Bonds. The Authority, the Borrower and the Lessee have covenanted to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Series 2023A Bonds. For tax years beginning after December 31, 2022, interest on the Series 2023A Bonds may affect the federal alternative minimum tax imposed on certain corporations.

The accrual or receipt of interest on the Series 2023A Bonds may otherwise affect the federal income tax liability of the owners of the Series 2023A Bonds. The extent of these other tax consequences will depend on such owners' particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series 2023A Bonds, particularly purchasers that are corporations (including S corporations, foreign corporations operating branches in the United States of America and

certain corporations subject to the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Series 2023A Bonds.

Bond Counsel is also of the opinion that interest on the Series 2023A Bonds is exempt from State of California personal income taxes. Bond Counsel has expressed no opinion regarding other tax consequences arising with respect to the Series 2023A Bonds under the laws of the State of California or any other state or jurisdiction.

A copy of the form of opinion of Bond Counsel is attached hereto as APPENDIX H.

Original Issue Discount. The Series 2023A Bonds that have an original yield above their respective interest rates, as shown on page (i) of this Limited Offering Memorandum (collectively, the “Discount Bonds”), are being sold at an original issue discount. The difference between the initial public offering prices of such Discount Bonds and their stated amounts to be paid at maturity (excluding “qualified stated interest” within the meaning of Section 1.1273-1 of the Regulations) constitutes original issue discount treated in the same manner for federal income tax purposes as interest, as described above.

The amount of original issue discount that is treated as having accrued with respect to a Discount Bond is added to the cost basis of the owner of the bond in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Bond (including its sale, redemption or payment at maturity). Amounts received on disposition of such Discount Bond that are attributable to accrued or otherwise recognized original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Bond, on days that are determined by reference to the maturity date of such Discount Bond. The amount treated as original issue discount on such Discount Bond for a particular semiannual accrual period is equal to (a) the product of (i) the yield to maturity for such Discount Bond (determined by compounding at the close of each accrual period) and (ii) the amount that would have been the tax basis of such Discount Bond at the beginning of the particular accrual period if held by the original purchaser, (b) less the amount of any interest payable for such Discount Bond during the accrual period. The tax basis for purposes of the preceding sentence is determined by adding to the initial public offering price on such Discount Bond the sum of the amounts that have been treated as original issue discount for such purposes during all prior periods. If such Discount Bond is sold between semiannual compounding dates, original issue discount that would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of Discount Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date, and with respect to the state and local tax consequences of owning a Discount Bond. Subsequent purchasers of Discount Bonds that purchase such bonds for a price that is higher or lower than the “adjusted issue price” of the bonds at the time of purchase should consult their tax advisors as to the effect on the accrual of original issue discount.

Original Issue Premium. The Series 2023A Bonds that have an original yield below their respective interest rates, as shown on page (i) of this Limited Offering Memorandum (collectively, the “Premium Bonds”), are being sold at a premium. An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond’s term using constant yield principles, based on the purchaser’s yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, generally by amortizing the premium to the call date, based on the purchaser’s yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period, and the purchaser’s basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such

Premium Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

The Series 2023B Bonds

General Matters. Bond Counsel is of the opinion that interest on the Series 2023B Bonds is included in gross income for federal income tax purposes. Bond Counsel is also of the opinion that interest on the Series 2023B Bonds is exempt from State of California personal income taxes. Bond Counsel has expressed no opinion regarding other tax consequences arising with respect to the Series 2023B Bonds under the laws of the State of California or any other state or jurisdiction.

The following is a summary of certain anticipated federal income tax consequences of the purchase, ownership and disposition of the Series 2023B Bonds under the Code and the Regulations, and the judicial and administrative rulings and court decisions now in effect, all of which are subject to change or possible differing interpretations. The summary does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances, nor certain types of investors subject to special treatment under the federal income tax laws. Potential purchasers of the Series 2023B Bonds should consult their own tax advisors in determining the federal, state or local tax consequences to them of the purchase, holding and disposition of the Series 2023B Bonds.

In general, interest paid on the Series 2023B Bonds, original issue discount, if any, and market discount, if any, will be treated as ordinary income to the owners of the Series 2023B Bonds, and principal payments (excluding the portion, if any, of such payments characterized as original issue discount or accrued market discount) will be treated as a return of capital.

Bond Premium. An investor that acquires a Series 2023B Bond for a cost greater than its remaining stated redemption price at maturity and holds such instrument as a capital asset will be considered to have purchased such instrument at a premium. Such premium may generally be amortized under the constant yield method upon prior election permitted by Section 171(c) of the Code, and, if so amortized, any call options of the Authority with respect to the Series 2023B Bonds are generally disregarded such that the instruments are amortized to their maturity date. Except as may be provided by regulation, amortized premium will be allocated among, and treated as an offset to, interest payments. The basis reduction requirements of Section 1016(a)(5) of the Code apply to amortizing bond premium that reduces interest payments under Section 171 of the Code. Investors of any Series 2023B Bond purchased with a bond premium should consult their own tax advisors as to the effect of such bond premium with respect to their own tax situation and as to the treatment of bond premium for state tax purposes.

Original Issue Discount. If the Series 2023B Bonds are issued with original issue discount, Section 1272 of the Code requires the current ratable inclusion in income of original issue discount greater than a specified de minimis amount using a constant yield method of accounting. In general, original issue discount is calculated, with regard to any accrual period, by applying the instrument's yield to its adjusted issue price at the beginning of the accrual period, reduced by any qualified stated interest allocable to the period. The aggregate original issue discount allocable to an accrual period is allocated to each day included in such period. As a general rule, the owner of a debt instrument must include in income the sum of the daily portions of original issue discount attributable to the number of days the owner owned the instrument. Owners of Series 2023B Bonds purchased at a discount should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date and with respect to the state and local tax consequences of owning such Series 2023B Bonds.

Market Discount. An investor that acquires a Series 2023B Bond for a price less than the adjusted issue price of such instrument may be subject to the market discount rules of Sections 1276 through 1278 of the Code. Under these sections and the principles applied by the Regulations, "market discount" means (a) in the case of a Series 2023B Bond originally issued at a discount, the amount by which the issue price of such instrument, increased by all accrued original issue discount (as if held since the issue date), exceeds the initial tax basis of the owner therein, less any prior payments that did not constitute payments of qualified stated interest, and (b) in the case of a Series 2023B Bond not originally issued at a discount, the amount by which the stated redemption price of

such instrument at maturity exceeds the initial tax basis of the owner therein. Under Section 1276 of the Code, the owner of such a Series 2023B Bond will generally be required (i) to allocate each principal payment to accrued market discount not previously included in income and, upon sale or other disposition of the instrument, to recognize the gain on such sale or disposition as ordinary income to the extent of such cumulative amount of accrued market discount as of the date of sale or other disposition of such an instrument or (ii) to elect to include such market discount in income currently as it accrues on all market discount instruments acquired by such owner on or after the first day of the taxable year to which such election applies.

The Code authorizes the Treasury Department to issue regulations providing for the method for accruing market discount on debt instruments the principal of which is payable in more than one installment. Until such time as regulations are issued by the Treasury Department, certain rules described in the legislative history will apply. Under those rules, market discount will be included in income either (a) on a constant interest basis or (b) in proportion to the accrual of stated interest or, in the case of a Series 2023B Bond with original issue discount, in proportion to the accrual of original issue discount.

An owner of a Series 2023B Bond that acquired such instrument at a market discount also may be required to defer, until the maturity date of such instrument or its earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the owner paid or accrued during the taxable year on indebtedness incurred or maintained to purchase or carry such instrument in excess of the aggregate amount of interest (including original issue discount) includable in such owner's gross income for the taxable year with respect to such instrument. The amount of such net interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the Series 2023B Bond for the days during the taxable year on which the owner held such instrument and, in general, would be deductible when such market discount is includable in income. The amount of any remaining deferred deduction is to be taken into account in the taxable year in which the Series 2023B Bond matures or is disposed of in a taxable transaction. In the case of a disposition in which gain or loss is not recognized in whole or in part, any remaining deferred deduction will be allowed to the extent gain is recognized on the disposition. This deferral rule does not apply if the owner elects to include such market discount in income currently as it accrues on all market discount obligations acquired by such owner in that taxable year or thereafter.

Attention is called to the fact that Regulations implementing the market discount rules have not yet been issued. Therefore, investors should consult their own tax advisors regarding the application of these rules as well as the advisability of making any of the elections with respect thereto.

Unearned Income Medicare Contribution Tax. Pursuant to Section 1411 of the Code, as enacted by the Health Care and Education Reconciliation Act of 2010, an additional tax is imposed on individuals earning certain investment income. Holders of the Series 2023B Bonds should consult their own tax advisors regarding the application of this tax to interest earned on the Series 2023B Bonds and to gain on the sale of a Series 2023B Bond.

Sales or Other Dispositions. If an owner of a Series 2023B Bond sells the instrument, such person will recognize gain or loss equal to the difference between the amount realized on such sale and such owner's basis in such instrument. Ordinarily, such gain or loss will be treated as a capital gain or loss.

If the terms of a Series 2023B Bond were materially modified, in certain circumstances, a new debt obligation would be deemed created and exchanged for the prior obligation in a taxable transaction. Among the modifications that may be treated as material are those that relate to redemption provisions and, in the case of a nonrecourse obligation, those which involve the substitution of collateral. Each potential owner of a Series 2023B Bond should consult its own tax advisor concerning the circumstances in which such instrument would be deemed reissued and the likely effects, if any, of such reissuance.

Defeasance. The legal defeasance of a Series 2023B Bond may result in a deemed sale or exchange of such instrument under certain circumstances. The owner of such a Series 2023B Bond should consult its tax advisors as to the federal income tax consequences of such a defeasance.

Foreign Investors. An owner of a Series 2023B Bond that is not a "United States person" (as defined below) and is not subject to federal income tax as a result of any direct or indirect connection to the United States of America in addition to its ownership of a Series 2023B Bond will generally not be subject to United States income

or withholding tax in respect of a payment on a Series 2023B Bond, provided that the owner complies to the extent necessary with certain identification requirements (including delivery of a statement, signed by the owner under penalties of perjury, certifying that such owner is not a United States person and providing the name and address of such owner). For this purpose the term “United States person” means a citizen or resident of the United States of America, a corporation, partnership or other entity created or organized in or under the laws of the United States of America or any political subdivision thereof, or an estate or trust whose income from sources within the United States of America is includable in gross income for United States of America income tax purposes regardless of its connection with the conduct of a trade or business within the United States of America.

Except as explained in the preceding paragraph and subject to the provisions of any applicable tax treaty, a United States withholding tax may apply to interest paid and original issue discount accruing on Series 2023B Bonds owned by foreign investors. In those instances in which payments of interest on the Series 2023B Bonds continue to be subject to withholding, special rules apply with respect to the withholding of tax on payments of interest on, or the sale or exchange of Series 2023B Bonds having original issue discount and held by foreign investors. Potential investors that are foreign persons should consult their own tax advisors regarding the specific tax consequences to them of owning a Series 2023B Bond.

Tax-Exempt Investors. In general, an entity that is exempt from federal income tax under the provisions of Section 501 of the Code is subject to tax on its unrelated business taxable income. Unrelated business taxable income generally means the gross income derived by an organization from any unrelated trade or business as defined in Section 513 of the Code. An unrelated trade or business is any trade or business that is not substantially related to the purpose that forms the basis for such entity’s exemption. However, under the provisions of Section 512 of the Code, interest may be excluded from the calculation of unrelated business taxable income unless the obligation that gave rise to such interest is subject to acquisition indebtedness. Therefore, except to the extent any owner of a Series 2023B Bond incurs acquisition indebtedness with respect to such instrument, interest paid or accrued with respect to such owner may be excluded by such tax-exempt owner from the calculation of unrelated business taxable income. Each potential tax-exempt holder of a Series 2023B Bond is urged to consult its own tax advisor regarding the application of these provisions.

ERISA Considerations. The Employee Retirement Income Security Act of 1974, as amended (“ERISA”), imposes certain requirements on “employee benefit plans” (as defined in Section 3(3) of ERISA) subject to ERISA, including entities whose underlying assets are considered to include “plan assets” (within the meaning of 29 C.F.R. Section 2510.3 (as modified by Section 3(42) of ERISA), such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, “ERISA Plans,” and together with arrangements that are subject to Section 4975 of the Code or similar provisions under any other federal, state, local, non-United States or other laws or regulations or similar law, as applicable, “Plans”) and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA’s general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan’s investments be made in accordance with the documents governing the ERISA Plan. The prudence of any investment by an ERISA Plan in the Series 2023B Bonds must be determined by the responsible fiduciary of the ERISA Plan by taking into account the ERISA Plan’s particular circumstances and all of the facts and circumstances of the investment. Government and non-electing church plans are generally not subject to ERISA. However, such plans may be subject to similar or other restrictions under state or local law.

In addition, ERISA and the Code generally prohibit certain transactions between an ERISA Plan or a qualified employee benefit plan under the Code and persons who, with respect to that plan, are fiduciaries or other “parties in interest” within the meaning of ERISA or “disqualified persons” within the meaning of the Code. In the absence of an applicable statutory, class or administrative exemption, transactions between an ERISA Plan and a party in interest with respect to an ERISA Plan, including the acquisition by one from the other of the Series 2023B Bonds could be viewed as violating those prohibitions. In addition, Section 4975 of the Code prohibits transactions between certain tax-favored vehicles such as Individual Retirement Accounts and disqualified persons. Section 503 of the Code includes similar restrictions with respect to governmental and church plans. In this regard, the Authority, the Borrower, the Lessee, if any, of the Series 2023 Bonds or any dealer of the Series 2023B Bonds might be considered or might become a “party in interest” within the meaning of ERISA or a “disqualified person” within the meaning of the Code, with respect to an ERISA Plan or a plan or arrangement subject to Sections 4975 or 503 of the Code. Prohibited transactions within the meaning of ERISA and the Code may arise if the Series 2023B Bonds

are acquired by such plans or arrangements with respect to which the Authority, the Borrower, the Lessee of the Series 2023 Bonds or any dealer is a party in interest or disqualified person.

In all events, fiduciaries of ERISA Plans and plans or arrangements subject to the above sections of the Code, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in the Series 2023B Bonds. The sale of the Series 2023B Bonds to a Plan is in no respect a representation by the Authority, the Borrower, the Lessee, or the Underwriter that such an investment meets the relevant legal requirements with respect to benefit plans generally or any particular Plan. Any plan proposing to invest in the Series 2023B Bonds should consult with its counsel to confirm that such investment is permitted under the plan documents and will not result in a non-exempt prohibited transaction and will satisfy the other requirements of ERISA, the Code and other applicable law.

Neither the Authority, the Borrower, the Lessee, if any, of the Series 2023B Bonds nor the Underwriter is acting as a fiduciary, or undertaking to provide impartial investment advice, or to give advice in a fiduciary capacity, to such purchaser or transferee with respect to the decision to purchase or hold the Series 2023B Bonds or an interest in the Series 2023B Bonds.

The foregoing discussion is general in nature and is not intended to be all-inclusive. Due to the complexity of these rules and the penalties that may be imposed on persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries, or other persons considering purchasing the Series 2023B Bonds on behalf of, or with the assets of, any Plan, consult with their counsel regarding the potential applicability of ERISA, Section 4975 of the Code and any similar laws to such investment and whether an exemption would be applicable to the purchase and holding of the Series 2023B Bonds.

Backup Withholding

An owner of a Series 2023 Bond may be subject to backup withholding at the applicable rate determined by statute with respect to interest paid with respect to the Series 2023 Bonds if such owner fails to provide to any person required to collect such information pursuant to Section 6049 of the Code with such owner's taxpayer identification number, furnishes an incorrect taxpayer identification number, fails to report interest, dividends or other "reportable payments" (as defined in the Code) properly, or, under certain circumstances, fails to provide such persons with a certified statement, under penalty of perjury, that such owner is not subject to backup withholding.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to under this heading "TAX MATTERS" or adversely affect the market value of the Series 2023 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series 2023 Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2023 Bonds or the market value thereof would be impacted thereby. Purchasers of the Series 2023 Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based on existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2023 Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

PROSPECTIVE PURCHASERS OF THE SERIES 2023 BONDS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS PRIOR TO ANY PURCHASE OF THE SERIES 2023 BONDS AS TO THE IMPACT OF THE CODE UPON THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE SERIES 2023 BONDS.

MUNICIPAL ADVISOR

Campanile has acted as municipal advisor to the Borrower, the Obligated Group and the Lessee in conjunction with the issuance of the Series 2023 Bonds. Campanile has assisted the Borrower, the Obligated Group and the Lessee in preparation of this Limited Offering Memorandum and in other matters related to the planning, structuring, and issuance of the Series 2023 Bonds. Campanile will receive compensation contingent upon the sale and delivery of the Series 2023 Bonds.

Campanile has not audited, authenticated or otherwise independently verified the information set forth in the Limited Offering Memorandum, or any other information related to the Series 2023 Bonds with respect to the accuracy or completeness of disclosure of such information. Campanile 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.

SPECIAL RELATIONSHIPS

The Underwriter and its respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriter and its respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriter and its respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the Authority, the Borrower and/or the Lessee. The Underwriter and its respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriter and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the Authority, the Borrower and/or the Lessee.

In addition to serving as municipal advisor to the Borrower and the Lessee, Campanile will also serve as the dissemination agent under the Continuing Disclosure Agreement.

FINANCIAL STATEMENTS

The audited financial statements of the Lessee for the Fiscal Years ended June 30, 2019, 2020, and 2021, included in this Limited Offering Memorandum in APPENDIX B – “CONSOLIDATED AUDITED FINANCIAL STATEMENTS OF THE LESSEE FOR THE FISCAL YEARS ENDED JUNE 30, [_____]” have been audited by CliftonLarsonAllen LLP (the “Auditor”), to the extent and for the period indicated in its report thereon. The Auditor has not been engaged to perform and has not performed, since the date of the respective reports, any procedures on the financial statements addressed in the reports. The Auditor has also not performed any procedures relating to this Limited Offering Memorandum. The Lessee is not aware of any facts that would make such financial statements misleading. These financial statements were prepared using the standards applicable to nonprofit entities. The audited financial statements included in APPENDIX B are an integral part hereof and should be read in their entirety.

[Certain summary financial statements for the Lessee for the Fiscal Years ended June 30, [_____] are included in “APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWER, THE LESSEE, AND THE SCHOOLS – CERTAIN FINANCIAL INFORMATION.” Such unaudited financial statements have been prepared by the Lessee and have not been examined or reviewed by the Auditor, or any other independent certified public accountant. See “CERTAIN RISK FACTORS.”]

APPROVAL OF LEGALITY

The validity of the Series 2023 Bonds and certain other legal matters are subject to the approving opinion of Kutak Rock LLP, Bond Counsel to the Authority, the approval of certain matters for the Underwriter by Orrick, Herrington & Sutcliffe LLP, as Underwriter’s counsel, and the approval of certain matters by Musick, Peeler &

Garrett LLP, as counsel to the Lessee, the Borrower and the Landlords. Bond Counsel, the Underwriter and its counsel will receive compensation contingent upon the sale and delivery of the Series 2023 Bonds. A complete copy of the proposed form of Bond Counsel opinion is contained in APPENDIX H hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Limited Offering Memorandum.

RATING

S&P Global Ratings (“S&P”) has assigned a rating of “[]” to the Series 2023 Bonds. Such rating reflects only the views of S&P and any desired explanation of the significance of such rating should be obtained from S&P at the following address: Standard & Poor’s, 55 Water Street, 45th Floor, New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such rating will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price for the Series 2023 Bonds.

LIMITED OFFERING

The Series 2023 Bonds 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 Qualified Institutional Buyers or Accredited Investors. By purchasing the Series 2023 Bonds, each investor is deemed to have made the acknowledgments, representations, warranties and agreements set forth under the heading “TRANSFER RESTRICTIONS” herein.

CONTINUING DISCLOSURE

The Borrower, the Lessee and Campanile Group, Inc., as dissemination agent (the “Dissemination Agent”), will execute and deliver one or more Continuing Disclosure Agreements pursuant to which the Borrower and the Lessee will, for the benefit of the Beneficial Owners of the Series 2023 Bonds, periodically compile and deliver to the Dissemination Agent certain financial information and operating data relating to the operations of the Borrower, the Lessee, the members of the Obligated Group, and the Schools, and provide notices of the occurrence of certain enumerated events. These covenants have been made to assist the Underwriter in complying with the Rule. A form of the Continuing Disclosure Agreement is attached hereto as APPENDIX F.

In the past five years, neither the Borrower nor the Lessee has been subject to any undertakings in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule.

The Authority has determined that no financial or operating data concerning the Authority is material to an evaluation of the offering of the Series 2023 Bonds or to any decision to purchase, hold or sell Series 2023 Bonds and the Authority will not provide any such information. The Authority shall have no liability to the Holders of the Series 2023 Bonds or any other person with respect to the Rule.

UNDERWRITING

The Series 2023 Bonds are being purchased by RBC Capital Markets, LLC (the “Underwriter”). The Underwriter has agreed to purchase the Series 2023 Bonds at a price of \$_____ (being the principal amount of the Bonds, less net original issue discount of \$_____, less an Underwriter’s discount of \$_____). The Bond Purchase Agreement (“Bond Purchase Agreement”) pursuant to which the Series 2023 Bonds are being purchased by the Underwriter provides that the Underwriter will purchase all of the Series 2023 Bonds if any are purchased. The obligation of the Underwriter to make such purchase is subject to certain terms and conditions set forth in the Bond Purchase Agreement. The Underwriter may offer and sell the Series 2023 Bonds to certain dealers, institutional investors, banks, and others at prices different from the prices stated on page (i) 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 Series 2023 Bonds and there may, in fact, be

no market for the Series 2023 Bonds 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 Lessee.

The Underwriter has reviewed the information in this Limited Offering Memorandum pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

MISCELLANEOUS

The foregoing and subsequent summaries and descriptions of provisions of the Series 2023 Bonds and the Bond 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 Bond Indenture and Loan Agreement may be obtained during the offering period upon request directed to the Underwriter.

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.

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Certification

The distribution and use of this Limited Offering Memorandum has been approved by the Authority, the Borrower, and the Lessee, as lessee under the Leases.

GRUPO NUEVO LOS ANGELES, as Borrower

By: _____
[Name, Title]

CAMINO NUEVO CHARTER ACADEMY, as
Lessee

By: _____
[Name, Title]

APPENDIX A

CERTAIN INFORMATION REGARDING THE BORROWER, THE LESSEE, AND THE SCHOOLS

APPENDIX B

**CONSOLIDATED AUDITED FINANCIAL STATEMENTS OF THE LESSEE FOR THE FISCAL YEARS
ENDED JUNE 30, [____]**

APPENDIX C

CHARTER SCHOOLS IN CALIFORNIA

General

This section provides a brief overview of California's charter school law. Prospective purchasers of the Series 2023 Bonds 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.

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 authorized 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 petition approved by the authorizing body.

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 Schools Act"). 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 Schools Act, 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 petition. However, for a new charter school (not conversion of an existing traditional public school), charter proponents 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. Pupils may not be required to attend a charter school nor may teachers be compelled to teach there. Ordinarily, charters are authorized for a term of up to five years, and may be renewed for successive five-year terms without limitation upon satisfaction of certain criteria described below; however, under certain circumstances, the charters of high-performing charter schools may be renewed for a period of five to seven years, and the charters of low-performing charter schools may be renewed for a two-year period if certain requirements are satisfied.

Generally, each charter school is funded to its statutory entitlement after the local contribution is taken into account. Local funding comes from the authorizing school district or other local education agency in lieu of property taxes (generally funded from the school district's or agency's 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 Schools Act.

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 Series 2023 Bonds, see “STATE FUNDING OF EDUCATION” and “CERTAIN RISK FACTORS – Specific Risks of Charter Schools” herein.

Chartering Authority

Under the Charter Schools Act, 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.

The Schools’ charter petitions were each approved by the Los Angeles Unified School District (the “Charter Authorizer” or the “District”). For information concerning the Charters granted with respect to the Schools, see “APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWER, THE LESSEE, AND THE SCHOOLS” attached to this Limited Offering Memorandum.

Elements of a Charter Petition

Each charter petition, at a minimum, must contain reasonably comprehensive descriptions of each of sixteen 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, and specific annual actions to achieve those goals.
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. These procedures shall include: that each employee of the charter school furnish the charter school with a criminal record summary; the development of a school safety plan; and that the school safety plan be reviewed and updated by March 1 of every year by the charter school.
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(e).
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, including the disposition of assets and the maintenance and transfer of pupil records.

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 and with the interests of the community in which the school is proposing to locate. The governing board of the school district shall consider the academic needs of the pupils the school proposes to serve.

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(e);
- (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 Division 4 of Title 1 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.
- (8) 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 42131 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 42131 of the Education Code, has a negative interim certification pursuant to Section 42131 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 governing board of a school district denies a petition and the county board of education has jurisdiction over a single school district, 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 authorized or last renewed.

AB 130 (as defined herein), which was signed into law by the Governor on July 9, 2021, automatically extends by two years the term of all existing charter schools whose term expires between January 1, 2022 and June 30, 2025, inclusive. See “– Amendments to the Charter Schools Act” below.

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 approve a charter renewal. In addition to the state and local indicators, the chartering authority shall consider clear and convincing evidence, demonstrated by verified data, 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 upon a finding that the charter 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 under these circumstances 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.

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 nonetheless renew a charter that meets the criteria above for a period of two years, only upon making all 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.

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 Schools Act, 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 described in Education Code Section 47605(e), (v) the petition does not contain reasonably 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 Division 4 of Title 1 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.

None of the Schools operates pursuant to a countywide benefit charter. See "APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWER, THE LESSEE, AND THE SCHOOLS" attached to this Limited Offering Memorandum.

Charter Management Organizations

As the number of charter schools operating pursuant to the Charter Schools Act 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. The Schools are not operated by a CMO.

Charter Revocation

A charter may be revoked if the charter authorizer finds, based on substantial evidence, that a charter school (i) has committed a material violation 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, (iii) substantial and sustained departure from measurably successful practices such that continuing departure would jeopardize the educational development of the school’s pupils, or (iv) failure to improve pupil outcomes across multiple state and school priorities identified in the charter. 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 Lessee has not received any notice from the SBE or the Charter Authorizer regarding any violation or proposal to revoke any of the Schools’ Charters or of any other violation requiring corrective action. In addition, as noted above, any future adverse decision by the governing board of the Charter Authorizer may be appealed to the SBE. See “APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWER, THE LESSEE, AND THE SCHOOLS” attached to this Limited Offering Memorandum.

Amendments to the Charter Schools Act

The Legislature has amended the Charter Schools Act frequently since its initial adoption in 1992, and the Legislature has amended other provisions of State law applicable to charter schools. Neither the Lessee nor the Borrower nor any charter school has any control over State legislation or regulatory decision making that could affect the Schools’ operations or funding.

Neither the Borrower nor the Lessee makes any representation as to whether any proposed amendments to the Charter Schools Act, or to other provisions of State law applicable to charter schools, will be enacted into law, or what, if any, impact such proposed amendments would have on the Borrower or the Lessee.

Assembly Bill 130 (“AB 130”) was signed into law by the Governor on July 9, 2021. AB 130 was an omnibus budget trailer bill relating to the State’s budget for the 2021-22 fiscal year. Among other things, AB 130 provided for the following:

- All charter schools whose charter term expires on or between January 1, 2022 and June 30, 2025 will automatically have their term extended by two years.

- The existing moratorium on the establishment of new nonclassroom-based charter schools is extended from January 1, 2022 to January 1, 2025.
- Require certain high-poverty schools (including charter schools) to apply to operate a federal universal meal service and provide breakfast and lunch free of charge through such program to all pupils at such school upon State approval.
- Expands the State’s existing transitional kindergarten program to require admission of all children having their fourth birthday before September 1, which program previously only required admission of four-year-old children having their fifth birthday between September 2 and December 2, to be phased in between the 2022-23 school year and 2025-26 school year.

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 became 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 or county office of education may be authorized on appeal to the State Board of Education only if the State Board of Education finds an abuse of discretion by the school district or county office of education. If approved on State appeal, the State Board of Education will designate either the school district or the county office of education as the authorizer.
- All charter school teachers will be required to be certified by June 30, 2025.

On September 30, 2020, the Governor signed into law Assembly Bill 2765 (“AB 2765”). AB 2765 makes any construction, alteration, demolition, installation or repair work done on a charter school facility subject to prevailing wages, when such work is paid for, in whole or in part, with proceeds of conduit revenue bonds issued on or after January 1, 2021, unless such charter school has an average daily attendance not exceeding 80 pupils. The Series 2023 Bonds are conduit revenue bonds within the meaning of this provision.

Growth in Charter Schools in California

As reported by the California Department of Education, California has the largest concentration of charter schools in the nation and had approximately 690,000 students enrolled in charter schools for the 2020-21 school year, which was approximately 11.5% of total state-wide enrollment in the 2020-21 school year. The following table shows the total number of charter schools in California by year since 1998-99.

TOTAL CHARTER SCHOOLS IN CALIFORNIA Fiscal Years 1998-99 Through 2021-22

<i>Fiscal Year</i>	<i>Number of Charter Schools</i>
2021-22	1,300
2020-21	1,296
2019-20	1,304
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

STATE FUNDING OF EDUCATION

General

The Charter Schools Act 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 school 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 2021-22 State budget on July 16, 2021.

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 Lessee and the Borrower might experience delays in receiving certain expected revenues. See "CERTAIN RISK FACTORS" in the forepart of this Limited Offering Memorandum.

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, 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.

2022-23 State Budget.

On June 30, 2022, the Governor signed a \$308 billion state budget bill, which includes \$234.4 billion in general fund spending (the "2022-23 Budget"). The 2022-23 Budget reports that after two years dominated by COVID-19, the first half of 2022 has brought a new challenge of elevated global inflation spurred by lingering supply-chain disruption and Russia's war in Ukraine that has sent prices soaring. The 2022-23 Budget provides over \$17 billion in relief to millions of Californians to help offset rising costs, and reflects an accelerated minimum wage increase, effective January 1, 2023. The 2022-23 Budget adds substantial investments to address homelessness and behavioral health challenges and includes funding to make neighborhoods safer. It also supports additional protection from the impacts of wildfire and drought. The 2022-23 Budget makes a massive multi-year commitment to the state's infrastructure – funding schools, higher education, broadband infrastructure, and a clean transportation system to assure California's success for generations to come. Finally, the 2022-23 Budget includes critical actions to maintain energy reliability, creating a strategic reserve, protecting ratepayers, and accelerating clean energy projects. It also reshapes California public schools, and it expands access to the state's colleges and universities.

The 2022-23 Budget includes \$37.2 billion in budgetary reserves. These reserves include: \$23.3 billion in the Proposition 2 Budget Stabilization Account (Rainy Day Fund) for fiscal emergencies; \$9.5 billion in the Public School System Stabilization Account; \$900 million in the Safety Net Reserve; and \$3.5 billion in the state's operating reserve. The Rainy Day Fund will be at its constitutional maximum (ten percent of General Fund revenues) requiring \$465 million to be dedicated for infrastructure investments in FY 2022-23. Over the multi-year forecast period, the 2022-23 Budget reflects \$8 billion in supplemental deposits split evenly between the Rainy Day Fund and the Safety Net Reserve. These deposits are above what is constitutionally required. To further build budget resiliency, the 2022-23 Budget includes a \$4.9 billion multi-year plan to prepay callable general obligation bonds, with a focus on variable rate bonds, and to shift lease revenue bond-financed projects to cash. The 2022-23 Budget also estimates supplemental payments to reduce state retirement liabilities of \$3.4 billion in FY 2022-23 and an additional \$7.5 billion projected over the next three years.

The 2022-23 Budget includes total funding of \$128.6 billion (\$78.6 billion General Fund and \$50 billion other funds) for all K-12 education programs. The 2022-23 Budget reflects the highest Proposition 98 funding levels ever and provides ongoing funding for core programs such as the Local Control Funding Formula (LCFF), special education, transitional kindergarten, nutrition, school facilities, preschool and expanded learning, including, but not limited to the following:

- Proposition 98 Rainy Day Fund – The 2022-23 Budget includes FY 2020-21, 2021-22, and 2022-23 payments of approximately \$3.1 billion, \$4 billion, and \$2.2 billion (respectively) into the Public School System Stabilization Account, for a balance of more than \$9.5 billion at the end of 2022-23. Under current law, there is a cap of 10 percent on school district reserves in fiscal years immediately succeeding those in which the balance in the Account is equal to or greater than 3 percent of the total K-12 share of the Guarantee. The balance of \$7.1 billion in 2021-22 triggers school district reserve caps beginning in FY 2022-23.

- Local Control Funding Formula (“LCFF”) – The 2022-23 Budget includes an LCFF cost-of-living adjustment of 6.56 percent—the largest cost-of-living adjustment in the history of LCFF. Additionally, to help school districts and charter schools address ongoing fiscal pressures, staffing shortages, and other operational needs, the 2022-23 Budget includes \$4.32 billion ongoing Proposition 98 General Fund to increase LCFF base funding by an additional 6.28 percent. The 2022-23 Budget also includes \$101.2 million ongoing Proposition 98 General Fund to augment LCFF funding for county offices of education, which face similar cost pressures to school districts and charter schools.
- School Fiscal Stability – To support the fiscal stability of all local educational agencies, including those with a declining student population, the 2022-23 Budget allows school districts to use the greater of current year or prior year average daily attendance or an average of the three prior years’ average daily attendance to calculate LCFF funding. Further, to minimize reductions in LCFF funding that would otherwise occur due to increased absences in FY 2021-22, the 2022-23 Budget enables all classroom-based local educational agencies that can demonstrate they provided independent study offerings to students in FY 2021-22 to be funded at the greater of their current year average daily attendance or their current year enrollment adjusted for pre-COVID-19 absence rates in FY 2021-22. The 2022-23 Budget also allows all classroom-based charter schools to be funded at the greater of their current year average daily attendance or their current year enrollment adjusted for pre-COVID-19 absence rates in FY 2021-22. The 2022-23 Budget reflects \$2.8 billion ongoing Proposition 98 General Fund and \$413 million one-time Proposition 98 General Fund to implement these school fiscal stabilization policies.
- Learning Recovery Emergency Block Grant – The 2022-23 Budget establishes the Learning Recovery Emergency Fund and appropriates \$7.9 billion one-time Proposition 98 General Fund to support the Learning Recovery Emergency Block Grant. This block grant will support local educational agencies in establishing learning recovery initiatives through the 2027–28 school year.
- Educator Workforce – Preparing, training, and recruiting a diverse, expert workforce of administrative, credentialed, and classified staff to work in public K-12 schools is critical to the success of the entire system. This is especially true given current staffing shortages that have been exacerbated by the COVID-19 Pandemic. The 2021 Budget Act included \$2.9 billion to accelerate the preparation and support the training and retention of well-prepared educators. To further support this effort, the 2022-23 Budget includes \$48.1 million General Fund for the following:
 - Teacher Examination Fees – \$24 million one-time General Fund in FY 2022-23 and FY 2023-24 to waive certain teacher examination fees.
 - Integrated Teacher Preparation Programs – \$20 million one-time General Fund to support a competitive grant program that provides grants to public and private institutions to develop and implement integrated teacher preparation programs.
 - Commission on Teacher Credentialing (CTC) Support – \$2.7 million General Fund for state operations support at the CTC, including workload associated with the administration of multiple grant programs, data gathering efforts, and early childhood education preparation and licensure activities.
 - Career Counselors – \$1.4 million General Fund to establish career counselors for prospective educators at the CTC.
 - Substitute Teaching Assignments – Extending statute authorizing any holder of a credential or permit issued by the CTC to serve in a substitute teaching assignment aligned with their authorization, including for staff vacancies, for up to 60 cumulative days for any one assignment.

- Teacher and School Counselor Residencies – To increase the pipeline of teachers and school counselors, the 2022-23 Budget provides \$250 million one-time Proposition 98 General Fund to expand residency slots for teachers and school counselors. The 2022-23 Budget also enables school counselor, social worker, and psychologist candidates to be eligible for the Golden State Teacher Grant Program, which provides incentives to individuals to consider earning a credential and serving at a priority school in California for four years, within eight years after completing a preparation program.
- Transitional Kindergarten – The 2022-23 Budget provides \$614 million ongoing Proposition 98 General Fund to, beginning in the 2022-23 school year, to support the first year of expanded eligibility for transitional kindergarten, shifting from all children turning five-years-old between September 2 and December 2 to all children turning five-years-old between September 2 and February 2. Additionally, the 2022-23 Budget provides \$383 million Proposition 98 General Fund to add one additional certificated or classified staff person to every transitional kindergarten class, reducing student-to-adult ratios to more closely align with the State Preschool Program. The 2022-23 Budget also increases the pipeline of qualified transitional kindergarten teachers by allowing the Commission on Teacher Credentialing to issue a one-year emergency specialist teaching permit in early childhood education that authorizes the permit holder to teach transitional kindergarten provided that they hold a bachelor's degree or higher, a valid child development permit, and meet certain subject matter requirements.
- Special Education – The 2022-23 Budget includes investments and policy changes related to special education, including \$500 million ongoing Proposition 98 General Fund for the special education funding formula, paired with the following policy changes to further the State's commitment to improving special education instruction and services:
 - Amending the special education funding formula to calculate special education base funding allocations at the local educational agency level, rather than the special education local plan area level.
 - Consolidating two special education extraordinary cost pools into a single cost pool to simplify the current funding formula, and increasing funding by \$14 million ongoing Proposition 98 General Fund.
 - Beginning in FY 2023-24, allocating Educationally Related Mental Health Services funding directly to local educational agencies rather than to SELPAs.
 - Developing an Individuals with Disabilities Education Act addendum to the Local Control and Accountability Plan to support inclusive planning and promote cohesion between special education and general education planning.
 - Supporting efforts to develop comprehensive Individualized Education Programs (IEPs) by focusing a special education resource lead on IEP best practices, and establishing an expert panel to continue the work of creating a model IEP template.
 - Establishing a pathway to a diploma for students who take the California Alternate Assessment and providing resources to identify alternative coursework options for students with disabilities to demonstrate completion of the state graduation requirements.

K-12 School Facilities – The Kindergarten through Community College Public Education Facilities Bond Act of 2016 (Proposition 51), approved by voters in November 2016, authorized \$7 billion in state General Obligation bonds to support K-12 school facilities construction. These funds support new construction, modernization, retrofitting, career technical education, and charter school facility projects. The 2022-23 Budget allocates the remaining Proposition 51 bond funds—approximately \$1.4 billion—to support school construction projects and provides \$1.3 billion one-time General Fund with FY 2021-22 funds, approximately \$2.1 billion one-time General Fund in FY 2023-24 and \$875 million one-time General Fund in FY 2024-25 to support new

construction and modernization projects through the School Facility Program.* The 2022-23 Budget also includes \$100 million one-time General Fund with FY 2021-22 funds and \$550 million in FY 2023-24 to support the California Preschool, Transitional Kindergarten and Full-Day Kindergarten Facilities Grant Program.† This program’s grant funds may be used to construct new school facilities or retrofit existing school facilities for the purpose of providing transitional kindergarten, full-day kindergarten, or preschool classrooms. The 2022-23 Budget also includes \$30 million Proposition 98 General Fund per year for two years to support eligible facilities costs for the Charter School Facility Grant Program. These funds can be used by eligible charter schools for costs associated with remodeling buildings, deferred maintenance, initial installation or extension of service systems and other built-in equipment, site improvements, and facility modifications to mitigate the spread of COVID-19.

Assembly Bill 86. On March 4, 2021, the Governor signed into law Assembly Bill 86 (“AB 86”), urgency legislation which provided approximately \$6.6 billion to accelerate the return of in-person school instruction and expand student support. Specifically, AB 86 provided \$2 billion for in-person instruction grants to local educational agencies (with the exception of non-classroom based charter schools and independent study programs) that can be used for, among other things, personal protective equipment, ventilation upgrades and COVID-19 testing. To qualify for the funding, local educational agencies were required to offer in-person instruction for Kindergarten through second grade, and all grades levels for high-need students, by March 31, 2021, losing 1% of eligible funds for every day thereafter if they did not. Schools in the Blueprint’s red, orange or yellow tiers were required to offer in-person instruction to all elementary grades and at least one middle or high school grade or risk losing the same amount of funding. Local educational agencies forfeited eligibility for all funding if they did not resume in-person instruction by May 15, 2021. Funding will be allocated proportionally on the basis of LCFF funding entitlements, determined as of the fiscal year 2020-21 second principal apportionment certification.

The remaining \$4.6 billion was allocated for supplemental instruction and support for social and emotional well-being. Schools will be able to use the funds for, among other things, providing more instructional time (including summer school), tutoring, learning recovery programs, mental health services, access to school meal programs, programs to address pupil trauma and supports for credit-deficient students. Funding will be allocated proportionally on the basis of LCFF funding entitlements, determined as of the fiscal year 2020-21 second principal apportionment certification. Local educational agencies will also receive an additional \$1,000 for each homeless pupil enrolled in the 2020-21 fiscal year.

AB 86 also codified several State programs that support the safe re-opening of schools, including (i) setting aside 10% of available vaccines for education workers, (ii) COVID-19-related data reporting requirements, and (iii) additional funding for the State’s “Safe Schools Team,” which provides technical assistance and oversight to schools that experience COVID-19 outbreaks.

Future Actions and Events. Neither the Borrower nor the Lessee can predict what additional actions will be taken in the future by the State legislature and the Governor to address changing State revenues and expenditures. Neither the Borrower nor the Lessee also can 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 and the Lessee 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 pandemic 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. In addition, the pandemic could also result in higher State expenditures, of both a direct nature (such as those related to managing the outbreak) and an indirect nature (such as higher public usage of need-based programs resulting from unemployment or disability). See “CERTAIN RISK FACTORS – Risks Related to Infectious Virus and/or Disease” herein. State budget shortfalls in future fiscal years may also have an adverse financial impact on the financial condition of the Borrower and the Lessee.

* Charter schools are not eligible for the School Facility Program.

† Charter schools are not eligible for the California Preschool, Transitional Kindergarten and Full-Day Kindergarten Facilities Grant Program.

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 will be 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 since 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 Schools Act, 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 applicable 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, established 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 replaced the revenue limit funding system for determining State apportionments, as well as the majority of categorical program funding. Under the LCFF, State allocations are 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 as 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.

Base Grant. 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.

Supplemental Grant. 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.

Concentration Grant. 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 \$228 per unit of ADA for the 2021-22 fiscal year, of which approximately \$163 is “non-Proposition 20” and \$65 is “Proposition 20” funding.

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.

Charter School Facility Grant Program Funding. In fiscal year 2021-22, charter schools that meet certain criteria are eligible to receive up to \$1,232 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) under the Charter School Facility Grant (“SB740”) Program. 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. See “APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWER, THE LESSEE, AND THE SCHOOLS” attached hereto.

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, initially 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 moneys are appropriated to the program, the available moneys are first used to reimburse for Facility Rents (on a pro rata basis if moneys are insufficient), and any remaining moneys 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 moneys, which is awarded in three disbursements, may be adjusted or transfer of moneys back to the Authority may be required.

The SB 740 program is administered by the Authority. 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 years 2017-18 through 2021-22, and is expected to be in the current fiscal year, with awards being reduced on a pro-rata basis.

Effective beginning fiscal year 2017-18, 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 fiscal year 2016–17, 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. See “CERTAIN RISK FACTORS – SB 740 Funding” herein.

Set forth in the following table are historical data regarding SB 740 funding and awards for fiscal years 2017-18 through 2022-23.

HISTORICAL SB 740 GRANT AWARDS
Fiscal Years 2017-18 to 2022-23

	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>
A. No. of Schools Awarded	417	415	437	424	423	425 ⁽¹⁾
B. Total Amount Awarded	\$133,177,000	\$136,786,000	\$136,786,000	\$136,786,000	\$143,520,000 ⁽¹⁾	\$184,273,000 ⁽¹⁾
Amount awarded for lease costs	116,965,203	124,180,307	136,786,000	136,786,000	143,520,000 ⁽¹⁾	154,273,000 ⁽¹⁾
Amount awarded for Other Costs	16,211,797	12,605,693	--	-- ⁽¹⁾	-- ⁽¹⁾	30,000,000 ⁽¹⁾
C. Total Moneys Appropriated to SB 740⁽²⁾						
D. Subscription Percentage⁽⁴⁾	\$133,177,000 ⁽³⁾	\$136,786,000	\$136,786,000	\$136,786,000	\$143,520,000	\$184,273,000
E. Total Average Daily Attendance (“ADA”)⁽⁵⁾	104%	109%	103%	108% ⁽⁴⁾	103% ⁽⁴⁾	105% ⁽⁴⁾
F. Average Award Per ADA⁽⁶⁾	151,630	175,087	165,489	172,143	171,812	172,624 ⁽⁸⁾
G. Maximum Award Allowed Per ADA⁽⁷⁾						

(1) Figures are current estimates as of September 30, 2022, and subject to change.

(2) Moneys annually appropriated by the State Legislature toward SB 740 grant awards. For 2022-23, an amount of \$30 million is reserved for reimbursement of other costs.

(3) Includes an additional approximately \$21.1 million appropriated for the 2017-18 fiscal year in the 2018-19 Budget.

(4) From fiscal years 2013-14 to 2016-17, the SB 740 Program had been undersubscribed. However, for fiscal year 2017-18, the SB 740 Program was oversubscribed. CSFA made SB 740 awards by first reimbursing lease costs, and then applying a pro-rata reduction in the award amount for applied-for “other costs” spread across all eligible applicants. In fiscal year 2017-18, lease costs were fully funded at 100%, and other costs were funded at a pro-rata rate of 73.01%. In fiscal year 2018-19, lease costs were fully funded at 100%, and other costs were funded at a pro-rata rate of 49%. In fiscal years 2019-20, 2020-21 and 2021-22, CSFA expected to fund lease costs at 97.47%, 92.61%, and 94.5%, respectively, and therefore was unable to fund other costs. CSFA expects the SB 740 Program to be oversubscribed in fiscal year 2022-23 and fund lease cost awards at approximately 94.4%. See “APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWER, THE LESSEE, AND THE SCHOOLS” attached hereto.

(5) Total ADA from all schools awarded in each fiscal year.

(6) Equal to the “Amount Awarded” divided by the “Total ADA.” The Average Award Per ADA is lower than the Maximum Award Allowed Per ADA because a significant number of schools do not qualify for the maximum amount allowed; instead they are capped at 75% of actual rent. For 2020-21 and 2021-22, figures are current estimates because SB 740 applications are still being received and final awards are being calculated.

(7) SB 740 Program grant awards are calculated at the lower of: (a) 75% of actual rent paid or (b) maximum award allowed per ADA by State law. From fiscal years 2012-13 to 2016-17, the maximum award allowed per ADA by State law was \$750 per ADA. Pursuant to a change in State law passed by the Legislature in June 2017, the maximum award allowed by State law was increased from \$750 per ADA to \$1,117 per ADA, subject to cost of living adjustments. The maximum award for fiscal year 2022-23 is \$1,313.

(8) Total ADA for fiscal year 2022-23 estimated based on average ADA per applicant in fiscal year 2021-22.

Source: *The Authority*.

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Annual Funding Components. The following tables describe ADA-based state funding of California charter school education for Fiscal Year 2018-19 through 2022-23:

STATE FUNDING OF CHARTER SCHOOL EDUCATION

<u>Fiscal Year 2018-19</u>				
<i>Grades</i>				
	<u>K-3</u>	<u>4-6</u>	<u>7-8</u>	<u>9-12</u>
Target LCFF Base Grant	\$7,459	\$7,571	\$7,796	\$9,034
CTE/CSR Add-ons	776	--	--	235
Lottery ⁽²⁾	<u>204</u>	<u>204</u>	<u>204</u>	<u>204</u>
Total ⁽¹⁾	\$8,439	\$7,775	\$8,000	\$9,473
<u>Fiscal Year 2019-20</u>				
<i>Grades</i>				
	<u>K-3</u>	<u>4-6</u>	<u>7-8</u>	<u>9-12</u>
Target LCFF Base Grant	\$7,702	\$7,818	\$8,050	\$9,329
CTE/CSR Add-ons	801	--	--	243
Lottery ⁽²⁾	<u>207</u>	<u>207</u>	<u>207</u>	<u>207</u>
Total ⁽¹⁾	\$8,710	\$8,025	\$8,257	\$9,779
<u>Fiscal Year 2020-21</u>				
<i>Grades</i>				
	<u>K-3</u>	<u>4-6</u>	<u>7-8</u>	<u>9-12</u>
Target LCFF Base Grant	\$7,702	\$7,818	\$8,050	\$9,329
CTE/CSR Add-ons	801	--	--	243
Lottery ⁽²⁾	<u>199</u>	<u>199</u>	<u>199</u>	<u>199</u>
Total ⁽¹⁾	\$8,702	\$8,017	\$8,249	\$9,771
<u>Fiscal Year 2021-22</u>				
<i>Grades</i>				
	<u>K-3</u>	<u>4-6</u>	<u>7-8</u>	<u>9-12</u>
Target LCFF Base Grant	\$8,093	\$8,215	\$8,458	\$9,802
CTE/CSR Add-ons	842	--	--	255
Lottery ⁽²⁾	<u>228</u>	<u>228</u>	<u>228</u>	<u>228</u>
Total ⁽¹⁾	\$9,163	\$8,443	\$8,686	\$10,285
<u>Fiscal Year 2022-23⁽³⁾</u>				
<i>Grades</i>				
	<u>K-3</u>	<u>4-6</u>	<u>7-8</u>	<u>9-12</u>
Target LCFF Base Grant	\$9,132	\$9,270	\$9,544	\$11,061
CTE/CSR Add-ons	950	-	-	288
Lottery ⁽²⁾	<u>237</u>	<u>237</u>	<u>237</u>	<u>237</u>
Total ⁽¹⁾	\$10,319	\$9,507	\$9,781	\$11,586

⁽¹⁾ Excludes special education, nutrition, After School Education and Safety, SB 740, Charter School Facilities 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 2022-23 funding amounts are preliminary, used for initial budgeting purposes in general. For specific projections with respect to the Schools, see “APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWER, THE LESSEE, AND THE SCHOOLS” attached to this Limited Offering Memorandum.

Sources: California Department of Education.

For a description of the Schools’ ADA and funding related thereto, see “APPENDIX A – CERTAIN INFORMATION REGARDING THE BORROWER, THE LESSEE, AND THE SCHOOLS” attached to this Limited Offering Memorandum.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING EDUCATION REVENUES AND APPROPRIATIONS

Limitations on Revenues

Article XIII A of the California Constitution. Article XIII A of the State Constitution, adopted and known as Proposition 13, was approved by the voters in June 1978. Section 1(a) of Article XIII A 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 XIII A 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 XIII A 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 XIII A 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 XIII A 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 XIII A.

Section 51 of the Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently “recapture” such value (up to the pre decline value of the property) at an annual rate higher than 2%, depending on the assessor’s measure of the restoration of value of the damaged property. The constitutionality of this procedure was challenged in a lawsuit brought in 2001 in the Orange County Superior Court and in similar lawsuits brought in other counties, on the basis that the decrease in assessed value creates a new “base year value” for purposes of Proposition 13 and that subsequent increases in the assessed value of a property by more than 2% in a single year violate Article XIII A. On appeal, the California Court of Appeal upheld the recapture practice in 2004, and the State Supreme Court declined to review the ruling, leaving the recapture law in place. 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 XIII B 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 Lessee 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)**

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

Future Initiatives

Articles XIII A, 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.

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APPENDIX D

SUMMARY OF PRINCIPAL BOND DOCUMENTS

APPENDIX E

SUMMARY OF THE LEASES

APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

APPENDIX G

BOOK-ENTRY SYSTEM

The information in this APPENDIX G concerning The Depository Trust Company (“DTC”) and DTC’s book-entry-only system has been obtained from DTC. The Authority, the Borrower, the Landlords, the Lessee, the Bond Trustee and the Underwriter assume no responsibility for the accuracy thereof.

The Depository Trust Company (“DTC”), will act as securities depository for the Series 2023 Bonds. The Series 2023 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond certificate will be issued for each maturity of each Series of Bonds, each in the aggregate principal amount of that maturity of Series 2023 Bonds, 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. SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES 2023 BONDS, REFERENCES IN THE LIMITED OFFERING MEMORANDUM TO BONDHOLDERS OR OWNERS OF THE SERIES 2023 BONDS (OTHER THAN UNDER THE CAPTION “TAX MATTERS” IN THE LIMITED OFFERING MEMORANDUM) SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2023 BONDS.

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 Series 2023 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2023 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2023 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2023 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2023 Bonds, except in the event that use of the book-entry system for the Series 2023 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2023 Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2023 Bonds 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 Series 2023 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2023 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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 Series 2023 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2023 Bonds, such as redemptions, defaults, and proposed amendments to the Series 2023 Bond documents. For example, Beneficial Owners of Series 2023 Bonds may wish to ascertain that the nominee holding the Series 2023 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2023 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2023 Bonds 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 Series 2023 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2023 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Bond 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 Bond Trustee, the Borrower, 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 Bond 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 Series 2023 Bonds at any time by giving reasonable notice to the Authority or the Bond Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond 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, Bond certificates will be printed and delivered to DTC.

The information in this Appendix 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.

THE AUTHORITY, THE BORROWER, THE LANDLORDS, THE LESSEE, THE BOND TRUSTEE AND THE UNDERWRITER WILL HAVE NO RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS OR THE BENEFICIAL OWNERS OF THE SERIES 2023 BONDS WITH RESPECT TO (i) THE ACCURACY OF ANY RECORDS MAINTAINED BY THE DEPOSITORY OR ANY PARTICIPANT; (ii) THE PAYMENT BY THE DEPOSITORY TO ANY PARTICIPANT OR BY ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT, OR REDEMPTION PRICE OF OR

INTEREST ON THE SERIES 2023 BONDS; (iii) THE DELIVERY OF ANY NOTICE BY THE DEPOSITORY TO ANY PARTICIPANT OR BY ANY PARTICIPANT TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO BONDHOLDERS UNDER THE TERMS OF THE INDENTURE; (iv) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2023 BONDS; OR (v) ANY OTHER ACTION TAKEN BY THE DEPOSITORY AS OWNER OF THE SERIES 2023 BONDS.

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APPENDIX H

FORM OF OPINION OF BOND COUNSEL

[To be provided]

APPENDIX I

FORMS OF INVESTOR LETTER

FORM OF INVESTOR LETTER

The Honorable Fiona Ma
Treasurer of the State of California
915 Capitol Mall, Room 261
Sacramento, California 95814

California School Finance Authority
304 South Broadway
Los Angeles, California 90013

U.S. Bank Trust Company, National Association
One California Street, Suite 1000
San Francisco, California 94111

RBC Capital Markets, LLC
777 S. Figueroa St., Suite 850
Los Angeles, California 90017

Re: \$_____ California School Finance Authority Charter School Revenue Bonds (Camino Nuevo Charter Academy - Obligated Group) Series 2023A and \$_____ California School Finance Authority Charter School Revenue Bonds (Camino Nuevo Charter Academy - Obligated Group) Series 2023B (Taxable)

Ladies and Gentlemen:

The undersigned (the “Investor”) hereby acknowledges that it is purchasing \$_____ aggregate principal amount of California School Finance Authority (the “Authority”) Charter School Revenue Bonds (Camino Nuevo Charter Academy - Obligated Group) 2023A (the “Series 2023A Bonds”) and \$_____ aggregate principal amount of California School Finance Authority Charter School Revenue Bonds (Camino Nuevo Charter Academy - Obligated Group) Series 2023B (Taxable) (the “Series 2023B Bonds” and, together with the Series 2023A Bonds, the “Bonds”), issued pursuant to an Indenture, dated as of [_____] 1, 2023 (the “Indenture”), between the Authority and U.S. Bank Trust Company, 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 Bond Purchase Agreement, dated [_____] 1, 2023 (the “Purchase Agreement”), among the Authority, the Treasurer of the State of California, as agent for sale on behalf of the Authority, RBC Capital Markets, LLC (the “Underwriter”), and approved by Grupo Nuevo Los Angeles (the “Borrower” and “Obligated Group Representative”) and Camino Nuevo Charter Academy, a California nonprofit corporation (the “Lessee”).

The undersigned acknowledges that the Bonds are being delivered for the purpose of financing the acquisition, expansion, remodeling, renovation, and/or equipping of certain charter school facilities located in Los Angeles, California (the “Project”) on behalf of the Borrower, as more particularly described in the Loan Agreement, dated as of [_____] 1, 2023 (the “Loan Agreement”), by and between the Authority and the Borrower. The undersigned further acknowledges that the Borrower will lease the charter school facility to the Lessee pursuant to those certain lease agreements (collectively, the “Lease”) between the Borrower and the Lessee.

The Bonds 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 Obligation No. 1 relating to the Bonds (“Obligation No. 1”) issued by the Obligated Group Representative in an amount equal to the aggregate principal amount of the Bonds pursuant to a Master Indenture of Trust, dated as of [_____] 1, 2023 (the “Master Indenture”), as supplemented by a Supplemental Master Indenture for Obligation No. 1, dated as of [_____] 1, 2023 (the “Supplemental Master Indenture”), each by and between the Obligated Group Representative, the Borrower and the Landlords, as the initial Members of the Obligated Group, and U.S. Bank Trust Company, National Association, as master trustee (the “Master Trustee”). The Indenture, the Loan Agreement, the Lease, the Master Trust Indenture, and the Supplemental Master Indenture are referred to herein as the “Bond Documents.”

In connection with the sale of the Bonds to the Investor, the Investor hereby makes the following representations upon which you may rely:

1. The Investor has authority and is duly authorized to purchase the Bonds and to execute this letter and any other instruments and documents required to be executed by the Investor in connection with the purchase of the Bonds.

2. The Investor is either (a) a “qualified institutional buyer” as defined in Rule 144A of the Securities Act of 1933, as amended (the “Act”), or (b) an “accredited investor,” described in Sections (a)(1), (2), (3), (7), (8), (9), (12), or (13) of Rule 501 of Regulation D promulgated under the Act, and therefore has sufficient knowledge and experience in financial and business matters, including in the purchase and ownership of municipal obligations, to be able to evaluate the risks and merits of the investment represented by the Bonds.

3. The Bonds are being acquired by the Investor for investment and not with a current view to, or for resale in connection with, any distribution of the Bonds, and the Investor intends to hold the Bonds solely for its own account for investment purposes for an indefinite period of time, and does not intend at this time to dispose of all or any part of the Bonds. However, the Investor may sell the Bonds at any time the Investor deems appropriate, subject to the transfer restrictions set forth in the Bonds and in the Indenture. The Investor understands that it may need to bear the risks of this investment for an indefinite time, since a sale of the Bonds, or any portion thereof, prior to maturity may not be possible.

4. The Investor understands that the Bonds are not registered under the Act and that such registration is not legally required as of the date hereof and further understands that the Bonds (a) are not being registered or otherwise qualified for sale under the “Blue Sky” laws and regulations of any state, (b) will not be listed in any stock or other securities exchange, (c) will not carry a rating, and (d) will be delivered in a form which may not be readily marketable due to restrictions on transfer.

5. The Investor acknowledges that it has either been supplied with or been given access to information, including financial statements and other financial information, which it has requested from the Borrower and which the Investor believes to be significant in making investment decisions, which information is included in the Preliminary Limited Offering Memorandum, dated [____], 2023 (the “Preliminary Limited Offering Memorandum”), and the Limited Offering Memorandum, dated as of [____], 2023 (the “Limited Offering Memorandum”), and the Investor has had the opportunity to ask questions and receive answers from knowledgeable individuals, including its own counsel, concerning the Borrower, the Project, the Lessee, the Bond Documents and the Bonds and the security therefor so that the Investor has been able to make a decision to purchase the Bonds.

6. The Investor has received a copy of the Preliminary Limited Offering Memorandum and the Limited Offering Memorandum. The Investor acknowledges that it has not relied upon any advice, counsel, representation or information of the Authority in connection with the Investor’s purchase of the Bonds.

7. The Investor acknowledges that the obligations of the Authority under the Indenture are special, limited obligations payable solely from amounts paid to the Authority or the Trustee from the Borrower and the Landlords, as the initial Members of the Obligated Group pursuant to the Loan Agreement and Obligation No. 1 and the Authority shall not be directly or indirectly or contingently or morally obligated to use any moneys or assets of the Authority to pay any portion of the costs of the Project, the Costs of Issuance, or any other costs or expense in connection with the Project, the Costs of Issuance, the Bonds or the Bond Documents. The Investor understands that the Bonds 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 Bonds 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 of or interest on the Bonds and that the liability of the Authority and the State of California with respect to the Bonds is subject to further limitations as set forth in the Bonds and the Indenture.

8. The Investor has made its own inquiry and analysis with respect to the Bonds and the security therefor, and other material factors affecting the security and payment of the Bonds. The Investor is aware that the business of the Borrower and the Lessee involves certain economic and regulatory variables and risks that could adversely affect the security for the Bonds. The Investor has reviewed the documents executed in conjunction with the issuance of the Bonds, or summaries thereof, including, without limitation, the Indenture, the Master Indenture, the Supplemental Master Indenture, the Lease and the Loan Agreement.

9. The Investor acknowledges and agrees that the Authority takes no responsibility for, and makes no representation to the Investor, or any subsequent purchaser, with regard to, a sale, transfer or other disposition of the Bonds in violation of the provisions hereof, or any securities law or income tax law consequences thereof. The Investor also acknowledges that, with respect to the Authority's obligations and liabilities, the Investor is solely responsible for compliance with the sales restrictions on the Bonds in connection with any subsequent transfer of the Bonds made by the Investor.

10. The Investor agrees that it is bound by and will abide by the provisions of the Indenture relating to transfer, the restrictions noted on the face of the Bonds and this Investor Letter. The Investor also covenants to comply with all applicable federal and state securities laws, rules and regulations in connection with any resale or transfer of the Bonds by the Investor.

11. The Investor acknowledges that the sale of the Bonds to the Investor is made in reliance upon the certifications, representations and warranties herein by the addressees hereto.

12. The Investor hereby waives any and all claims, actions, or causes of action which the Investor may have from and after the date hereof against the Authority, counsel to the Authority, and their respective members, officers, agents, and employees, growing out of any action (other than willful misconduct) which the Authority took or could have taken in connection with the authorization, execution, delivery, and sale of the Bonds or the purchase of the Bonds by the undersigned or in connection with any statements or representations which induced the undersigned to purchase the Bonds. This waiver does not go to the Borrower, the Underwriter, Bond Counsel, the Lessee, or their counsel, their respective members, officers, agents, or employees.

The interpretation of the provisions hereof shall be governed and construed in accordance with California law without regard to principles of conflicts of laws.

Date: _____, 2023

Very truly yours,

NAME OF INVESTOR

By: _____

Name: _____

Title: _____

FORM OF BONDHOLDER REPRESENTATIVE LETTER

The Honorable Fiona Ma
Treasurer of the State of California
915 Capitol Mall, Room 261
Sacramento, California 95814

California School Finance Authority
304 South Broadway
Los Angeles, California 90013

U.S. Bank Trust Company, National Association
One California Street, Suite 1000
San Francisco, California 94111

RBC Capital Markets, LLC
777 S. Figueroa St., Suite 850
Los Angeles, California 90017

Re: \$ _____ California School Finance Authority Charter School Revenue Bonds (Camino Nuevo Charter Academy - Obligated Group) Series 2023A and \$ _____ California School Finance Authority Charter School Revenue Bonds (Camino Nuevo Charter Academy - Obligated Group) Series 2023B (Taxable)

Ladies and Gentlemen:

This letter is being delivered in connection with the sale of \$ _____ aggregate principal amount of California School Finance Authority (the "Authority") Charter School Revenue Bonds (Camino Nuevo Charter Academy - Obligated Group) 2023A (the "Purchased Series 2023A Bonds") and \$ _____ aggregate principal amount of California School Finance Authority Charter School Revenue Bonds (Camino Nuevo Charter Academy - Obligated Group) Series 2023B (Taxable) (the "Purchased Series 2023B Bonds" and, together with the Purchased Series 2023A Bonds, the "Purchased Bonds"), issued pursuant to an Indenture, dated as of [_____] 1, 2023 (the "Indenture"), between the Authority and U.S. Bank Trust Company, 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 Bond Purchase Agreement, dated [_____] 1, 2023 (the "Purchase Agreement"), among the Authority, the Treasurer of the State of California, as agent for sale on behalf of the Authority, RBC Capital Markets, LLC (the "Underwriter"), and approved by Grupo Nuevo Los Angeles (the "Borrower" and "Obligated Group Representative") and Camino Nuevo Charter Academy, a California nonprofit public benefit corporation ("Camino Nuevo").

The undersigned acknowledges that the Bonds are being delivered for the purpose of financing the acquisition, expansion, remodeling, renovation, furnishing and/or equipping of certain charter school facilities located in Los Angeles, California (the "Project") on behalf of the Borrower, as more particularly described in the Loan Agreement, dated as of [_____] 1, 2023 (the "Loan Agreement"), by and between the Authority and the Borrower. The undersigned further acknowledges that the Lessee will lease the charter school facility to the Borrower, and the Borrower will sublease the charter school facility to the Lessee pursuant to those certain lease and sublease agreements (collectively, the "Lease") between the Borrower and the Lessee.

The Bonds 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 Obligation No. 1 relating to the Bonds ("Obligation No. 1") issued by the Obligated Group Representative in an amount equal to the aggregate principal amount of the Bonds pursuant to a Master Indenture of Trust, dated as of [_____] 1, 2023 (the "Master Indenture"), as supplemented by a Supplemental Master Indenture for Obligation No. 1, dated as of [_____] 1, 2023 (the "Supplemental Master Indenture"), each by and between the Obligated Group Representative, the Borrower and the Landlords, as the initial Members of the Obligated Group, and U.S. Bank Trust Company, National Association, as master trustee (the "Master Trustee"). The Indenture, the Loan Agreement, the Lease, the Master Trust Indenture, and the Supplemental Master Indenture are referred to herein as the "Bond Documents."

In connection with the sale of the Purchased Bonds, the undersigned (the "Bondholder Representative") hereby makes the following representations upon which you may rely:

1. The Bondholder Representative is a “qualified institutional buyer” as defined in Rule 144A of the Securities Act of 1933, as amended (the “Act”) or a registered investment adviser as defined in the Investment Advisers Act of 1940, responsible for managing at least \$1 billion in assets.

2. The Bondholder Representative has discretionary authority over the investments of its clients who will be the owners of the Purchased Bonds (the “Owners”), is the duly appointed representative of the Owners of all of the Purchased Bonds and is authorized to act on behalf of the Owners.

3. Each Owner is an “accredited investor” as described in Sections (a)(1), (2), (3), (7), (8), (9), (12) or (13) of Rule 501 of Regulation D promulgated under the Act, or a “qualified institutional buyer” as defined in Rule 144A of the Act, and therefore has sufficient knowledge and experience in financial and business matters, including the purchase and ownership of municipal obligations, to be able to evaluate the risks and merits of the investment represented by the Purchased Bonds.

4. The Bondholder Representative and each Owner understands that the Bonds are not registered under the Act and that such registration is not legally required as of the date hereof and further understands that the Bonds (a) are not being registered or otherwise qualified for sale under the “Blue Sky” laws and regulations of any state, (b) will not be listed in any stock or other securities exchange, (c) will not carry a rating, and (d) may not be readily marketable due to restrictions on transfer.

5. Each Owner is acquiring its Bonds for investment and not with a view to, or for resale in connection with, any distribution of the Bonds, and each Owner intends to hold its Bonds solely for its own account for investment purposes and for an indefinite period of time, and does not intend at this time to dispose of all or any part of its Bonds. However, each Owner, or the Bondholder Representative on behalf of such Owner, may sell such Owner’s Bonds at any time such Owner, or the Bondholder Representative on behalf of such Owner, deems appropriate, subject to the transfer restrictions set forth in the Bonds and in the Indenture. Each Owner understands that it may need to bear the risks of this investment for an indefinite time, since any sale prior to maturity may not be possible.

6. The Bondholder Representative, on behalf of itself and each Owner, acknowledges that it has either been supplied with or been given access to information, including financial statements and other financial information, which it has requested from the Borrower and to which the Bondholder Representative, on behalf of itself and each Owner would attach significance in making investment decisions, which information is included in the Preliminary Limited Offering Memorandum, dated [____], 2023, (the “Preliminary Limited Offering Memorandum”), and the Limited Offering Memorandum, dated as of [____], 2023 (the “Limited Offering Memorandum”), and the Bondholder Representative, on behalf of itself and each Owner, has had the opportunity to ask questions and receive answers from knowledgeable individuals, including its own counsel, concerning the Borrower, the Project, the Lessee, the Bond Documents and the Bonds and the security therefor so that, as a reasonable investor, the Bondholder Representative, on behalf of itself and each Owner, has been able to make a decision to purchase the Bonds.

7. The Bondholder Representative, on behalf of itself and each Owner, has received a copy of the Preliminary Limited Offering Memorandum and the Limited Offering Memorandum. The Bondholder Representative, on behalf of itself and each Owner, acknowledges that it has not relied upon any advice, counsel, representation or information of the Authority in connection with the Bondholder Representative’s purchase, on behalf of the Owner, of the Bonds.

8. The Bondholder Representative, on behalf of itself and each Owner, acknowledges that the obligations of the Authority under the Indenture are special, limited obligations payable solely from amounts paid to the Authority or the Trustee pursuant to the Loan Agreement and Obligation No. 1 and the Authority shall not be directly or indirectly or contingently or morally obligated to use any moneys or assets of the Authority to pay any portion of the costs of the Project, the Costs of Issuance, or any other costs or expense in connection with the Project, the Costs of Issuance, the Bonds or the Bond Documents. The Bondholder Representative, on behalf of itself and each Owner, understands that the Bonds 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 Bonds 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 of or interest on the Bonds and that the liability of the Authority and the State of California with respect to the Bonds is subject to further limitations as set forth in the Bonds and the Indenture.

9. The Bondholder Representative, on behalf of itself and each Owner, has made its own inquiry and analysis with respect to the Bonds and the security therefor, and other material factors affecting the security and payment of the Bonds. The Bondholder Representative and each Owner are aware that the business of the Borrower and the Lessee involves certain economic and regulatory variables and risks that could adversely affect the security for the Bonds. The Bondholder Representative, on behalf of itself and each Owner, has also reviewed the documents executed in conjunction with the issuance of the Bonds, or summaries thereof, including, without limitation, the Indenture, the Master Indenture, the Supplemental Master Indenture, the Lease and the Loan Agreement.

10. The Bondholder Representative, on behalf of itself and each Owner, acknowledges and agrees that the Authority takes no responsibility for, and makes no representation to the Bondholder Representative or such Owner, or any subsequent purchaser, with regard to, a sale, transfer or other disposition of the Bonds in violation of the provisions hereof, or any securities law or income tax law consequences thereof. The Bondholder Representative, on behalf of itself and each Owner, also acknowledges that, with respect to the Authority's obligations and liabilities, the Bondholder Representative and such Owner are solely responsible for compliance with the sales restrictions on the Bonds in connection with any subsequent transfer of the Bonds made by such Owner or by the Bondholder Representative on behalf of such Owner.

11. The Bondholder Representative, on behalf of itself and each Owner, agrees that it is bound by and will abide by the provisions of the Indenture relating to transfer, the restrictions noted on the face of the Bonds and this Investor Letter. The Bondholder Representative and each Owner will comply with all applicable federal and state securities laws, rules and regulations in connection with any resale or transfer of the Purchased Bonds by such Owner, or by the Bondholder Representative on behalf of such Owner.

12. The Bondholder Representative, on behalf of itself and each Owner, acknowledges that the sale of the Bonds to such Owner is made in reliance upon the certifications, representations and warranties herein by such Owner and by the Bondholder Representative on behalf of itself and on behalf of such Owner.

13. The Bondholder Representative, on behalf of itself and each Owner, hereby waives any and all claims, actions, or causes of action which such Owner or the Bondholder Representative on behalf of such Owner may have from and after the date hereof against the State Treasurer, the Authority, counsel to the Authority, counsel to the State Treasurer and their respective members, officers, agents, and employees, growing out of any action (other than willful misconduct) which the Authority or the State Treasurer took or could have taken in connection with the authorization, execution, delivery, and sale of the Bonds or the purchase of the Bonds by the Owner or by the Bondholder Representative on behalf of such Owner or in connection with any statements or representations which induced the Owner or the Bondholder Representative on behalf of such Owner to purchase the Bonds. This waiver does not go to the Borrower, the Underwriter, Bond Counsel, the Lessee, or their counsel, their respective members, officers, agents, or employees.

14. The interpretation of the provisions hereof shall be governed and construed in accordance with California law without regard to principles of conflicts of laws.

Date: _____, 2023

Very truly yours,

NAME OF BONDHOLDER REPRESENTATIVE

By: _____

Name: _____