

Resolution No. 20-13

**RESOLUTION OF THE BOARD OF TRUSTEES
OF RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT, AUTHORIZING
THE ISSUANCE AND SALE OF
RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT GENERAL
OBLIGATION REFUNDING BONDS, 2020 SERIES A-1 (FEDERALLY TAXABLE), IN
AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$95,000,000, AND
APPROVING CERTAIN OTHER MATTERS RELATING TO SAID BONDS**

TABLE OF CONTENTS

	<u>Page</u>
SECTION 1. Definitions.....	2
SECTION 2. Rules of Construction	6
SECTION 3. Authority for this Resolution	6
SECTION 4. Resolution to Constitute Contract.....	6
SECTION 5. Approval of Documents; Determination of Method of Sale and Terms of Bonds	6
SECTION 6. Authorization of Officers	8
SECTION 7. Use of Bond Proceeds	8
SECTION 8. Designation and Form; Payment.....	8
SECTION 9. Description of the Bonds	9
SECTION 10. Book-Entry System.....	
SECTION 11. Execution of the Bonds	12
SECTION 12. Transfer and Exchange	12
SECTION 13. Bonds Mutilated, Destroyed, Stolen or Lost.....	13
SECTION 14. Bond Register.....	13
SECTION 15. Unclaimed Money.....	14
SECTION 16. Application of Proceeds.....	14
SECTION 17. Payment of and Security for the Bonds	15
SECTION 18. Payment of Costs of Issuance	15
SECTION 19. Negotiated Sale/Method of Sale	16
SECTION 20. Engagement of Consultants; Parameters of Sale	16
SECTION 21. Establishment of Additional Funds and Accounts.....	16
SECTION 22. Request for Necessary County Actions	16
SECTION 23. Redemption	17
SECTION 24. Selection of Bonds for Redemption.....	17
SECTION 25. Notice of Redemption	18
SECTION 26. Partial Redemption of Bonds	18
SECTION 27. Conditional Redemption	19
SECTION 28. Effect of Notice of Redemption.....	19
SECTION 29. Paying Agent; Appointment and Acceptance of Duties	19

TABLE OF CONTENTS
(continued)

	<u>Page</u>
SECTION 30. Liability of Paying Agent.....	20
SECTION 31. Evidence on Which Paying Agent May Act	20
SECTION 32. Compensation	20
SECTION 33. Ownership of Bonds Permitted.....	20
SECTION 34. Resignation or Removal of Paying Agent and Appointment of Successor	20
SECTION 35. Investment of Certain Funds.....	21
SECTION 36. Valuation and Sale of Investments	21
SECTION 37. Supplemental Resolutions with Consent of Owners.....	21
SECTION 38. Supplemental Resolutions Effective Without Consent of Owners	22
SECTION 39. Effect of Supplemental Resolution	22
SECTION 40. Discharge and Defeasance	22
SECTION 41. Approval of Actions; Miscellaneous	23
SECTION 42. Conflicts.....	23
SECTION 43. Effective Date	24
EXHIBIT A FORM OF BOND.....	A-1
EXHIBIT B FORM OF 15c2-12 CERTIFICATE	B-1

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WHEREAS, the Rancho Santiago Community College District (the “**District**”) is a community college district duly organized and operating within the County of Orange (the “**County**”) pursuant to the laws of the State of California (the “**State**”), including, but not limited to, the State Constitution and the Education Code of the State (the “**Education Code**”); and

WHEREAS, a duly called election was held within the boundaries of the District on November 6, 2002 (the “**Election**”), and thereafter canvassed pursuant to law; and

WHEREAS, at the Election, there was submitted to and approved by the requisite fifty-five percent (55%) vote of the qualified electors of the District a question as to the issuance and sale of general obligation bonds of the District for various purposes set forth in the ballot submitted to the voters, in the maximum amount of \$337,000,000 payable from the levy of an *ad valorem* tax against the taxable property in the District (the “**Authorization**”); and

WHEREAS, the District has previously issued and sold \$62,985,000 aggregate principal amount of its 2012 General Obligation Refunding Bonds (the “**2013 Prior Bonds**”) to refund certain general obligation bonds of the District previously issued under the Authorization, and \$79,130,000 aggregate principal amount of its 2013 General Obligation Refunding Bonds (the “**2013 Prior Bonds**,” and, collectively with the 2012 Prior Bonds, the “**Prior Bonds**”) to refund certain other general obligation bonds of the District previously issued under the Authorization, certain maturities of which are now subject to redemption and defeasance; and

WHEREAS, the Board of Trustees of the District (the “**Governing Board**”) has now determined that the District has determined that financial market conditions are favorable for the refunding of certain maturities of the Prior Bonds (the “**Refunded Bonds**”) on an advance basis, with interest subject to federal income taxation, and desires to issue its General Obligation Refunding Bonds, 2020 Series A-1 (Federally Taxable) (the “**Bonds**”); and

WHEREAS, this Governing Board has determined that it is desirable to sell the Bonds pursuant to a negotiated underwriting to Piper Sandler & Co., as underwriter (the “**Underwriter**”), pursuant to a Contract of Purchase (as defined herein), a form of which has been submitted to this meeting of the Governing Board and is on file with the Clerk of the Governing Board (the “**Clerk**”); and

WHEREAS, a form of the preliminary official statement (the “**Preliminary Official Statement**”) relating to the Bonds has been submitted to this meeting of the Governing Board and is on file with the Clerk; and

WHEREAS, a form of continuing disclosure undertaking (the “**Continuing Disclosure Undertaking**”), attached as Appendix D to the Preliminary Official Statement, has been submitted to this meeting of the Governing Board and is on file with the Clerk; and

WHEREAS, this Governing Board desires that the Treasurer and Tax Collector of the County (the “**Treasurer**”) should levy and collect an *ad valorem* property tax on all taxable property within the District sufficient to provide for payment of the Bonds (with certain property subject to limitations), and intends by the adoption of this Resolution to notify the Board of Supervisors of the County, the Auditor-Controller of the County (the “**Auditor-Controller**”), the Treasurer and other officials of the County that they should take such actions as shall be necessary to provide for the levy and collection of such tax and payment of the Bonds; and

WHEREAS, this Governing Board recognizes that Senate Bill No. 222 (Chapter 78, Statutes of 2015), codified as Section 53515 Government Code of the State (the “**Government Code**”), which provides for a statutory lien on the Pledged Moneys (as defined herein) when collected by the County (but not on real property of homeowners in the District) to secure repayment of general obligation bonds, was passed by the Legislature and approved by the Governor and became effective January 1, 2016; and

WHEREAS, the pledge included in this Resolution to secure payment of the Bonds is intended to be a consensual agreement with the bondholders; and

WHEREAS, Section 5852.1 of the Government Code requires that the Governing Board obtain and disclose good faith estimates from a municipal advisor, underwriter or private lender, prior to the authorization of the Bonds, the following good faith estimates of certain information provided to the District by its Municipal Advisor (defined below): (a) the true interest cost of the Bonds is estimated to be 2.00%, (b) the finance charge, or amount paid to third parties (which includes Underwriter’s discount) in connection with the sale, of the Bonds is estimated to be \$615,001, (c) the amount of proceeds received by the District from the sale of the Bonds is expected to be \$92,974,999, and (d) the sum total of all payments the District will make to the final maturity of the Bonds is expected to be \$99,654,976; and

WHEREAS, all acts, conditions and other matters required by law to be done or performed have been done and performed in strict conformity with the laws authorizing the issuance of general obligation bonds of the District, and the indebtedness of the District, including this proposed issue of the Bonds, is within all limits prescribed by law;

NOW THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED by the Governing Board of the Rancho Santiago Community College District, as follows:

SECTION 1. Definitions. Capitalized terms used but not defined herein shall have the meanings set forth in the recitals hereto. Additionally, the following terms shall for all purposes of this Resolution have the following meanings:

“Authorized Investments” shall mean the County Investment Pool, the County Educational Investment Pool (or other investment pools of the County into which the District may lawfully invest its funds), any investment authorized pursuant to Government Code Sections 16429.1, 53601 and 53635, or any investment authorized in the Official Statement.

“Authorized Officer” and “Authorized Officers” shall mean the officers of the District, including the Chancellor, the Vice Chancellor, Business Operations and Fiscal Services and their authorized representatives, and any member of the Governing Board.

“Authorizing Law” shall mean, collectively, (i) Articles 9 and 11 of Chapter 3 of Part 1 of Division 1 of Title 5 of the California Government Code of the State, as amended, commencing with Sections 53550 and 53580, respectively; (ii) applicable provisions of the Education Code of the State, as amended; and (ii) Article XIII A of the California Constitution.

“Board of Supervisors” shall mean the Board of Supervisors of the County.

“Bond Counsel” shall mean Nixon Peabody LLP or any other firm that is a nationally recognized bond counsel firm.

“Bond Register” shall mean the books referred to in Section 14 of this Resolution.

“Business Day” shall mean a day which is not a Saturday, Sunday or a day on which banking institutions in the State or the State of New York and the New York Stock Exchange are authorized or required to be closed.

“Chancellor” shall mean the Chancellor of the District.

“Contract of Purchase” shall mean the Contract of Purchase by and between the District and the Underwriter relating to the Bonds.

“Costs of Issuance” shall mean all of the authorized costs of issuing the Bonds as described in the Authorizing Law, including but not limited to, all printing and document preparation expenses in connection with this Resolution, the Bonds and the Preliminary Official Statement and the Official Statement pertaining to the Bonds and any and all other agreements, instruments, certificates or other documents prepared in connection therewith; rating agency fees; auditor’s fees; CUSIP service bureau charges; legal fees and expenses of counsel with respect to the financing, including the fees and expenses of Bond Counsel and Disclosure Counsel; the fees and expenses of the Municipal Advisor; the fees and expenses of the Paying Agent; fees and expenses of the Escrow Agent and Verification Agent, fees for credit enhancement (if any) relating to the Bonds; and other fees and expenses incurred in connection with the issuance of the Bonds, to the extent such fees and expenses are approved by the District.

“County” shall mean Orange County, California.

“County Office of Education” shall mean the Office of Education of the County and such other persons as may be designated by the County Office of Education to perform the operational and disbursement functions hereunder.

“Date of Delivery” shall mean the date on which the Underwriter purchases the Bonds, as set forth in the Contract of Purchase.

“Debt Service” shall have the meaning given to that term in Section 16 of this Resolution.

“Debt Service Fund” shall mean the Debt Service Fund established pursuant to Section 16 of this Resolution.

“Depository” shall mean DTC and its successors and assigns or if (a) the then-acting Depository resigns from its functions as securities depository for the Bonds, or (b) the District discontinues use of the Depository pursuant to this Resolution, any other securities depository which agrees to follow procedures required to be followed by a securities depository in connection with the Bonds.

“Disclosure Counsel” shall mean Nixon Peabody LLP, in its capacity as disclosure counsel to the District with respect to the Bonds.

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

“Education Code” shall mean the Education Code of the State, as amended.

“EMMA” shall mean the Electronic Municipal Market Access website of the MSRB, currently located at <http://emma.msrb.org>.

“Escrow Agent” shall mean Wells Fargo Bank National Association, in its capacity as escrow agent with respect to the Refunded Bonds.

“Escrow Agreement” shall mean that certain Escrow Deposit and Trust Agreement, by and between the Escrow Agent and the District, providing for the timely payment of the principal and redemption price of and interest on the Refunded Bonds.

“Escrow Fund” shall mean the fund by that name established under the terms of the Escrow Agreement.

“Government Code” shall mean the Government Code of the State, as amended.

“Information Services” shall mean EMMA and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to called bonds as the District may designate in a certificate of the District, delivered to the Paying Agent.

“Interest Payment Date” shall mean with respect to any Bond, March 1 and September 1 in each year, commencing on March 1, 2021, or as otherwise specified in the Contract of Purchase.

“Moody’s” shall mean Moody’s Investors Service, its successors and assigns, except that if such corporation shall no longer perform the functions of a securities rating agency for any reason, the term “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the District.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive the reports described in the Continuing Disclosure Undertaking. Until otherwise designated by the MSRB

or the Securities and Exchange Commission, filings with the MSRB are to be made through EMMA.

“Municipal Advisor” shall mean Fieldman, Rolapp & Associates, Inc., as municipal advisor to the District.

“Nominee” shall mean the nominee of the Depository which may be the Depository, as determined from time to time by the Depository.

“Official Statement” shall mean the final official statement of the District describing the Bonds.

“Outstanding,” when used with reference to the Bonds, shall mean, as of any date, Bonds theretofore issued or thereupon being issued under this Resolution except:

- (i) Bonds canceled at or prior to such date;
- (ii) Bonds in lieu of or in substitution for which other Bonds shall have been delivered pursuant to Section 13 hereof; and
- (iii) Bonds for the payment or redemption of which funds or eligible securities in the necessary amount shall have been set aside (whether on or prior to the maturity or redemption date of such Bonds), in accordance with Section 40 of this Resolution.

“Owner” shall mean the registered owner, as indicated in the Bond Register, of any Bond.

“Participant” shall mean a member of or participant in the Depository.

“Paying Agent” shall mean the paying agent designated pursuant to this Resolution, their designated agents, or any successor Paying Agent or assign.

“Pledged Moneys” shall have the meaning given to that term in Section 17 of this Resolution.

“Principal” or “Principal Amount” shall mean, as of any date of calculation, with respect to any Bond, the principal amount thereof.

“Record Date” shall mean the close of business on the fifteenth calendar day of the month next preceding an Interest Payment Date, whether or not such day is a Business Day.

“S&P” shall mean S&P Global Ratings, a Standard & Poor’s Financial Services LLC business, its successors and assigns, except that if such corporation shall no longer perform the functions of a securities rating agency for any reason, the term “S&P” shall be deemed to refer to any other nationally recognized securities rating agency selected by the College District.

“Securities Depositories” shall mean The Depository Trust Company, 55 Water Street, New York, New York 10041, Facsimile transmission: (212) 785-9681, (212) 855-3215, and, in accordance with then-current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the District may designate in a certificate delivered to the Paying Agent.

“Supplemental Resolution” shall mean any resolution supplemental to or amendatory of this Resolution, adopted by the District in accordance with Section 37 or Section 38 hereof.

“Term Bond” shall mean any Bond which, by its terms, has a single maturity but is subject to mandatory sinking fund redemption prior to the date of such maturity.

“Underwriter” shall mean Piper Sandler & Co.

“Verification Agent” shall mean Causey, Demgen & Moore, PC, a firm of certified public accountants, performing the services of verification agent with respect to amounts deposited in the Escrow Fund.

SECTION 2. Rules of Construction. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders, and vice versa. Except where the context otherwise requires, words importing the singular shall include the plural and vice versa, and words importing persons shall include firms, associations and corporations, including public bodies, as well as natural persons.

SECTION 3. Authority for this Resolution. This Resolution is adopted pursuant to the provisions of the Authorizing Law. The Governing Board hereby determines that the prudent management of the fiscal affairs of the District requires that it issue the Bonds under the provisions of the Authorizing Law without submitting the question of issuing the Bonds to a vote of the qualified electors of the District.

SECTION 4. Resolution to Constitute a Contract. In consideration of the purchase and acceptance of any and all of the Bonds authorized to be issued hereunder by those who shall own the same from time to time, this Resolution shall be deemed to be and shall constitute a contract among the District and the Owners from time to time of the Bonds; and the pledge made in this Resolution shall be for the equal benefit, protection and security of the Owners of any and all of the Bonds, all of which, regardless of the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof.

SECTION 5. Approval of Documents; Determination of Method of Sale and Terms of Bonds.

(A) The Authorized Officers, or any of them acting alone, in consultation with Bond Counsel, the Municipal Advisor and the other officers of the District, are, and each of them acting alone is, hereby authorized and directed to issue and deliver the Bonds and to establish the initial aggregate principal amount thereof; provided, however, that such initial aggregate principal amount shall not exceed \$95,000,000. The Authorized Officers are, and each of them acting alone is, hereby authorized and directed to determine the specific maturities and amounts

of the Prior Bonds or portions thereof, to be refunded based upon market conditions existing at the time of the pricing of the Bonds.

(B) The form of the Contract of Purchase is hereby approved. The Authorized Officers are, and each of them acting alone is, authorized and directed to execute and deliver the Contract of Purchase to the Underwriter for and in the name and on behalf of the District, with such additions, changes or corrections therein as the Authorized Officer executing the same on behalf of the District may approve, in his or her discretion, as being in the best interests of the District including, without limitation (i) such changes as are necessary to reflect the final terms of the Bonds to the extent such terms differ from those set forth in this Resolution, such approval to be conclusively evidenced by such Authorized Officer's execution thereof and (ii) any other documents required to be executed thereunder. The Authorized Officers are, and each of them acting alone is, hereby authorized to negotiate with the Underwriter the terms, maturities, interest rates, principal amounts, and series of the Bonds and the purchase price of the Bonds to be paid by the Underwriter, which purchase price shall reflect an Underwriter's discount of not more than 0.39% (not including original issue discount and any costs of issuance paid by the Underwriter) of the principal amount thereof. The interest rate on the Bonds shall not exceed the maximum allowed under law. All principal of the Bonds shall be payable no later than the maturity dates of the respective Refunded Bonds.

(C) The form of the Continuing Disclosure Undertaking included as an Appendix to the Preliminary Official Statement is hereby approved. The Authorized Officers are, and each of them acting alone is, hereby authorized to execute and deliver the Continuing Disclosure Undertaking on behalf of the District, with such changes therein as the Authorized Officer executing the same on behalf of the District may approve, in his or her discretion, as being in the best interests of the District, such approval to be conclusively evidenced by such Authorized Officer's execution thereof, and any other documents required to be executed thereunder, and to deliver the same to the Underwriter. The District hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Undertaking. Notwithstanding any other provision of this Resolution, failure of the District to comply with the Continuing Disclosure Undertaking shall not be considered an event of default and shall not be deemed to create any monetary liability on the part of the District to any other persons, including Owners of the Bonds.

(D) The form of the Preliminary Official Statement is hereby approved. This Governing Board also hereby authorizes the use and distribution by the Underwriter of: (i) the Preliminary Official Statement with such changes as the Authorized Officer executing the certificate described below may approve, in consultation with Disclosure Counsel, such approval to be conclusively evidenced by such Authorized Officer's execution of such certificate; and (ii) an Official Statement in substantially the form of the Preliminary Official Statement with such changes as may be necessary or desirable in connection with the sale of the Bonds as determined by the Authorized Officer executing the Official Statement, in consultation with Disclosure Counsel, such determination to be conclusively evidenced by the execution and delivery of the Official Statement by such Authorized Officer; and (iii) any amendments or supplements to the Preliminary Official Statement or the Official Statement which an Authorized Officer may deem necessary or desirable, such determination to be conclusively evidenced by the execution of such amendment or supplement or of a certificate as described below by such Authorized Officer.

The Authorized Officers are, and each of them acting alone hereby is, authorized to approve such additions, deletions or changes to the Preliminary Official Statement and Official Statement, as are necessary or desirable to effect the purposes of this Resolution and to comply with applicable laws and to deliver copies of the Preliminary Official Statement and the Official Statement. The Authorized Officers also are, and each of them acting alone hereby is, authorized to determine whether any Preliminary Official Statement and/or Official Statement, and any amendments or supplements thereto, shall be used in connection with the sale of the Bonds. Upon approval of the Preliminary Official Statement by such Authorized Officer as evidenced by execution of a certificate substantially in the form of Exhibit B attached hereto and by this reference incorporated herein, with such changes as may be necessary or desirable, the Preliminary Official Statement shall be deemed final as of its date except for the omission of certain information as provided in and pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934.

(E) The form of Escrow Agreement is hereby approved. The Authorized Officers are, and each of them acting alone is, hereby authorized to execute and deliver the Escrow Agreement on behalf of the District, with such changes there in as the Authorized Officer executing the same on behalf of the District may approve in his or her discretion, as being in the best interests of the District, such approval to be conclusively evidenced by such Authorized Officer's execution thereof, and any other document required to be executed thereunder.

(F) This Governing Board also hereby authorizes the preparation of a paying agent agreement in connection with the Bonds, in such form as shall be determined by an Authorized Officer, such determination to be conclusively evidenced by the execution and delivery of the paying agent agreement by such Authorized Officer.

SECTION 6. Authorization of Officers. The Authorized Officers are, and each of them acting alone is, hereby authorized to execute any and all agreements, certifications, disclosures and other documents and do and perform any and all acts and things, from time to time, consistent with this Resolution and necessary or appropriate to carry the same into effect and to carry out its purposes.

SECTION 7. Use of Bond Proceeds. The proceeds of the Bonds shall be used for (a) the advance refunding of the Refunded Bonds, (b) the payment of capitalized interest on the Bonds, if necessary, and (c) the payment of the Costs of Issuance of the Bonds. The Governing Board hereby determines that any funding of capitalized interest with proceeds of the Bonds is reasonably required. The Prior Bonds will be redeemed on the first available redemption date therefor, or as otherwise necessary to accomplish the refunding thereof, as determined by an Authorized Officer.

SECTION 8. Designation and Form; Payment.

(A) An issue of Bonds in one or more series entitled to the benefit, protection and security of this Resolution is hereby authorized in an aggregate principal amount not to exceed \$95,000,000. Such Bonds shall be general obligations of the District, payable as to Principal, premium, if any, and interest from *ad valorem* taxes to be levied upon all of the

taxable property in the District (except certain property which is taxable at limited rates). The Bonds shall be designated the “**Rancho Santiago Community College District General Obligation Refunding Bonds, 2020 Series A-1 (Federally Taxable)**,” with such insertions or other changes as determined to be appropriate by an Authorized Officer to describe the authorization, tax status, or other identifiers of the Bonds. The Bonds shall be issued as current interest bonds, may be issued as serial bonds and/or Term Bonds, in one or more series, sub-series or tranches, and may be subject to redemption as set forth in the Contract of Purchase, subject to the provisions of this Resolution.

(B) The form of the Bonds shall be substantially in conformity with the standard form of registered general obligation bonds, a copy of which is attached hereto as Exhibit A hereto and incorporated herein by this reference, with such changes as are necessary to reflect the final terms of the Bonds or to cure any ambiguity therein.

(C) Principal of, premium, if any, and interest on any Bond are payable in lawful money of the United States of America. Principal and premium, if any, of the Bonds is payable upon surrender thereof at maturity or earlier redemption at the office designated by the Paying Agent.

SECTION 9. Description of the Bonds.

(A) The Bonds shall be issued in fully registered form, without coupons, in denominations of \$5,000 or any integral multiple thereof. The Bonds shall be dated the Date of Delivery and shall mature on the dates, in the years and in the Principal Amounts, and interest shall be computed at the rates, set forth in the Contract of Purchase.

(B) Interest on each Bond, if any, shall accrue from its dated date as set forth in the Contract of Purchase. Interest on the Bonds shall be computed using a year of 360 days comprised of twelve 30-day months and shall be payable on each Interest Payment Date to the Owner thereof appearing on the Bond Register as of the close of business on the Record Date. Interest on each Bond will be payable from the Interest Payment Date next preceding the date of registration thereof, unless (i) it is registered after the close of business on any Record Date and before the close of business on the immediately following Interest Payment Date, in which event interest thereon shall be payable from such following Interest Payment Date; or (ii) it is registered prior to the close of business on the first Record Date, in which event interest shall be payable from its dated date; provided, however, that if at the time of registration of any Bond, interest thereon is in default, such interest shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment. Payments of interest on the Bonds will be made on each Interest Payment Date by check or draft of the Paying Agent sent by first-class mail, postage prepaid, to the Owner thereof appearing on the Bond Register on the Record Date, or by wire transfer to any Owner of \$1,000,000 aggregate principal amount or more of such Bonds, to the account specified by such Owner in a written request delivered to the Paying Agent on or prior to the Record Date for such Interest Payment Date; provided, however, that payments of defaulted interest shall be payable to the person in whose name such Bond is registered at the close of business on a special record date fixed therefor by the Paying Agent which shall not be more than fifteen days and not less than ten days prior to the date of the proposed payment of defaulted interest.

SECTION 10. Book-Entry System.

(A) The Bonds shall be initially issued in the form of a separate single fully registered Bond for each of series and maturity of the Bonds. Separate Bonds may be issued to represent Bonds maturing in the same years, if any.

Upon initial issuance, the ownership of each such global Bond shall be registered in the Bond Register in the name of the Nominee as nominee of the Depository. Except as provided in subsection (C) hereof, all of the Outstanding Bonds shall be registered in the Bond Register in the name of the Nominee and the Bonds may be transferred, in whole but not in part, only to the Depository, to a successor Depository or to another nominee of the Depository or of a successor Depository. Each Bond shall bear a legend describing restrictions on transfer, as may be prescribed by the Depository.

With respect to Bonds registered in the Bond Register in the name of the Nominee, the District shall have no responsibility or obligation to any Participant or to any person on behalf of which such a Participant holds a beneficial interest in the Bonds. Without limiting the immediately preceding sentence, the District shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Participant with respect to any beneficial ownership interest in the Bonds, (ii) the delivery to any Participant, beneficial owner or any other person, other than the Depository, of any notice with respect to the Bonds, including any Redemption Notice (as defined in Section 25 below), (iii) the selection by the Depository and the Participants of the beneficial interests in the Bonds to be redeemed in part, or (iv) the payment to any Participant, beneficial owner or any other person, other than the Depository, of any amount with respect to Principal of, premium, if any, and interest on the Bonds. The District and the Paying Agent may treat and consider the person in whose name each Bond is registered in the Bond Register as the holder and absolute Owner of such Bond for the purpose of payment of Principal of, premium, if any, and interest on such Bond, for the purpose of giving Redemption Notices and other notices with respect to such Bond, and for all other purposes whatsoever, including, without limitation, registering transfers with respect to the Bonds.

The Paying Agent shall pay all Principal of, premium, if any, and interest on the Bonds only to the respective Owners, as shown in the Bond Register, and all such payments shall be valid hereunder with respect to payment of Principal of, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the Bond Register, shall receive a Bond evidencing the obligation to make payments of Principal of, premium, if any, and interest, pursuant to this Resolution. Upon delivery by the Depository to the Paying Agent and the District of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions hereof with respect to Record Dates, the word Nominee in this Resolution shall refer to such new nominee of the Depository.

(B) In order to qualify the Bonds for the Depository's book-entry system, this Governing Board hereby authorizes the execution and delivery to such Depository of a letter from the District representing such matters as shall be necessary to so qualify the Bonds, or ratifies the prior execution and delivery of such letter (the "**Representation Letter**"). The

execution and delivery of the Representation Letter shall not in any way limit the provisions of subsection (A) hereof or in any other way impose upon the District any obligation whatsoever with respect to persons having beneficial interests in the Bonds other than the Owners, as shown in the Bond Register. In addition to the execution and delivery of the Representation Letter, the District, and its Authorized Officers are hereby authorized to take any other actions, not inconsistent with this Resolution, to qualify the Bonds for the Depository's book-entry program.

(C) If at any time the Depository notifies the District that it is unwilling or unable to continue as Depository with respect to the Bonds or if at any time the Depository shall no longer be registered or in good standing under the Securities Exchange Act or other applicable statute or regulation and a successor Depository is not appointed by the District within 90 days after the District receives notice or becomes aware of such condition, as the case may be, subsection (A) hereof shall no longer be applicable and the District shall cause the issuance of bonds representing the Bonds as provided below. In addition, the District may determine at any time that the Bonds shall no longer be lodged with a Depository and that the provisions of subsection (A) hereof shall no longer apply to the Bonds. In any such event the District shall cause the execution and delivery of certificated securities representing the Bonds as provided below. Bonds issued in exchange for global bonds pursuant to this subsection (C) hereof shall be registered in such names and delivered in such denominations as the Depository shall instruct the District. The District shall cause delivery of such certificated securities representing the Bonds to the persons in whose names such Bonds are so registered.

If the District determines to replace the Depository with another qualified securities depository, the District shall prepare or cause to be prepared a new fully registered global bond for each of the maturities of Bonds, registered in the name of such successor or substitute securities depository or its nominee, or make such other arrangements as are acceptable to the District and such securities depository and not inconsistent with the terms of this Resolution.

(D) Notwithstanding any other provision of this Resolution to the contrary, so long as any Bond is registered in the name of the Nominee, all payments of Principal of, premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, as provided in the Representation Letter or as otherwise instructed by the Depository.

(E) The initial Depository under this Resolution shall be DTC. The initial Nominee shall be Cede & Co., as nominee of DTC.

(F) The District shall have no responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any beneficial owners of the Bonds, and the District shall have no responsibility or obligation, legal or otherwise, to the beneficial owners or to any other party, including the Depository or its Nominee, for any failure of the Depository, or its Nominee to provide notices, distribute payments on the Bonds nor take other actions concerning the beneficial owners of the Bonds, which are the responsibility of the Depository and its Nominee.

SECTION 11. Execution of the Bonds.

(A) The Bonds shall be executed by the District in the manner required by the Authorizing Law. All signatures and countersignatures may be signed by facsimile signature, but in such event shall be manually signed by the Paying Agent as authenticating agent. In case any one or more of the Authorized Officers who shall have signed any of the Bonds shall cease to be an Authorized Officer before the Bonds signed on behalf of the District shall have been issued, such Bonds may, nevertheless, be issued, as herein provided, as if the Authorized Officers who signed such Bonds had not ceased to hold such offices. Any of the Bonds may be signed on behalf of the District by such persons as at the time of the execution of such Bonds shall be duly authorized to hold or shall hold the proper offices in the District, although at the date borne by the Bonds such persons may not have been so authorized or have held such offices.

(B) The Bonds shall bear thereon a certificate of authentication executed manually by the Paying Agent. Only such Bonds as shall bear thereon such certificate of authentication duly executed by the Paying Agent shall be entitled to any right or benefit under this Resolution and no Bond shall be valid or obligatory for any purpose until such certificate of authentication shall have been duly executed by the Paying Agent. Such certificate of the Paying Agent upon any Bond shall be conclusive evidence that the Bond so authorized has been duly authenticated and delivered under this Resolution and that the Owner thereof is entitled to the benefit of this Resolution.

SECTION 12. Transfer and Exchange. The registration of any Bond may be transferred upon the Bond Register upon surrender of such Bond to the Paying Agent. Such Bond shall be endorsed or accompanied by delivery of the written instrument of transfer shown in Exhibit A hereto, duly executed by the Owner or such Owner's duly authorized attorney, and payment of such reasonable transfer fees as the Paying Agent may establish. Upon such registration of transfer, a new Bond or Bonds, of like tenor, series, interest rate and maturity in the same Principal Amount and in authorized denominations, will be executed and delivered to the transferee in exchange therefor.

The Paying Agent shall deem and treat the person in whose name any Outstanding Bond shall be registered upon the Bond Register as the absolute owner of such Bond, whether the Principal of and premium, if any, or interest on such Bond shall be overdue or not, for the purpose of receiving payment of Principal of and, premium, if any, and interest on such Bond and for all other purposes, and any such payments so made to any such Owner or upon his or her order shall be valid and effective to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and the District or the Paying Agent shall not be affected by any notice to the contrary.

Bonds may be exchanged at the office of the Paying Agent for Bonds of like series, tenor, maturity, interest rate, and Principal Amount. All Bonds surrendered in any such exchange shall thereupon be cancelled by the Paying Agent. The Paying Agent may charge the Owner a reasonable sum for each new Bond executed and delivered upon any exchange (except in the case of the first exchange of any Bond in the form in which it is originally delivered, for which no charge shall be imposed) and the Paying Agent may require the payment by the Owner

requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

The Paying Agent shall not be required to register the transfer or exchange of any Bond (i) during the period beginning at the close of business on any Record Date through the close of business on the immediately following Interest Payment Date, or (ii) that has been called or is subject to being called for redemption, during a period beginning at the opening of business 15 days before any selection of Bonds to be redeemed through the close of business on the applicable redemption date, except for the unredeemed portion of any Bond to be redeemed only in part.

SECTION 13. Bonds Mutilated, Destroyed, Stolen or Lost; Temporary Bonds. In case any Bond shall become mutilated, the Paying Agent, at the expense of the Owner, shall deliver a new Bond of like date, interest rate, maturity, principal amount, series and tenor as the Bond so mutilated in exchange and substitution for such mutilated Bond, upon surrender and cancellation thereof. All Bonds so surrendered shall be cancelled. If any Bond shall be destroyed, stolen or lost, evidence of such destruction, theft or loss may be submitted to the Paying Agent and if such evidence is satisfactory to the Paying Agent that such Bond has been destroyed, stolen or lost, and upon furnishing the Paying Agent with indemnity satisfactory to the Paying Agent and complying with such other reasonable regulations as the Paying Agent may prescribe and paying such expenses as the Paying Agent may incur, the Paying Agent shall, at the expense of the Owner, execute and deliver a new Bond of like series, date, interest rate, maturity, principal amount and tenor in lieu of and in substitution for the Bond so destroyed, stolen or lost. Any new Bonds issued pursuant to this Section in substitution for Bonds alleged to be destroyed, stolen or lost shall constitute original additional contractual obligations on the part of the District, whether or not the Bonds so alleged to be destroyed, stolen or lost are at any time enforceable by anyone, and shall be equally secured by and entitled to equal and proportionate benefits with all other Bonds issued under this Resolution in any moneys or securities held by the Paying Agent for the benefit of the Owners of the Bonds.

The Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such authorized denominations as may be determined by the District, and may contain such reference to any of the provisions of this Resolution as may be appropriate. Every temporary Bond shall be executed by the District and authenticated by the Paying Agent upon the same conditions and in substantially the same manner as the definitive Bonds. If the District issues temporary Bonds, it will execute and furnish definitive Bonds without delay and thereupon the temporary Bonds shall be surrendered, for cancellation, in exchange for the definitive Bonds at the office of the Paying Agent or at such other location as the Paying Agent shall designate, and the Paying Agent shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Resolution as definitive Bonds authenticated and delivered hereunder.

SECTION 14. Bond Register. The Paying Agent shall keep or cause to be kept at its office sufficient books for the registration and transfer of the Bonds. Upon presentation for registration of transfer, the Paying Agent shall, as above provided and under

such reasonable regulations as it may prescribe subject to the provisions hereof, register or register the transfer of the Bonds, or cause the same to be registered or cause the registration of the same to be transferred, on such books. While the Bonds are held in the book-entry system and the Bond Register is held by the Depository, the Paying Agent is not required to keep the Bond Register.

SECTION 15. Unclaimed Money. All money which the Paying Agent shall have received from any source and set aside for the purpose of paying or redeeming any of the Bonds shall be held in trust for the respective Owners of such Bonds, but subject to the escheat laws of the State, any money which shall be so set aside or deposited by the Paying Agent and which shall remain unclaimed by the Owners of such Bonds for a period of one year after the date on which any payment or redemption price with respect to such Bonds shall have become due and payable shall be transferred to the general fund of the District (the “**General Fund**”); provided, however, that the Paying Agent, before making such payment, shall cause notice to be mailed to the Owners of such Bonds, by first-class mail, postage prepaid, not less than 90 days prior to the date of such payment to the effect that said money has not been claimed and that after a date named therein any unclaimed balance of said money then remaining will be transferred to the General Fund of the District. Thereafter, the Owners of such Bonds may look only to the General Fund for payment of such Bonds, which payment shall in no event exceed the amount transferred pursuant to this Section.

SECTION 16. Application of Proceeds.

(A) Upon the sale of the Bonds and at the further written instruction of an Authorized Officer, the District shall cause the net proceeds of sale of the Bonds to be deposited into the Costs of Issuance Fund, the Debt Service Fund and the Escrow Fund as provided herein. Each such Fund shall be kept separate and distinct from all other District funds.

(i) An amount necessary to provide for the defeasance and refunding of the Refunded Bonds shall be deposited into the Escrow Fund and disbursed in accordance with the provisions of the Escrow Agreement;

(ii) An amount necessary to pay the authorized Costs of Issuance of the Bonds shall be deposited into the Costs of Issuance Fund; and

(iii) Accrued and capitalized interest, if any, and except as shall otherwise be directed by the District in accordance with applicable law, from the sale of the Bonds shall be kept separate and apart in the fund hereby created and established and to be designated as the “Rancho Santiago Community College District, 2020 Series A-1 General Obligation Refunding Bonds Debt Service Fund” (the “**Debt Service Fund**”) and used only for payment of interest on the Bonds. All Pledged Moneys shall be deposited upon collection by the County into the Debt Service Fund and used for the payment of the Principal of, premium, if any, and interest on the Bonds. Any excess proceeds of the Bonds not needed for the authorized purposes set forth herein for which the Bonds are being issued shall be transferred to the Debt Service Fund and applied to the payment of the Principal of and interest on the Bonds. All amounts held in the Debt Service Fund shall be invested at the sole discretion of the Treasurer. Any amounts on

deposit in the Debt Service Fund when there are no longer any Bonds Outstanding shall be transferred to the General Fund of the District.

(B) On or before the Business Day immediately preceding each Interest Payment Date if the Paying Agent is not the Treasurer, and on the Interest Payment Date if the Paying Agent is the Treasurer, the District shall transfer or cause to be transferred from the Debt Service Fund to the Paying Agent, an amount, in immediately available funds, sufficient to pay all the Principal of, premium, if any, and interest on the Bonds coming due (collectively, “**Debt Service**”) on such payment date. Debt Service on the Bonds shall be paid by the Paying Agent in the manner provided by law for the payment of Debt Service.

SECTION 17. Payment of and Security for the Bonds. There shall be levied on all the taxable property in the District, in addition to all other taxes, a continuing direct *ad valorem* property tax annually during the period the Bonds are Outstanding in an amount sufficient, together with moneys on deposit in the Debt Service Fund and available for such purpose, to pay the Principal of and premium, if any, and interest on the Bonds as each becomes due and payable, which monies when collected will be placed in the Debt Service Fund of the District, which fund is irrevocably pledged for the payment of the Principal of and interest on the Bonds when and as the same shall become due (the “**Pledged Moneys**”). When collected by the County, Pledged Moneys will be placed in the Debt Service Fund. The *ad valorem* property taxes and amounts collected shall be immediately subject to this pledge, and the pledge shall constitute a lien and security interest which shall immediately attach to the property taxes and amounts held in the Debt Service Fund when collected, to secure the payment of the Bonds and shall be effective, binding, and enforceable against the District, its successors, creditors and all others irrespective of whether those parties have notice of the pledge and without the need of any physical delivery, recordation, filing, or further act. The Bonds are obligations of the District payable solely from the levy of *ad valorem* property taxes upon all property within the District subject to taxation. The tax levy may include an allowance for a reasonably required reserve in accordance with Section 15250 of the Education Code, established for the purpose of ensuring that the *ad valorem* property tax actually collected is sufficient to pay the annual debt service requirements on the Bonds due in such fiscal year. The District covenants to take such actions, and cause the County to take such actions, as are necessary to cause the County to levy such *ad valorem* property tax in accordance with this Section, and Section 15140 of the Education Code and Section 53508.7 of the Government Code. Notwithstanding anything to the contrary herein, the Bonds shall in no event be subject to acceleration.

Interest earned on the investment of moneys held in the Debt Service Fund shall be retained in the Debt Service Fund and used to pay Principal Amount of and interest on the Bonds when due.

The foregoing pledge is an agreement between the District and the Owners of the Bonds to provide security for the Bonds in addition to any statutory lien that may exist, and the Bonds and each of the other bonds secured by the pledge are or were issued to finance or refinance one or more of the projects specified in the applicable voter-approved measure.

SECTION 18. Payment of Costs of Issuance. Proceeds of the sale of the Bonds necessary to pay certain costs of issuing the Bonds may be deposited in the fund of the

District known as the “Rancho Santiago Community College District 2020 Series A-1 General Obligation Refunding Bonds Costs of Issuance Fund” (the “**Cost of Issuance Fund**”) and shall be kept separate and distinct from all other District funds, and those proceeds shall be used solely for the purpose of paying Costs of Issuance of the Bonds. The Cost of Issuance Fund may be held and administered by the Paying Agent or a fiscal agent designated for such purpose. Notwithstanding the foregoing, all or a portion of the costs of issuance may be paid by the Underwriter, by the Paying Agent or by any such fiscal agent designated for such purpose. Any amounts retained for payment of Costs of Issuance and returned to the District pursuant to the Contract of Purchase shall be transferred to the Debt Service Fund. This Governing Board hereby authorizes the payment to the County of its out-of-pocket expenses and other costs incurred by the County in connection with the County’s participation in the issuance and delivery of the Bonds.

SECTION 19. Negotiated Sale. The Bonds shall be sold by negotiated sale to the Underwriter inasmuch as: (i) such a sale will allow the District to integrate and coordinate the sale of the Bonds with public financings undertaken, or to be undertaken, by the District or by the Santa Ana College Improvement District No. 1 of Rancho Santiago Community College District, in order to fund its public education facilities; (ii) such a sale will allow the District to utilize the services of consultants who are familiar with the financial needs, status and plans of the District; and (iii) such a sale will allow the District to control the timing of the sale of the Bonds to the municipal bond market and, potentially, take advantage of interest rate opportunities for favorable sale of the Bonds to such market and the generation of savings to the taxpayers of the District.

SECTION 20. Engagement of Consultants; Parameters of Sale. Nixon Peabody LLP has been selected as the District’s Bond and Disclosure Counsel, Piper Sandler & Co. has been selected to act as Underwriter, and Fieldman, Rolapp & Associates Inc. has been selected as Municipal Advisor with respect to the authorization, sale and issuance of the Bonds. The estimated costs of issuance associated with the sale of the Bonds are approximately 0.27% of the aggregate Principal Amount of the Bonds, which include Bond and Disclosure Counsel fees, Municipal Advisor fees, costs of printing the Preliminary Official Statement and Official Statement, rating agency fees, Paying Agent fees and other related costs. In addition, the Underwriter’s discount, which is not included in the percentage above, shall not be greater than 0.39% of the aggregate Principal Amount of the Bonds.

SECTION 21. Establishment of Additional Funds and Accounts. If at any time it is deemed necessary or desirable by the District, the Treasurer, the County Office of Education, or the Paying Agent, the District may establish additional funds under this Resolution and/or accounts within any of the funds or accounts established hereunder.

SECTION 22. Request for Necessary County Actions. The Board of Supervisors, the Auditor-Controller, the Treasurer, and other officials of the County, are hereby requested to take and authorize such actions as may be necessary pursuant to law to provide for the levy and collection of an *ad valorem* property tax on all taxable property of the District sufficient to provide for payment of all Principal of, redemption premium, if any, and interest on the Bonds as the same shall become due and payable as necessary for the payment of the Bonds, and the Clerk or Secretary of the Governing Board is hereby authorized and directed to deliver

certified copies of this Resolution to the Clerk of the Governing Board of Supervisors of the County, the Auditor-Controller of the County, and the Treasurer. The District hereby agrees to reimburse the County for any costs associated with the levy and collection of said tax, upon such documentation of said costs as the District shall reasonably request.

The Board of Supervisors, the Treasurer, and other officials of the County, are hereby requested to take and authorize such actions as may be necessary, upon, but only upon, the defeasance or redemption of the Refunded Bonds from proceeds of the Bonds, to discontinue the levy of property taxes on all taxable property of the District for the payment of the Refunded Bonds, pursuant to Section 53561 of the Government Code.

SECTION 23. Redemption. The Bonds shall be subject to redemption as provided in the Contract of Purchase.

SECTION 24. Selection of Bonds for Redemption.

(A) Whenever provision is made in this Resolution or in the Contract of Purchase for the redemption of the Bonds and less than all Outstanding Bonds are to be redeemed, the Paying Agent, upon written instruction from the District given as set forth herein, shall select maturities of Bonds for redemption in the manner directed by the District.

(B) With respect to any Bonds designated for redemption, or within a maturity of any Bond, the Paying Agent shall select such Bonds for redemption as directed by the District, or, in the absence of such direction, by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine; provided, however, that the portion of any Bond to be redeemed in part shall be in the Principal Amount of \$5,000 or any integral multiple thereof.

(C) With respect to Bonds designated as taxable Bonds by an Authorized Officer, and issued on a federally taxable basis, if such Bonds are registered in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of such Bonds, if less than all of such Bonds of a series and maturity are called for prior redemption, the particular Bonds or portions thereof to be redeemed shall be selected on a “*Pro Rata Pass Through Distribution of Principal*” basis in accordance with DTC procedures, provided that, so long as such Bonds are held in book-entry form, the selection for redemption of such Bonds shall be made in accordance with the operational arrangements of DTC then in effect that currently provide for adjustment of the principal by a factor provided by the Paying Agent pursuant to DTC operational arrangements. If the Paying Agent does not provide the necessary information and identify the redemption as on a “*Pro Rata Pass Through Distribution of Principal*” basis, such Bonds will be selected for redemption in accordance with DTC procedures by lot. It is the District’s intent that redemption allocations made by DTC, participants in DTC or such other intermediaries that may exist between the District and the Beneficial Owners be made on a “*Pro Rata Pass Through Distribution of Principal*” basis as described above. In the event that such Bonds are no longer held by DTC or a successor securities depository, such Bonds shall be selected for redemption in the manner provided in the Contract of Purchase.

In the event that a Term Bond is optionally redeemed, the Principal Amount of the remaining sinking fund payment with respect to such Term Bond will be reduced as directed by the District in the aggregate amount equal to the amount so redeemed.

SECTION 25. Notice of Redemption. When redemption is authorized or required pursuant to this Resolution or the Contract of Purchase, the Paying Agent, upon written instruction from the District given at least 45 days prior to the date designated for such redemption (or such lesser period to which the Paying Agent agrees), shall give notice (each, a **“Redemption Notice”**) of the redemption of the Bonds. Such Redemption Notice shall specify: (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the Principal Amount of such Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part. Such Redemption Notice shall further state (i) that on the specified date there shall become due and payable upon each Bond or portion thereof being redeemed the redemption price, together with the interest accrued to the redemption date, and (ii) that from and after such date interest thereon shall cease to accrue and be payable.

The Paying Agent shall take the following actions with respect to such Redemption Notice:

(A) At least 20 but not more than 45 days prior to the redemption date, such Redemption Notice shall be given to the respective Owners of Bonds designated for redemption by first-class mail, postage prepaid, at their addresses appearing on the Bond Register, and to the MSRB.

(B) In the event that the Bonds shall no longer be held in book-entry-only form, at least 35 but not more than 45 days before the redemption date, such Redemption Notice shall be given (x) by (i) first-class mail, postage prepaid, (ii) telephonically confirmed facsimile transmission, or (iii) overnight delivery service, to each of the Securities Depositories and the MSRB.

Neither failure to receive any Redemption Notice nor any defect in any such Redemption Notice so given shall affect the sufficiency of the proceedings for the redemption of the affected Bonds. Each check issued or other transfer of funds made by the Paying Agent for the purpose of redeeming Bonds shall bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

SECTION 26. Partial Redemption of Bonds. Upon the surrender of any Bond redeemed in part only, the Paying Agent shall execute and deliver to the Owner thereof a new Bond or Bonds of like series, tenor and maturity and interest rates and of authorized denominations equal in principal amount to the unredeemed portion of the Bond surrendered. Such partial redemption shall be valid upon payment of the amount required to be paid to such

Owner, and the District shall be released and discharged thereupon from all liability to the extent of such payment.

SECTION 27. Conditional Redemption. Any Redemption Notice given hereunder may be made conditional upon the satisfaction of certain conditions and/or the receipt of sufficient moneys to pay the redemption price of the designated Bonds and may be rescinded by the District at any time prior to the scheduled date of redemption by so notifying the Paying Agent, who shall notify the Owners of affected Bonds and the MSRB in the event such conditions are not met or are not expected to be met and/or such funds are not received or are not expected to be received, in the same manner in which the Redemption Notice was originally given. In the event that a Redemption Notice contains such a condition and such moneys are not so received and/or such conditions are not met, the redemption shall not be made and the Paying Agent shall, within a reasonable time thereafter give notice, to the persons to whom and in the manner in which the Redemption Notice was given, that such moneys were not so received and/or such condition was not met.

SECTION 28. Effect of Notice of Redemption. Notice having been given as aforesaid, and the moneys for the redemption (including the interest to the applicable date of redemption) having been set aside in the Debt Service Fund or deposited with a duly appointed escrow agent, in trust, for the payment of their redemption price, the Bonds to be redeemed shall become due and payable on such date of redemption.

If on such redemption date, money for the redemption of all the Bonds to be redeemed as provided in this Resolution and the Contract of Purchase, together with interest to such redemption date, shall be held by the Paying Agent, or deposited with a duly appointed escrow agent, in trust, so as to be available therefor on such redemption date, and any conditions to such redemption described in the Redemption Notice shall be met, and if notice of redemption thereof shall have been given as aforesaid, then from and after such redemption date, interest on the Bonds to be redeemed shall cease to accrue and become payable. All money held by or on behalf of the Paying Agent for the redemption of Bonds shall be held in trust for the account of the Owners of the Bonds so to be redeemed.

All Bonds paid at maturity or redeemed prior to maturity pursuant to the provisions of this Resolution and the Contract of Purchase shall be cancelled upon surrender thereof and delivered to or upon the order of the District. All or any portion of a Bond purchased by the District shall be cancelled by the Paying Agent upon written notice by the District given to the Paying Agent.

SECTION 29. Paying Agent; Appointment and Acceptance of Duties.

(A) Wells Fargo Bank, National Association is hereby appointed as the initial authenticating agent, bond registrar, transfer agent and paying agent (collectively, the “**Paying Agent**”). All fees and expenses incurred for services of the Paying Agent, shall be the sole responsibility of the District and may be paid from the annual *ad valorem* property tax levy supporting the Bonds. The Paying Agent shall keep accurate records of all funds administered by it and all of the Bonds paid and discharged by it. Such records shall be provided, upon

reasonable request, to the District in a format mutually agreeable to the Paying Agent and the District.

(B) Unless otherwise provided, the office of the Paying Agent designated by the Paying Agent shall be the place for the payment of Principal of, premium, if any, and interest on the Bonds.

(C) The Paying Agent is hereby authorized and directed to give notice of redemption of the Refunded Bonds, pursuant to the terms of the resolution authorizing the issuance thereof.

SECTION 30. Liability of Paying Agent. The Paying Agent makes no representations as to the validity or sufficiency of this Resolution or of any Bonds issued hereunder or as to the security afforded by this Resolution, and the Paying Agent shall incur no liability in respect hereof or thereof.

SECTION 31. Evidence on Which Paying Agent May Act. The Paying Agent, upon receipt of any notice, resolution, request, consent, order, certificate, report, opinion, bond, or other paper or document furnished to it pursuant to any provision of this Resolution, shall examine such instrument to determine whether it conforms to the requirements of this Resolution and shall be protected in acting upon any such instrument believed by it to be genuine and to have been signed or presented by the proper party or parties. The Paying Agent may consult with counsel, who may or may not be counsel to the District, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under this Resolution in good faith and in accordance therewith.

SECTION 32. Compensation. The District shall pay or cause to be paid to the Paying Agent from time to time reasonable compensation for all services rendered under this Resolution, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents, and employees, incurred in and about the performance of their powers and duties under this Resolution, all of which may be paid from the County's annual levy of *ad valorem* property taxes.

SECTION 33. Ownership of Bonds Permitted. The Paying Agent or the Underwriter may become the Owner of any Bonds.

SECTION 34. Resignation or Removal of Paying Agent and Appointment of Successor.

(A) The initially appointed Paying Agent or any successor Paying Agent may resign from service as Paying Agent at any time. Prior to such resignation a new Paying Agent shall be appointed by the District in accordance with applicable law, which shall be the Treasurer or a bank or trust company doing business in and having a corporate trust office in Los Angeles or San Francisco, California, with at least \$50,000,000 in net assets. Such successor Paying Agent shall signify the acceptance of its duties and obligations hereunder by executing and delivering to the District a written acceptance thereof. Resignation of the initial or a successor Paying Agent shall be effective upon appointment and acceptance of a successor Paying Agent.

(B) Any Paying Agent appointed may resign from service as Paying Agent and may be removed at any time by the District as provided in the Paying Agent's service agreement. If at any time the Paying Agent shall resign or be removed, a new Paying Agent shall be appointed in accordance with applicable law, which shall be either the Treasurer or a bank or trust company doing business in and having a corporate trust office in Los Angeles or San Francisco, California, with at least \$50,000,000 in net assets. Such successor Paying Agent shall signify the acceptance of its duties and obligations hereunder by executing and delivering to the District a written acceptance thereof. Resignation or removal of the Paying Agent shall be effective upon appointment and acceptance of a successor Paying Agent.

(C) In the event of the resignation or removal of the Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it as Paying Agent to its successor. The District shall promptly provide notice of the name and principal corporate trust office address of the Paying Agent appointed to replace any resigned or removed Paying Agent to the Owners of the Bonds by first class mail, postage prepaid, at their addresses appearing on the Bond Register.

SECTION 35. Investment of Certain Funds. Moneys held in all funds and accounts established hereunder shall be invested and reinvested in Authorized Investments to the fullest extent practicable as shall be necessary to provide moneys when needed for payments to be made from such funds and accounts. Nothing in this Resolution shall prevent any investment securities acquired as investments of funds held hereunder from being issued or held in book entry form on the books of the Department of Treasury of the United States. All investment earnings on amounts on deposit in the Debt Service Fund shall remain on deposit in such fund.

SECTION 36. Valuation and Sale of Investments. Obligations purchased as an investment of moneys in any fund or account shall be deemed at all times to be a part of such fund or account. Profits or losses attributable to any fund or account shall be credited or charged to such fund or account. In computing the amount in any fund or account created under the provisions of this Resolution for any purpose provided in this Resolution, obligations purchased as an investment of moneys therein shall be valued at cost, plus, where applicable, accrued interest.

SECTION 37. Supplemental Resolutions with Consent of Owners. This Resolution, and the rights and obligations of the District and of the Owners of the Bonds issued hereunder, may be modified or amended at any time by a Supplemental Resolution adopted by the District with the written consent of Owners owning at least 60% in aggregate Principal Amount of the Outstanding Bonds, exclusive of Bonds, if any, owned by the District. Notwithstanding the foregoing, no such modification or amendment shall, without the express consent of the Owner of each Bond affected, reduce the Principal Amount of any Bond, reduce the interest rate payable thereon, advance the earliest redemption date thereof, extend its maturity or the times for paying interest thereon or change the monetary medium in which Principal and interest is payable, nor shall any modification or amendment reduce the percentage of consents required for amendment or modification thereof or hereof. No such Supplemental Resolution shall change or modify any of the rights or obligations of any Paying Agent without its written assent thereto. Notwithstanding anything herein to the contrary, no such consent shall be

required if the Owners are not directly and adversely affected by such amendment or modification.

SECTION 38. Supplemental Resolutions Effective Without Consent of Owners. For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution of the District may be adopted, which, without the requirement of consent of the Owners, shall be fully effective in accordance with its terms:

(A) To add to the covenants and agreements of the District in this Resolution, other covenants and agreements to be observed by the District which are not contrary to or inconsistent with this Resolution as theretofore in effect;

(B) To add to the limitations and restrictions in this Resolution, other limitations and restrictions to be observed by the District which are not contrary to or inconsistent with this Resolution as theretofore in effect;

(C) To confirm as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by this Resolution, of any moneys, securities or funds, or to establish any additional funds, or accounts to be held under this Resolution;

(D) To cure any ambiguity, supply any omission, or cure to correct any defect or inconsistent provision in this Resolution; or

(E) To amend or supplement this Resolution in any other respect, provided such Supplemental Resolution does not, in the opinion of Bond Counsel, adversely affect the interests of the Owners.

SECTION 39. Effect of Supplemental Resolution. Any act done pursuant to a modification or amendment so consented to shall be binding upon the Owners of all the Bonds and shall not be deemed an infringement of any of the provisions of this Resolution, whatever the character of such act may be, and may be done and performed as fully and freely as if expressly permitted by the terms of this Resolution, and after consent relating to such specified matters has been given, no Owner shall have any right or interest to object to such action or in any manner to question the propriety thereof or to enjoin or restrain the District or any officer or agent thereof from taking any action pursuant thereto.

SECTION 40. Discharge and Defeasance. If any or all Outstanding Bonds shall be paid and discharged in any one or more of the following ways:

(i) by paying or causing to be paid the Principal, premium, if any, and interest on such Bonds, and when the same become due and payable;

(ii) by depositing with the Paying Agent, or a duly appointed escrow agent, in trust, at or before maturity, cash which together with the amounts transferred from or then on deposit in the Debt Service Fund (and the accounts therein other than amounts that are not available to pay Debt Service) together with the interest to accrue thereon without the need for further investment, is fully sufficient to pay such Bonds at

maturity or earlier redemption thereof, including any premium and all interest thereon, notwithstanding that any Bonds shall not have been surrendered for payment; or

(iii) by depositing in escrow with an institution that meets the requirements of serving as successor Paying Agent hereunder selected by the District, in trust, lawful money or noncallable direct obligations issued by the United States Treasury (including State and Local Government Series) or obligations which are unconditionally guaranteed by the United States of America or “prerefunded” municipal obligations rated in the highest category by Moody’s or S&P, in such amount as will, together with the interest to accrue thereon without the need for further investment, be fully sufficient, as fully verified by the report of an independent certified public accountant licensed to practice in the State, to pay and discharge such Bonds at maturity or earlier redemption thereof, for which notice has been given or provided for, including any premium and all interest thereon, notwithstanding that any Bonds shall not have been surrendered for payment;

then all obligations of the District and the Paying Agent under this Resolution with respect to such Bonds shall cease and terminate, except only the obligation of the Paying Agent to pay or cause to be paid to the Owners of such Bonds all sums due thereon, and the obligation of the District to pay to the Paying Agent amounts owing to the Paying Agent hereunder.

SECTION 41. Approval of Actions; Miscellaneous.

(A) The Chancellor and the other Authorized Officers are each hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all certificates, statements, disclosures, notices, contracts, or other documents, and do and perform any and all acts and things, which they may deem necessary or advisable in order to proceed with the sale and issuance of the Bonds or otherwise carry out, give effect to and comply with the terms and intent of this Resolution. Such actions heretofore taken by such officers, officials and staff are hereby ratified, confirmed and approved.

(B) The County, the Board of Supervisors, officers, agents, and employees shall not be responsible for any proceedings or the preparation or contents of any resolutions, certificates, statements, disclosures, notices, contracts, or other documents relating to the sale and issuance of the Bonds.

(C) The Principal of and interest and redemption premium (if any) on the Bonds shall not constitute debt or an obligation of the County, the Board of Supervisors, officers, agents, or employees, and the County, the Board of Supervisors, officers, agents, and employees thereof shall not be liable thereon. In no event shall the Principal of and interest and redemption premium (if any) on any Bond be payable out of any funds or property of the County.

(D) The Clerk shall send or cause to be sent a certified copy of this Resolution, together with the final debt service schedule for the Bonds, to the Treasurer.

SECTION 42. Conflicts. If there is any inconsistency or conflict between any provision of this Resolution and any provision of the Contract of Purchase, the Contract of Purchase prevails to the extent of the inconsistency or conflict.

SECTION 43. Effective Date. This Resolution shall take effect immediately upon its adoption.

ADOPTED, SIGNED AND APPROVED this 13th day of July, 2020, by the Board of Trustees of the Rancho Santiago Community College District, at a regularly scheduled meeting held in Santa Ana, California, at a location freely accessible to the public, by the following roll-call vote:

AYES: _____

NOES: _____

ABSTAIN: _____

ABSENT: _____

**BOARD OF TRUSTEES OF RANCHO
SANTIAGO COMMUNITY COLLEGE
DISTRICT**

By: _____
President of the Board of Trustees of Rancho
Santiago Community College District

Attest:

By: _____
Clerk of the Board of Trustees of
Rancho Santiago Community College District

EXHIBIT A

FORM OF BOND

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

UNITED STATES OF AMERICA

STATE OF CALIFORNIA

**RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
(COUNTY OF ORANGE, CALIFORNIA)
GENERAL OBLIGATION REFUNDING BONDS
2020 SERIES A-1 (FEDERALLY TAXABLE)**

\$ _____

No. _____

Interest Rate

Maturity Date

Dated Date

CUSIP

____%

September 1, 20__

Date of Delivery

752147

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT:

The Rancho Santiago Community College District (the "District") of the County of Orange (the "County"), State of California (the "State"), for value received, hereby acknowledges itself indebted and promises to pay to the Registered Owner named above, or registered assigns, the Principal Amount set forth above, on the Maturity Date set forth above, together with interest thereon from the Dated Date set forth above until the Principal Amount hereof shall have been paid or provided for, in accordance with the Resolution hereinafter referred to, at the interest rate set forth above. Interest on this Bond is payable on March 1, 2021, and semiannually thereafter on the first day of September and March (each, an "Interest Payment Date") in each year to the registered owner hereof (the "Owner") from the Interest Payment Date next preceding the date on which this Bond is registered (unless it is registered after the close of business on the fifteenth calendar day of the month preceding any Interest Payment Date (a "Record Date") and before the close of business on the immediately following Interest Payment Date, in which event it shall bear interest from such following Interest Payment Date, or unless this Bond is registered prior to the close of business on February 15, 2021, in

which event it shall bear interest from its date; *provided, however*, that if at the time of registration of this Bond interest hereon is in default, such interest shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment. The principal amount hereof is payable at the office of Wells Fargo Bank, National Association, as initial paying agent (the “Paying Agent”), in Los Angeles, California, or at the office of a successor Paying Agent appointed pursuant to the Resolution (as hereinafter defined). The interest hereon is payable by check or draft mailed by first-class mail to each Owner, at its address as it appears on the registration books kept by the Paying Agent as of the Record Date, or by wire transfer to any Owner of \$1,000,000 aggregate principal amount of such Bonds, to the account specified by such Owner in a written request delivered to the Paying Agent on or prior to the Record Date for such Interest Payment Date; provided however, that payments of defaulted interest shall be payable to the person in whose name such Bond is registered at the close of business on a special record date fixed therefor by the Paying Agent, which shall not be more than fifteen days and not less than ten days prior to the date of the proposed payment of defaulted interest.

The Bonds of this issue are comprised of \$_____ principal amount of Bonds. This Bond is issued by the District under and in accordance with the provisions of (i) Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53550 and 53580, respectively; (ii) applicable provisions of the Education Code of the State of California; and (iii) Article XIII A of the California Constitution, and pursuant to a resolution of the Board of Trustees of the District adopted on July 13, 2020 (the “Resolution”). Reference is hereby made to the Resolution, a copy of which is on file at the District, for a description of the terms on which the Bonds are delivered, and the rights thereunder of the Owners of the Bonds and the rights and duties of the Paying Agent, the District, to all of the provisions of which the Owner of this Bond, by acceptance hereof, assents and agrees. All capitalized terms used but not otherwise defined herein shall have the respective meanings set forth in the Resolution. The bonds to be refunded by the Bonds were authorized by a vote of more than 55% of the qualified electors of the District voting on the proposition at a general election held therein to determine whether such bonds should be issued.

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

This Bond is a general obligation of the District, payable as to both principal and interest from *ad valorem* property taxes which, under the laws now in force, may be levied without limitation as to rate or amount upon all of the taxable property in the District. Neither the payment of the principal of this Bond, or any part thereof, nor any interest or premium hereon constitute a debt, liability or obligation of the County.

The Bonds maturing on or before September 1, 20__ shall not be subject to redemption prior to their maturity dates. The Bonds maturing on or after September 1, 20__ may be redeemed before maturity at the option of the District, from any source of funds, on September 1, 20__ or on any date thereafter as a whole, or in part. For the purposes of such selection, Bonds

will be deemed to consist of \$5,000 portions by principal amount, and any such portion may be separately redeemed.

Bonds maturing on September 1, 20__, are subject to mandatory sinking fund redemption on September 1 of each year, commencing September 1, 20__, in the following principal amounts, at a redemption price of par, plus accrued interest to the redemption date:

Mandatory Sinking Fund Payment Date (September 1)	Mandatory Sinking Fund Payment
20__	\$
20__	
20__	
20__	

Whenever provision is made for the redemption of Bonds and less than all outstanding Bonds are to be redeemed, the Paying Agent, upon written instruction from the District given at least 60 days prior to the date designated for such redemption, shall select Bonds for redemption in such order as the District may direct. Within a maturity, the Paying Agent shall select Bonds for redemption as directed by the District, or in the absence of such direction, by lot. The portion of any Bond to be redeemed in part shall be in the principal amount of \$5,000 or any integral multiple thereof.

This Bond is issued in fully registered form. Registration of this Bond is transferable by the Owner hereof, in person or by his or her attorney duly authorized in writing, at the aforesaid offices of the Paying Agent, but only in the manner, subject to the limitations, and upon payment of the charges, provided in the Resolution and upon surrender and cancellation of this Bond. Upon such registration of transfer, a new Bond or Bonds of like tenor and maturity in the same principal amount and in authorized denominations will be issued to the transferee in exchange herefor. The District and the Paying Agent may treat the Owner hereof as the absolute owner hereof for all purposes, whether or not this Bond shall be overdue, and shall not be affected by any notice to the contrary.

The Paying Agent shall not be required to register the transfer or exchange of any Bond (i) during the period beginning at the close of business on any Record Date through the close of business on the immediately following Interest Payment Date, or (ii) that has been called or is subject to being called for redemption, during a period beginning at the opening of business 15 days before any selection of Bonds to be redeemed through the close of business on the applicable redemption date, except for the unredeemed portion of any Bond to be redeemed only in part.

The rights and obligations of the District and of the Owners of the Bonds may be modified or amended at any time by a supplemental resolution adopted by the District with the written consent of owners of at least 60% in aggregate Principal Amount of the Outstanding Bonds, exclusive of Bonds, if any, owned by the District; *provided, however*, that no such modification or amendment shall, without the express consent of the Owner of each Bond

affected, reduce the Principal Amount of any Bond, reduce the interest rate payable thereon, advance the earliest redemption date thereof, extend its maturity or the times for paying interest thereon or change the monetary medium in which the Principal and interest is payable, nor shall any modification or amendment reduce the percentage of consents required for amendment or modification hereof. No such supplemental resolution shall change or modify any of the rights or obligations of any Paying Agent without its written assent thereto. Notwithstanding anything herein to the contrary, no such consent shall be required if the Owners are not directly and adversely affected by such amendment or modification.

A supplemental resolution of the District may be adopted, which, without the requirement of consent of the registered owners, shall be fully effective in accordance with its terms: (1) to add to the covenants and agreements of the District in the Resolution, other covenants and agreements to be observed by the District which are not contrary to or inconsistent with the Resolution as theretofore in effect; (2) to add to the limitations and restrictions in the Resolution, other limitations and restrictions to be observed by the District which are not contrary to or inconsistent with the Resolution as theretofore in effect; (3) to confirm as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by the Resolution, of any moneys, securities or funds, or to establish any additional funds or accounts to be held under the Resolution; (4) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Resolution; or (5) to amend or supplement the Resolution in any other respect, provided such supplemental resolution does not, in the opinion of nationally recognized bond counsel, adversely affect the interests of the owners of the Bonds.

If this Bond is called for redemption and the principal amount of this Bond, plus premium, if any, and accrued interest due with respect hereto are duly provided therefor as specified in the Resolution, then interest shall cease to accrue with respect hereto from and after the date fixed for redemption.

This Bond shall not become valid or obligatory for any purpose until the Certificate of Authentication hereon endorsed shall have been dated and executed manually by the Paying Agent.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED, that an election was duly and legally called, held and conducted, and the notices thereof duly given, and the results thereof canvassed and declared in accordance with the provisions of the Authorizing Law and that all of the proceedings of the Board of Trustees of the District, in the matter of the issuance of this Bond were regular and in strict accordance with the provisions of the Authorizing Law, including the Constitution of the State of California, that the total bonded indebtedness of the District, including the issue of which this Bond is a part, does not exceed any limit prescribed by said Act, and that due provision has been made for levying and collecting *ad valorem* property taxes on all of the taxable property within the District in an amount sufficient to pay Principal and interest when due.

IN WITNESS WHEREOF, the Rancho Santiago Community College District has caused this Bond to be executed in their official capacities by the manual or facsimile signature of the President of the Board of Trustees of the District and countersigned by the manual or facsimile signature of the Clerk of the Board of Trustees of the District as of the date stated above.

RANCHO SANTIAGO COMMUNITY COLLEGE
DISTRICT

By: _____ [Form Document]
Authorized Officer

Countersigned:

By: _____ [Form Document]
Clerk of the Board of Trustees
of Rancho Santiago Community College District

The following Certificate of Authentication shall be printed on each Bond:

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Resolution of the Board of Trustees of the Rancho Santiago Community College District.

DATED: _____, 2020

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Paying Agent

By: _____
Authorized Officer

FORM OF ASSIGNMENT

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

Name of Transferee: _____

Address for Payment of Interest: _____

Social Security Number or other Tax Identification No.: _____

the within-mentioned Bond and hereby irrevocably constitutes and appoints attorney, to transfer the same on the books of the Paying Agent with full power of substitution in the premises.

Registered Owner

Dated: _____

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

Signature _____
guaranteed

[Bank, Trust Company or Firm]

By: _____
Authorized Officer

NOTICE: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

EXHIBIT B

FORM OF 15c2-12 CERTIFICATE

With respect to the proposed sale of the Rancho Santiago Community College District General Obligation Refunding Bonds, 2020 Series A-1 (Federally Taxable) in the maximum aggregate principal amount of not to exceed \$95,000,000, the Rancho Santiago Community College District (the “**District**”) has delivered to you a Preliminary Official Statement, dated as of the date hereof (the “**Preliminary Official Statement**”). The District, for purposes of compliance with Rule 15c2-12 of the Securities Exchange Commission (“**Rule 15c2-12**”), deems the Preliminary Official Statement to be final as of its date, except for the omission of no more than the information permitted under Rule 15c2-12.

RANCHO SANTIAGO COMMUNITY COLLEGE
DISTRICT

Dated: _____, 2020

By: [FORM ONLY]
Authorized Officer

§ _____
RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
(Orange County, California)
GENERAL OBLIGATION REFUNDING BONDS,
2020 SERIES A-1 (FEDERALLY TAXABLE)

CONTRACT OF PURCHASE

August __, 2020

Rancho Santiago Community College District
2323 North Broadway
Santa Ana, California 92706-1640

Ladies and Gentlemen:

The undersigned, Piper Sandler & Co., as underwriter (the “Underwriter”), acting on its own behalf and not as fiduciary or agent for you, offers to enter into this Contract of Purchase (the “Purchase Contract”) with the Rancho Santiago Community College District (the “District”), which, upon your acceptance hereof, will be binding upon both the District and the Underwriter. This offer is made subject to the written acceptance of this Purchase Contract by the District and delivery of such acceptance to the Underwriter at or prior to 11:59 P.M., Pacific Daylight Time, on the date hereof. Capitalized terms used and not otherwise defined herein shall have the respective meanings assigned thereto in the District Resolution (defined below).

1. **Purchase and Sale of the Bonds.** Upon the terms and conditions and in reliance upon the representations, warranties and agreements herein set forth, the Underwriter hereby agrees to purchase from the District for reoffering to the public, and the District hereby agrees to sell to the Underwriter for such purpose, all (but not less than all) of \$_____ aggregate initial principal amount of the District’s General Obligation Refunding Bonds, 2020 Series A-1 (Federally Taxable) (the “Bonds”). The Bonds shall bear interest at the rates, and shall mature in the years and shall be subject to redemption as shown on Exhibit A hereto, which is incorporated herein by this reference. The Bonds shall be dated the date of delivery thereof and shall be payable as to interest on each February 1 and August 1, commencing February 1, 2021. The Underwriter shall purchase the Bonds at a price of \$_____ (consisting of the aggregate principal amount of the Bonds of \$_____ less an Underwriter’s discount of \$_____).

Inasmuch as this purchase and sale represents a negotiated transaction, the District acknowledges and agrees that: (i) the purchase and sale of the Bonds pursuant to this Purchase Contract is an arm’s-length, commercial transaction between the District and the Underwriter in which the Underwriter is acting solely as a principal and is not acting as a municipal advisor, financial advisor, or fiduciary to the District; (ii) the Underwriter has not assumed any advisory or fiduciary responsibility to the District with respect to the transaction contemplated hereby and the discussions, undertakings, and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the District on other matters); (iii) the Underwriter is acting solely in its capacity as underwriter for its own account; (iv) the only obligations the Underwriter has to the District with respect to the transaction contemplated hereby

are expressly set forth in this Purchase Contract; and (v) the District has consulted its own legal, accounting, tax, financial and other advisors, as applicable, including Fieldman, Rolapp & Associates, Inc. as municipal advisor to the District (the “Municipal Advisor”) to the extent it has deemed appropriate.

The net proceeds of the Bonds will be used for (a) the advance refunding of certain maturities of each of the District’s outstanding 2012 General Obligation Refunding Bonds and 2013 General Obligation Refunding Bonds (collectively, the “Refunded Bonds”), pursuant to an Escrow Agreement, dated as of August 1, 2020 (the “Escrow Agreement”), by and between the District and Wells Fargo Bank, National Association, as escrow agent (the “Escrow Agent”) and (b) the payment of costs of issuance of the Bonds. The net proceeds of the Bonds will be deposited into an escrow fund established pursuant to the Escrow Agreement and applied to pay the interest on Refunded Bonds due on and before the respective redemption dates thereof and the redemption price of Refunded Bonds to be redeemed on such redemption date, all as provided in the Escrow Agreement.

The District acknowledges that it has previously provided the Underwriter with an acknowledgement of receipt of the required Underwriter disclosure under Rule G-17 of the Municipal Securities Rulemaking Board (the “MSRB”).

2. **The Bonds.** The Bonds shall be dated the date of their delivery. The Bonds shall mature as shown on Exhibit A hereto and shall otherwise be as described in the Official Statement (as defined below), and shall be issued and secured pursuant to the provisions of the Resolution of the Board of Trustees of the District adopted on July 13, 2020 (the “District Resolution”) and Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the “Act”).

The Bonds shall be executed and delivered under and in accordance with the provisions of this Purchase Contract and the District Resolution. The Bonds shall bear CUSIP numbers, shall be in fully registered book-entry form, and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”); the Bonds shall initially be in authorized denominations of Five Thousand Dollars (\$5,000) principal amount or any integral multiple thereof.

3. **Use of Documents.** The District hereby authorizes the Underwriter to use, in connection with the offer and sale of the Bonds, this Purchase Contract, the Escrow Agreement, the Preliminary Official Statement (defined below) and an Official Statement (defined in Section 8(c) hereof), the District Resolution and all information contained herein and therein and all of the documents, certificates or statements furnished by the District to the Underwriter in connection with the transactions contemplated by this Purchase Contract.

4. **Public Offering of the Bonds.** The Underwriter agrees to make a bona fide public offering of all the Bonds at the initial public offering prices or yields set forth on Exhibit A hereto. Subsequent to such initial public offering, the Underwriter reserves the right to change such initial public offering prices or yields as it deems necessary in connection with the marketing of the Bonds.

5. **Review of Preliminary Official Statement.** The Underwriter hereby represents that it has received and reviewed the Preliminary Official Statement with respect to the Bonds, dated July __, 2020 (the “Preliminary Official Statement”), which has been duly authorized and prepared by the District for use by the Underwriter in connection with the Bonds. The District represents that

it has deemed the Preliminary Official Statement to be final as of its date, except for either revision or addition of the offering price(s), interest rate(s), yield(s) to maturity, selling compensation, aggregate principal amount, principal amount per maturity, delivery date, rating(s) and other terms of the Bonds which depend upon the foregoing as provided in and pursuant to Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”).

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

References herein to the Preliminary Official Statement and the final Official Statement include the cover page, inside cover and all appendices, exhibits, maps, reports and statements included therein or attached thereto.

6. **Closing.** At 9:00 A.M., Pacific Daylight Time, on August __, 2020, or at such other time or on such other date as shall have been mutually agreed upon by the District and the Underwriter (the “Closing”), the District shall deliver to the Underwriter, through the facilities of DTC, or at such other place as the parties hereto may mutually agree upon, the Bonds in fully registered book-entry form, duly executed and registered in the name of Cede & Co., as nominee of DTC, and at the offices of Nixon Peabody LLP (“Bond Counsel”), in Los Angeles, California, the other documents hereinafter mentioned; and the Underwriter will accept such delivery and pay the purchase price thereof in immediately available funds by check, draft or wire transfer to or upon the order of the District.

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

(a) Due Organization. The District is a community college district duly organized and validly existing under the laws of the State of California, with the power to issue the Bonds pursuant to the Act.

(b) Due Authorization. (i) At or prior to the Closing, the District will have taken all action required to be taken by it to authorize the issuance and delivery of the Bonds; (ii) the District has full legal right, power and authority to enter into this Purchase Contract, the Escrow Agreement and the Continuing Disclosure Undertaking (as defined in Section 7(i) hereof), to adopt the District Resolution, to perform its obligations under each such document or instrument, and to carry out and effectuate the transactions contemplated by this Purchase Contract, the Escrow Agreement and the District Resolution; (iii) the execution and delivery or adoption of, and the performance by the District of the obligations contained in the Bonds, the District Resolution, the Continuing Disclosure Undertaking, the Escrow Agreement and this Purchase Contract have been duly authorized and such authorization shall be in full force and effect at the time of the Closing; (iv) this Purchase Contract, the Escrow Agreement and the Continuing Disclosure Undertaking constitute valid and legally binding obligations of the District; and (v) the District has duly authorized the consummation by it of all transactions contemplated by this Purchase Contract, the Escrow Agreement and the Official Statement.

(c) Consents. No consent, approval, authorization, order, filing, registration, qualification, election or referendum, of or by any court or governmental agency or public body whatsoever is required in connection with the issuance, delivery or sale of the Bonds, the execution and delivery of this Purchase Contract, the Escrow Agreement and the Continuing Disclosure Undertaking, the adoption of the District Resolution, or the consummation of the other transactions effected or contemplated herein or hereby, which has not been taken or obtained, except for such actions as may be necessary to qualify the Bonds for offer and sale under Blue Sky or other securities laws and regulations of the states and jurisdictions of the United States as the Underwriter may reasonably request; provided, however, that the District shall not be required to subject itself to service of process in any jurisdiction in which it is not so subject as of the date hereof.

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

(e) No Conflicts. To the best knowledge of the District, the issuance of the Bonds, and the execution, delivery and performance of this Purchase Contract, the Continuing Disclosure Undertaking, the District Resolution, the Escrow Agreement and the Bonds, and the compliance with the provisions hereof do not conflict with or constitute on the part of the District a violation of or default under, the Constitution of the State of California or any existing law, charter, ordinance, regulation, decree, order or resolution and do not conflict with or result in a violation or breach of, or constitute a default under, any agreement, indenture, mortgage, lease or other instrument to which the District is a party or by which it is bound or to which it is subject.

(f) Litigation. As of the time of acceptance hereof, no action, suit, proceeding, hearing or investigation is pending or, to the best knowledge of the District, threatened against the District: (i) in any way affecting the existence of the District or in any way challenging the respective powers of the several offices or of the titles of the officials of the District to such offices; or (ii) seeking to restrain or enjoin the sale, issuance or delivery of any of the Bonds, the application of the proceeds of the sale of the Bonds, or the collection of tax revenues contemplated by the District Resolution and pledged or to be pledged or available to pay the principal of and interest on the Bonds, or the pledge thereof, or the levy of any taxes contemplated by the District Resolution or in any way contesting or affecting the validity or enforceability of the Bonds, this Purchase Contract, the Escrow Agreement or the District Resolution or contesting the powers of the District or its authority with respect to the Bonds, the District Resolution, the Escrow Agreement or this Purchase Contract; or (iii) in which a final adverse decision could (a) materially adversely affect the operations of the District or the consummation of the transactions contemplated by this Purchase Contract, the Escrow Agreement or the District Resolution, (b) declare this Purchase Contract or the Escrow Agreement to be invalid or unenforceable in whole or in material part, or (c) adversely affect the exclusion of the interest paid on the Bonds from California personal income taxation.

(g) No Other Debt. Between the date hereof and the Closing, without the prior written consent of the Underwriter, neither the District nor any other person on behalf of the District, will have issued in the name and on behalf of the District any bonds, notes or other obligations for borrowed money except for such borrowings as may be described in or contemplated by the Official Statement.

(h) Certificates. Any certificates signed by any officer of the District and delivered to the Underwriter shall be deemed a representation and warranty by the District to the Underwriter, but not by the person signing the same, as to the statements made therein.

(i) Continuing Disclosure. At or prior to the Closing, the District shall have duly authorized, executed and delivered a continuing disclosure undertaking with respect to the Bonds (the “Continuing Disclosure Undertaking”) on behalf of each obligated person for which financial and/or operating data is presented in the Official Statement. Except as disclosed in the Official Statement, for the past five fiscal years, the District has not otherwise failed, to comply in all material respects with its previous undertakings pursuant to Rule 15c2-12 to file annual reports or notices of significant events, and for such years, the District is currently in compliance with all prior continuing disclosure obligations. The Continuing Disclosure Undertaking shall comply with the provisions of section (b)(5) of Rule 15c2-12 and be substantially in the form attached to the Official Statement in Appendix D.

(j) Official Statement Accurate and Complete. The Preliminary Official Statement, at the date thereof, did not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. As of the date hereof and as of the Closing Date, the Preliminary Official Statement and the final Official Statement (as defined in Section 8(c) hereof) does not and will not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. Notwithstanding this paragraph 7(j) or paragraph 8(f) hereof, the District makes no representation or warranty as to the information (i) contained in the Preliminary Official Statement or the Official Statement under “THE BONDS – Book-Entry Only System” or in “APPENDIX E – Book-Entry Only System” or (ii) contained in the Preliminary Official Statement or the Official Statement in reliance upon and in conformity with information furnished in writing to the District by or on behalf of the Underwriter specifically for inclusion therein.

(k) No Material Adverse Change. The financial statements of, and other financial information regarding the District in the Preliminary Official Statement and the Official Statement, fairly present the financial position and results of the District as of the dates and for the periods therein set forth. As of the date hereof, there has been no adverse change of a material nature in such financial position, results of operations or condition, financial or otherwise, of the District.

(l) Levy of Tax. The District hereby agrees to take any and all actions as may be required by the County of Orange (the “County”) or otherwise necessary in order to arrange for the levy and collection of taxes, payment of the Bonds, and the deposit and investment of Bond proceeds. In particular, the District hereby agrees to provide to the Auditor-Controller of the County and the Treasurer-Tax Collector of the County a copy of the District Resolution and the full debt service schedule for the Bonds, in accordance with Education Code Section 15140(c) and the policies and procedures of the County.

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

(a) Securities Laws. The District will furnish such information, execute such instruments, and take such other action in cooperation with the Underwriter if and as the Underwriter may reasonably request in order to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and jurisdictions, provided, however, that the District shall not be required to consent to service of process in any jurisdiction in which it is not so subject as of the date hereof.

(b) Application of Proceeds. The District will apply the proceeds from the sale of the Bonds for the purposes specified in the District Resolution.

(c) Official Statement. The District hereby agrees to deliver or cause to be delivered to the Underwriter, not later than the seventh (7th) business day following the date this Purchase Contract is signed, and in sufficient time to accompany any confirmation that requests payment from any customer, copies of a final Official Statement substantially in the form of the Preliminary Official Statement, with only such changes therein as shall have been accepted by the Underwriter and the District (such Official Statement with such changes, if any, and including the cover page and all appendices, exhibits, maps, reports and statements included therein or attached thereto being herein called the "Official Statement") in such quantities as may be requested by the Underwriter not later than five (5) business days following the date this Purchase Contract is signed, in order to permit the Underwriter to comply with paragraph (b)(4) of Rule 15c2-12 and with the rules of the Municipal Securities Rulemaking Board. The District hereby authorizes the Underwriter to use and distribute the Official Statement in connection with the offering and sale of the Bonds.

(d) Subsequent Events. The District hereby agrees to notify the Underwriter of any event or occurrence that may affect the accuracy or completeness of any information set forth in the Official Statement relating to the District until the date which is twenty-five (25) days following the Closing, or until such time (if earlier) as the Underwriter shall no longer hold any of the Bonds for sale.

(e) References. References herein to the Preliminary Official Statement and the final Official Statement include the cover page, inside cover page and all appendices, exhibits, maps, reports and statements included therein or attached thereto.

(f) Amendments to Official Statement. During the period ending on the 25th day after the End of the Underwriting Period (or such other period as may be agreed to by the District and the Underwriter), the District (i) shall not supplement or amend the Official Statement or cause the Official Statement to be supplemented or amended without the prior written consent of the Underwriter and (ii) shall notify the Underwriter promptly if any event shall occur, or information comes to the attention of the District, that is reasonably likely to cause the Official Statement (whether or not previously supplemented or amended) to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. If, in the opinion of the Underwriter, such event requires the preparation and distribution of a supplement or amendment to the Official Statement, the District shall prepare and furnish to the Underwriter, at the District's expense, such number of copies of

the supplement or amendment to the Official Statement, in form and substance mutually agreed upon by the District and the Underwriter, as the Underwriter may reasonably request. If the Official Statement is supplemented or amended, the supplement will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which made, not misleading. If such notification shall be given subsequent to the Closing, the District also shall furnish, or cause to be furnished, such additional legal opinions, certificates, instruments and other documents as the Underwriter may reasonably deem necessary to evidence the truth and accuracy of any such supplement or amendment to the Official Statement.

(g) For purposes of this Agreement, the “End of the Underwriting Period” is used as defined in Rule 15c2-12 and shall occur on the later of (A) the date of Closing or (B) when the Underwriter no longer retains an unsold balance of the Bonds; unless otherwise advised in writing by the Underwriter on or prior to the Closing Date, or otherwise agreed to by the District and the Underwriter, the District may assume that the End of the Underwriting Period is the Closing Date.

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

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

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

(c) The Underwriter has, and has had, no financial advisory relationship, as that term is defined in California Government Code Section 53590(c) or MSRB Rule G-23, with the District with respect to the Bonds, and no investment firm controlling, controlled by or under common control with the Underwriter has or has had any such financial advisory relationship.

10. Conditions to Closing. The Underwriter has entered into this Purchase Contract in reliance upon the representations and warranties of the District contained herein and the performance by the District of its obligations hereunder, both as of the date hereof and as of the date of the Closing. The Underwriter’s obligations under this Purchase Contract are and shall be subject at the option of the Underwriter, to the following further conditions at the Closing:

(a) Representations True. The representations and warranties of the District contained herein shall be true, complete and correct in all material respects at the date hereof and at and as of the Closing, as if made at and as of the Closing, and the statements made in all certificates and other documents delivered to the Underwriter at the Closing pursuant hereto shall be true, complete and correct in all material respects on the date of the Closing; and the District shall be in compliance with each of the agreements made by it in this Purchase Contract.

(b) Obligations Performed. At the time of the Closing, (i) the Official Statement, this Purchase Contract, the Escrow Agreement and the District Resolution shall be in full force and effect and shall not have been amended, modified or supplemented except as may have been agreed to in writing by the Underwriter; (ii) all actions under the Act which, in the opinion of Bond Counsel, shall be necessary in connection with the transactions contemplated hereby, shall have been duly taken and shall be in full force and effect; and (iii) the District shall perform or have performed all of its obligations required under or specified in the District Resolution, this Purchase Contract, the Escrow Agreement or the Official Statement to be performed at or prior to the Closing.

(c) Adverse Rulings. No decision, ruling or finding shall have been entered by any court or governmental authority since the date of this Purchase Contract (and not reversed on appeal or otherwise set aside), or shall be pending or, to the best knowledge of the District, threatened, which has any of the effects described in Section 7(f) hereof or contesting in any way the completeness or accuracy of the Official Statement.

(d) Marketability. Between the date hereof and the Closing, the market price or marketability or the ability of the Underwriter to enforce contracts for the sale of the Bonds, at the initial offering prices of the Bonds set forth in the Official Statement shall not have been materially adversely affected in the judgment of the Underwriter (evidenced by a written notice to the District terminating its obligation to accept delivery of and pay for the Bonds) by reason of any of the following:

(1) legislation enacted by Congress, or passed by either House thereof, or by the legislature of the State, or introduced in the Congress or recommended for passage by the President of the United States (by press release, other form of notice, or otherwise), or a decision rendered by a court of the United States or the State, or an order, ruling, regulation (final, temporary or proposed) or official statement issued or made by or on behalf of the Securities and Exchange Commission (the "SEC"), or any other governmental agency having jurisdiction over the subject matter thereof, to the effect that the Bonds, or obligations of the general character of the Bonds, including any and all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended;

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

(3) any outbreak or escalation of hostilities affecting the United States, the declaration of war by the United States of a national emergency or war, or engagement in or material escalation of military hostilities by the United States, or the occurrence or the escalation of any other national or international emergency, calamity or crisis relating to the operation of federal or state governments or the financial community in the United States;

(4) the declaration of a general banking moratorium by federal, New York or California authorities, or the general suspension of trading on any national

securities exchange or fixing of minimum or maximum prices for trading or maximum ranges for prices for securities on any national securities exchange, whether by virtue of a determination by that exchange or by order of the SEC or any other governmental authority having jurisdiction;

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

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

(7) there shall have occurred or any notice shall have been given of any intended review, downgrading, suspension, withdrawal, or negative change in credit watch status by any national rating service to the outstanding general obligation bonded indebtedness of the District;

(8) any event occurring, or information becoming known which, in the reasonable judgment of the Underwriter, makes untrue in any material adverse respect any statement or information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading;

(9) the suspension by the SEC of trading in the outstanding securities of the District;

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

(11) the occurrence, since the date hereof, of any materially adverse change in the affairs or financial condition of the District;

(12) any state Blue Sky or securities commission, or other governmental agency or body, shall have withheld registration, exemption or clearance of the offering of the Bonds as described herein, or issued a stop order or similar ruling relating thereto;

(13) any amendment shall have been made to the federal or State Constitution or action by any federal or State court, legislative body, regulatory body, or other authority materially adversely affecting the tax status of the District, its property, income securities (or interest thereon) or the validity or enforceability of the levy of *ad valorem* property taxes to pay principal of and interest on the Bonds; or

(14) the occurrence of a material disruption in securities settlement payment or clearance services.

(e) Delivery of Documents. At or prior to the date of the Closing, the Underwriter shall have received the following documents in each case dated as of the Closing Date and satisfactory in form and substance to the Underwriter:

(1) Bond Opinion. An approving opinion of Bond Counsel, as to the validity and tax status of the Bonds, dated the date of the Closing, addressed to the District in substantially the form set forth in the Preliminary Official Statement and the Official Statement as Appendix B;

(2) Reliance Letter. A reliance letter from Bond Counsel to the effect that the Underwriter may rely upon the approving opinion described in 10(e)(1) above;

(3) Supplemental Opinion. A supplemental opinion of Bond Counsel in form and substance satisfactory to the Underwriter, dated the Closing Date and addressed to the District and the Underwriter, to the effect that:

(A) the description of the Bonds and the security for the Bonds and statements in the Official Statement on the cover page thereof and under the captions “INTRODUCTION,” “THE BONDS,” “PLAN OF REFUNDING,” “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS,” “TAX MATTERS,” and “LEGAL MATTERS – Continuing Disclosure,” to the extent they purport to summarize certain provisions of the District Resolution, the Escrow Agreement, the Continuing Disclosure Undertaking and the tax status of the Bonds for federal and state income tax purposes, fairly and accurately summarize the matters purported to be summarized therein; provided that Bond Counsel need not express any opinion with respect to any financial or statistical data, information concerning the Depository Trust Company or related to its book-entry only system, or Appendices C, E, F and G to the Official Statement;

(B) this Purchase Contract, the Escrow Agreement and the Continuing Disclosure Undertaking have been duly authorized, executed and delivered by the District and, assuming due authorization, execution and delivery by the other parties thereto, constitute legal, valid and binding obligations of the District and are enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting generally the enforcement of creditors’ rights and except as their enforcement may be subject to the application of equitable principles and the

exercise of judicial discretion in appropriate cases if equitable remedies are sought; and

(C) the Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended, and the District Resolution is exempt from qualification as an indenture pursuant to the Trust Indenture Act of 1939, as amended;

(4) Defeasance Opinion. A defeasance opinion of Bond Counsel, addressed to the District and the Underwriter, with respect to the effective defeasance of the Refunded Bonds;

(5) Disclosure Counsel Opinion. An opinion of Nixon Peabody LLP, as disclosure counsel to the District (“Disclosure Counsel”), dated the Closing Date and addressed to the District and the Underwriter, substantially to the effect that, based on such counsel’s participation in conferences with representatives of the District, the Underwriter, the Municipal Advisor and others, during which conferences the contents of the Official Statement and related matters were discussed, and in reliance thereon and on the records, documents, certificates and opinions described therein, such counsel advises the District and the Underwriter, that during the course of its engagement as Disclosure Counsel no information came to the attention of such counsel’s attorneys rendering legal services in connection with such representation which caused such counsel to believe that the Preliminary Official Statement, as of its date and as of the date hereof, and the Official Statement as of its date and as of the Closing (except for any financial, statistical, economic, engineering, or demographic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, valuations, appraisals, or absorption, Appendices C, E, F and G, or any information regarding DTC or its book-entry only system included therein, as to which such counsel need express no opinion or view) contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(6) Executed Documents. Executed copies of this Purchase Contract, the Escrow Agreement and the Official Statement;

(7) Certificates. A certificate signed by appropriate officials of the District to the effect that (A) such officials are authorized to execute this Purchase Contract, (B) the representations, agreements and warranties of the District herein are true and correct in all material respects as of the date of Closing, (C) the District has complied with all the terms of the District Resolution and this Purchase Contract to be complied with by the District prior to or concurrently with the Closing and such documents are in full force and effect, (D) such District officials have reviewed the Official Statement and on such basis certify that the Official Statement does not contain any untrue statement of a material fact nor omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, (E) the Bonds being delivered on the date of the Closing to the Underwriter under this Purchase Contract substantially conform to the descriptions thereof contained in the District Resolution,

and (F) no event concerning the District has occurred since the date of the Official Statement which has not been disclosed therein or in any supplement thereto, but should be disclosed in order to make the statements in the Official Statement in light of the circumstances in which they were made not misleading;

(8) Ratings. Evidence satisfactory to the Underwriter that (A) the Bonds shall have been rated “___” by Moody’s Investors Service (“Moody’s”) and “___” by S&P Global Ratings (“S&P”), (or such other equivalent ratings as such rating agencies may give), and (B) that any such ratings have not been revoked or downgraded;

(9) District Resolution. A certificate of the Secretary to the District Governing Board, together with fully executed copies of the District Resolution, to the effect that:

(A) such copies are true and correct copies of the District Resolution; and

(B) that the District Resolution was duly adopted and has not been modified, amended, rescinded or revoked and is in full force and effect on the date of the Closing;

(10) Official Statement. A certificate of the appropriate official of the District evidencing his or her determinations respecting the Preliminary Official Statement in accordance with Rule 15c2-12;

(11) Continuing Disclosure Undertaking. An executed copy of the Continuing Disclosure Undertaking, substantially in the form presented in the Official Statement as Appendix D thereto;

(12) Underwriter’s Counsel Opinion. An opinion of counsel for the Underwriter, dated the date of the Closing and addressed to the Underwriter, in form and substance acceptable to the Underwriter;

(13) Verification Report. A report and opinion of Causey Demgen & Moore P.C. (the “Verification Report”) with respect to the sufficiency of certain securities, together with the interest and earnings thereon and any cash held uninvested, deposited pursuant to the Escrow Agreement to refund the Refunded Bonds as provided in the Escrow Agreement;

(14) Certificates of Paying Agent and Escrow Agent. Certificates of each of the Paying Agent and the Escrow Agent, in each case in form and substance acceptable to the Underwriter; and

(15) Other Documents. Such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter may reasonably request to evidence compliance (A) by the District with legal requirements, (B) the truth and accuracy, as of the time of the Closing, of the representations of the District herein contained and of the Official Statement, and (C) the due performance or

satisfaction at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the District.

(f) **Termination.** Notwithstanding anything to the contrary herein contained, if for any reason whatsoever the Bonds shall not have been delivered to the Underwriter for review prior to the close of business, Pacific Daylight Time, on a day no later than two Business Days prior to the Closing, then the obligation to purchase Bonds hereunder shall terminate and be of no further force or effect except with respect to the obligations of the District and the Underwriter under Section 14 hereof.

If the District is unable to satisfy the conditions to the Underwriter's obligations contained in this Purchase Contract or if the Underwriter's obligations shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract may be cancelled by the Underwriter at, or at any time prior to, the time of the Closing. Notice of such cancellation shall be given to the District in writing, or by telephone or telegraph, confirmed in writing. Notwithstanding any provision herein to the contrary, the performance of any and all obligations of the District hereunder and the performance of any and all conditions contained herein for the benefit of the Underwriter may be waived by the Underwriter in writing at its sole discretion.

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

12. **Costs of Issuance; Expenses.** (a) The District shall pay (or shall cause to be paid) costs of issuance of the Bonds, including but not limited to the following: (i) the cost of the preparation and reproduction of the District Resolution; (ii) the fees and disbursements of Bond Counsel and Disclosure Counsel; (iii) the cost of the preparation, printing and delivery of the Bonds; (iv) the fees, if any, for credit ratings on the Bonds, including all necessary travel expenses; (v) the cost of the printing and distribution of the Preliminary Official Statement and the Official Statement; (vi) the fees of the Paying Agent and Escrow Agent; (vii) the fees and expenses of the Verification Agent; (viii) fees of the Municipal Advisor; (ix) the fees of any fiscal agent disbursing funds for such expenses, and (x) all other fees and expenses incident to the issuance and sale of the Bonds. The District hereby directs the Underwriter to deposit a portion of the purchase price of the Bonds not-to-exceed \$ _____ with Wells Fargo Bank, National Association, as fiscal agent of the District, for the payment of costs of issuance with respect to the Bonds. The District acknowledges that it has had an opportunity, in consultation with such advisors as it may deem appropriate to evaluate and consider the fees and expenses being incurred as part of the issuance of the Bonds.

(b) Notwithstanding any of the foregoing, the Underwriter shall pay all out-of-pocket expenses of the Underwriter, including the fees of counsel to the Underwriter and other expenses (except those expressly provided above) without limitation, except travel and related expenses in connection with the credit ratings on the Bonds.

(c) The District acknowledges that it has had an opportunity, in consultation with such advisors as it may deem appropriate, if any, to evaluate and consider the fees and expenses being incurred as part of the issuance of the Bonds.

13. **Notices.** Any notice or other communication to be given under this Purchase Contract (other than the acceptance hereof as specified in the first paragraph hereof) may be given by delivering the same in writing at the following notice addresses or facsimile numbers or such other addresses or facsimile numbers as any of the following may designate in writing to the others:

If to the Underwriter: Piper Sandler & Co.
2321 Rosecrans Avenue, Suite 3200
El Segundo, California 90245
Attn: Trennis Wright
Fax: (310) 297-6001

If to the District: Vice Chancellor, Business Operations/Fiscal Services
Rancho Santiago Community College District
2323 North Broadway
Santa Ana, California 92706-1640
Fax: (714) 796-3935

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

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

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

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17. **Applicable Law.** This Purchase Contract shall be interpreted, governed and enforced in accordance with the laws of the State of California applicable to contracts made and performed in such State.

Very truly yours,

PIPER SANDLER & CO.

By: _____
Managing Director

The foregoing is hereby agreed to and accepted as of _____ p.m., Pacific Daylight Time, on the date first above written:

**RANCHO SANTIAGO COMMUNITY
COLLEGE DISTRICT**

By: _____
Vice Chancellor, Business Operations/
Fiscal Services

EXHIBIT A

\$ _____
RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
(Orange County, California)
GENERAL OBLIGATION REFUNDING BONDS,
2020 SERIES A-1 (FEDERALLY TAXABLE)

\$ _____ Serial Bonds

<u>Maturity (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>
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Redemption Provisions

The Bonds are not subject to redemption prior to their respective stated maturity dates.

ESCROW DEPOSIT AND TRUST AGREEMENT

This Escrow Deposit and Trust Agreement, dated of _____ 1, 2020 (the “Agreement”), by and between WELLS FARGO BANK, NATIONAL ASSOCIATION, as escrow agent hereunder (in such capacity, the “Escrow Agent”), and RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT, Orange County, California (the “District”).

WITNESSETH:

WHEREAS, the District has heretofore issued and sold general obligation bonds of the District authorized by an election conducted within the District on November 6, 2002, some of which have been refunded by the District through the issuance of: (a) \$62,985,000 in aggregate principal amount of its 2012 General Obligation Refunding Bonds (the “2012 Bonds”), and (b) \$79,130,000 aggregate principal amount of its 2013 General Obligation Refunding Bonds (the “2013 Bonds,” and, collectively with the 2012 Bonds, the “Prior Bonds”), of which a designated principal amount is presently outstanding and subject to defeasance and redemption; and

WHEREAS, the 2012 Bonds being refunded hereunder constitute the “Refunded 2012 Bonds,” the 2013 Bonds being refunded hereunder constitute the “Refunded 2013 Bonds,” and the Refunded 2012 Bonds and the Refunded 2013 Bonds are together referred to hereunder as the “Refunded Bonds;” and

WHEREAS, the 2012 Bonds were issued by the Board of Trustees of the District (the “District Board”) pursuant to a resolution adopted on February 27, 2012, and the 2013 Bonds were issued by the District Board pursuant to a resolution adopted on December 10, 2012 (each, a “Resolution”); and

WHEREAS, the District has determined that circumstances in the financial markets are favorable for the refunding and defeasance of the Refunded Bonds; and

WHEREAS, in order to provide funds for the defeasance and refunding of the Refunded Bonds, the District has now issued \$_____ aggregate principal amount of its General Obligation Refunding Bonds, 2020 Series A-1 (Federally Taxable) (the “Bonds”); and

WHEREAS, the Bonds are being issued pursuant to a resolution of the District Board adopted on July 13, 2020; and

WHEREAS, in connection with such refunding, the District requires that Wells Fargo Bank, National Association, undertake the services of Escrow Agent for the refunding and defeasance of the Refunded Bonds in accordance with the terms of this Agreement; and

WHEREAS, the District wishes to provide for the application of the net proceeds of the Bonds and the investment proceeds thereon to effect the refunding of the Refunded Bonds;

NOW, THEREFORE, the District and the Escrow Agent agree as follows:

ARTICLE I

REPRESENTATIONS, WARRANTIES AND AGREEMENTS

Each party hereto, as to itself and not as to the other party, hereby represents, warrants and agrees that:

Section 1.1 Authorization. The execution, delivery and performance of this Agreement by such party are within such party's respective powers and have been duly authorized by all necessary action of such party.

Section 1.2 No Conflict. (a) The District represents, warrants and agrees to its current actual knowledge that the execution, delivery and performance of this Agreement will not violate or conflict with (i) the Resolutions or any related resolution of the District; (ii) the Constitution or laws of the State of California or (iii) any decisions, statutes, ordinances, rulings, directions, rules, regulations, orders, writs, decrees, injunctions, permits, certificates or other requirements of any court or other governmental or public entity with jurisdiction over the District or its operations.

(b) The Escrow Agent represents and warrants that the execution, delivery and performance of this Agreement will not violate or conflict with (i) the articles of association or bylaws of the Escrow Agent or (ii) any decisions, statutes, ordinances, rulings, directions, rules, regulations, orders, writs, decrees, injunctions, permits, certificates or other requirements of any court or other governmental or public entity with jurisdiction over the trust powers and operation of the Escrow Agent.

Section 1.3 Binding Obligation. This Agreement has been duly executed by, and is a legally valid and binding obligation of, each party, enforceable against such party in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights, and by general principles of equity.

Section 1.4 Title to Moneys Deposited in Escrow Fund. The District represents that the District has good, sufficient and legal title to the moneys deposited in the Escrow Fund established hereunder free and clear of all liens other than those created hereby.

Section 1.5 Duties of Parties. The District hereby directs the Escrow Agent to perform, and the Escrow Agent accepts, the duties set forth herein, in order that the Refunded Bonds shall be effectively and legally defeased in accordance with their terms, the terms of the applicable Resolution and applicable provisions of law. For this purpose, the District will deposit, and the Escrow Agent shall apply, the net proceeds of the sale of the Bonds as specified herein, and for no other purpose. The Escrow Agent hereby covenants and agrees to perform its duties set forth herein in accordance with the terms hereof.

ARTICLE II

ESTABLISHMENT OF ESCROW FUND

Section 2.1 Creation of Escrow Fund. The District hereby directs the Escrow Agent to establish a special escrow fund to be designated as the “Rancho Santiago Community College District 2020 Escrow Fund” (the “Escrow Fund”), into which the Escrow Agent shall deposit proceeds of the Bonds in the amount of \$ _____ (the “Bond Proceeds”) which (apart from the sum of \$ _____, which shall be held uninvested as cash) shall be invested in certain United States Obligations (as defined below) further detailed in Schedule A hereto, which is incorporated herein by this reference. The District hereby irrevocably directs the Escrow Agent to make the deposits and investments as set forth hereinabove.

Section 2.2 Terms of Resolutions and Refunded Bonds. Receipt is hereby acknowledged by the Escrow Agent of a copy of each of the Resolutions. Reference herein to, or citation herein of, any provision of a Resolution or the terms of the related Refunded Bonds shall be deemed to be incorporated as a part hereof in the same manner and with the same effect as if it or they were fully set forth herein.

Section 2.3 Defeasance Obligations. The District hereby irrevocably directs the Escrow Agent to take such actions as may be necessary to assure that the amount so deposited in the Escrow Fund shall be invested in “United States Obligation” (being noncallable direct obligations of the United States of America (including State and Local Government Series Treasury obligations) or obligations which are unconditionally guaranteed by the United States of America, and permitted under Section 149(b) of the Internal Revenue Code and Regulations, which, in the opinion of nationally recognized bond counsel, will not impair the exclusion from gross income for federal income tax purposes of interest on the Refunded Bonds, as particularly set forth on Schedule A attached hereto and made a part hereof (the “Escrowed Securities”), so as to be available to pay the Refunded Bonds on the dates established therein, it being the intention of the District that the principal of and interest paid on such Escrowed Securities on deposit in the Escrow Fund, together with any uninvested cash on deposit therein, will be sufficient for such purposes, as of the date of calculation, and that such Escrowed Securities will mature, bear interest and be available (i) to pay in a timely manner the principal or accreted value of and interest on the Refunded Bonds (all as more particularly set forth in Schedule B attached hereto and made a part hereof by this reference) and (ii) to pay the redemption price of the several series of Refunded Bonds to be redeemed on the dates specified herein (all as more particularly set forth in Schedule B hereto). The District hereby represents that such Escrowed Securities are comprised of United States Obligations. Any conflict in provisions respecting the defeasance of the Refunded Bonds between the foregoing and the applicable Resolution shall be governed by the terms of that Resolution.

Section 2.4 Deposit of Moneys. The Escrow Agent hereby acknowledges receipt of the deposit of the moneys into the Escrow Fund as described in Section 2.1 hereof.

Section 2.5 Purpose of Deposit. The deposit by the District of the Bond Proceeds into the Escrow Fund shall constitute an irrevocable deposit thereof for the uses and purposes specified in this Agreement and in the provisions of the respective Resolution and the

Refunded Bonds expressly referred to herein, and such moneys, shall be held in trust and applied solely for such uses and purposes. Such moneys shall be held by the Escrow Agent separate and apart from all other funds and shall not be commingled with other moneys for any purpose.

Section 2.6 Investments; District Covenants. (a) Except as otherwise expressly provided in Sections 2.1 and 2.3, the Escrow Agent shall have no power or duty to invest any moneys held hereunder, or to make substitutions of the Escrowed Securities held hereunder or to sell, transfer or otherwise dispose of the Escrowed Securities acquired hereunder, or to pay interest on any such moneys not required to be invested hereunder.

(b) The District hereby agrees that it will not take action or fail to take action which would (i) adversely affect the exclusion from gross income for federal income tax purposes of interest on the Refunded Bonds, or (ii) adversely affect the status of the Refunded Bonds as being deemed no longer Outstanding under the applicable Resolution.

Section 2.7 Handling of Investment Proceeds. The District hereby directs the Escrow Agent to collect the matured principal of and payments of interest on the Escrowed Securities as the same become due and payable and deposit the same into the Escrow Fund. Not later than the date on which any payment on any of the Refunded Bonds is required to be made, as set forth in Schedule A, or if such date is not a Business Day (being any day other than a Saturday or Sunday or a day on which the Escrow Agent and banks and trust companies located in New York, New York, or Los Angeles, California, are not authorized or required to remain closed and on which the New York Stock Exchange is open) then not later than the Business Day next succeeding such date, the Escrow Agent shall pay from the funds in the Escrow Fund, the applicable amounts set forth in Schedule A attached hereto to the registered owners of the Refunded Bonds (the "Owners"). The Escrow Agent may conclusively rely upon Schedule A with respect to all information set forth therein and may conclusively rely upon any written directions of the District with respect to any of the matters described in this Section.

If at any time, it shall appear to the Escrow Agent that the moneys in the Escrow Fund will not be sufficient to make all payments required hereunder and under the terms of the Refunded Bonds, the Escrow Agent shall give immediate notice thereof to the District in accordance with Section 5.4 hereof of the amount of such deficiency and the District agrees to pay the amount of such deficiency into the Escrow Fund from any source of lawfully available moneys. The Escrow Agent shall not be liable or responsible for any such deficiency of moneys in the Escrow Fund.

Any moneys held by the Escrow Agent in trust for the payment and discharge of the principal or interest on any of the Refunded Bonds which remain unclaimed for two years after the date when such payments have become due and payable, shall be paid (without liability for interest) to the District to be used for any of its lawful purposes and the Escrow Agent shall thereupon be released and discharged with respect thereto, and the Owners of Refunded Bonds shall look only to the District for the payment of the principal of or interest on such Refunded Bonds.

Section 2.8 Notices to Owners of Refunded Bonds. (a) The District hereby directs the Escrow Agent to provide appropriate notice to the Owners of the Refunded Bonds as

to their defeasance, substantially in the form of notice appended to this Agreement as Schedule D, subject to the requirements of the applicable Resolution. Each such notice shall reflect the call provisions for the related series of Refunded Bonds as follows:

2012 General Obligation Refunding Bonds

Redemption Date: September 1, 2022 at par

<u>Maturity Date</u>	<u>Principal Amount</u>
09/1/2023	\$ 5,015,000
09/1/2024	5,475,000
09/1/2025	6,860,000
09/1/2026	9,790,000
09/1/2027	10,695,000

2013 General Obligation Refunding Bonds

Redemption Date: September 1, 2023 at par

<u>Maturity Date</u>	<u>Principal Amount</u>
09/01/2024	\$ 12,825,000
09/01/2025	15,715,000
09/01/2026	17,145,000

(b) The District directs the Escrow Agent to provide notice of redemption of the Refunded Bonds, substantially in the form of notice appended to this Agreement as Schedule E, subject to the requirements of the applicable Resolution. Each such notice shall reflect the redemption dates for the related series of Refunded Bonds as described above.

Section 2.9 Compensation; Indemnification. The District agrees to pay and shall pay to the Escrow Agent as compensation in full for all services to be rendered by the Escrow Agent under this Agreement the amounts set forth in a separate schedule of fees and expenses, as modified from time to time in a writing between the District and the Escrow Agent, and shall reimburse the Escrow Agent for its out-of-pocket expenses (including legal fees and expenses) incurred hereunder. Any payment to the Escrow Agent pursuant to this Section shall be made from any moneys of the District lawfully available therefor, but the Escrow Agent shall have no lien whatsoever upon any of the moneys in the Escrow Fund for any such payment.

The District shall indemnify, defend and hold harmless the Escrow Agent and its officers, directors, employees and agents, from and against and reimburse the Escrow Agent for any and all claims, obligations, liabilities, losses, damages, actions, suits, judgments, reasonable costs and expenses (including reasonable attorneys' and agents' fees and expenses) of whatever kind or nature regardless of their merit, demanded, asserted or claimed against the Escrow Agent directly or indirectly relating to, or arising from, claims against the Escrow Agent by reason of its participation in the transactions contemplated hereby, except to the extent caused by the Escrow

Agent's negligence or willful misconduct. The provisions of the foregoing sentence shall survive the termination of this Agreement or the earlier resignation or removal of the Escrow Agent.

Section 2.10 Books and Records; Limited Liability. The Escrow Agent agrees to maintain books and records for the Escrow Fund and to account separately for deposits therein, investments thereof, earnings thereon and losses (if any) with respect thereto. The Escrow Agent shall only act in accordance with the specific provisions set forth herein and shall not assume any implied duties or obligations hereunder. None of the provisions of this Agreement shall require the Escrow Agent to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the performance of any of its duties hereunder.

The District acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the District the right to receive brokerage confirmations of security transactions as they occur, the District specifically waives receipt of such confirmations to the extent permitted by law. The Escrow Agent will furnish the District periodic cash transaction statements and a final cash transaction statement.

The Escrow Agent shall have no obligation to make any payment or disbursement of any type or incur any financial liability in the performance of its duties under this Agreement unless the District shall have deposited sufficient funds therefor with the Escrow Agent. The Escrow Agent may rely and shall be protected in acting upon the written or oral instructions of authorized representatives of the District or of their respective agents relating to any matter or action undertaken as Escrow Agent under this Agreement.

The liability of the Escrow Agent for the payment of moneys as hereinabove set forth respecting the payment of the Refunded Bonds shall be limited to the amounts on deposit in the Escrow Fund. The Escrow Agent shall not be liable for any loss resulting from any investment, sale, transfer, prepayment, substitution or other disposition made pursuant to this Agreement in compliance with the provisions hereof or any uninvested moneys held hereunder to accomplish the discharge of the Refunded Bonds. The Escrow Agent shall not have any lien whatsoever upon any of the moneys deposited in accordance with Section 2.1 hereof for the payments of fees and expenses for services by it under this Agreement until after all payments required pursuant hereto have been made in accordance herewith. The recitals of fact contained in the "whereas" clauses herein shall be taken as the statements of the District, and the Escrow Agent assumes no responsibility for the correctness thereof. The Escrow Agent makes no representations as to the sufficiency of the uninvested moneys to accomplish the defeasance of the Refunded Bonds or to the validity of this Agreement as to the District and, except as otherwise provided herein, the Escrow Agent shall incur no liability in respect thereof. The Escrow Agent shall not be liable in connection with the performance of its duties under this Agreement except for its own negligence, willful misconduct or willful default, and the duties and obligations of the Escrow Agent shall be determined by the express provisions of this Agreement. The Escrow Agent may consult with counsel, who may or may not be bond counsel to the District, and in reliance upon the written opinion of such counsel, shall have full and complete authorization and protection in respect of any action taken, suffered or omitted by it in good faith in accordance therewith. Whenever the Escrow Agent shall deem it necessary or desirable that a matter be provided or established prior to taking, suffering, or omitting any action under this Agreement, such matter (except the matters set forth herein as specifically requiring a certificate of a nationally recognized firm of independent

certified public accountants or an opinion of counsel) may be deemed to be conclusively established by a written certification of the District. The Escrow Agent undertakes such duties as are expressly set forth herein, and no implied duties or obligations of the Escrow Agent shall be read into this Agreement. The Escrow Agent may resign at any time upon 30 days' written notice to the District.

The Escrow Agent may conclusively rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval 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 Escrow Agent may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, custodians or nominees appointed with due care, and shall not be responsible for any willful misconduct or negligence on the part of any agent, attorney, custodian or nominee so appointed. Anything in this Agreement to the contrary notwithstanding, in no event shall the Escrow Agent be liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Escrow Agent has been advised of the likelihood of such loss or damage and regardless of the form of action.

Any bank, corporation or association into which the Escrow Agent may be merged or converted or with which it may be consolidated, or any bank, corporation or association resulting from any merger, conversion or consolidation to which the Escrow Agent shall be a party, or any bank, corporation or association succeeding to all or substantially all of the corporate trust business of the Escrow Agent shall be the successor of the Escrow Agent hereunder without the execution or filing of any paper with any party hereto or any further act on the part of any of the parties hereto except on the part of any of the parties hereto where an instrument of transfer or assignment is required by law to effect such succession, anything herein to the contrary notwithstanding.

The Escrow Agent shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Agreement and delivered using Electronic Means ("Electronic Means" means mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Escrow Agent, or another method or system specified by the Escrow Agent as available for use in connection with its services hereunder); provided, however, that the District shall provide to the Escrow Agent an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the District whenever a person is to be added to or deleted from the listing. If the District elects to give the Escrow Agent Instructions using Electronic Means and the Escrow Agent in its discretion elects to act upon such Instructions, the Escrow Agent's understanding of such Instructions shall be deemed controlling. The District understands and agrees that the Escrow Agent cannot determine the identity of the actual sender of such Instructions and that the Escrow Agent shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Escrow Agent have been sent by such Authorized Officer. The District shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Escrow Agent and that the District and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization

codes, passwords and/or authentication keys upon receipt by the District. The Escrow Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Escrow Agent's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The District agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Escrow Agent, including without limitation the risk of the Escrow Agent acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Escrow Agent and that there may be more secure methods of transmitting Instructions than the method(s) selected by the District; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Escrow Agent immediately upon learning of any compromise or unauthorized use of the foregoing security procedures.

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

ARTICLE III

TERMINATION OF AGREEMENT

Section 3.1 Termination of Agreement. It is the intention of the District that the proceeds of the amounts on deposit in the Escrow Fund shall be applied on the dates and at the prices shown on Schedule A, to the payment of the Refunded Bonds in accordance with their terms. The Escrow Agent agrees to apply the proceeds in the Escrow Fund to the payment of principal of and premium, if any, and interest on the Refunded Bonds as aforesaid; any moneys in the Escrow Fund that remain unclaimed for two years following payment of the Refunded Bonds in whole on the respective redemption or maturity dates shown on Schedule A shall, after payment of any amounts due the Escrow Agent, be transferred to the District in accordance with Section 2.7 hereof. Upon the completion of such transfer, if any, this Agreement shall be terminated and of no further force or effect.

ARTICLE IV

FEES OF ESCROW AGENT

Section 4.1 Fees of Escrow Agent. The District shall pay to the Escrow Agent fees and expenses as are mutually agreed upon by the District and the Escrow Agent as and for payment in full for the services of the Escrow Agent as escrow holder hereunder, through and including the final redemption or maturity dates of the Refunded Bonds as set forth herein.

It is also understood that the fees agreed upon for the services of the Escrow Agent hereunder shall be considered compensation for its ordinary services as contemplated by these instructions, but in the event that the conditions of this escrow are not promptly fulfilled or that the Escrow Agent renders any service hereunder not provided for in the foregoing instructions or that there is an assignment of any interest in the subject matter of this escrow, or modification hereof, or that any controversy arises hereunder or that the Escrow Agent is made a party to, or intervenes in, or, in good faith, interpleads in, any litigation pertaining to this escrow or the subject matter thereof, the Escrow Agent shall be reasonably compensated by the District for such extraordinary services and reimbursed for all costs, expenses, claims and liability, plus interest charged at the maximum rate permitted by law occasioned by such default, delay, controversy or litigation, including, without limitation, the fees and disbursements of legal counsel to the Escrow Agent.

Under no circumstances shall the Escrow Agent be entitled to assert a lien against the cash held in the Escrow Fund to provide security for the payment of the fees described in this Section.

ARTICLE V

MISCELLANEOUS

Section 5.1 Severability of Provisions. If any one or more of the covenants or agreements provided in this Agreement on the part of the parties hereto to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenant or agreement shall be deemed and construed to be severable from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Agreement.

Section 5.2 Execution in Counterparts. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as an original and shall constitute and be but one and the same instrument.

Section 5.3 Applicable Law. This Agreement shall be governed by the laws of the State of California applicable to contracts made and performed in said State.

Section 5.4 Notices. All notices, demands and formal actions under this Agreement shall be in writing and mailed, telegraphed or delivered to:

The District: Rancho Santiago Community College District
 2323 North Broadway
 Santa Ana, California 92706
 Attention: Vice President, Finance and Administrative Services

The Escrow Agent: Wells Fargo Bank, National Association

 Los Angeles, California 90071
 Attention:

Section 5.5 Amendments. This Agreement may be modified or amended at any time by a supplemental agreement which shall become effective when the written consent of the Owners of one hundred percent (100%) in aggregate principal amount of the Refunded Bonds then unpaid as to principal shall have been filed with the Escrow Agent. This Agreement may be modified or amended at any time by a supplemental agreement, without the consent of any such Owners, but only: (i) to add to the covenants and agreements of any party, other covenants to be observed, or to surrender any right or power herein or therein reserved to the District; (ii) to cure, correct or supplement any ambiguous or defective provision contained herein; or (iii) in regard to questions arising hereunder as the parties hereto or thereto may deem necessary or desirable and which, in the opinion of counsel provided to the Escrow Agent, shall not materially adversely affect the interests of the Owners of the Refunded Bonds, and will not cause interest on the Refunded Bonds to become subject to inclusion in gross income for purposes of federal income taxation.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the District has entered into this Escrow Deposit and Trust Agreement with the Escrow Agent as of the date first above written.

RANCHO SANTIAGO COMMUNITY
COLLEGE DISTRICT

By: _____
Vice Chancellor, Business
Operations/Fiscal Services

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Escrow Agent

By: _____
Authorized Officer

SCHEDULE A
DESCRIPTION OF THE ESCROWED SECURITIES

Exhibit A-2 from Verification Report

SCHEDULE B

DEBT SERVICE REQUIREMENTS

(Exhibits B-3 through B-6 from the Verification Report)

SCHEDULE C

The Depository Trust Company
55 Water Street
New York, New York 10041
Telecopy: (212) 855-7320

Financial Information, Inc.
1 Cragwood Road, 2nd Floor
South Plainfield, New Jersey 07083
Attention: Editor

Mergent, Inc.
585 Kingsley Park Drive
Fort Mill, South Carolina 29715
Attention: Called Bond Department

Municipal Securities Rulemaking Board
EMMA – Electronic Municipal Market Access
<http://emma.msrb.org>

SCHEDULE D
FORM OF
NOTICE OF DEFEASANCE

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
(Orange County, California)
20__ General Obligation Refunding Bonds

Notice is hereby given to the owners of certain of the above-captioned general obligation bonds of the Rancho Santiago Community College District (the “Bonds”) that moneys, together with investment earnings thereon, sufficient to provide for the payment of the principal of and interest on the designated portion of the Bonds listed below have been set aside in an Escrow Fund established under that certain Escrow Agreement, dated as of _____, 2020 (the “Escrow Agreement”), by and between Rancho Santiago Community College District and Wells Fargo Bank, National Association, as Escrow Agent (the “Escrow Agent”), and verified for such purpose by Causey Demgen & Moore P.C. as Verification Agent.

<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount⁽¹⁾</u>	<u>CUSIP</u> <u>Number^(*)</u> <u>(752147)</u>
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⁽¹⁾ The Bonds will be redeemed at par on September 1, 20__.

^(*) The Escrow Agent shall not be held responsible for the selection or use of the CUSIP numbers, nor is any representation made as to their correctness. It is included solely for the convenience of the Owners of the Bonds; Bonds shall be paid by lot within each maturity.

RANCHO SANTIAGO COMMUNITY
COLLEGE DISTRICT

By: Wells Fargo Bank, National Association, as
Escrow Agent

SCHEDULE E
FORM OF
NOTICE OF REDEMPTION TO THE OWNERS OF

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
(Orange County, California)
20__ General Obligation Refunding Bonds

Notice is hereby given to the owners of certain Rancho Santiago Community College District 20__ General Obligation Refunding Bonds (the “Bonds”) that the Bonds, originally issued on [March 14, 2012][January 17, 2013], maturing in the years and as identified below, are subject to optional redemption in accordance with that certain Resolution adopted by the Board of Trustees of the Rancho Santiago Community College District on [February 27, 2012][December 10, 2012] at a redemption price of 100% of par, plus accrued or accreted interest thereon, on September 1, 20[23][24].

Maturity Date (September 1)	Principal Amount⁽¹⁾	Interest Rate	CUSIP Number⁽²⁾ (752147)
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⁽¹⁾ Bonds will be redeemed at par on September 1, 20[23][24].

⁽²⁾ The Escrow Agent shall not be held responsible for the selection or use of CUSIP numbers, nor is any representation made as to their correctness. They are included solely for the convenience of the Owners of the Bonds.

On [September 1, 20[23][24], all of the Bonds to be redeemed will become due and payable at the redemption price aforesaid and payment will be made upon presentation and surrender to the Escrow Agent for the Bonds at:

Wells Fargo Bank, National Association

From and after [September 1, 20[23][24], the principal of and interest on the Bonds called for redemption shall cease to accrue and be payable.

All Owners submitting their Bonds for redemption must also submit a form W-9. Failure to provide a completed form W-9 will result in a 28% backup withholding to the Owners of the Bonds pursuant to the Interest and Dividend Tax Compliance Act of 1993.

Dated: _____, 20__*

RANCHO SANTIAGO COMMUNITY
COLLEGE DISTRICT

By: WELLS FARGO BANK, NATIONAL
ASSOCIATION, As Escrow Agent

* Notice must be given at least 20 but no more than 45 days prior to the redemption date.

NEW ISSUE—BOOK ENTRY ONLY

RATINGS: S&P: “__”
Moody’s: “__”
(See “RATINGS” herein.)

Interest on the Bonds is not excluded from gross income for federal income tax purposes. Bond Counsel is of the opinion that interest on the Bonds is exempt from personal income taxes of the State of California (the “State”) under present State law. See “TAX MATTERS” herein regarding certain other tax considerations.

\$ _____ *
RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
(Orange County, California)
GENERAL OBLIGATION REFUNDING BONDS
2020 SERIES A-1
(Federally Taxable)

Dated: Date of Delivery

Due: September 1, as shown on inside cover.

The above-captioned bonds (the “Bonds”) offered hereunder by the Rancho Santiago Community College District (the “District”) are being issued to refund bonds of the District authorized at a bond election conducted within the District on November 6, 2002 (the “Election”), at which more than 55% of the voters within the District voting on the measure voted to approve the issuance by the District of \$337,000,000 aggregate principal amount of bonds, as more fully described herein under the caption “INTRODUCTION.” The proceeds of the Bonds are being used to (i) provide for the defeasance of certain maturities of the bonds issued under the Election, and (ii) pay certain costs of issuance associated therewith, as more fully described herein under the caption “PLAN OF REFUNDING.” The Bonds will be issued in denominations of \$5,000 principal amount or integral multiples thereof, and are payable as to principal amount or redemption price at the office of Wells Fargo Bank, National Association, as Paying Agent (the “Paying Agent”). No further general obligation bonds of the District may be issued pursuant to the authorization approved by the voters at the Election.

The Bonds will be issued as current interest bonds, maturing on the dates and in the amounts and bearing interest at the rates shown on the inside cover hereof. Interest on the Bonds is payable commencing March 1, 2021, and semiannually thereafter on March 1 and September 1 of each year. See “THE BONDS” herein.

The Bonds are issued in fully registered form and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”). DTC will act as securities depository of the Bonds as described herein under the caption “THE BONDS – Book-Entry Only System.”

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

The Bonds are general obligations of the District only and are not obligations of Orange County, of the State of California or of any of its other political subdivisions. The Board of Supervisors of Orange County has the power and is obligated to levy and collect *ad valorem* property taxes for each fiscal year upon the taxable property within the District in an amount at least sufficient, together with other moneys available for such purpose, to pay the principal of, and premium, if any, and interest on each Bond as the same becomes due and payable.

MATURITY SCHEDULE
(On Inside Cover)

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The Bonds will be offered when, as and if issued and received by Piper Sandler & Co. (the “Underwriter”) subject to the approval of legality by Nixon Peabody LLP, San Francisco, California, Bond Counsel, and certain other conditions. Nixon Peabody LLP is also acting as Disclosure Counsel for the issue. Certain legal matters will be passed upon for the Underwriter by its counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California. It is anticipated that the Bonds will be available through the facilities of DTC on or about September __, 2020.

PIPER SANDLER & Co.

Dated: August __, 2020.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

* Preliminary, subject to change.

MATURITY SCHEDULE

\$ _____ *
RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
(Orange County, California)
GENERAL OBLIGATION REFUNDING BONDS
2020 SERIES A-1
(Federally Taxable)

Base CUSIP[†]: 752147

<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP No.[†]</u>
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* Preliminary, subject to change.

^c Yield to call at par on September 1, 20__.

[†] CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This information is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the District or the Underwriter and are included solely for the convenience of the registered owners of the applicable Bonds. Neither the District nor the Underwriter is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

No dealer, broker, salesperson or other person has been authorized by the District to provide any information or to make any representations other than as contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly described herein, are intended solely as such and are not to be construed as a representation of facts.

The information set forth herein, other than that provided by the District, has been obtained from sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District.

The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. Although certain information set forth in this Official Statement has been provided by Orange County, Orange County has not approved this Official Statement and is not responsible for the accuracy or completeness of the statements contained in this Official Statement.

The Bonds have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), or the Securities Exchange Act of 1934, as amended (the "Exchange Act"), in reliance upon exemptions contained in Section 3(a)2 of the Securities Act and Section 3(a)12 of the Exchange Act, and have not been registered or qualified under the securities laws of any state.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, 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 THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS, BANKS OR OTHERS AT PRICES LOWER OR HIGHER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

Statements included or incorporated by reference in the following information constitute "forward looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the Exchange Act, and Section 27A of the Securities Act. Such statements are generally identifiable by the terminology used such as "plan," "project," "expect," "estimate," "budget" or other similar words. The achievement of results or other expectations contained in forward looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Actual results may differ from the District's forecasts. The District is not obligated to issue any updates or revisions to the forward looking statements in any event.

The District maintains a website and social media accounts. However, the information presented on such website or social media accounts is not part of this Official Statement and should not be relied upon in making investment decisions with respect to the Bonds. Various other websites referred to in this Official Statement are not incorporated herein by such references.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
Orange County, State of California

Board of Trustees

Claudia C. Alvarez, *President*
Phillip E. Yarbrough, *Vice President*
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Mr. Marvin Martinez, Chancellor
Mr. Peter J. Hardash, Vice Chancellor, Business Operations/Fiscal Services
Mr. Enrique Perez, Vice Chancellor, Educational Services
Ms. Tracie Limeburner-Green, Vice Chancellor, Human Resources
Marilyn Flores, Ph.D., Interim President, Santa Ana College
John C. Hernandez, Ph.D., President, Santiago Canyon College

SPECIAL SERVICES

Underwriter

Piper Sandler & Co.
El Segundo, California

Bond Counsel and Disclosure Counsel

Nixon Peabody LLP
San Francisco, California

Municipal Advisor

Fieldman, Rolapp & Associates, Inc.
Irvine, California

Paying Agent

Wells Fargo Bank, National Association
Los Angeles, California

TABLE OF CONTENTS

	Page
INTRODUCTION	1
General	1
Plan of Refunding	1
The District	1
Improvement District Refunding Bond Issue	2
Description of the Bonds	2
Bond Owner’s Risks	3
Continuing Disclosure	4
Forward-Looking Statements.....	4
PLAN OF REFUNDING	4
ESTIMATED SOURCES AND USES OF FUNDS	5
THE BONDS	5
Authority for Issuance and Security for the Bonds.....	5
Description of the Bonds	5
Payment of the Bonds	6
Redemption.....	6
Selection of Bonds for Redemption.....	7
Notice of Redemption.....	7
Conditional Redemption	8
Partial Redemption of Bonds	8
Effect of Notice of Redemption	8
Transfer and Exchange	8
Discharge and Defeasance	8
Book-Entry Only System.....	9
Permitted Investments.....	9
DEBT SERVICE SCHEDULE.....	10
SECURITY AND SOURCES OF PAYMENT FOR THE BONDS	11
General.....	11
Assessed Valuations – Constitutional and Statutory Initiatives.....	11
Assessed Valuations of the District	12
Appeals of Assessed Value; Proposition 8 Reductions	15
California Senate Bill 222.....	16
Proposition 50 and Proposition 171	16
Effect of Natural Disasters on Assessed Valuations.....	17
<i>Ad Valorem</i> Property Tax Rates, Levies, Collections and Delinquencies	18
Alternative Method of Tax Apportionment – Teeter Plan	20
Tax Rates	20
Largest Taxpayers.....	21
District Debt.....	21
TAX MATTERS.....	24
U.S. Holders.....	24
Taxation of Interest Generally	24
Recognition of Income Generally	25
Original Issue Discount.....	25
Market Discount	26
Bond Premium	27

TABLE OF CONTENTS
(continued)

	Page
Surtax on Unearned Income.....	27
Sale or Redemption of the Bonds	27
Non-U.S. Holders	27
Information Reporting and Backup Withholding	29
State Taxes.....	30
Changes in Law and Post Issuance Events	30
CONSIDERATIONS FOR ERISA AND OTHER U.S. BENEFIT PLAN INVESTORS	30
LEGAL OPINION	32
LEGALITY FOR INVESTMENT.....	32
RATINGS	32
LEGAL MATTERS.....	33
Continuing Disclosure	33
Limitation on Remedies; Amounts Held in the County Treasury Pool	33
California Senate Bill 222.....	33
Special Revenues	34
UNDERWRITING	35
NO LITIGATION.....	35
VERIFICATION.....	36
MUNICIPAL ADVISOR.....	36
OTHER INFORMATION	37
APPENDIX A – FINANCIAL AND DEMOGRAPHIC INFORMATION RELATING TO THE DISTRICT.....	A-1
APPENDIX B – FORM OF BOND COUNSEL OPINION.....	B-1
APPENDIX C – AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2019.....	C-1
APPENDIX D – FORM OF CONTINUING DISCLOSURE UNDERTAKING	D-1
APPENDIX E – BOOK-ENTRY ONLY SYSTEM.....	E-1
APPENDIX F – ORANGE COUNTY EDUCATIONAL INVESTMENT POOL DISCLOSURE.....	F-1
APPENDIX G – ORANGE COUNTY INVESTMENT POLICY STATEMENT	G-1

§ _____ *

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
(Orange County, California)
GENERAL OBLIGATION REFUNDING BONDS,
2020 SERIES A-1
(Federally Taxable)

INTRODUCTION

General

The Rancho Santiago Community College District (the “District”) proposes to issue \$ _____ * aggregate principal amount of Rancho Santiago Community College District General Obligation Refunding Bonds, 2020 Series A-1 (Federally Taxable) (the “Bonds”), pursuant to the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the “Act”), and other applicable laws and regulations of the State of California (the “State”), an authorization received from the District’s voters at an election conducted on November 6, 2002, at which more than 55% of the persons voting on the proposition voted to authorize the issuance of \$337,000,000 principal amount of general obligation bonds of the District (the “Authorization”), and a resolution adopted by the Board of Trustees of the Rancho Santiago Community College District (the “Board”) on July [13], 2020 (the “Resolution”). No additional general obligation bonds of the District remain to be issued under the Authorization.

Plan of Refunding

The Bonds are being issued to effect the defeasance and refunding of certain maturities of the Rancho Santiago Community College District 2012 General Obligation Refunding Bonds (the “2012 Prior Bonds”) and the Rancho Santiago Community College District 2013 General Obligation Refunding Bonds (the “2013 Prior Bonds” and, together with the 2012 Prior Bonds, the “Prior Bonds”), each originally issued to refund certain general obligation bonds issued by the District pursuant to the Authorization. Those Prior Bonds redeemed from the proceeds of sale of the Bonds are called the “Refunded Bonds.”

Proceeds from the sale of the Bonds will be used to (i) make a deposit into the Escrow Fund established for the defeasance and refunding of the Refunded Bonds and (ii) pay related costs of issuance of the Bonds. See “PLAN OF REFUNDING.” The District will enter into an Escrow Deposit and Trust Agreement (the “Escrow Agreement”) with Wells Fargo Bank, National Association, in its capacity as Escrow Agent, under the terms of which an Escrow Fund (the “Escrow Fund”) will be established to provide for the timely payment of interest on and the redemption price of the several series of Refunded Bonds. The sufficiency of the Escrow Fund to effect the within-described refunding will be verified by a report delivered on the date of delivery of the Bonds by Causey Demgem & Moore P.C., as Verification Agent. See “VERIFICATION” herein.

The District

The District was established in 1971. The District encompasses approximately 193 square miles in Orange County (the “County”). The District maintains two comprehensive community colleges, each providing collegiate level instruction across a wide spectrum of subjects. Santa Ana College, founded in 1915, is located in Santa Ana and Santiago Canyon College, founded in 1997, is located in Orange. The District also provides comprehensive college and continuing education programs at the Centennial Continuing Education Center, the Orange Continuing Education Center, the Santa Ana College Orange

County Sheriff's Regional Training Academy, the Digital Media Center, the Orange County Regional Fire Training Center, and various other sites throughout the District. The District serves a resident population of over 700,000, and includes portions of Santa Ana, Orange, Anaheim, Irvine, Garden Grove, Tustin, Villa Park, Costa Mesa, and Fountain Valley.

The total assessed valuation of the District for fiscal year 2018-19 was \$77,480,056,698 and for fiscal year 2019-20 is \$81,695,095,418. The District's total enrollment for fiscal year 2019-20 was _____ students (full-time and part-time), with approximately _____ California resident full-time equivalent students ("FTES") and _____ non-resident FTES. The District projects total enrollment for fiscal year 2020-21 to be _____ students (full-time and part-time), with approximately _____ California resident FTES and _____ non-resident FTES. The District has certain existing lease obligations as set forth in APPENDIX A and direct and overlapping bonded indebtedness as set forth under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS –District Debt" herein. The District's audited financial statements for fiscal year 2018-19 are attached hereto as APPENDIX C. For further information concerning the District, see APPENDICES A and C attached hereto.

Improvement District Refunding Bond Issue.

The Board acts as the governing board of the Santa Ana College Improvement District No. 1 of the Rancho Santiago Community College District (the "Improvement District" or "SFID No. 1.") The Improvement District encompasses approximately 35 square miles, representing approximately 18.1% of the territory of the District. The total assessed valuation of the Improvement District for fiscal year 2018-19 was \$40,937,907,918 and for fiscal year 2019-20 is \$43,271,832,743, respectively, representing approximately 53% of the assessed valuation of the District. The Improvement District was formed following a public hearing on July 21, 2008, pursuant to the provisions of Chapter 2 of Part 10 of Division 1 of Title 1 of the California Education Code (the "Education Code") and proceedings taken by the District.

On or about the date of issuance of the Bonds, the Improvement District intends to issue its General Obligation Refunding Bonds, 2020 Series A-2 (the "Improvement District Refunding Bonds"), for the purposes of refunding all or a portion of its General Obligation Bonds, Election of 2012, 2014 Series A (the "Improvement District Prior Bonds"). The Improvement District Prior Bonds were issued to under an authorization received pursuant to a duly called election held within the boundaries of the Improvement District on November 6, 2012.

The issuance of the Improvement District Refunding Bonds is not conditioned on the issuance of the Bonds, and the issuance of the Bonds is not conditioned on the issuance of the Improvement District Refunding Bonds. No assurance can be given that the Improvement District Refunding Bonds will in fact be issued, or if so, the timing of such issuance. The Improvement District Refunding Bonds are not a debt of the District, nor will they be secured by the *ad valorem* property tax levied and collected to secure the Bonds.

Description of the Bonds.

Form and Registration. The Bonds will be issued in the form of current interest bonds, in fully registered form only, and will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), who will act as securities depository for the Bonds. See "THE BONDS – Book-Entry-Only System" herein and APPENDIX E – "BOOK-ENTRY-ONLY SYSTEM" hereto. Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interests in the Bonds purchased. In the event that the book-entry-only

system described herein is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Resolution.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the “Owners,” “Bondowners,” or “Holders” of the Bonds (other than under the caption “TAX MATTERS” will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds.

Denominations. The Bonds will be issued in initial denominations of \$5,000 or any integral multiple thereof.

Redemption. The Bonds are subject to redemption prior to their stated maturity as further described herein. See “THE BONDS –Redemption” herein.

Payments. The Bonds will be dated as of their initial date of delivery (the “Date of Delivery”), and interest on the Bonds will accrue from the Date of Delivery, and is payable semiannually on each March 1 and September 1 of each year (each, an “Interest Payment Date”), commencing March 1, 2021. The principal amount of the Bonds is payable at maturity or at earlier redemption upon surrender of the applicable Bond for payment. Payments of the principal of and interest on the Bonds will be made by The Bank of New York Mellon Trust Company, N.A., as the initial paying agent for the Bonds, (the “Paying Agent”) to DTC for subsequent distribution through DTC Participants (the “DTC Participants”) to the Beneficial Owners of the Bonds. “Principal” or “Principal Amount” means, as of any date of calculation, with respect to any Bond, the principal amount thereof, or with respect to capital appreciation bonds, the accreted value thereof.

Bond Owner’s Risks

The Bonds are general obligations of the District only, payable from *ad valorem* property taxes which may be levied upon all taxable property in the District, without limitation as to rate or amount (except with respect to certain personal property which is taxable at limited rates). For more complete information regarding taxation of property within the District, see “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.”

The outbreak of a new strain of coronavirus (“COVID-19”), a respiratory tract illness first identified in Wuhan, China, has spread to numerous countries across the globe, including the U.S. The District cannot predict the extent or duration of the outbreak or what overall impact it may have on the District’s financial condition or operations, or if there will be any impact on the assessed values of property within the District or collections or delinquencies of the *ad valorem* property tax securing the Bonds. Any financial information, including projections, forecasts and budgets presented herein do not yet account for the potential effects of COVID-19, unless specifically referenced. For further information concerning the potential effects of the COVID-19 outbreak (i) on the security and source of payment for the Bonds, see “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Appeals of Assessed Value; Proposition 8 Reductions” and “– Ad Valorem Property Taxes, Tax Rates, Levies, Collections and Delinquencies,” and (ii) on the District’s operations and finances, see APPENDIX A – “THE DISTRICT – Risks Related to COVID-19.”

In addition, on June 29, 2020, the State adopted its budget for Fiscal Year 2020-21 (the “2020-21 State Budget”) which acknowledged the substantial impact of the COVID-19 pandemic and subsequent economic disruption on the State’s general fund, and corresponding impacts on funding of community college districts. See APPENDIX A – “THE DISTRICT – Fiscal Year 2020-21 State Budget” for additional information on the effect of COVID-19 pandemic on the State and its funding of community college districts.

Continuing Disclosure

Pursuant to that certain Continuing Disclosure Agreement (defined herein) relating to the Bonds, the District will covenant for the benefit of the Owners and Beneficial Owners of the Bonds to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain listed events, in compliance with Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission. The specific nature of the information to be made available and of the notices of listed events is summarized under “LEGAL MATTERS – Continuing Disclosure” herein and in APPENDIX D – “FORM OF CONTINUING DISCLOSURE AGREEMENT” attached hereto.

Forward-Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “intend,” “expect,” “estimate,” “project,” “budget,” or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information regarding the District herein.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES, AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED FROM SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

PLAN OF REFUNDING

The net proceeds of sale of the Bonds will be used to effect an advance refunding of the Refunded Bonds and to provide for the costs of issuance of the Bonds. Until the first optional redemption dates for the Refunded Bonds, a portion of the net proceeds of the Bonds will be invested under the terms of the Escrow Agreement, as show in the table below. As provided in the Escrow Agreement, the net proceeds of the Refunding Bonds deposited into the Escrow Fund will be invested in noncallable direct obligations issued by the United States Treasury (including State and Local Government Series Obligations) or obligations which are unconditionally guaranteed by the United States of America, and permitted under Section 149(b) of the Code (defined below) and Regulations which, in the opinion of nationally recognized bond counsel, will not impair the exclusion from gross income for federal income tax purposes of interest on such Refunded Bonds. On the applicable redemption date, amounts available under the Escrow Agreement will be applied to the redemption price of the Refunded Bonds. Investments under the Escrow Agreement will be verified as sufficient to pay interest on and the redemption price of, the several series of Refunded Bonds, evidenced by a Verification Report to be provided on the date of delivery of the Bonds by Causey Demgen & Moore, P.C (the “Verification Agent”). See “VERIFICATION” herein. As a result of the application and investment of the proceeds of the Refunding Bonds as described above, and assuming the accuracy of the Underwriter’s and Verification Agent’s computations, the Refunded Bonds will be considered defeased, and the obligation of the County to levy *ad valorem* property taxes for the payment thereof will terminate.

The District currently plans to refund those 2012 Prior Bonds maturing on September 1, 2023 through September 1, 2027, inclusive, and those 2013 Prior Bonds maturing on September 1, 2024 through September 1, 2026, inclusive. However, the particular maturity dates and Principal Amounts, or portions thereof, of the Prior Bonds to be refunded with proceeds of the Refunding Bonds are subject to market conditions at the time of sale of the Refunding Bonds and will be selected by the District at the time of sale of the Refunding Bonds. Those particular maturity dates and principal amounts, or portions thereof, of the Prior Bonds which are selected for refunding at such time are referred to herein as the “Refunded Bonds.”

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds in connection with the Bonds are as follows:

Source of Funds	
Principal Amount	
<i>Plus</i> Original Issue Premium	
Total Sources	_____
	=====
Uses of Funds	
Escrow Fund	
Costs of Issuance ⁽¹⁾	
Total Uses	_____
	=====

⁽¹⁾ Costs of issuance include, but are not limited to, Underwriter’s discount, Municipal Advisor fees, printing and rating costs, fees and expenses of the Paying Agent, Verification Agent, Escrow Agent and Bond and Disclosure Counsel.

THE BONDS

Authority for Issuance and Security for the Bonds

The Bonds are general obligations of the District. The District received authorization to issue \$337,000,000 of its general obligation bonds at an election held on November 6, 2002, by more than fifty-five percent of the votes cast on the ballot proposition by eligible voters within the District. All bonds authorized at the election have been issued; the Bonds are being issued by the District under the Act and other applicable laws and regulations of the State, and pursuant to the Resolution in order to refund certain maturities of the Prior Bonds.

The Board of Supervisors of the County has the power and is obligated to levy *ad valorem* property taxes upon all property subject to taxation within the District, without limitation as to rate or amount (except certain personal property, which is taxable at limited rates), for the payment of principal of and interest on the Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.”

Description of the Bonds

The Bonds will be dated their date of delivery and will be issued in denominations of \$5,000 or integral multiples thereof. The Bonds will mature on the dates and in the amounts and bear interest at the rates per annum all as set forth on the inside cover page of this Official Statement. **The Bonds are not subject to acceleration.**

Payment of the Bonds

The Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of DTC. DTC will act as securities depository for the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Owners or registered owners shall mean Cede & Co. as aforesaid, and shall not mean the Beneficial Owners (as defined in APPENDIX E hereto) of the Bonds.

So long as Cede & Co. is the registered owner of the Bonds, principal of and interest, or premium, if any, on the Bonds are payable by wire transfer of New York Clearing House or equivalent next-day funds or by wire transfer of same day funds by the Paying Agent, to Cede & Co., as nominee for DTC. DTC is obligated, in turn, to remit such amounts to the DTC participants (“DTC Participants”) for subsequent disbursement to the Beneficial Owners. See APPENDIX E – “BOOK-ENTRY ONLY SYSTEM” herein.

The Bonds will be issued as current interest bonds with principal payable at the maturity dates of the Bonds or their earlier redemption. Interest on the Bonds shall be computed using a year of 360 days comprising twelve 30-day months. Interest on the Bonds is payable on March 1 and September 1 in each year (each, an “Interest Payment Date”), commencing on March 1, 2021, to the registered owner thereof (each, an “Owner”) as of the close of business on the fifteenth calendar day of the month preceding any Interest Payment Date (a “Record Date”). Interest on each Bond will be payable from the Interest Payment Date next preceding the date of registration thereof, unless (i) it is registered after the close of business on any Record Date and before the close of business on the immediately following Interest Payment Date, in which event interest thereon shall be payable from such following Interest Payment Date; or (ii) it is registered prior to the close of business on the first Record Date, in which event, interest shall be payable from its dated date; provided, however, that if at the time of registration of any Bond interest thereon is in default, interest thereon shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment. Payment of interest on the Bonds will be made on each Interest Payment Date by check or draft of the Paying Agent sent by first-class mail, postage prepaid, to the Owner thereof on the Record Date, or by wire transfer to any Owner of \$1,000,000 or more of such Bonds, to the account specified by such Owner in a written request delivered to the Paying Agent on or prior to the Record Date; provided however, that payments of defaulted interest shall be payable to the person in whose name such Bond is registered at the close of business on a special record date fixed therefor by the Paying Agent. Principal shall be payable in the years and amounts set forth on the inside cover page of this Official Statement.

Redemption

Optional Redemption. The Bonds maturing on or before September 1, 20__, are not subject to optional redemption prior to their respective stated maturity dates. The Bonds maturing on or after September 1, 20__, may be redeemed before maturity, at the option of the District, from any source of available funds, in whole or in part on any date on or after September 1, 20__, at par, together with interest accrued thereon to the date of redemption, without premium.

Mandatory Sinking Fund Redemption. The Bonds maturing on September 1, 20__, are subject to mandatory sinking fund redemption prior to their stated maturity in part (by lot) on each September 1 on or after September 1, 20__, at a redemption price equal to 100% of their principal amount, together with accrued interest thereon to the date fixed for redemption, without premium, on the dates and in the aggregate principal amounts listed below:

**Mandatory Sinking
Fund Payment Date
(September 1)**

**Mandatory Sinking
Fund Payment**

\$

(1)

⁽¹⁾ Maturity.

Selection of Bonds for Redemption

Whenever provision is made for the redemption of Bonds and less than all outstanding Bonds are to be redeemed, the Paying Agent, upon written instruction from the District, shall select maturities of Bonds for redemption in such manner as the District shall direct, or in the absence of such direction, by lot. Within a maturity, the Paying Agent shall select Bonds for redemption in such manner as the District shall direct, or in the absence of such direction, by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine; *provided, however*, that the portion of any Bond to be redeemed in part shall be in the principal amount of \$5,000 or any integral multiple thereof.

Notice of Redemption

When redemption is authorized or required pursuant to the Resolution, the Paying Agent shall give notice (each, a “Redemption Notice”) of the redemption of the Bonds. Such Redemption Notice shall specify: (a) the Bonds or designated portions thereof (in the case of any Bond to be redeemed in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the principal amount of such Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part. Such Redemption Notice shall further state (A) that on the specified date there shall become due and payable upon each Bond or portion thereof being redeemed the redemption price thereof, and (B) that from and after such date, interest on Bonds shall cease to accrue and be payable.

The Paying Agent shall take the following actions with respect to each such Redemption Notice: (i) at least 20 days but not more than 45 days prior to the redemption date, such Redemption Notice shall be given to the respective Owners of the Bonds designated for redemption by first-class mail, postage prepaid, at their addresses appearing on the bond register, and to the Municipal Securities Rulemaking Board (the “MSRB”); and (ii) in the event the Bonds are no longer held in book-entry form, at least 35 but not more than 45 days prior to the redemption date, such Redemption Notice shall be given by (x) (1) first-class mail, postage prepaid, (2) telephonically confirmed facsimile transmission, or (3) overnight delivery service, to each of the Securities Depositories (defined below), and (y) (i) first class mail, postage prepaid, or (ii) overnight delivery service to the MSRB.

The “Securities Depositories” shall mean DTC and, in accordance with then-current guidelines of the Securities and Exchange Commission, such other securities depositories as the District may designate in a certificate delivered to the Paying Agent.

Neither failure to receive any Redemption Notice nor any defect in any such Redemption Notice so given shall affect the sufficiency of the proceedings for the redemption of the affected Bonds. Each

check issued or other transfer of funds made by the Paying Agent for the purpose of redeeming Bonds shall bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

Conditional Redemption

Any Redemption Notice may be made conditional upon the satisfaction of certain conditions and/or the receipt of sufficient moneys to pay the redemption price of the designated Bonds and may be rescinded by the District at any time prior to the scheduled date of redemption by so notifying the Paying Agent, who shall notify the Owners of the affected Bonds and the MSRB in the event such conditions are not met or are not expected to be met and/or such funds are not received or expected to be received, in the same manner in which the Redemption Notice was originally given.

Partial Redemption of Bonds

Upon the surrender of any Bond redeemed in part only, the Paying Agent shall execute and deliver to the Owner thereof a new Bond or Bonds of like tenor and maturity and of authorized denominations equal in principal amount to the unredeemed portion of the Bond surrendered. Such partial redemption shall be valid upon payment of the amount required to be paid to such Owner, and the District shall be released and discharged thereupon from all liability to the extent of such payment.

Effect of Notice of Redemption

Notice having been given as required in the Resolution, and the moneys for redemption (including the interest to the applicable date of redemption) having been set aside in the debt service fund of the District (the "Debt Service Fund"), the Bonds to be redeemed shall become due and payable on such date of redemption.

If on such redemption date, money for the redemption of all the Bonds to be redeemed, together with interest to such redemption date, shall be held by the Paying Agent so as to be available therefor on such redemption date, and if notice of redemption thereof shall have been given, then from and after such redemption date, interest on the Bonds to be redeemed shall cease to accrue and become payable.

Transfer and Exchange

Any Bond may be exchanged for Bonds of like tenor, maturity and principal amount and transferred upon the bond registrar upon presentation and surrender of such Bond at the office of the Paying Agent, together with an assignment executed by the Owner or a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent shall complete, authenticate and deliver a new Bond or Bonds of like tenor and maturity and of any authorized denomination or denominations requested by the Owner equal to the principal amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

Discharge and Defeasance

All or any portion of the outstanding Bonds shall be paid and discharged in any one of the following ways:

(a) by paying or causing to be paid the principal of, premium, if any, and interest on all Bonds outstanding, and when the same become due and payable;

(b) by depositing with the Paying Agent, or with a duly appointed escrow agent, in trust, at or before maturity, cash which, together with the amounts then on deposit in the Debt Service Fund (and the accounts therein other than amounts that are not available to pay debt service) together with the interest to accrue thereon without the need for further investment, is fully sufficient to pay such Bonds at maturity thereof, including any premium and all interest thereon, notwithstanding that any Bonds shall not have been surrendered for payment; or

(c) by depositing with an institution which meets the requirements for acting as a successor Paying Agent pursuant to the Resolution selected by the District, in trust, lawful money or noncallable direct obligations issued by the United States Treasury (including State and Local Government Series) or obligations which are unconditionally guaranteed by the United States of America, or “prerefunded” municipal obligations rated in the highest category by Moody’s or S&P, in such amount as will, together with the interest to accrue thereon without the need for further investment, be fully sufficient to pay and discharge all Bonds outstanding at maturity thereof, including any premium and all interest thereon, for which notice has been given or provided for, notwithstanding that any Bonds shall not have been surrendered for payment;

then all obligations of the District and the Paying Agent under the Resolution with respect to the affected Bonds shall cease and terminate, except only the obligation of the Paying Agent to pay or cause to be paid to the Owners of the Bonds all sums due thereon, and the obligation of the District to pay the Paying Agent amounts owing to the Paying Agent under the Resolution.

Book-Entry Only System

The Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of DTC. DTC will act as securities depository for the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Owners or registered owners shall mean Cede & Co. as aforesaid, and shall not mean the Beneficial Owners of the Bonds. For further information regarding DTC and the book-entry system, see APPENDIX E – “BOOK-ENTRY ONLY SYSTEM” hereto.

Permitted Investments

Under State law, the District is generally required to pay all moneys received from any source into the County treasury to be held on behalf of the District. The proceeds from the sale of the Bonds shall be invested in accordance with the terms of the Escrow Agreement and the authorizing resolutions under which the several series of Prior Bonds were issued. Any premium or accrued interest received by the District from the proceeds of sale of the Bonds will be deposited in the Debt Service Fund in the County treasury.

All funds held by the Orange County Treasurer (the “County Treasurer”) in the Debt Service Fund are expected to be invested at the sole discretion of the County Treasurer, on behalf of the District, in investment pools of the County into which the District may lawfully invest its funds, any such investments as are authorized by Section 53601 and following of the California Government Code and the investment policy of the County, as either may be amended or supplemented from time to time. Under existing law, amounts in the Debt Service Fund are required to be invested in the County treasury and will be invested in the Orange County Educational Investment Pool. At no time shall the proceeds be withdrawn by the District for investment outside the County treasury. See APPENDIX F – “ORANGE COUNTY EDUCATIONAL INVESTMENT POOL DISCLOSURE” and APPENDIX G – “ORANGE COUNTY INVESTMENT POLICY STATEMENT” for a description of the permitted investments under the investment policy of the County.

DEBT SERVICE SCHEDULE

The following table summarizes the debt service requirements for the Bonds of the District, assuming all general obligation bonds are outstanding and paid through their final maturity:

Year Ending (September 1)	Outstanding Bonds Debt Service⁽¹⁾	The Bonds		Total Annual Debt Service
		Annual Principal Payment	Annual Interest Payment	
2021	\$25,803,225.00			
2022	26,334,412.50			
2023	27,685,612.50			
2024	28,682,300.00			
2025	29,592,300.00			
2026	30,663,550.00			
2027	32,226,800.00			
2028	33,772,050.00			
2029	34,960,681.26			
2030	36,190,000.00			
2031	31,785,000.00			
2032	-			
2033	-			
2034	-			
2035	-			
2036	-			
2037	-			
2038	-			
2039	-			
2040	-			
2041	-			
2042	-			
2043	-			
2044	-			
Total	\$337,695,931.26			

⁽¹⁾ Includes the Prior Bonds.

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SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

The Bonds are general obligations of the District, and the Board of Supervisors of the County has the power and is obligated to levy and collect *ad valorem* taxes upon all property within the District subject to taxation by the County, without limitation as to rate or amount (except certain personal property which is taxable at limited rates) for payment of both principal of and interest on the Bonds. There is no remaining unissued amount of general obligation bonds of the District available under the Authorization will have been issued.

Assessed Valuations – Constitutional and Statutory Initiatives

Article XIII A of the California Constitution. Article XIII A of the California Constitution limits the amount of any *ad valorem* tax on real property, to one percent of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness or 55% of voters voting on the proposition. Article XIII A defines full cash value to mean “the county assessor’s valuation of real property as shown on the 1975-76 tax bill under “full cash value,” or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment.” The full cash value may be increased at a rate not to exceed two percent per year to account for inflation.

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

Legislation Implementing Article XIII A. Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The one percent property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the two percent annual adjustment are allocated among the various jurisdictions in the “taxing area” based upon their respective “situs.” Any such allocation made to a local agency continues as part of its allocation in future years.

All taxable property is shown at full market value on the tax rolls, with tax rates expressed as \$1 per \$100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of market value (unless noted differently) and all general tax rates reflect the \$1 per \$100 of taxable value.

On May 29, 2020, the California Secretary of State announced that a ballot initiative to amend the coverage of Proposition 13 (1978) to remove tax protections on commercial and industrial properties had qualified for the November 2, 2020, election. Proposition 13 limited increases in annual increases to property taxes on all real property. At the November 2019 election, a previous initiative authorizing a so-called split roll, with commercial and industrial properties subject to a tax based on market value, failed to

achieve the required majority. The revised initiative would require commercial and industrial properties to be taxed based on their market value, which may then be revised annually, without regard to the Proposition 13 limit of 2.0% per year. The initiative would also create a revised process under the California Constitution for distributing revenues from property taxes, including a provision that, following State and county set-asides, 60% of the remainder of such revenues would be distributed to local governments and special districts and 40% of the remainder to be distributed to school and community college districts. The District cannot predict the outcome of the election on the split-roll initiative nor, if it should pass, what the financial impact on the District's revenues might be.

In addition, on April 22, 2020, a proposed ballot initiative became eligible for the November 2020 Statewide ballot ("Ballot Measure 1864"). If approved by a majority of voters casting a ballot at the November 2020 Statewide election, Ballot Measure 1864 would: (i) expand special rules that give property tax savings to homeowners that are over the age of 55, severely disabled, or whose property has been impacted by a natural disaster or contamination, when they buy a different home; (ii) narrow existing special rules for inherited properties; and (iii) broaden the scope of legal entity ownership changes that trigger reassessment of properties. The District cannot predict whether Ballot Measure 1864 will appear on the Statewide ballot at the November 2020 election or, if it does, whether Ballot Measure 1864 will be approved by a majority of voters casting a ballot. If approved, the District cannot make any assurance as to what effect the implementation of Ballot Measure 1864 will have on assessed valuation of real property in the District.

Assessed Valuations of the District

The assessed valuation of property in the District is established by the Assessor of the County (the "County Assessor"), except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the full value of the property, as defined in Article XIII A of the California Constitution.

The State-reimbursed exemption currently provides a credit of \$7,000 of the full value of an owner-occupied dwelling for which application has been made to the County Assessor. The revenue estimated to be lost to local taxing agencies due to the exemption is reimbursed from State sources. Reimbursement is based upon total taxes due upon such exempt value and is not reduced by any amount for estimated or actual delinquencies.

In addition, certain classes of property such as churches, colleges, not-for-profit hospitals and charitable institutions are exempt from property taxation and do not appear on the tax rolls. No reimbursement is made by the State for such exemptions.

Economic and other factors beyond the District's control, such as a decline in general economic conditions or a general market decline in land values, changes in supply and demand for real property in the area, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or other government regulations such as zoning, or the complete or partial destruction, or the complete or partial destruction of taxable property caused by natural or manmade disaster such as earthquake, fire or wildfire, flood, outbreaks of infectious disease (including the current COVID-19 pandemic), toxic dumping, etc., could cause a reduction in the assessed value of taxable property within the District. See "-- Effect of Natural Disasters on Assessed Valuations" herein.

For fiscal year 2019-20, the District's total assessed valuation was \$_____. Shown in the following tables is information relating to the assessed valuation of property in the District during the

current fiscal year and the past four fiscal years, assessed valuation and parcels by land use in the District, assessed valuation in the District by jurisdiction, and per parcel assessed valuation of single-family homes in the District.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
Summary of Assessed Valuations

	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
2015-16	\$62,538,156,819	\$5,259,241	\$4,128,183,409	\$66,671,599,469
2016-17	65,384,842,316	4,849,069	4,092,159,501	69,481,850,886
2017-18	69,269,530,153	4,848,993	4,154,532,138	73,428,911,284
2018-19	73,356,289,582	8,230,152	4,115,536,955	77,480,056,689
2019-20	77,213,513,764	8,230,152	4,473,351,502	81,695,095,418

Source: California Municipal Statistics, Inc.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
2019-20 Assessed Valuation and Parcels by Land Use

	<u>2019-20 Assessed Valuation⁽¹⁾</u>	<u>% of Total</u>	<u>No. of Parcels</u>	<u>% of Total</u>
<u>Non-Residential:</u>				
Commercial/Office	\$18,314,228,597	23.72%	6,851	5.29%
Industrial	7,940,066,097	10.28	3,590	2.77
Government/Social/Institutional	2,658,015	0.00	3,271	2.53
Miscellaneous	9,058,522	0.01	95	0.07
Subtotal Non-Residential	<u>\$26,266,011,231</u>	<u>34.02%</u>	<u>13,807</u>	<u>10.67%</u>
<u>Residential:</u>				
Single Family Residence	\$37,263,931,176	48.26%	84,651	65.40%
Condominium/Townhouse	6,946,058,507	9.00	20,781	16.06
Mobile Homes	86,566,872	0.11	4,996	3.86
2+ Residential Units/Apartments	6,650,945,978	8.61	5,195	4.01
Subtotal Residential	<u>\$50,947,502,533</u>	<u>65.98</u>	<u>115,623</u>	<u>89.33%</u>
Total	<u>\$77,213,513,764</u>	<u>100.00%</u>	<u>129,430</u>	<u>100.00%</u>

⁽¹⁾ Local Secured Assessed Valuation, excluding tax-exempt property.

Source: California Municipal Statistics, Inc.

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RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
2019-20 Assessed Valuation by Jurisdiction

Jurisdiction	Assessed Valuation in the District	% of District	Assessed Valuation of Jurisdiction	% of Jurisdiction in District
City of Anaheim	\$9,945,006,655	12.17%	\$48,851,452,719	20.36%
City of Costa Mesa	1,162,294,879	1.42	21,157,439,070	5.49
City of Fountain Valley	282,818,928	0.35	10,150,637,700	2.79
City of Garden Grove	5,262,640,912	6.44	17,647,291,388	29.82
City of Irvine	9,823,222,983	12.02	85,045,012,271	11.55
City of Newport Beach	2,377,959,196	2.91	60,744,806,554	3.91
City of Orange	22,614,825,799	27.68	22,844,350,739	99.00
City of Santa Ana	25,193,835,562	30.84	27,943,960,825	90.16
City of Tustin	88,268,815	0.11	13,658,893,858	0.65
City of Villa Park	1,912,173,385	2.34	1,912,173,385	100.00
City of Yorba Linda	423,677,752	0.52	16,292,117,775	2.60
Unincorporated Orange County	2,608,370,552	3.19	31,132,441,986	8.38
Total District	\$81,695,095,418	100.00%		
Orange County	\$81,695,095,418	100.00%		13.06%

Unified School District	Assessed Valuation in District	% of District	Assessed Valuation of USD	% of Jurisdiction in District
Garden Grove Unified School District	\$ 8,200,851,236	10.04%	\$28,284,059,971	28.99%
Orange Unified School District	38,135,061,279	46.68	38,135,061,279	100.00
Santa Ana Unified School District	35,070,981,507	42.93	35,070,981,507	100.00
Tustin Unified School District	288,201,396	0.35	29,577,560,717	0.97
Total District	\$81,695,095,418	100.00%		

Source: California Municipal Statistics, Inc.

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**RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
Per Parcel 2019-20 Assessed Valuation of Single-Family Homes**

	<u>No. of Parcels</u>	<u>2019-20 Assessed Valuation</u>	<u>Average Assessed Valuation</u>	<u>Median Assessed Valuation</u>
Single-Family Residential	84,651	\$37,263,931,176	\$440,207	\$379,603

<u>2019-20 Assessed Valuation</u>	<u>No. of Parcels⁽¹⁾</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>	<u>Total Valuation</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>
\$0 - \$49,999	1,555	1.837%	1.837%	\$ 52,923,938	0.142%	0.142%
\$50,000 - \$99,999	6,738	7.960	9.797	487,325,083	1.308	1.450
\$100,000 - \$149,999	3,725	4.400	14.197	465,899,569	1.250	2.700
\$150,000 - \$199,999	4,800	5.670	19.867	844,115,120	2.265	4.965
\$200,000 - \$249,999	6,919	8.174	28.041	1,566,255,606	4.203	9.168
\$250,000 - \$299,999	7,632	9.016	37.057	2,100,457,918	5.637	14.805
\$300,000 - \$349,999	7,001	8.270	45.237	2,268,972,307	6.089	20.894
\$350,000 - \$399,999	6,597	7.793	53.120	2,472,688,867	6.636	27.530
\$400,000 - \$449,999	6,121	7.231	60.351	2,597,181,761	6.970	34.499
\$450,000 - \$499,999	5,510	6.509	66.860	2,614,578,421	7.016	41.516
\$500,000 - \$549,999	4,531	5.353	72.213	2,376,234,048	6.377	47.893
\$550,000 - \$599,999	4,322	5.106	77.319	2,482,361,230	6.662	54.554
\$600,000 - \$649,999	3,767	4.450	81.769	2,351,320,909	6.310	60.864
\$650,000 - \$699,999	3,039	3.590	85.359	2,046,348,596	5.491	66.355
\$700,000 - \$749,999	2,466	2.913	88.272	1,785,005,387	4.790	71.146
\$750,000 - \$799,999	1,931	2.281	90.553	1,493,402,586	4.008	75.153
\$800,000 - \$849,999	1,437	1.698	92.251	1,184,238,771	3.178	78.331
\$850,000 - \$899,999	1,154	1.363	93.614	1,007,859,644	2.705	81.036
\$900,000 - \$949,999	928	1.096	94.710	857,555,449	2.301	83.337
\$950,000 - \$999,999	670	0.791	95.502	652,530,752	1.751	85.088
\$1,000,000 and greater	3,808	4.498	100.000	5,556,675,214	14.912	100.000
Total	84,651	100.000%		\$37,263,931,176	100.000%	

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

Appeals of Assessed Value; Proposition 8 Reductions

A property owner may appeal a county assessor’s determination of assessed value based on Proposition 8, passed by the voters in November 1978 (“Proposition 8”), or based on a challenge to the base year value of that property.

Proposition 8 requires that for each January 1 lien date, the taxable value of real property must be the lesser of its base year value, annually adjusted by the inflation factor pursuant to Article XIII A of the State Constitution, or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. Property owners may apply for a Proposition 8 reduction of their property tax assessment with the County board of equalization or assessment appeals board. In most cases, an appeal is based on the property owner’s belief that market conditions cause the property to be worth less than its current assessed value. Proposition 8 reductions may also be unilaterally applied by the county assessor.

Any reduction in the assessed value granted as a result of a Proposition 8 appeal or unilateral reassessment by the county assessor applies to the year for which the application or reassessment is made. These reductions are subject to annual review and the assessed values are adjusted back to the original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it becomes subject to the annual inflationary factor growth rate allowed under Article XIII A.

Appeals for reduction in the base year value of an assessment, if successful, reduce the assessment for the year in which the appeal is made and thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the new construction date or change of ownership.

In addition to the above-described taxpayer appeals, county assessors may independently reduce assessed valuations based on changes in the market value of property, or for other factors such as the complete or partial destruction of taxable property caused by natural or man-made disasters, such as earthquakes, floods, fire, wildfire, drought or other toxic contamination pursuant to relevant provisions of the State Constitution. Such reductions are subject to yearly reappraisals by the county assessor and may be adjusted back to their original values when real estate market conditions improve. Once property has regained its prior assessed value, adjusted for inflation, it once again is subject to the annual inflationary growth rate factor allowed under the State Constitution.

The COVID-19 pandemic has resulted in economic disruption that may cause a general market decline in property values, and therefore affect the assessed value of property, in the District. For more information on the impact of the COVID-19 pandemic, see APPENDIX A – “THE DISTRICT – Risks Related to COVID-19.”

The District cannot predict the changes in assessed values that might result from pending or future appeals by taxpayers. Any reduction in aggregate assessed valuation of property within the District due to appeals, as with any reduction in assessed valuation due to other causes, will result in an increase of the tax rate levied upon all property subject to taxation within the District for the payment of principal of and interest on the Bonds, when due.

California Senate Bill 222

On July 13, 2015, the Governor of the State (the “Governor”) signed Senate Bill 222 (“SB 222”) into law, effective January 1, 2016, to clarify the process of lien perfection for general obligation bonds issued by or on behalf of California school and community college districts. By clarifying that the lien created with each general obligation bond issuance is a “statutory” lien (consistent with bankruptcy statutory law and case precedent), SB 222, while it does not prevent default, should reduce the ultimate bankruptcy risk of non-recovery on local general obligation bonds, and thus potentially improve ratings, interest rates and bond cost of issuance. See “LEGAL MATTERS – Limitations on Remedies; – California Senate Bill SB 222; and – Special Revenues” herein for more information on SB 222.

Proposition 50 and Proposition 171

On June 3, 1986, the voters of the State approved Proposition 50 (“Proposition 50”). Proposition 50 amends Section 2 of Article XIII A of the State Constitution to allow owners of property that was “substantially damaged or destroyed” by a disaster, as declared by the Governor (the “Damaged Property”), to transfer their existing base year value (the “Original Base Year Value”) to a comparable replacement property within the same county which is acquired or constructed within five years after the date of the disaster. At the time of such transfer, the Damaged Property will be reassessed at its full cash value immediately prior to damage or destruction (the “Original Cash Value”); however, such property will retain its base year value notwithstanding such a transfer. Property is substantially damaged or destroyed if either the land’s or the improvements’ sustain physical damage amounting to more than 50% of either the land or improvements full cash value immediately prior to the date of the disaster. There is no filing deadline, but the county assessor may only correct four years of assessments when the owner fails to file a claim within four years of acquiring a replacement property.

Under Proposition 50, the base year value of the replacement property (the “Replacement Base Year Value”) depends on the relation of the full cash value of the replacement property (the “Replacement Cash Value”) to the Original Cash Value:

- if the Replacement Cash Value exceeds 120% of the Original Cash Value, then the Replacement Base Year Value is calculated by combining the Original Base Year Value with such excessive Replacement Cash Value;
- if the Replacement Cash Value does not exceed 120% of the Original Cash Value, then the Replacement Base Year Value equals the Original Base Year Value;
- if the Replacement Cash Value is less than the Original Cash Value, then the Replacement Base Year Value equals the Replacement Cash Value;

The replacement property must be comparable in size, utility, and function to the Damaged Property.

On November 2, 1993, the voters of the State approved Proposition 171 (“Proposition 171”). Proposition 171 amends subdivision (e) of Section 2 of Article XIII A of the State Constitution to allow owners of Damaged Property to transfer their Original Base Year Value to a “comparable replacement property” located within another county in the State, which is acquired or newly constructed within three years after the disaster.

Inter-county transfers under Proposition 171 are more restrictive than intra-county transfers under Proposition 50. For example, Proposition 171 (a) only applies to (i) structures that are owned and occupied by property owners as their principal place of residence and (ii) land of a “reasonable size that is used as a site for a residence;” (b) explicitly does not apply to property owned by firms, partnerships, associations, corporations, companies, or legal entities of any kind; (c) only applies to replacement property located in a county that adopts an ordinance allowing Proposition 171 transfers; (d) claims must be timely filed within three years of the date of purchase or completion of new construction; and (e) only applies to comparable replacement property, which has a full cash value that is of “equal or lesser value” than the Original Cash Value.

Within the context of Proposition 171, “equal or lesser value” means that the amount of the Replacement Cash Value does not exceed either (1) 105% of the Original Cash Value when the replacement property is acquired or constructed within one year of the dated destruction, (2) 110% of the Original Cash Value when the replacement property is acquired or constructed within two years of the dated destruction, or (3) 115% of the Original Cash Value when the replacement property is acquired or constructed within three years of the dated destruction.

Effect of Natural Disasters on Assessed Valuations

As referenced under “– Assessed Valuations of the District” herein, assessed valuations are subject to change in each year, and such changes may result from a variety of factors, including natural disasters. In recent years, there have been several notable natural disasters in the State. These include drought conditions throughout the State, which led to a State-wide Drought State of Emergency issued in January, 2014, and certain executive orders issued in 2015 and 2016, aiming to reduce water usage in local communities. The drought was declared to have ended in 2017 in most of the State due to record-level precipitation in late 2016 and early 2017. In addition, major wildfires have occurred in recent years in different regions of the State. The District did not sustain any property losses as a result of these recent fires. However, serious and significant property damage has resulted in other areas of the State due to fire damage. On September 21, 2018, the Governor signed a number of measures into law addressing issues

related to increased wildfire risk in the State, including forest management, mutual aid for fire departments, emergency alerts and safety mandates.

On August 27, 2018, the California Natural Resources Agency released its Fourth Climate Change Assessment, which included as key findings that the frequency of drought and the amount of acres consumed by wildfire in the State would both increase in the future. This report details significant economic impact to the State as a result of these and other natural disasters. The report is publicly available at <http://www.climateassessment.ca.gov/>. The reference to this internet website is shown for convenience only; the information contained within the website may not be current, has not been reviewed by the District and is not incorporated herein by reference.

The District cannot predict or make any representations regarding the effects that natural disasters, such as fire or wildfire, pandemic or outbreak of infectious disease, drought or extended drought conditions, earthquakes, or other related natural or man-made conditions, have or may have on the value of taxable property within the District, or to what extent the effects said natural disasters might have on economic activity in the District or throughout the State. See the heading “– Appeals and Potential Reduction of Assessed Valuations” for more information.

Ad Valorem Property Tax Rates, Levies, Collections and Delinquencies

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1. However, upon a change in ownership of property or completion of new construction, State law permits an accelerated recognition and taxation of increases in real property assessed valuation (known as a “floating lien date”). For assessment and collection purposes, property is classified either as “secured” or “unsecured” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing State assessed property secured by a lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the “unsecured roll.”

The County levies a 1% property tax on behalf of all taxing agencies in the County. The taxes collected are allocated on the basis of a formula established by State law enacted in 1979. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of “situs” growth in assessed value (new construction, change of ownership, inflation) prorated among the jurisdictions which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county-wide or less than city-wide special and school districts. In addition, the County levies and collects additional approved property taxes and assessments on behalf of any taxing agency within the County.

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

Property taxes on the unsecured roll are currently due as of the January 1 lien date prior to the commencement of a fiscal year and become delinquent, if unpaid, on August 31. A ten percent penalty attaches to delinquent taxes on property on the unsecured roll and an additional penalty of one and one-half percent per month begins to accrue on November 1. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the

office of the Clerk of the County (the “County Clerk”) specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for recordation in the County Recorder’s office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements, bank accounts or possessory interests belonging or assessed to the taxpayer.

The County levies and collects all property taxes for property falling within its taxing boundaries.

On May 6, 2020, Governor Newsom issued Executive Order N-61-20 (“Executive Order N-61-20”), suspending penalties, costs or interest for the failure to pay taxes on property on the secured or unsecured roll, or to pay a supplemental bill, before the date and time such taxes became delinquent, and cancelling penalties, costs, and interest, through May 6, 2021. Executive Order N-61-20 applies to residential real property occupied by the taxpayer, or real property owned and operated by certain qualified small business, and requires that taxes owed on the property in question not be delinquent prior to March 4, 2020 and the taxpayer demonstrate economic hardship or that the failure to pay taxes was due to the COVID-19 pandemic.

The District cannot predict the level of delinquent property tax payments due to the COVID-19 pandemic or the effect that Executive Order N-61-20 will have on such level of delinquencies, or whether any further action will be taken by the State with respect to property tax payment or deadlines or delinquent payment of property taxes. The District cannot anticipate how the County will proceed with requests to cancel penalties on late property tax payments or any potential future adjustments to property tax payments related to COVID-19. The District cannot predict whether future property tax deadlines will remain in effect, the extent of delinquencies and delayed tax collections, or the impact of any such delay or delinquencies on the District’s financial conditions or operations. The County has adopted the Teeter Plan, according to which the County distributes to the District the amount levied on the secured and supplemental tax rolls, instead of the amount actually collected. The District cannot confirm that the County will always maintain the Teeter Plan or will have sufficient funds available to distribute the full amount of the District’s share of property tax levies to the District. See “Tax Levies, Collections and Delinquencies – Teeter Plan and Tax Losses Reserve Fund” herein. However, State law requires the County to levy ad valorem property taxes sufficient to pay debt service on the Bonds when due. If delinquencies increase substantially as a result of the unprecedented events of the COVID-19 pandemic or other events outside the control of the District, the County does have the authority to increase allowances for annual reserves in the tax levy to avoid fluctuating tax levies.

The following table sets forth secured tax charges and delinquencies levied in the District for fiscal years 2014-15 through 2018-19.

**RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
Secured Tax Charges and Delinquencies**

	<u>Secured Tax Charge⁽¹⁾</u>	<u>Amount Delinquent June 30</u>	<u>% Delinquent June 30</u>
2014-15	\$41,240,922.37	\$286,291.44	0.69%
2015-16	43,396,651.64	296,553.43	0.68
2016-17	45,247,098.21	313,365.89	0.69
2017-18	47,532,744.12	259,937.13	0.55
2018-19	50,267,510.54	332,962.22	0.66

⁽¹⁾ 1% General Fund apportionment. Excludes supplemental roll.
Source: California Municipal Statistics, Inc.

Alternative Method of Tax Apportionment – Teeter Plan

The Board of Supervisors of the County (the “Board of Supervisors”) has approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. Under the Teeter Plan, the County apportions secured property taxes on an accrual basis when due (irrespective of actual collections) to its local political subdivisions, including the District, for which the County acts as the tax-levying or tax-collecting agency.

The Teeter Plan is applicable to all tax levies for which the County acts as the tax-levying or tax-collecting agency, or for which the County treasury is the legal depository of the tax collections. The Teeter Plan does apply to *ad valorem* property tax levies made to support debt service on the Bonds.

The *ad valorem* property tax to be levied to pay the interest on and principal of the Bonds will be subject to the Teeter Plan, beginning in the first fiscal year of such levy. The District will receive 100% of the *ad valorem* property taxes levied to pay the Bonds irrespective of actual delinquencies in the collection of the taxes by the County.

The Teeter Plan is to remain in effect unless the Board of Supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors receives a petition for its discontinuance joined in by a resolution adopted by at least two-thirds of the participating revenue districts in the County. In the event the Board of Supervisors is to order discontinuance of the Teeter Plan subsequent to its implementation, only those secured property taxes actually collected would be allocated to political subdivisions (including the District) for which the County acts as the tax-levying or tax-collecting agency.

Tax Rates

Representative tax rate areas (each a “TRA”) located within the District include Tax Rate Area 8-001. The table below shows the total *ad valorem* tax rates levied by all taxing entities in the TRA during the five-year period from 2015-16 through 2019-20.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

**Typical Tax Rates per \$100 of Assessed Valuation
TRA 8-001 / 2019-20 Assessed Valuation: \$5,746,443,136⁽¹⁾**

	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
General	1.00000	1.00000	1.00000	1.00000	1.00000
Orange Unified School District	-	-	-	.02685	.02288
Rancho Santiago Community College District	.03063	.02999	.03013	.02875	.02818
Metropolitan Water District	.00350	.00350	.00350	.00350	.00350
Total	<u>1.03413</u>	<u>1.03349</u>	<u>1.03363</u>	<u>1.05910</u>	<u>1.05456</u>

⁽¹⁾ [. . .]% of total District valuation.
Source: California Municipal Statistics, Inc.

Largest Taxpayers

The twenty largest local secured taxpayers in the District and their assessed valuations for 2019-20 are shown in the following table.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT Largest 2019-20 Local Secured Taxpayers

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2019-20 Assessed Valuation</u>	<u>% of Total⁽¹⁾</u>
1.	Irvine Office Towers 1 LLC	Commercial	\$402,549,757	0.52%
2.	The Irvine Company	Commercial	387,815,950	0.50
3.	Edwards Lifesciences LLC	Industrial	367,654,316	0.48
4.	Mainplace Shoppingtown LLC	Commercial	343,815,179	0.45
5.	Allergan Pharmaceuticals	Industrial	343,280,025	0.44
6.	Irvine Apartment Communities LP	Apartments	313,374,220	0.41
7.	Hancock S-REIT Irvine Corp.	Commercial	273,025,443	0.35
8.	Jacaranda Holdings LLC	Commercial	263,566,686	0.34
9.	GWGG LLC	Commercial	225,436,539	0.29
10.	Lakeshore Properties LLC	Commercial	221,516,973	0.29
11.	Newport Gateway Office LLC	Commercial	207,030,306	0.27
12.	Boardwalk Office Associates LLC	Commercial	202,401,567	0.26
13.	HG Newport Owner LLC	Commercial	180,030,000	0.23
14.	Orange City Mills Limited	Commercial	171,532,848	0.22
15.	Astoria Central Park West	Residential	160,990,813	0.21
16.	KBS SOR City Tower LLC	Commercial	150,195,000	0.19
17.	RP/Essex Skyline Holdings LLC	Apartments	144,387,459	0.19
18.	BRE/OC Griffin LLC	Commercial	143,346,414	0.19
19.	First American Title Insurance Co.	Commercial	136,199,064	0.18
20.	BEX Portfolio Inc.	Apartments	<u>135,130,778</u>	<u>0.18</u>
TOTAL			\$4,773,279,337	6.18%

⁽¹⁾ 2019-20 Local Secured Assessed Valuation: \$77,213,513,764
Source: California Municipal Statistics, Inc.

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

District Debt

Prior to delivery of the Bonds, the District has \$220,164,038 outstanding in general obligation indebtedness. Following issuance of the Bonds, there is no remaining unissued Authorization remaining for the District. See APPENDIX A for information on debt of the District and "INTRODUCTION – Improvement District Refunding Bond Issue" for information about certain additional bonds being issued by the Improvement District.

The following table is a statement of the District's direct and estimated overlapping bonded debt as of July 1, 2020. The debt report is included for general information purposes only. The District has

not reviewed the debt report for completeness or accuracy or makes any representation in connection therewith.

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

Column 1 in the table names each public agency which has outstanding debt as of the date of the report and whose territory overlaps the District in whole or in part. Column 2 shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in Column 3, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

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**RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
DIRECT AND OVERLAPPING BONDED INDEBTEDNESS**

2019-20 Assessed Valuation: \$81,695,095,418

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 7/1/20</u>
Metropolitan Water District	2.640	\$984,720
Rancho Santiago Community College District	100.000	220,164,038⁽¹⁾
Santa Ana College Improvement District No. 1 of Rancho Santiago Community College District	100.000	166,020,000⁽²⁾
Garden Grove Unified School District	28.995	116,924,454
Orange Unified School District	100.000	180,385,000
Santa Ana Unified School District		285,682,392
Tustin Unified School District School Facilities Improvement District No. 2002-1, 2008-1, and 2012-1	Various	2,341,981
Irvine Ranch Water District, I.D. No. 125	0.939	1,657,785
Irvine Ranch Water District, I.D. Nos. 113 and 213	4.332	1,132,097
Other Irvine Ranch Water Districts	Various	69,656
Community Facilities Districts	0.185-100.000	88,287,721
City 1915 Act Bonds	0.660-100.000	1,923,723
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$1,065,564,567

<u>OVERLAPPING GENERAL FUND DEBT:</u>		
Orange County General Fund Obligations	13.055	\$50,489,560
Orange County Pension Obligation Bonds	13.055	60,949,063
Orange County Board of Education Certificates of Participation	13.055	1,688,012
Orange Unified School District Certificates of Obligation and Benefit Obligation Bonds	100.000	88,516,384
Santa Ana Unified School District Certificates of Participation	100.000	62,467,085
City of Anaheim General Fund Obligations	20.358	106,764,222
City of Garden Grove General Fund Obligations	29.821	6,638,155
City of Santa Ana General Fund Obligations	90.158	26,846,798
Other City General Fund Obligations	Various	7,189,407
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		\$411,548,686
Less: City of Anaheim supported obligations		106,764,222
TOTAL NET OVERLAPPING GENERAL FUND DEBT		\$304,784,464

<u>OVERLAPPING TAX INCREMENT DEBT:</u>		
Successor Agency to Garden Grove Redevelopment Agency	41.133%	\$ 25,342,041
Successor Agency to City of Orange Redevelopment Agency	96.498	37,407,450
Successor Agency to Santa Ana Redevelopment Agency	92.068	63,968,846
Other Redevelopment Successor Agencies	Various	10,758,747
TOTAL OVERLAPPING TAX INCREMENT DEBT		\$137,477,084

GROSS COMBINED TOTAL DEBT	\$1,614,590,337⁽³⁾
NET COMBINED TOTAL DEBT	\$1,507,826,115⁽³⁾

Ratios to 2019-20 Assessed Valuation:

Direct Debt (\$386,184,038)	0.47%
Total Direct and Overlapping Tax and Assessment Debt.....	1.30%
Gross Combined Total Debt.....	1.98%
Net Combined Total Debt.....	1.85%

Ratios to 2019-20 Redevelopment Incremental Valuation (\$14,604,320,372):

Total Overlapping Tax Increment Debt.....	0.94%
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(1) Excludes the Bonds.

(2) Excludes the Improvement District Refunding Bonds.

(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

TAX MATTERS

The following is a summary of certain anticipated United States federal income tax consequences of the purchase, ownership and disposition of the Bonds. The summary is based upon the provisions of the Code, the Treasury Regulations promulgated thereunder and the judicial and administrative rulings and decisions now in effect, all of which are subject to change. Such authorities may be repealed, revoked, or modified, possibly with retroactive effect, so as to result in United States federal income tax consequences different from those described below. The summary generally addresses Bonds held as capital assets within the meaning of Section 1221 of the Code and does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances or certain types of investors subject to special treatment under the federal income tax laws, including but not limited to financial institutions, insurance companies, dealers in securities or currencies, persons holding such Bonds as a hedge against currency risks or as a position in a “straddle,” “hedge,” “constructive sale transaction” or “conversion transaction” for tax purposes, or persons whose functional currency is not the United States dollar. It also does not deal with holders other than original purchasers that acquire Bonds at their initial issue price except where otherwise specifically noted. Potential purchasers of the Bonds should consult their own tax advisors in determining the federal, state, local, foreign and other tax consequences to them of the purchase, holding and disposition of the Bonds.

The District has not sought and will not seek any rulings from the Internal Revenue Service with respect to any matter discussed herein. No assurance can be given that the Internal Revenue Service would not assert, or that a court would not sustain, a position contrary to any of the tax characterizations and tax consequences set forth below.

U.S. Holders

As used herein, the term “U.S. Holder” means a beneficial owner of the Bonds that is (a) an individual citizen or resident of the United States for federal income tax purposes, (b) a corporation, including an entity treated as a corporation for federal income tax purposes, created or organized in or under the laws of the United States or any State thereof (including the District of Columbia), (c) an estate whose income is subject to federal income taxation regardless of its source, or (d) a trust if a court within the United States can exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust. Notwithstanding clause (d) of the preceding sentence, to the extent provided in Treasury regulations, certain trusts in existence on August 20, 1996, and treated as United States persons prior to that date that elect to continue to be treated as United States persons also will be U.S. Holders. In addition, if a partnership (or other entity or arrangement treated as a partnership for federal income tax purposes) holds Bonds, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. If a U.S. Holder is a partner in a partnership (or other entity or arrangement treated as a partnership for federal income tax purposes) that holds Bonds, the U.S. Holder is urged to consult its own tax advisor regarding the specific tax consequences of the purchase, ownership and dispositions of the Bonds.

Taxation of Interest Generally

Interest on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code and so will be fully subject to federal income taxation. Purchasers will be subject to federal income tax accounting rules affecting the timing and/or characterization of payments received with respect to such Bonds. In general, interest paid on the Bonds and recovery of any accrued original issue discount and market discount will be treated as ordinary income to a bondholder, and after adjustment for the foregoing, principal payments will be treated as a return of capital to the extent of the

U.S. Holder's adjusted tax basis in the Bonds and capital gain to the extent of any excess received over such basis.

Recognition of Income Generally

Section 451(b) of the Code provides that purchasers using an accrual method of accounting for U.S. federal income tax purposes may be required to include certain amounts in income no later than the time such amounts are reflected on certain financial statements of such purchaser. In this regard, the IRS issued proposed regulations which provide that, with the exception of certain fees, the rule in section 451(b) will generally not apply to the timing rules for original issue discount and market discount, or to the timing rules for de minimis original issue discount and market discount. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential applicability of these rules and their impact on the timing of the recognition of income related to the Bonds under the Code.

Original Issue Discount

The following summary is a general discussion of certain federal income tax consequences of the purchase, ownership and disposition of Bonds issued with original issue discount ("Discount Bonds"). A Bond will be treated as having been issued with an original issue discount if the excess of its "stated redemption price at maturity" (defined below) over its issue price (defined as the initial offering price to the public at which a substantial amount of the Bonds of the same maturity have first been sold to the public, excluding bond houses and brokers) equals or exceeds one quarter of one percent of such Bond's stated redemption price at maturity multiplied by the number of complete years to its maturity (or, in the case of an installment obligation, its weighted average maturity).

A Bond's "stated redemption price at maturity" is the total of all payments provided by the Bond that are not payments of "qualified stated interest." Generally, the term "qualified stated interest" includes stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate or certain floating rates.

In general, the amount of original issue discount includible in income by the initial holder of a Discount Bond is the sum of the "daily portions" of original issue discount with respect to such Discount Bond for each day during the taxable year in which such holder held such Bond. The daily portion of original issue discount on any Discount Bond is determined by allocating to each day in any "accrual period" a ratable portion of the original issue discount allocable to that accrual period.

An accrual period may be of any length, and may vary in length over the term of a Discount Bond, provided that each accrual period is not longer than one year and each scheduled payment of principal or interest occurs at the end of an accrual period. The amount of original issue discount allocable to each accrual period is equal to the difference between (i) the product of the Discount Bond's adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and appropriately adjusted to take into account the length of the particular accrual period) and (ii) the amount of any qualified stated interest payments allocable to such accrual period. The "adjusted issue price" of a Discount Bond at the beginning of any accrual period is the sum of the issue price of the Discount Bond plus the amount of original issue discount allocable to all prior accrual periods minus the amount of any prior payments on the Discount Bond that were not qualified stated interest payments. Under these rules, holders generally will have to include in income increasingly greater amounts of original issue discount in successive accrual periods.

Holders utilizing the accrual method of accounting may generally, upon election, include in gross income all interest (including stated interest, acquisition discount, original issue discount, de minimis

original issue discount, market discount, de minimis market discount, and unstated interest, as adjusted by any amortizable bond premium or acquisition premium) on a Bond by using the constant yield method applicable to original issue discount, subject to certain limitations and exceptions. Holders that use an accrual method of accounting may be required to include certain amounts in income no later than the time such amounts are reflected on certain financial statements of such holder as discussed under “Recognition of Income Generally” above. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential applicability of this rule and its impact on the timing of the recognition of income related to the Bonds under the Code.

Market Discount

A holder who purchases a Bond at a price which includes market discount (i.e., at a purchase price that is less than its adjusted issue price in the hands of an original owner) in excess of a prescribed de minimis amount will be required to recharacterize all or a portion of the gain as ordinary income upon receipt of each scheduled or unscheduled principal payment or upon other disposition. In particular, such holder will generally be required either (a) to allocate each such principal payment to accrued market discount not previously included in income and to recognize ordinary income to that extent and to treat any gain upon sale or other disposition of such a Bond as ordinary income to the extent of any remaining accrued market discount or (b) to elect to include such market discount in income currently as it accrues on all market discount instruments acquired by such holder 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 of the Tax Reform Act of 1986 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.

A holder of a Bond who acquires such Bond at a market discount also may be required to defer, until the maturity date of such Bond or the earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the holder paid or accrued during the taxable year on indebtedness incurred or maintained to purchase or carry a Bond in excess of the aggregate amount of interest (including original issue discount) includable in such holder’s gross income for the taxable year with respect to such Bond. The amount of such net interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the Bond for the days during the taxable year on which the holder held the Bond 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 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 bondholder elects to include such market discount in income currently as described above.

Holders that use an accrual method of accounting may be required to include certain amounts in income no later than the time such amounts are reflected on certain financial statements of such holder as discussed under “Recognition of Income Generally” above. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential applicability of this rule and its impact on the timing of the recognition of income related to the Bonds under the Code.

Bond Premium

A holder of a Bond who purchases such Bond at a cost greater than its remaining redemption amount will have amortizable bond premium. If the holder elects to amortize this premium under Section 171 of the Code (which election will apply to all Bonds held by the holder on the first day of the taxable year to which the election applies and to all Bonds thereafter acquired by the holder), such a holder must amortize the premium using constant yield principles based on the holder's yield to maturity. Amortizable bond premium is generally treated as an offset to interest income, and a reduction in basis is required for amortizable bond premium that is applied to reduce interest payments. Purchasers of Bonds who acquire such Bonds at a premium should consult with their own tax advisors with respect to federal, state and local tax consequences of owning such Bonds.

Surtax on Unearned Income

Section 1411 of the Code generally imposes a tax of 3.8% on the "net investment income" of certain individuals, trusts and estates. Among other items, net investment income generally includes gross income from interest and net gain attributable to the disposition of certain property, less certain deductions. U.S. Holders should consult their own tax advisors regarding the possible implications of this provision in their particular circumstances.

Sale or Redemption of the Bonds

A bondholder's adjusted tax basis for a Bond is the price such holder pays for the Bond plus the amount of original issue discount and market discount previously included in income and reduced on account of any payments received on such Bond other than "qualified stated interest" and any amortized bond premium. Gain or loss recognized on a sale, exchange or redemption of a Bond, measured by the difference between the amount realized and the bondholder's tax basis as so adjusted, will generally give rise to capital gain or loss if the Bond is held as a capital asset (except in the case of Bonds acquired at a market discount, in which case a portion of the gain will be characterized as interest and therefore ordinary income).

If the terms of a Bond are materially modified, in certain circumstances, a new debt obligation would be deemed "reissued", or created and exchanged for the prior obligation in a taxable transaction. Among the modifications which may be treated as material are those related to the redemption provisions and, in the case of a nonrecourse obligation, those which involve the substitution of collateral. In addition, the defeasance of a Bond under the defeasance provisions of the Resolution could result in a deemed sale or exchange of such Bond.

EACH POTENTIAL HOLDER OF BONDS SHOULD CONSULT ITS OWN TAX ADVISOR CONCERNING (1) THE TREATMENT OF GAIN OR LOSS ON SALE, REDEMPTION OR DEFEASANCE OF THE BONDS, AND (2) THE CIRCUMSTANCES IN WHICH BONDS WOULD BE DEEMED REISSUED AND THE LIKELY EFFECTS, IF ANY, OF SUCH REISSUANCE.

Non-U.S. Holders

The following is a general discussion of certain United States federal income tax consequences resulting from the beneficial ownership of Bonds by a person other than a U.S. Holder, a former United States citizen or resident, or a partnership or entity treated as a partnership for United States federal income tax purposes (a "Non-U.S. Holder").

Subject to the discussion of backup withholding and the Foreign Account Tax Compliance Act ("FATCA"), payments of principal by the District or any of its agents (acting in its capacity as agent) to

any Non-U.S. Holder will not be subject to federal withholding tax. In the case of payments of interest to any Non-U.S. Holder, however, federal withholding tax will apply unless the Non-U.S. Holder (1) does not own (actually or constructively) 10-percent or more of the voting equity interests of the District, (2) is not a controlled foreign corporation for United States tax purposes that is related to the District (directly or indirectly) through stock ownership, and (3) is not a bank receiving interest in the manner described in Section 881(c)(3)(A) of the Code. In addition, either (1) the Non-U.S. Holder must certify on the applicable IRS Form W-8 (series) (or successor form) to the District, its agents or paying agents or a broker under penalties of perjury that it is not a U.S. person and must provide its name and address, or (2) a securities clearing organization, bank or other financial institution, that holds customers' securities in the ordinary course of its trade or business and that also holds the Bonds must certify to the District or its agent under penalties of perjury that such statement on the applicable IRS Form W-8 (series) (or successor form) has been received from the Non-U.S. Holder by it or by another financial institution and must furnish the interest payor with a copy.

Interest payments may also be exempt from federal withholding tax depending on the terms of an existing Federal Income Tax Treaty, if any, in force between the U.S. and the resident country of the Non-U.S. Holder. The U.S. has entered into an income tax treaty with a limited number of countries. In addition, the terms of each treaty differ in their treatment of interest and original issue discount payments. Non-U.S. Holders are urged to consult their own tax advisor regarding the specific tax consequences of the receipt of interest payments, including original issue discount. A Non-U.S. Holder that does not qualify for exemption from withholding as described above must provide the District or its agent with documentation as to his, her, or its identity to avoid the U.S. backup withholding tax on the amount allocable to a Non-U.S. Holder. The documentation may require that the Non-U.S. Holder provide a U.S. tax identification number.

If a Non-U.S. Holder is engaged in a trade or business in the United States and interest on a Bond held by such holder is effectively connected with the conduct of such trade or business, the Non-U.S. Holder, although exempt from the withholding tax discussed above (provided that such holder timely furnishes the required certification to claim such exemption), may be subject to United States federal income tax on such interest in the same manner as if it were a U.S. Holder. In addition, if the Non-U.S. Holder is a foreign corporation, it may be subject to a branch profits tax equal to 30% (subject to a reduced rate under an applicable treaty) of its effectively connected earnings and profits for the taxable year, subject to certain adjustments. For purposes of the branch profits tax, interest on a Bond will be included in the earnings and profits of the holder if the interest is effectively connected with the conduct by the holder of a trade or business in the United States. Such a holder must provide the payor with a properly executed IRS Form W-8ECI (or successor form) to claim an exemption from United States federal withholding tax.

Generally, any capital gain realized on the sale, exchange, retirement or other disposition of a Bond by a Non-U.S. Holder will not be subject to United States federal income or withholding taxes if (1) the gain is not effectively connected with a United States trade or business of the Non-U.S. Holder, and (2) in the case of an individual, the Non-U.S. Holder is not present in the United States for 183 days or more in the taxable year of the sale, exchange, retirement or other disposition, and certain other conditions are met.

For newly issued or reissued obligations, such as the Bonds, FATCA imposes U.S. withholding tax on interest payments and, for dispositions after December 31, 2018, gross proceeds of the sale of the Bonds paid to certain foreign financial institutions (which is broadly defined for this purpose to generally include non-U.S. investment funds) and certain other non-U.S. entities if certain disclosure and due diligence requirements related to U.S. accounts or ownership are not satisfied, unless an exemption applies. An intergovernmental agreement between the United States and an applicable non-U.S. country

may modify these requirements. In any event, bondholders or beneficial owners of the Bonds shall have no recourse against the District, nor will the District be obligated to pay any additional amounts to “gross up” payments to such persons, as a result of any withholding or deduction for, or on account of, any present or future taxes, duties, assessments or government charges with respect to payments in respect of the Bonds. However, it should be noted that on December 13, 2018, the IRS issued Proposed Treasury Regulation Section 1.1473-1(a)(1) which proposes to remove gross proceeds from the definition of “withholdable payment” for this purpose.

Non-U.S. Holders should consult their own tax advisors with respect to the possible applicability of federal withholding and other taxes upon income realized in respect of the Bonds.

Information Reporting and Backup Withholding

For each calendar year in which the Bonds are outstanding, the District, its agents or paying agents or a broker is required to provide the IRS with certain information, including a holder’s name, address and taxpayer identification number (either the holder’s Social Security number or its employer identification number, as the case may be), the aggregate amount of principal and interest paid to that holder during the calendar year and the amount of tax withheld, if any. This obligation, however, does not apply with respect to certain U.S. Holders, including corporations, tax-exempt organizations, qualified pension and profit-sharing trusts, and individual retirement accounts and annuities.

If a U.S. Holder subject to the reporting requirements described above fails to supply its correct taxpayer identification number in the manner required by applicable law or under-reports its tax liability, the District, its agents or paying agents or a broker may be required to make “backup” withholding of tax on each payment of interest or principal on the Bonds. This backup withholding is not an additional tax and may be credited against the U.S. Holder’s federal income tax liability, provided that the U.S. Holder furnishes the required information to the IRS.

Under current Treasury Regulations, backup withholding and information reporting will not apply to payments of interest made by the District, its agents (in their capacity as such) or paying agents or a broker to a Non-U.S. Holder if such holder has provided the required certification that it is not a U.S. person (as set forth in the second paragraph under “—Non-U.S. Holders” above), or has otherwise established an exemption (provided that neither the District nor its agent has actual knowledge that the holder is a U.S. person or that the conditions of an exemption are not in fact satisfied).

Payments of the proceeds from the sale of a Bond to or through a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, information reporting (but not backup withholding) may apply to those payments if the broker is one of the following:

- a U.S. person;
- a controlled foreign corporation for U.S. tax purposes;
- a foreign person 50-percent or more of whose gross income from all sources for the three-year period ending with the close of its taxable year preceding the payment was effectively connected with a United States trade or business; or
- a foreign partnership with certain connections to the United States.

Payment of the proceeds from a sale of a Bond to or through the United States office of a broker is subject to information reporting and backup withholding unless the holder or beneficial owner certifies

as to its taxpayer identification number or otherwise establishes an exemption from information reporting and backup withholding.

The preceding federal income tax discussion is included for general information only and may not be applicable depending upon a holder's particular situation. Holders should consult their tax advisors with respect to the tax consequences to them of the purchase, ownership and disposition of the Bonds, including the tax consequences under federal, state, local, foreign and other tax laws and the possible effects of changes in those tax laws.

State Taxes

Bond Counsel is of the opinion that interest on the Bonds is exempt from personal income taxes of the State of California under present State law. Bond counsel expresses no opinion as to other State, city, or local tax consequences arising with respect to the Bonds nor as to the taxability of the Bonds or the income therefrom under the laws of any jurisdiction other than California.

Changes in Law and Post Issuance Events

Legislative or administrative actions and court decisions, at either the federal or state level, could have an impact on the inclusion in gross income of interest on the Bonds for federal or state income tax purposes, and thus on the value or marketability of the Bonds. This could result from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or otherwise. It is not possible to predict whether any such legislative or administrative actions or court decisions will occur or have an adverse impact on the federal or state income tax treatment of holders of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the impact of any change in law or proposed change in law on the Bonds.

IN ALL EVENTS, ALL INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE BONDS.

CONSIDERATIONS FOR ERISA AND OTHER U.S. BENEFIT PLAN INVESTORS

The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain fiduciary obligations and prohibited transaction restrictions on employee pension and welfare benefit plans subject to Title I of ERISA ("ERISA Plans"). Section 4975 of the Code imposes essentially the same prohibited transaction restrictions on tax-qualified retirement plans described in Section 401(a) and 403(a) of the Code, which are exempt from tax under Section 501(a) of the Code, other than governmental and church plans as defined herein ("Qualified Retirement Plans"), and on Individual Retirement Accounts ("IRAs") described in Section 408(b) of the Code (collectively, "Tax-Favored Plans"). Certain employee benefit plans such as governmental plans (as defined in Section 3(32) of ERISA) ("Governmental Plans"), and, if no election has been made under Section 410(d) of the Code, church plans (as defined in Section 3(33) of ERISA) ("Church Plans"), are not subject to ERISA requirements. Additionally, such Governmental and Church Plans are not subject to the requirements of Section 4975 of the Code but may be subject to applicable federal, state or local law ("Similar Laws") which is, to a material extent, similar to the foregoing provisions of ERISA or the Code. Accordingly, assets of such plans may be invested in the Bonds without regard to the ERISA and Code considerations described below, subject to the provisions of Similar Laws.

In addition to the imposition of general fiduciary obligations, including those of investment prudence and diversification and the requirement that a plan's investment be made in accordance with the

documents governing the plan, Section 406 of ERISA and Section 4975 of the Code prohibit a broad range of transactions involving assets of ERISA Plans and Tax-Favored Plans and entities whose underlying assets include plan assets by reason of ERISA Plans or Tax-Favored Plans investing in such entities (collectively, “Benefit Plans”) and persons who have certain specified relationships to the Benefit Plans (“Parties In Interest” or “Disqualified Persons”), unless a statutory or administrative exemption is available. The definitions of “Party in Interest” and “Disqualified Person” are expansive. While other entities may be encompassed by these definitions, they include, most notably: (1) fiduciary with respect to a plan; (2) a person providing services to a plan; (3) an employer or employee organization any of whose employees or members are covered by the plan; and (4) the owner of an IRA. Certain Parties in Interest (or Disqualified Persons) that participate in a prohibited transaction may be subject to a penalty (or an excise tax) imposed pursuant to Section 502(i) of ERISA (or Section 4975 of the Code) unless a statutory or administrative exemption is available. Without an exemption an IRA owner may disqualify his or her IRA.

Certain transactions involving the purchase, holding or transfer of the Bonds might be deemed to constitute prohibited transactions under ERISA and Section 4975 of the Code if assets of the District were deemed to be assets of a Benefit Plan. Under final regulations issued by the United States Department of Labor (the “Plan Assets Regulation”), the assets of the District would be treated as plan assets of a Benefit Plan for the purposes of ERISA and Section 4975 only of the Code if the Benefit Plan acquires an “equity interest” in the District and none of the exceptions contained in the Plan Assets Regulation is applicable. An equity interest is defined under the Plan Assets Regulation as an interest in an entity other than an instrument which is treated as indebtedness under applicable local law and which has no substantial equity features. Although there is little guidance on this matter, it appears that the Bonds should be treated as debt without substantial equity features for purposes of the Plan Assets Regulation. This determination is based upon the traditional debt features of the Bonds, including the reasonable expectation of purchasers of Bonds that the Bonds will be repaid when due, traditional default remedies, as well as the absence of conversion rights, warrants and other typical equity features.

However, without regard to whether the Bonds are treated as an equity interest for such purposes, though, the acquisition or holding of Bonds by or on behalf of a Benefit Plan could be considered to give rise to a prohibited transaction if the District or the Paying Agent, or any of their respective affiliates, is or becomes a Party in Interest or a Disqualified Person with respect to such Benefit Plan.

Most notably, ERISA and the Code generally prohibit the lending of money or other extension of credit between an ERISA Plan or Tax-Favored Plan and a Party in Interest or a Disqualified Person, and the acquisition of any of the Bonds by a Benefit Plan would involve the lending of money or extension of credit by the Benefit Plan. In such a case, however, certain exemptions from the prohibited transaction rules could be applicable depending on the type and circumstances of the plan fiduciary making the decision to acquire a Bond. Included among these exemptions are: Prohibited Transaction Class Exemption (“PTCE”) 96-23, regarding transactions effected by certain “in-house asset managers”; PTCE 90-1, regarding investments by insurance company pooled separate accounts; PTCE 95-60, regarding transactions effected by “insurance company general accounts”; PTCE 91-38, regarding investments by bank collective investment funds; and PTCE 84-14, regarding transactions effected by “qualified professional asset managers.” Further, the statutory exemption in Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provides for an exemption for transactions involving “adequate consideration” with persons who are Parties in Interest or Disqualified Persons solely by reason of their (or their affiliate’s) status as a service provider to the Benefit Plan involved and none of whom is a fiduciary with respect to the Benefit Plan assets involved (or an affiliate of such a fiduciary). There can be no assurance that any class or other exemption will be available with respect to any particular transaction involving the Bonds, or that, if available, the exemption would cover all possible prohibited transactions.

By acquiring a Bond (or interest therein), each purchaser and transferee (and if the purchaser or transferee is a plan, its fiduciary) is deemed to represent and warrant that either (i) it is not acquiring the Bond (or interest therein) with the assets of a Benefit Plan, Governmental plan or Church plan; or (ii) the acquisition and holding of the Bond (or interest therein) will not give rise to a nonexempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or Similar Laws. A purchaser or transferee who acquires Bonds with assets of a Benefit Plan represents that such purchaser or transferee has considered the fiduciary requirements of ERISA, the Code or Similar Laws and has consulted with counsel with regard to the purchase or transfer.

Because the District, the Underwriter or any of their respective affiliates may receive certain benefits in connection with the sale of the Bonds, the purchase of the Bonds using plan assets of a Benefit Plan over which any of such parties has investment authority or provides investment advice for a direct or indirect fee may be deemed to be a violation of the prohibited transaction rules of ERISA or Section 4975 of the Code or Similar Laws for which no exemption may be available. Accordingly, any investor considering a purchase of Bonds using plan assets of a Benefit Plan should consult with its counsel if the District or the Underwriter or any of their respective affiliates has investment authority or provides investment advice for a direct or indirect fee with respect to such assets or is an employer maintaining or contributing to the Benefit Plan.

Any ERISA Plan fiduciary considering whether to purchase the Bonds on behalf of an ERISA Plan should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment and the availability of any of the exemptions referred to above. Persons responsible for investing the assets of Tax-Favored Plans that are not ERISA Plans should seek similar counsel with respect to the prohibited transaction provisions of the Code and the applicability of Similar Laws.

LEGAL OPINION

The legal opinion of Bond Counsel attesting to the validity and tax status of the Bonds will be supplied to the original purchasers of the Bonds without charge. Bond Counsel will receive compensation contingent upon the sale and delivery of the Bonds.

LEGALITY FOR INVESTMENT

Under provisions of the California Financial Code, the Bonds are legal investments for commercial banks in California to the extent that the Bonds, in the informed opinion of the investing bank, are prudent for the investment of funds of depositors. Under provisions of the California Government Code, the Bonds are eligible to secure deposits of public moneys in California.

RATINGS

S&P Global Ratings (“S&P”) and Moody’s Investors Service (“Moody’s” and, together with S&P, the “Rating Agencies”) have assigned their municipal bond ratings of “__” and “__” to the Bonds, respectively. The District has furnished to the Rating Agencies certain materials and information with respect to themselves and the Bonds, including information not included in this Official Statement, about the District and the Bonds. Generally, a rating agency bases its rating on such information and materials and on its own investigations, studies and assumptions. Such ratings reflect only the view of S&P and Moody’s, respectively, and an explanation of the significance of such ratings may be obtained as follows: S&P, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007, tel. (212) 553 0300 and Moody’s, at 7 World Trade Center at 250 Greenwich Street, New York, New York 10007, tel. (212) 553-0300. A rating may be changed, suspended, or withdrawn as a result of changes in or unavailability

of information. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely if, in the judgment of the rating agencies, circumstances so warrant. The District has not undertaken any responsibility to bring to the attention of the Owners of the Bonds any proposed revision or withdrawal of a rating on the Bonds or to oppose any such proposed revision or withdrawal. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

LEGAL MATTERS

Continuing Disclosure

In accordance with the requirements of Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission, the District will enter into a Continuing Disclosure Undertaking (the “Continuing Disclosure Undertaking”) in the form of APPENDIX D hereto, on or prior to the sale of the Bonds in which the District will undertake, for the benefit of the Beneficial Owners of the Bonds, to provide certain information as set forth therein. The covenants contained in the Continuing Disclosure Undertaking have been made to assist the Underwriter in complying with the Rule. See APPENDIX D – “FORM OF CONTINUING DISCLOSURE UNDERTAKING” hereto.

Limitation on Remedies; Amounts Held in the County Treasury Pool

The opinion of Bond Counsel, the proposed form of which is attached hereto as APPENDIX B, is qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditor’s rights. The rights of the Owners of the Bonds are subject to certain limitations. Enforceability of the rights and remedies of the Owners of the Bonds, and the obligations incurred by the District, are limited by applicable bankruptcy, insolvency, reorganization, moratorium, and similar laws relating to or affecting the enforcement of creditors’ rights generally, now or hereafter in effect, equity principles that may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose, and the limitations on remedies against college and community college districts in the State. Bankruptcy proceedings, if initiated, could subject the beneficial owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

Under Chapter 9 of the Federal Bankruptcy Code (Title 11, United States Code) (the “Bankruptcy Code”), which governs the bankruptcy proceedings for public agencies, no involuntary petitions for bankruptcy relief are permitted. While current State law precludes community college districts from voluntarily seeking bankruptcy relief under Chapter 9 of the Bankruptcy Code without the concurrence of the State, such concurrence could be granted or State law could be amended.

California Senate Bill 222

On July 13, 2015, the Governor signed Senate Bill 222 (“SB 222”) into law, effective January 1, 2016. SB 222 was introduced on February 12, 2015, initially to amend Section 15251 of the California Education Code to clarify the process of lien perfection for general obligation bonds issued by or on behalf of California school and community college districts. Subsequently, on April 15, 2015, SB 222 was amended to include an addition to the Government Code to similarly clarify the process of lien perfection for general obligation bonds issued by cities, counties, authorities and special districts.

SB 222, applicable to general obligations bonds issued after its effective date, such as the Bonds, removes the extra step between (a) the issuance of general obligation bonds by cities, counties, cities and counties, school districts, community college districts, authorities and special districts; and (b) the imposition of a lien on the future *ad valorem* property taxes that are the source of repayment of the general obligation bonds. By clarifying that the lien created with each general obligation bond issuance is a “statutory” lien (consistent with bankruptcy statutory law and case precedent), SB 222, while it does not prevent default, should reduce the ultimate bankruptcy risk of non-recovery on local general obligation bonds, and thus potentially improve ratings, interest rates and bond cost of issuance.

Special Revenues

If the District were to become a debtor in a Chapter 9 proceeding, because the Bonds are for the financing of specific capital projects and are supported by a consensual lien on *ad valorem* property taxes that are use-restricted to the repayment of the Bonds, the District believes that those taxes are “special revenues” as defined in the Bankruptcy Code, and thus there is a special revenue lien in favor of owners of the Bonds in addition to, and separate and independent of, the statutory lien created by SB 222. In comparison to other consensual pledges and liens arising by agreement (that are all made ineffective post-bankruptcy by Section 552 of the Bankruptcy Code), special revenues acquired by a municipality during a Chapter 9 case will remain subject to the lien that arose from the security agreement entered into prior to the beginning of the case, and will survive the conclusion of the Chapter 9 proceeding. In addition, the automatic stay arising upon the filing of the bankruptcy petition has historically been understood not to stay the application of special revenues to payment of the bonds secured by such special revenues. Thus, regularly scheduled payments of principal and interest to Owners of the Bonds likely would continue under 11 U.S.C. § 922(d) throughout any bankruptcy proceeding.

Based on the foregoing, if the District were to become a debtor in a Chapter 9 proceeding, the District believes that: the *ad valorem* property taxes could not be used for any other purpose other than repayment of the Bonds; the *ad valorem* property taxes should be determined to be special revenues in a Chapter 9 proceeding, and thus Owners of the Bonds would ordinarily continue to be paid post-petition; and the *ad valorem* property taxes are also protected by a statutory lien in favor of the bondholders. However, bankruptcy courts are courts of equity and as such have broad discretionary powers, and there is no binding judicial precedent dealing with the treatment in bankruptcy proceedings of *ad valorem* property tax revenues collected for the payments of bonds in California, so no assurance can be given that a bankruptcy court would not hold otherwise. If the District were to become a debtor in a proceeding under Chapter 9 of the Bankruptcy Code, the bankruptcy court could find that the automatic stay exception for special revenues does not apply, and the parties to the proceedings may thus be prohibited from taking any action to collect any amount from the District (including *ad valorem* tax revenues), or to enforce any obligation of the District, without the bankruptcy court’s permission. It is also possible that the bankruptcy court may not enforce the State law use restriction imposed on *ad valorem* property taxes.

Even if the *ad valorem* property tax revenues are determined to be “special revenues,” the Bankruptcy Code provides that special revenues can be applied to necessary operating expenses of the project or system, before they are applied to other obligations. This rule applies regardless of the provisions of the transaction documents. Thus, a bankruptcy court could determine that the District is entitled to use the *ad valorem* property tax revenues to pay necessary operating expenses of the District and its colleges, before the remaining revenues are paid to the owners of the Bonds. It should also be noted that it is possible – in the context of confirming a Plan of Adjustment (the “Plan”) in a Chapter 9 case where the Plan has not received the requisite consent of the holders of the Bonds – a bankruptcy court may confirm a Plan that adjusts the timing of payments on the Bonds or the interest rate or other terms of the Bonds provided that (a) the Bondholders retain their lien on the revenues subject to the statutory and/or special revenues lien, (b) the payment stream has a present value equal to the value of the

revenues subject to the lien(s) and (c) the bankruptcy court finds that these and any other adjustments to the Bonds' terms are fair and equitable.

The Resolution and the Act require the County to annually levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of principal of, premium, if any, and interest on the Bonds. The County on behalf of the District is thus expected to be in possession of the annual *ad valorem* taxes and certain funds to repay the Bonds and may invest these funds in the County's Investment Pool, as described in APPENDIX F – "ORANGE COUNTY EDUCATIONAL INVESTMENT POOL DISCLOSURE" herein. In the event the District or the County were to file for bankruptcy relief, a bankruptcy court might hold that the Owners of the Bonds are unsecured creditors with respect to any funds received by the District or the County prior to the bankruptcy, which might include taxes that have been collected and deposited in the Debt Service Fund, where such amounts are deposited into the County Treasury Pool, and such amounts may not be available for payment of the principal and interest on the Bonds unless the Owners of the Bonds can "trace" those funds. There can be no assurance that the Owners could successfully so "trace" such taxes on deposit in the Debt Service Fund where such amounts are invested in the County Treasury Pool. Further, it is not entirely clear what procedures the Owners of the Bonds would have to follow to attempt to obtain possession of such tax revenues, or what amount of time would be required for such procedures to be completed. Under any such circumstances, there could be delays or reductions in payments on the Bonds.

UNDERWRITING

Piper Sandler & Co. (the "Underwriter"), has agreed to purchase the Bonds from the District at the purchase price of \$ _____ (being the principal amount of the Bonds, plus net original issue premium of \$ _____, and less Underwriter's discount of \$ _____), at the rates and yields shown on the inside cover hereof.

The following paragraphs in this "Underwriting" section have been provided by the Underwriter. The District cannot and does not make any representation as to the accuracy or the completeness thereof.

The Underwriter intends to offer the Bonds to the public at the offering prices set forth on the inside cover page of this Official Statement. The Underwriter may, however, offer and sell Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page of this Official Statement. The offering prices may be changed from time to time by the Underwriter.

Piper Sandler & Co. has entered into a distribution agreement (the "Schwab Agreement") with Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the Schwab Agreement, CS&Co. will purchase Bonds from Piper Sandler & Co. at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS&Co. sells.

NO LITIGATION

No litigation is pending or threatened concerning the validity of the Bonds. The District is not aware of any litigation that is pending or threatened questioning the political existence of the District or its boundaries or contesting the District's ability to receive *ad valorem* taxes or to collect other revenues or contesting the District's ability to issue the Bonds. The District is subject to lawsuits and claims in the ordinary course of its operations. In the opinion of the District, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District.

VERIFICATION

On the date of delivery of the Bonds, the firm of Causey Demgen & More P.C., a firm of certified public accountants, will deliver its report regarding the sufficiency of amounts and investments on deposit in the Escrow Fund to pay the interest on and redemption price of the Refunded Bonds, when due.

MUNICIPAL ADVISOR

Fieldman, Rolapp & Associates, Inc. (the “Municipal Advisor”) is employed as Municipal Advisor to the District in connection with the issuance of the Bonds. The Municipal Advisor’s fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Fieldman, Rolapp & Associates, Inc., in its capacity as Municipal Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income status of the Bond, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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OTHER INFORMATION

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statements of the contents thereof. Copies of the Resolution are available upon request from the Vice Chancellor, Business Operations/Fiscal Services, Rancho Santiago Community College District, 2323 N. Broadway, Santa Ana, California 92706-1640.

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

The execution and delivery of this Official Statement has been duly authorized by the Rancho Santiago Community College District.

RANCHO SANTIAGO COMMUNITY COLLEGE
DISTRICT

By: _____
Chancellor of Rancho Santiago Community College
District

APPENDIX A
FINANCIAL AND DEMOGRAPHIC INFORMATION
RELATING TO THE DISTRICT

TABLE OF CONTENTS

	Page
THE DISTRICT	A-1
General Information.....	A-1
District Organization.....	A-2
The Improvement District.....	A-3
Labor Relations.....	A-3
Insurance.....	A-4
District Enrollment.....	A-6
Population.....	A-7
Employment.....	A-8
Principal Employers.....	A-9
District Investments.....	A-9
Revenue Limits.....	A-10
Expenditures.....	A-10
Financial Statements of the District.....	A-11
Budgets of the District.....	A-11
District Finances.....	A-11
District Debt.....	A-15
Long-Term Obligations.....	A-17
Operating Leases.....	A-17
Public Agency Retirement Services.....	A-17
STRS and PERS.....	A-18
State Pension Trusts.....	A-18
Other Post-Employment Benefits.....	A-24
Risks Related to COVID-19.....	A-25
FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA.....	A-28
Major Revenues.....	A-28
Proposition 98.....	A-30
State Assistance.....	A-31
Fiscal Year 2020-21 State Budget.....	A-31
Proposition 1A.....	A-36
Final State Budgets.....	A-36
Future State Budgets.....	A-37
CONSTITUTIONAL INITIATIVES AND STATUTORY MEASURES.....	A-37

APPENDIX A

FINANCIAL AND DEMOGRAPHIC INFORMATION RELATING TO THE DISTRICT

Prospective purchasers of the Bonds should be aware that the following discussion of the financial condition of the Rancho Santiago Community College District (the "District"), its fund balances, budgets and obligations, is intended as general information only, and no implication is made that the payment of principal of or interest on the Bonds is dependent in any way upon the District's financial condition. The District does not receive ad valorem tax revenues collected by Orange County (the "County") to pay debt service on the Bonds (or its other general obligation bonds) in the following tables or in its annual financial statements. Pursuant to Section 15251 of the California Education Code, all tax revenues collected for payment of debt service on the Bonds must be deposited into the debt service fund of the District. The Bonds are and will continue to be payable solely from ad valorem taxes levied and collected by the County within the boundaries of the District. See the body of this Official Statement under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

Any financial information, including projections, forecasts and budgets presented herein, does not account for potential effects of COVID-19, unless specifically referenced.

This Appendix A provides information concerning the operations and finances of the District. The Bonds are general obligation bonds of the District, secured and payable from ad valorem property taxes assessed on taxable properties within the District. The Bonds are not an obligation of the County, the State of California (the "State") or any of its other political subdivisions or of the General Fund of the District. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" in the forepart of this Official Statement.

THE DISTRICT

General Information

The District was established in 1971. The District encompasses approximately 193 square miles in the County. The District maintains two comprehensive community colleges, each providing collegiate level instruction across a wide spectrum of subjects. Santa Ana College, founded in 1915, is located in Santa Ana and Santiago Canyon College, founded in 1997, is located in Orange. The District also provides comprehensive college and continuing education programs at the Centennial Continuing Education Center, the Orange Continuing Education Center, the Santa Ana College Orange County Sheriff's Regional Training Academy, the Digital Media Center, the Orange County Regional Fire Training Center, and various other sites throughout the District. The District serves a resident population of over 700,000, and includes portions of Santa Ana, Orange, Anaheim, Irvine, Garden Grove, Tustin, Villa Park, Costa Mesa, and Fountain Valley.

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the District and copies of the most recent and subsequent audited financial statements of the District may be obtained by contacting: Rancho Santiago Community College District, 2323 N. Broadway, Santa Ana, California 92706-1640, Attention: Peter Hardash, Vice Chancellor, Business Operations/Fiscal Services.

District Organization

The District is governed by an eight-member Board of Trustees (the “Board”), seven members of which are elected to four-year terms on a staggered basis, with one student trustee. Elections for positions to the Board are held every two years, alternating between three and four available positions. A student trustee, who serves a one-year term, is elected by District students. Current members of the Board, together with their offices and the dates their terms expire, are listed below.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT BOARD OF TRUSTEES

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Claudia C. Alvarez	President	December 2020
Phillip Yarbrough	Vice President	December 2022
Arianna P. Barrios	Clerk	December 2020
Zeke Hernandez	Member	December 2020
John R. Hanna	Member	December 2022
Lawrence R. Labrado	Member	December 2022
Vacant	Member	N/A
Mariano Cuellar	Student Trustee	May 2021

The Chancellor of the District is appointed by the Board and reports to the Board. The Chancellor is responsible for management of the District’s day-to-day operations and supervises the work of other key administrators.

Brief biographies of the Chancellor and certain key administrators follow:

Mr. Marvin Martinez, Chancellor. Mr. Martinez was appointed as Chancellor of the District effective July 1, 2019. Immediately prior to joining the District, Mr. Martinez served as President of East Los Angeles College, following a term as President of Los Angeles Harbor College. He has 30 years of community college experience and recently served as the Board President of the Chief Executive Officers for California Community Colleges. Mr. Martinez holds a Master of Arts in Urban Planning and a Bachelor of Arts in English from the University of California, Los Angeles.

Mr. Peter J. Hardash, Vice Chancellor, Business Operations/Fiscal Services. Mr. Hardash was appointed Vice Chancellor, Business Operations/Fiscal Services of the District in July 2006. Prior to working with the District, he was Vice President of Administrative Services at Pasadena City College and Vice President of Business Services at Cerritos College. He has spent 38 years in public education. Mr. Hardash holds a Master’s Degree in Business Administration from Pepperdine University and a Bachelor’s Degree in Business Administration from Loyola Marymount University.

Mr. Enrique Perez, Vice Chancellor, Educational Services. Mr. Perez has worked for the District since 2000 and currently serves as the Vice Chancellor of Educational Services with responsibilities that include resource development, research, workforce development, child development, and public and governmental affairs. Mr. Perez received his Bachelors in Political Science and Masters in Public Administration from the University of Southern California and his Juris Doctorate from Whittier Law School.

Ms. Tracie Green, Vice Chancellor, Human Resources. Ms. Green was appointed to the position of Vice Chancellor of Human Resources in June, 2018 with responsibilities that include labor

negotiations, employee recruitment, selection, discipline, fringe benefit administration and risk management. Immediately prior to joining the District, she served as the Director of Human Resources for Merced Community College District. Ms. Green holds a Master of Arts in Education Administration and Supervision and a Bachelor of Arts in Biological Sciences from California State University, Fresno.

Dr. Marilyn Flores, Ph.D, Interim President, Santa Ana College. [BIO TO COME].

Dr. John Hernandez, Santiago Canyon College. Dr. Hernandez was appointed President of Santiago Canyon College in July 2017. Dr. Hernandez has been in the field of student affairs for 34 years, twenty-one of those years in administration. Prior to his tenure at Santiago Canyon College, Dr. Hernandez served in the following administrative roles: Associate Vice President & Dean of Students at Cal Poly Pomona; Associate Dean for Student Development at Santa Ana College; and Assistant Dean for Students Affairs at California State University, Fullerton. Additionally, he has served as an adjunct instructor in the Student Development in Higher Education graduate program at Cal State University, Long Beach. Dr. Hernandez earned his Ph.D. in College Student Personnel Administration from the University of Maryland in College Park, a Master's Degree in Counseling with an emphasis in student development in higher education from CSU Long Beach, and a Bachelor's Degree in sociology from CSU Fullerton.

The Improvement District

The Board of Trustees of the District (the “Board”) acts as the governing board of the Santa Ana College Improvement District No. 1 of the Rancho Santiago Community College District (the “Improvement District” or “SFID No. 1.”) The Improvement District encompasses approximately 35 square miles, representing approximately 18.1% of the territory of the District. The total assessed valuation of the Improvement District for fiscal year 2018-19 was \$40,937,907,918 and for fiscal year 2019-20 is \$43,271,832,743, respectively, representing approximately 53% of the assessed valuation of the District. The Improvement District was formed following a public hearing on July 21, 2008, pursuant to the provisions of Chapter 2 of Part 10 of Division 1 of Title 1 of the California Education Code (the “Education Code”) and proceedings taken by the District.

Labor Relations

As of June 30, 2020, the District employed ___ full-time academic professionals, ___ full-time classified employees, ___ full-time child development teachers and ___ managers. In addition, the District employs ___ part-time faculty and staff, including ___ unrepresented employees. These employees, except management and certain unrepresented employees, may be represented by four bargaining units at the employees’ discretion as noted below.

The District cannot predict the impact of any potential forthcoming requests for hazard payments for essential employees or any other additional labor costs resulting from the COVID-19 pandemic.

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**RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
Labor Relations Organizations [UPDATE]**

Labor Organization	Number of Employees	Contract Expiration Date
Faculty Association of Rancho Santiago Community College District	___ Full Time ___ Part-Time	June 30, 2019 ⁽¹⁾
California School Employees Association Chapter 579	___ Full-Time ___ Part-Time	June 30, 2019 ⁽¹⁾
Continuing Education Faculty Association	___ Part-Time	June 30, 2020
California School Employees Association, Chapter 888 (Child Development Centers Teachers)	___ Full-Time	June 30, 2019 ⁽¹⁾

⁽¹⁾ Employees continue to work under the terms of the expired contract.

Insurance

Joint Powers Authority Risk Pools. The District participates in two joint powers agreement entities: the Alliance of Schools for Cooperative Insurance Programs (“ASCIP”) and Schools Excess Liability Fund (“SELF”) (each, a “JPA” and together, the “JPAs”).

ASCIP arranges for and provides property, liability, health benefit programs and workers’ compensation insurance for its member school districts and community college districts. The District pays a premium commensurate with the level of coverage requested. SELF arranges for and provides a self-funded or additional insurance for excess liability for approximately 800 public educational agencies.

ASCIP is governed by an elected board consisting of regional representatives from each member district. The governing board controls the operations of its JPA independent of any influence by the District beyond the District’s representation on the governing boards. SELF is governed by a board of 16 elected voting members, elected alternates, and two ex-officio members. The board controls the operations of SELF, including selection of management and approval of operating budgets, independent of any influence by the members beyond their representation on the board. Each member pays an annual contribution based upon that calculated by SELF’s board of directors.

Each JPA is independently accountable for its fiscal matters. Budgets are not subject to any approval other than that of the respective governing boards. Member districts share surpluses and deficits proportionately to their participations in the JPAs.

The relationships between the District and the JPAs are such that neither of the JPAs is a component unit of the District for financial reporting purposes.

Self-Insurance Fund. The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disaster; medical claims, auto claims and cyber liability claims. During the fiscal year, the District maintained an internal service fund (the “Self-Insurance Fund”) to account for and finance its uninsured risks of loss. The Self-Insurance Fund provides Self Insured Retention coverage for up to a maximum of \$25,000 for each general liability claim, \$10,000 for each property damage claim, \$1,500 for auto claims and \$5,000 for cyber claims. Workers’ Compensation has insured coverage with a \$150,000 Self-insured Retention.

The District participates in the JPAs to provide excess insurance coverage above the self-insured level for worker's compensation, property and liability claims, auto claims and cyber liability claims. Settled claims have never exceeded the coverage provided by the JPA.

Funding of the Self-Insurance Fund is based on estimates of the amounts needed to pay prior year claims and current year premiums. Workers' Compensation claims are charged to the respective funds which are covered by the current year policy; Property and Liability claims are paid by the General Fund.

At June 30, 2019, the District accrued its claims liability in accordance with GASB Statement No. 10, for claims that occurred when the District was self-insured. The amount of open claims liability is currently estimated at \$_____.

Changes in this reported liability are shown below:

	<u>Workers'</u> <u>Compensation</u>	<u>Property and</u> <u>Liability</u>
Liability Balance, July 1, 2016	\$ 400,000	\$ -
Claims and changes in estimates	39,510	38,354
Claims payments	(39,510)	(38,354)
Liability Balance, July 1, 2017	\$ 400,000	\$ -
Claims and changes in estimates	48,759	160,473
Claims payments	(48,759)	(160,473)
Liability Balance, June 30, 2018	\$ 400,000	-
Claims and changes in estimates		
Claims payments		
Liability Balance, June 30, 2019		
Assets Available to Pay Claims at June 30, 2018	<u> </u>	<u> </u>

Source: The District.

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District Enrollment

The table below sets forth the enrollment for funded Full-Time Equivalent Students (“FTES”) for the District for fiscal years 2015-16 through 2019-20.

RANCHO SANTIAGO COMMUNITY COLLEGE STUDENTS Full-Time Equivalent Students

<u>Fiscal Year</u>	<u>FTES⁽¹⁾</u>	<u>Increase (Decrease) From Prior Year</u>
2015-16	28,901	(7)
2016-17	27,517	(1,384)
2017-18	29,379	1,862
2018-19	25,884	(3,495)
2019-20		

⁽¹⁾ Funded FTES figures include California resident (“Resident”) students. The District receives apportionment from the State only for Resident students. Non-resident students are charged a higher fee per unit than Resident students, which income is independent and not subject to apportionment nor deduction by the State.

Source: The District.

The District had no unfunded FTES for fiscal year 2019-20 and expects to have no unfunded FTES for fiscal year 2020-21. In 2016-17, the District declined by 1,384 FTES and went into stabilization. The District fully restored FTES in 2017-18 by shifting FTES from summer 2018 and therefore shows a decline in 2018-19. The District expects enrollment to remain flat over the next several years, with no unfunded FTES.

The table below sets forth the historical total student enrollment in the District for the fiscal years 2015-16 through 2019-20.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT Historical Enrollment

<u>Fiscal Year</u>	<u>Total Enrollment</u>
2015-16	94,027
2016-17	92,516
2017-18	91,579
2018-19	89,818
2019-20	

Source: The District.

Population

The populations of the City of Orange, the City of Santa Ana (collectively, the “Cities”), the County and the State during the period from 2015 through 2019 are set forth in the following table.

Population Figures⁽¹⁾ 2015 through 2019

<u>Year</u>	<u>City of Santa Ana</u>	<u>City of Orange</u>	<u>County of Orange</u>	<u>State of California</u>
2015	339,591	140,722	3,152,376	38,915,880
2016	339,997	140,761	3,172,152	39,189,035
2017	337,843	140,981	3,198,968	39,500,973
2018	339,192	141,116	3,213,275	39,740,508
2019	337,716	141,691	3,222,498	39,927,315

⁽¹⁾ As of January 1 of the respective year.
Source: California State Department of Finance.

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Employment

The following chart compares labor force, employment, civilian employment and the unemployment rate in the Cities, County and the State of California during the period from 2015 through 2019. However, the 2020-21 State Budget recognizes a significant increase in unemployment claims in the State related to the COVID-19 pandemic, as described in “ – Fiscal Year 2020-21 State Budget” herein.

LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
City of Santa Ana, City of Orange, Orange County and the State of California
Yearly Average for Years 2014 through 2018

<u>Year and Area</u>	<u>Labor Force</u>	<u>Civilian Employment</u>	<u>Civilian Unemployment</u>	<u>Unemployment Rate (%)</u>
<u>2015</u>				
City of Santa Ana	158,000	149,900	8,100	5.1
City of Orange	71,900	68,900	3,000	4.2
County of Orange	1,588,700	1,518,000	70,700	4.4
State of California	18,893,200	17,723,300	1,169,900	6.2
<u>2016</u>				
City of Santa Ana	157,400	150,800	6,500	4.1
City of Orange	72,200	69,300	2,900	4.0
County of Orange	1,598,800	1,534,100	64,700	4.0
State of California	19,044,500	18,002,800	1,041,700	5.5
<u>2017</u>				
City of Santa Ana	157,500	151,800	5,700	3.6
City of Orange	72,300	69,800	2,500	3.4
County of Orange	1,609,800	1,553,400	56,400	3.5
State of California	19,205,300	18,285,500	919,800	4.8
<u>2018</u>				
City of Santa Ana	158,900	154,200	4,700	3.0
City of Orange	73,100	70,900	2,100	2.9
County of Orange	1,625,400	1,577,900	47,500	2.9
State of California	19,398,200	18,582,800	815,400	4.2
<u>2019</u>				
City of Santa Ana				
City of Orange				
County of Orange				
State of California				

Source: State of California Employment Development Department; U.S. Department of Labor, Bureau of Labor Statistics.

Principal Employers

The following table lists the top ten employers in the City of Santa Ana.

CITY OF SANTA ANA Principal Employers 2019

<u>Employer</u>	<u>Number of Employees</u>
1. County of Orange	
2. Santa Ana Unified School District	
3. Santa Ana College	
4. First American Title Co.	
5. KPC Healthcare	
6. City of Santa Ana	
7. United States Postal Service	
8. Superior Court of CA-County of Orange	
9. Johnson & Johnson	
10. Allied Universal	

Source: City of Santa Ana.

The following table lists the top ten employers in the City of Orange.

CITY OF ORANGE Principal Employers 2019

<u>Employer</u>	<u>Number of Employees</u>
1. UCI Medical Center	
2. CHOC Children's Hospital	
3. St. Joseph Hospital of Orange	
4. CashCall Inc. – Mortgage Division	
5. Chapman University	
6. Santiago Canyon College	
7. CalOptima Health Plans	
8. American Advisors Group (AAG)	
9. City of Orange	
10. Western Dental Services, Inc.	

Source: City of Orange.

District Investments

The Treasurer-Tax Collector (the “Treasurer”) of the County manages, in accordance with California Government Code Section 53600 *et seq.*, funds deposited with the Treasurer by County school and community college districts, various special districts, and some cities within the State. State law generally requires that all moneys of the County, school and community college districts and certain special districts be held in the County’s Treasury Pool. See “THE BONDS – Permitted Investments.”

The composition and value of investments under management in the Treasury Pool vary from time to time depending on cash flow needs of the County and public agencies invested in the pool, maturity or sale of investments, purchase of new securities, and due to fluctuations in interest rates generally. See Appendix F – “ORANGE COUNTY EDUCATIONAL INVESTMENTS POOL DISCLOSURE.”

Revenue Limits

The State provides the largest percentage of the District’s revenues, based on certain formulas. All State aid is subject to the appropriation of funds in the State’s annual budget. Decreases in State revenues may affect appropriations made by the legislature to the districts. See “FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA – Major Revenues” herein.

Funding of a community college district’s revenue limit is accomplished by a mix of (1) local property taxes, (2) State apportionments of basic aid and (3) student enrollment fees. Generally, the State apportionments amount to the difference between the community college district’s revenue limit and its local property tax revenues and student enrollment fees.

Article XIII A of the California Constitution and other legislation permit each county to levy and collect all property taxes (except for levies to support prior voter approved indebtedness), and prescribe how levies on county-wide property values were to be shared with local taxing entities within each county.

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1. For assessment and collection purposes, property is classified either as “secured” or “unsecured,” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing State assessed property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the “unsecured roll.”

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a ten percent penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared tax defaulted for non-payment on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is then subject to sale by the Treasurer. For additional details on property tax levies and collections, see “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – *Ad Valorem* Property Taxes, Tax Rates, Levies, Collections and Delinquencies” herein.

Expenditures

Funding of the above revenue limits is accomplished by a mix of local property taxes and State aid. Since the passage of Article XIII A of the California Constitution in 1978, property taxes received by the District have been limited to the District’s share of one percent of the full cash value collected by the County. See “FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA” and “CONSTITUTIONAL INITIATIVES AND STATUTORY MEASURES” herein.

As noted in the financial statements included and attached as APPENDIX C, the District’s major expenditures each year are employee salaries and benefits.

Financial Statements of the District

The District's General Fund finances the legally authorized activities of the District. General Fund revenues are derived from such sources as State fund apportionments, taxes, use of money and property, and aid from other governmental agencies. Certain information from the District's financial statements follows. The District's audited financial statements for fiscal year 2017-18 are attached hereto as APPENDIX C.

The District's financial statements are prepared on a modified accrual basis of accounting in accordance with generally accepted accounting principles as set forth by the Governmental Accounting Standards Board.

Funds and Account Groups used by the District are categorized as follows:

<u>Governmental Funds</u>
General Fund
Special Revenue Fund
Debt Service Funds
Internal Service Funds
Fiduciary Funds
Capital Projects Funds

The General Fund of the District, as shown herein, is a combined fund comprised of moneys which are unrestricted and available to finance the legally authorized activities of the District and restricted funds and moneys which are restricted to specific types of programs or purposes. General Fund revenues shown thereon are derived from such sources as taxes, aid from other government agencies, charges for current services and other revenue.

The financial statements included herein were prepared by the District using information from the annual financial report which are prepared by the Director of Fiscal Services for the District and audited by independent certified public accountants each year.

Budgets of the District

The fiscal year of the District begins on the first day of July of each year and ends on the 30th day of June of the following year. On or before July 1 of each year, the District adopts a fiscal line-item budget setting forth expenditures in priority sequence so that appropriations during the fiscal year can be adjusted if revenues do not meet projections.

The District is required by provisions of the California Education Code to maintain a balanced budget each year, where the sum of expenditures plus the ending fund balance cannot exceed the revenues plus the carry-over fund balance from the previous year. The Chancellor of California Community Colleges (the "State Chancellor") imposes a uniform budgeting format for each community college district in the State.

District Finances

The following pages describe the District's audited financial results for the fiscal years 2015-16 through 2018-19 and its unaudited actuals for fiscal year 2019-20, as well as a comparison of the adopted general fund budget to audited actuals for fiscal years 2016-17 through 2018-19, and to unaudited actuals

for 2019-20, and the tentative general fund budget for fiscal year 2020-21. The District is expected to adopt its budget for fiscal year 2020-21 on or about September __, 2020.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES
Fiscal Years 2015-16 through 2018-19, Unaudited Actuals for 2019-20

	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19	Unaudited Actuals Fiscal Year 2019-20
OPERATING REVENUES					
Tuition and fees (gross)	\$28,652,585	\$31,494,782	\$26,900,937	\$29,067,982	
Less: Scholarship discounts and allowances	(14,613,331)	(17,017,217)	(12,315,178)	(14,417,864)	
Net tuition and fees	<u>14,039,254</u>	<u>14,477,565</u>	<u>14,585,759</u>	<u>14,650,118</u>	
Grants and contracts, non-capital		91,667,796	101,004,584	95,520,217	
Other Operating Revenues	782,543	6,145,050	5,729,488	5,350,171	
TOTAL OPERATING REVENUES	<u>14,821,797</u>	<u>112,290,411</u>	<u>121,319,831</u>	<u>115,520,506</u>	
OPERATING EXPENSES					
Salaries	118,339,127	126,728,087	130,216,115	138,794,443	
Employee benefits	46,701,520	56,822,875	66,551,929	69,477,047	
Supplies, materials, and other operating expenses and services	42,040,669	60,862,544	73,060,017	76,741,728	
Transfer to agency funds					
Student financial aid	26,363,864	26,406,257	30,126,114	30,261,162	
Equipment, maintenance, and repairs	7,990,065			7,642,370	
Utilities		3,044,341	3,191,489		
Depreciation	18,511,753	18,083,453	17,812,097	17,808,084	
TOTAL OPERATING EXPENSES	<u>259,946,998</u>	<u>291,947,557</u>	<u>320,957,761</u>	<u>340,724,834</u>	
OPERATING INCOME (LOSS)	(245,125,201)	(179,657,146)	(199,637,930)	(225,204,328)	
NON-OPERATING REVENUES (EXPENSES)					
State apportionments, non-capital	86,240,268	82,863,325	75,818,550	83,596,488	
Local property taxes, levied for general purposes	63,038,387	71,909,721	85,972,908	81,420,316	
Taxes levied for other specific purposes				31,025,282	
Federal grants	34,961,432			23,535,989	
State grants	42,123,488			5,074,270	
State taxes and other revenues	23,301,212	9,860,734	7,433,052	8,352,303	
Investment income	1,654,221	1,356,918	2,354,579	7,065,808	
Interest expense on capital asset related debt	(17,652,039)	(13,689,204)	(13,245,119)	(14,380,005)	
Investment income on capital asset-related debt, net	119,317			325,526	
Transfer to/from fiduciary funds	(344,403)	578,312	(554,532)	(52,100)	
Loss on disposal of capital assets	(33,341)			(320,101)	
Other non-operating revenues	11,325,769	4,450,406	4,449,678	2,642,678	
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>244,734,311</u>	<u>157,330,212</u>	<u>162,229,116</u>	<u>228,286,454</u>	
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS AND LOSSES	(390,890)	(22,326,934)	(37,408,814)	3,082,126	
OTHER REVENUES, EXPENSES, GAINS AND LOSSES					
State apportionments, capital	3,456,437	3,257,909	2,240,057	1,325,755	
Local property taxes and revenues, capital		29,533,832	32,053,076		
Interest and investment income, capital		805,477	1,678,576		
Loss on disposal of equipment			(235,340)		
Local revenues, capital	<u>28,160,244</u>	<u>147,612</u>	<u>2,715</u>	<u>3,676,408</u>	
TOTAL OTHER REVENUES, EXPENSES, GAINS AND LOSSES	<u>31,616,681</u>	<u>33,744,830</u>	<u>35,739,084</u>	<u>5,002,163</u>	
CHANGE IN NET POSITION	31,225,791	11,417,896	(1,669,730)	8,084,289	
NET POSITION, BEGINNING OF YEAR	<u>26,320,576</u>	<u>57,546,368</u>	<u>68,964,264</u>	<u>(23,945,371)</u>	
Cumulative effect of change in accounting principles ⁽¹⁾			(91,239,905)		
Net position, beginning of year, after restatement ⁽¹⁾			<u>(22,275,641)</u>		
NET POSITION, END OF YEAR	<u>\$57,546,367</u>	<u>\$68,964,264</u>	<u>\$(23,945,371)</u>	<u>\$(15,861,082)</u>	

Source: The District.

⁽¹⁾ The District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pension*, which resulted in the restatement of the beginning net position.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
Comparison of Adopted General Fund Budgets for Fiscal Years 2017-18, 2018-19 and 2019-20,
Audited Actuals for Fiscal Years 2017-18 and 2018-19, Unaudited Actuals for Fiscal Year 2019-20 and Tentative Budget for Fiscal Year
2020-21

	2017-18 Adopted Budget	2017-18 Audited Actuals	2018-19 Adopted Budget	2018-19 Audited Actuals	2019-20 Adopted Budget	2019-20 Unaudited Actuals	2020-21 Tentative Budget
REVENUES:							
Federal	\$ 8,041,791	\$ 8,514,455	\$ 8,896,895	\$ 8,194,602	\$ 10,760,729		
State	168,570,124	139,684,141	224,475,529	209,100,455	273,341,463		
Local	90,008,886	99,949,142	102,507,893	102,991,860	104,326,958		
TOTAL REVENUES	<u>266,620,801</u>	<u>248,147,738</u>	<u>335,880,317</u>	<u>320,286,917</u>	<u>388,429,150</u>		
EXPENDITURES:							
Academic Salaries	78,673,939	79,501,818	77,813,903	83,341,068	83,164,425		
Classified Salaries	47,646,275	44,410,033	49,369,540	48,806,058	55,184,442		
Employee Benefits	63,416,065	62,073,367	66,072,591	66,855,982	73,277,717		
Supplies and Materials	4,659,201	3,245,208	5,426,110	4,014,975	4,025,029		
Other Operating Expenses & Services	69,563,038	42,334,552	130,225,236	108,612,825	164,244,733		
Capital Outlay	6,578,523	7,719,088	4,818,351	3,976,909	4,368,723		
TOTAL EXPENDITURES	<u>270,537,041</u>	<u>239,284,066</u>	<u>333,725,731</u>	<u>315,607,817</u>	<u>384,265,069</u>		
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,916,240)	8,863,672	2,154,586	4,679,100	4,164,081		
NET OTHER FINANCING SOURCES (USES)	5,000	9,143	5,000	19,820	5,000		
OTHER OUTGO	(2,710,216)	(6,485,521)	(5,063,923)	(6,638,067)	(5,745,130)		
CHANGE IN FUND BALANCE	(6,621,456)	2,387,294	(2,904,337)	(1,939,147)	(1,576,049)		
BEGINNING FUND BALANCE JULY 1	<u>\$ 38,884,499</u>	<u>\$ 38,884,499</u>	<u>\$ 41,271,793</u>	<u>\$ 41,271,793</u>	<u>\$ 39,332,646</u>		
ENDING FUND BALANCE JUNE 30	<u>\$ 32,263,043</u>	<u>\$ 41,271,793</u>	<u>\$ 38,367,456</u>	<u>\$ 39,332,646</u>	<u>\$ 37,756,597</u>		

Source: The District.

District Debt

The District's general obligation indebtedness as of July 1, 2020, was \$ _____, which was approximately 0. _ % of its total 2019-20 assessed valuation. No additional series of bonds may be issued by the District as of the date hereof, except for refunding bonds. See "INTRODUCTION – Improvement District Refunding Bond Issue" for more information about certain potential debt issues by the Improvement District.

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**RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
AND
SANTA ANA COLLEGE IMPROVEMENT DISTRICT NO. 1 OF RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
General Obligation Bonds - Consolidated Debt Service Schedule**

Year Ending September 1	Series B Bonds	2005 Refunding Bonds	Series C Bonds	2011 Refunding Bonds	2012 Refunding Bonds*	2013 Refunding Bonds*	SFID No. 1 2014 Series A Bonds**	SFID No. 1 2017 Series B Bonds	SFID No. 1 2019 Series C Bonds	Total Annual Debt Service
2021	\$3,367,050.00	\$7,481,475.00	–	\$233,500.00	\$6,496,750.00	\$8,224,450.00	\$2,501,462.50	\$3,087,800.00	–	\$31,392,487.50
2022	3,512,050.00	5,824,462.50	–	4,903,500.00	6,701,750.00	5,392,650.00	2,574,462.50	2,923,050.00	\$4,561,550.00	36,393,475.00
2023	3,667,050.00	2,825,962.50	–	–	6,906,750.00	14,285,850.00	2,652,962.50	3,009,050.00	4,529,150.00	37,876,775.00
2024	3,837,050.00	–	\$ 2,620,000.00	–	7,116,000.00	15,109,250.00	2,731,462.50	3,103,550.00	3,108,750.00	37,626,062.50
2025	4,007,050.00	–	–	–	8,227,250.00	17,358,000.00	2,814,712.50	3,195,800.00	3,205,750.00	38,808,562.50
2026	1,847,050.00	–	–	–	10,814,250.00	18,002,250.00	2,897,212.50	3,290,550.00	3,301,550.00	40,152,862.50
2027	1,847,050.00	–	19,150,000.00	–	11,229,750.00	–	2,983,712.50	3,392,300.00	3,403,450.00	42,006,262.50
2028	19,142,050.00	–	14,630,000.00	–	–	–	3,073,712.50	3,495,300.00	3,507,050.00	43,848,112.50
2029	19,705,681.26	–	15,255,000.00	–	–	–	3,166,712.50	3,597,300.00	3,608,450.00	45,333,143.76
2030	–	–	36,190,000.00	–	–	–	3,262,212.50	3,702,300.00	3,717,450.00	46,871,962.50
2031	–	–	31,785,000.00	–	–	–	3,359,712.50	3,814,900.00	3,828,450.00	42,788,062.50
2032	–	–	–	–	–	–	3,461,112.50	3,929,500.00	3,947,050.00	11,337,662.50
2033	–	–	–	–	–	–	3,563,012.50	4,050,700.00	4,061,650.00	11,675,362.50
2034	–	–	–	–	–	–	3,670,262.50	4,172,900.00	4,183,200.00	12,026,362.50
2035	–	–	–	–	–	–	3,779,950.00	4,296,250.00	4,308,300.00	12,384,500.00
2036	–	–	–	–	–	–	3,896,700.00	4,423,150.00	4,441,650.00	12,761,500.00
2037	–	–	–	–	–	–	4,011,950.00	4,553,300.00	4,572,800.00	13,138,050.00
2038	–	–	–	–	–	–	4,135,200.00	4,691,400.00	4,711,600.00	13,538,200.00
2039	–	–	–	–	–	–	4,255,450.00	4,832,200.00	4,852,600.00	13,940,250.00
2040	–	–	–	–	–	–	4,387,200.00	4,976,000.00	4,995,500.00	14,358,700.00
2041	–	–	–	–	–	–	4,514,800.00	5,127,200.00	–	9,642,000.00
2042	–	–	–	–	–	–	4,651,600.00	–	–	4,651,600.00
2043	–	–	–	–	–	–	4,791,800.00	–	–	4,791,800.00
2044	–	–	–	–	–	–	4,934,800.00	–	–	4,934,800.00
	<u>\$60,932,081.26</u>	<u>\$16,131,900.00</u>	<u>\$119,630,000.00</u>	<u>\$5,137,000.00</u>	<u>\$57,492,500.00</u>	<u>\$78,372,450.00</u>	<u>\$86,072,175.00</u>	<u>\$81,664,500.00</u>	<u>\$76,845,950.00</u>	<u>\$582,278,556.26</u>

* Includes the Prior Bonds.

**Year ending August 1. Includes the Improvement District Prior Bonds being refunded as described under “INTRODUCTION – Improvement District Refunding Bond Issue.”

Long-Term Obligations

The changes in the District's long-term obligations during fiscal year 2018-19 consisted of the following:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance End of Year</u>	<u>Amount Due in One Year</u>
Bonds Payable					
General Obligation Bonds	\$408,639,326	\$3,828,258	\$(19,300,000)	\$393,167,584	\$20,780,000
Unamortized bond premium	32,981,391		(5,123,703)	27,857,688	
Total General Obligation Bonds	<u>441,620,717</u>	<u>3,828,258</u>	<u>(24,423,703)</u>	<u>421,025,272</u>	<u>20,780,000</u>
Other Liabilities					
Compensated absences	\$6,934,764	\$49,621		\$6,984,385	\$633,927
Load banking	5,343,524	285,090		5,628,614	
Claims liability	400,000			400,000	
Aggregate other postemployment benefits (OPEB) liability	167,278,154	19,141,758	\$46,583,304	139,836,608	
Aggregate net pension obligation	196,038,329	6,204,553		202,242,882	
Total Other Liabilities	<u>375,994,771</u>	<u>25,681,022</u>	<u>46,583,304</u>	<u>355,092,489</u>	<u>633,927</u>
Total Long-Term Obligations	<u>\$817,615,488</u>	<u>\$29,509,280</u>	<u>\$71,007,007</u>	<u>\$776,117,761</u>	<u>\$21,413,927</u>

Operating Leases

The District has entered into various operating leases for land, building, and equipment with lease terms in excess of one year. None of these agreements contain purchase options. As of June 30, 2019, future minimum lease payments under these agreements were as follows:

<u>Fiscal Year (Ending June 30)</u>	<u>Lease Payments</u>
2020	\$70,861
2021	51,227
2022	<u>39,192</u>
Total	<u>\$161,280</u>

Source: The District.

The District will receive no sublease rental revenues nor pay any contingent rentals for these leases.

Public Agency Retirement Services

Plan Description

The Public Agency Retirement System ("PARS") is a defined contribution plan qualifying under §401(a) and §501 of the Internal Revenue Code. PARS covers part-time, seasonal and temporary employees, and employees not covered by §3121(b)(7)(F) of the Internal Revenue Code. The benefit provisions and contribution requirements of plan members and the District are established and may be amended by the PARS board of trustees.

Funding Policy

Contributions of 7.5 percent of covered compensation of eligible employees are made by the employer (1.3 percent) and employee (6.2 percent) as an alternative to social security. Total contributions, employer and employee combined, were made in the amount of \$693,457 during fiscal year 2017-18. The District anticipates contributing \$698,792 in fiscal year 2018-19. The total amount of covered compensation was \$9,330,810 in fiscal year 2017-18. Total contributions made are 100 percent of the amount of contributions required for fiscal year 2017-18.

STRS and PERS

The District participates in the State Teachers' Retirement System ("STRS"). This plan basically covers all full-time certificated and some classified District employees. The District's employer contribution to STRS was \$8,659,020 for fiscal year 2016-17, \$10,328,655 for fiscal year 2017-18, [\$12,837,781] for fiscal year 2018-19, and is estimated to be [\$_____ for fiscal year 2019-20].

The District also participates in the State Public Employees' Retirement System ("PERS"). This plan covers all classified personnel who are employed four or more hours per day. The District's employer contribution to PERS was \$5,827,384 for fiscal year 2016-17, \$6,773,599 for fiscal year 2017-18, [\$8,045,321] for fiscal year 2018-19, and is estimated to be [\$_____ for fiscal year 2019-20].

State Pension Trusts

The information set forth below regarding STRS and PERS has been obtained from publicly available sources and has not been independently verified by the District, the Underwriter or the Municipal Advisor, is not guaranteed as to the accuracy or completeness of the information and is not to be construed as a representation by the District, the Underwriter or the Municipal Advisor. Furthermore, the summary data below should not be read as current or definitive, as recent gains or losses on investments made by the retirement systems generally may have changed the unfunded actuarial accrued liabilities.

Both PERS and STRS are operated on a statewide basis. The PERS and STRS defined benefit programs are funded through a combination of investment earnings and contributions by members, employees and the State. Both PERS and STRS have substantial State unfunded actuarial liabilities. PERS may issue certain pension obligation bonds to reach funded status. Additional funding of STRS by the State and the inclusion of adjustments to such State contributions based on consumer price changes were provided for in 1979 Statutes, Chapter 282. The amounts of the pension/award benefit obligation (PERS) or actuarially accrued liability (STRS) will vary from time to time depending upon actuarial assumptions, rates of return on investments, salary scales, and levels of contribution. The District is unable to predict what the amount of liabilities will be in the future, or the amount of the contributions which the District may be required to make.

District contribution rates to PERS can vary annually depending on changes in actuarial assumption and other factors, such as liability. Unlike typical defined benefit programs, prior to fiscal year 2014-15, neither the STRS employer nor the State contribution rate varied annually to make up funding shortfalls or assess credits for actuarial surpluses. As a result, in recent years, the combined employer, employee and State contributions to STRS have not been sufficient to pay actuarially required amounts. As a result, and due to significant investments losses, the unfunded actuarial liability of STRS increased significantly. The District is unable to predict what the STRS program liabilities will be in the future.

Declines in investment earnings as a result of COVID-19 may lead to increases in District contributions to each of these retirement systems. The District is unable to predict the likelihood or the amount of such increases on its contributions to STRS or PERS.

In order to address STRS funding inadequacies, the 2014-15 State Budget set forth a plan of shared responsibility among the State, school districts and teachers to shore up STRS. The first year's increased contributions from all three entities were approximately \$275 million. The contributions would increase in subsequent years, reaching more than \$5 billion annually. Then Governor Brown expected that this will eliminate the unfunded liability in approximately 30 years. The 2018-19 State Budget included \$3.1 billion for state contributions to STRS, which reflects action by the STRS board to increase state contributions by 0.5% of teacher payroll. The 2019-20 State Budget included approximately \$3.3 billion for State contributions to STRS and PERS. However, the 2020-21 State Budget redirected approximately \$2.3 billion of this amount to further reduce employer contribution rates in fiscal years 2020-21 and 2021-22, reducing the STRS employer rate from 18.41% to approximately 16.15% in fiscal year 2020-21, and from 17.9% to approximately 16.02% in fiscal year 2021-22, and reducing the PERS employer rate from 22.67% to approximately 20.7% in fiscal year 2020-21, and from 24.6% to approximately 22.84% in fiscal year 2021-22. See “ – Fiscal Year 2020-21 State Budget” herein.

**STATE OF CALIFORNIA
ACTUARIAL VALUE OF STATE RETIREMENT SYSTEMS**

Name of Plan	Market Value of Assets	Actuarial Value of Assets⁽³⁾	Actuarial Obligation	Unfunded Actuarial Accrued Liability	Funded Ratio (Market Value)	Funded Ratio (Actuarial Value)
Public Employees' Retirement Fund Schools Pool (PERS) ⁽¹⁾	\$64.177 billion	—	\$99.528 billion	\$31.351 billion	68.5%	—
State Teachers' Retirement Fund Defined Benefit Program (STRS) ⁽²⁾	\$211.367 billion	\$190.451 billion	\$297.603 billion	\$107.152 billion	65.7%	64.0%

PERS Figures as of June 30, 2019. STRS Figures as of June 30, 2018.

⁽¹⁾ As of June 30, 2019, the PERS provided pension benefits to 1,296,053 active and inactive program members and 714,504 retirees, beneficiaries, and survivors.

⁽²⁾ As of June 30, 2018, the STRS Defined Benefit Program had approximately 647,653 active and inactive program members and 301,859 retirees and benefit recipients.

⁽³⁾ PERS no longer uses an actuarial value of assets and only uses the market value of assets.

Source: PERS State and Schools Actuarial Valuation, STRS Defined Benefit Program Actuarial Valuation, PERS Comprehensive Annual Financial Report 2018-19, PERS Schools Pool Valuation and Employer/Employee Contribution Rates Finance & Administration Committee April 21, 2020 Item 7d, Attachment 1 and STRS Comprehensive Annual Financial Report 2017-18.

California State Teachers' Retirement System. STRS is a defined benefit program and member benefits are determined pursuant to the Education Code and are generally determined based on a member's age, final compensation and years of credited service. As a result of the California Public Employees' Pension Reform Act of 2013 (Chapter 296, Statutes of 2012), there are two benefit structures for members that apply according to the members' first date of hire to perform STRS creditable activities. Members first hired on or before December 31, 2012 are 100% vested in retirement benefits after five years of credited service and are eligible for "normal" retirement at age 60 and for early retirement at age 55 or at age 50 with 30 years of credited service. The normal retirement benefit is 2% of final compensation (as defined in the Education Code) for each year of credited service (up to 2.4% of final compensation for members retiring after age 60), and members who retire on or after January 1, 2011

with 30 or more years of service by December 31, 2010 receive monthly bonus payments of up to \$400 per month. Members first hired on or after January 1, 2013 who retire at age 62 are eligible for a benefit equal to 2% of final compensation for each year of credited service (up to 2.4% of final compensation for members retiring after age 62). Additional benefits under both benefit structures include a 2% cost of living increase (computed on a simple, non-compounded, basis based on the initial allowance) on each September 1 following the first anniversary of the effective date of the benefit.

Prior to fiscal year 2014-15, neither the STRS employer nor the State contribution rate varied annually to make up funding shortfalls or assess credits for actuarial surpluses. As a result, the combined employer, employee and State contributions to STRS were not sufficient to pay actuarially required amounts. Assembly Bill 1469 (“A.B. 1469”), enacted in connection with the adoption of the 2014-15 State budget authorizes shared contribution increases among the program’s three contributors – STRS members, employers and the State. Defined Benefit Program contribution rate increases for all contributing parties will be incrementally phased-in over the next several years, with the first increases having taken effect July 1, 2014. The rate increases authorized by A.B. 1469 are projected to fund the STRS Defined Benefit Program fully in 32 years.

Employer contribution rates, including those of the College District, will increase through fiscal year 2020-21 as shown in the following table. Beginning fiscal year 2021-22, employer contribution rates will be set each year by the STRS board to reflect the contribution required to eliminate unfunded liabilities by June 30, 2046.

<u>Effective Date</u>	<u>Prior Rate</u>	<u>AB 1469 Increases</u>	
		<u>Increase</u>	<u>Total</u>
July 1, 2017	8.25%	6.18%	14.43%
July 1, 2018	8.25	8.03	16.28
July 1, 2019	8.25	8.85	17.10
July 1, 2020	8.25	10.15	18.40

The State contributions are set pursuant to the Education Code. As of July 1, 2019, the State will contribute 7.828% of members’ annual earnings to the defined benefit plan for fiscal year 2019-20 and 8.328% for fiscal year 2020-21. The employee contribution rate for STRS members first hired on or before December 31, 2012 to perform STRS creditable activities (i.e., STRS 2% at 60 members) is 10.25% for fiscal year 2019-20. The employee contribution rate for STRS members first hired on or after January 1, 2013 to perform STRS creditable activities (i.e., STRS 2% at 62 members) is 10.205% for fiscal year 2019-20. However, the 2020-21 State Budget redirected approximately \$2.3 billion of this amount to further reduce employer contribution rates in fiscal years 2020-21 and 2021-22, reducing the STRS employer rate from 18.41% to approximately 16.15% in fiscal year 2020-21, and from 17.9% to approximately 16.02% in fiscal year 2021-22. See “– Fiscal Year 2020-21 State Budget” herein.

The State Teachers' Retirement Board has sole authority to determine the actuarial assumptions and methods used for the valuation of the defined benefit plan. STRS actuarial consultant determines the actuarial value of the defined benefit plan’s assets by using a one-third smoothed recognition method of the difference between the actual market value of assets to the expected actuarial value of assets. Accordingly, the actuarial value of assets will not reflect the entire impact of certain investment gains or losses on an actuarial basis as of the date of the valuation or legislation enacted subsequent to the date of the valuation.

In February 2017, the State Teacher's Retirement Board voted to revise the actuarial methods and assumptions beginning with the STRS Defined Benefit Program for fiscal year 2016. The actuarial assumptions set forth in the 2016 STRS actuarial valuation use a 7.25% investment rate of return for measurements as of June 30, 2016 and an assumed 7.00% investment rate of return for measurements subsequent to June 30, 2016, 3.00% interest on member accounts, 3.50% wage growth, and 2.75% inflation. The STRS unfunded liability will vary based on actuarial assumptions, actual returns on investments and contribution rates.

The Defined Benefit Program of the California State Teachers' Retirement System, June 30, 2018 Actuarial Valuation (the "2018 STRS Actuarial Valuation") states that for fiscal year 2017-18 the funded ratio increased by 1.4% over the previous year, mainly due to the return on the Actuarial Value of Assets (8.3%) that exceeded the assumed return (7.0%). However, the funded ratio as a whole has decreased by approximately 23% over the past 10 years primarily due to a combination of returns that have, on a smoothed basis, been less than the actuarial assumption, contributions less than the actuarially calculated amount, and changes in the actuarial assumptions that have increased the Actuarial Obligation. The alternate funded ratio using the Fair Market Value of assets has increased since the last valuation. This increase is due to the greater than expected return on assets during the 2017-18 fiscal year.

California Public Employees' Retirement System. PERS is a defined benefit program and member benefits are determined pursuant to the Public Employees' Retirement Law and are generally determined based on a member's age, final compensation and years of credited service.

Member contribution rates are determined by the Public Employees' Retirement Law and depend on the respective employer's benefit formulas. Employer contribution rates are determined by periodic actuarial valuations or by statute. For fiscal year 2019-20, the employee contribution rate for classic plan members is 7.0% of monthly salary and the estimated employee contribution rate for PEPRA members is 7.0% of monthly salary. The employer contribution rate increased from 18.062% of covered payroll for fiscal year 2018-19, to 20.733% of covered payroll for fiscal year 2019-20.

At its April 17, 2013 meeting, the PERS Board of Administration approved a recommendation to change the PERS amortization and smoothing policies. Prior to this change, PERS employed an amortization and smoothing policy which spread investment returns over a 15-year period with experience gains and losses paid for over a rolling 30-year period. After this change, PERS will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period. The new amortization and smoothing policy was used for the first time in the June 30, 2014 actuarial valuations. These valuations were performed in early 2015 and set employer contribution rates for the fiscal year 2015-16.

The actuarial methods and assumptions used for determining the rates are based on those adopted by Board of Administration of PERS. At its December 21, 2016 meeting, the PERS Board of Administration approved a discount rate assumption decrease from its current rate of 7.50% to 7.00% over the next three years. For the School Pool, the discount rate was lowered for the first time to 7.375% effective with the June 30, 2017 actuarial valuation (the "2017 PERS Schools Pool Actuarial Valuation"), impacting the Schools Pool employer contribution rates beginning in fiscal year 2018-19. The discount rate was lowered further to 7.25% for the June 30, 2018 actuarial valuation, and will be lowered again to 7.00% for the June 30, 2019 actuarial valuation. Lowering the discount rate will result in increases in both the normal cost and the accrued liabilities which will result in higher required employer contributions. The District cannot predict how these changes will affect its contribution levels.

On December 20, 2017, the PERS Board of Administration adopted new actuarial demographic assumptions to update various assumptions including mortality, retirement rates and inflation. These new

assumptions were applied beginning with the June 30, 2018 valuation for the schools pool, setting employer contribution rates for fiscal year 2019-20. As a result, the June 30, 2018 actuarial valuation assumes a reduced inflation rate of 2.625% per year and reduced payroll growth of 2.875% per year. The actuarial funding method used in the PERS Schools Pool Actuarial Valuation as of June 30, 2018 (the “2018 PERS Actuarial Valuation”) is the “Individual Entry Age Normal Cost Method.” The PERS Schools Pool Actuarial Valuation as of June 30, 2018 assumes, among other things, a 7.25% discount rate, projected 2.625% inflation per year, and projected payroll growth of 2.875% per year. The prescribed discount rate will reduce to 7.00% per year, projected 2.50% inflation per year, and projected payroll growth of 2.75% per year as of the June 30, 2019 actuarial valuation. At its February 12, 2018 meeting, the PERS Board of Administration approved a recommendation to change the PERS amortization policy once again. Prior to this change, PERS employed an amortization and smoothing policy which spread investment returns over a 30-year period with the increases or decreases in the rate spread directly over a 5-year period. After this change, PERS will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 20-year period rather than a 30-year period. The new amortization policy will be used for the first time in the June 30, 2019 actuarial valuations.

On April 17, 2019, subsequent to the release of the 2017 PERS Schools Pool Actuarial Valuation, the PERS Board adopted updated projections for future employer contribution rates of 23.6%, 24.9%, 25.7%, and 26.4% in Fiscal Years 2020-21, 2021-22, 2022-23 and 2023-24, respectively. The PERS Board did not adjust the employer contribution rate for Fiscal Year 2019-20. However, the 2020-21 State Budget reduced the PERS employer rate from 22.67% to approximately 20.7% in fiscal year 2020-21, and from 24.6% to approximately 22.84% in fiscal year 2021-22. See “ – Fiscal Year 2020-21 State Budget” herein.

On June 27, 2019, PERS released an Actuarial Circular Letter, which reflected a modified employer contribution rate of 19.7% (reduced from 20.7%) for Fiscal Year 2019-20 as a result of contributions to PERS included in the 2019-20 State Budget. See “FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA – State Assistance – 2019-20 State Budget” herein.

Both PERS and STRS are operated on a statewide basis and, based on available information, STRS and PERS both have unfunded liabilities. PERS may issue certain pension obligation bonds to reach funded status. Additional funding of STRS by the State and the inclusion of adjustments to such State contributions based on consumer price changes were provided for in 1979 Statutes, Chapter 282. The amounts of the pension/award benefit obligation (PERS) or actuarially accrued liability (STRS) will vary from time to time depending upon actuarial assumptions, rates of return on investments, salary scales, and levels of contribution.

STRS and PERS each issue separate comprehensive annual financial reports that include financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from www.calstrs.com or by written request mailed to STRS, P.O. Box 15275, Sacramento, California 95851-0275, and copies of the PERS annual financial report may be obtained from www.calpers.ca.gov or by written request mailed to the CalPERS Financial Services Division, P.O. Box 942703, Sacramento, California 94229-2703. The information presented in those reports is not incorporated by reference in this Official Statement.

The District is unable to predict what the amount of liabilities will be in the future, or the amount of future contributions that the District may be required to pay. See APPENDIX C — “AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2018” for additional information concerning STRS and PERS contained in the notes to said financial statements.

Pension Reform Act of 2013 (Assembly Bill 340). On September 12, 2012, Governor Brown signed AB 340, a bill that will enact the California Public Employees' Pension Reform Act of 2013 ("PEPRA") which amended various sections of the California Education and Government Codes. AB 340 (i) increases the retirement age for new State, school, and city and local agency employees depending on job function, (ii) caps the annual PERS and STRS pension benefit payouts, (iii) addresses abuses of the system, and (iv) requires State, school, and certain city and local agency employees to pay at least half of the costs of their PERS pension benefits. PEPRA will apply to all public employers except the University of California, charter cities and charter counties (except to the extent they contract with PERS.)

The provisions of AB 340 went into effect on January 1, 2013 with respect to new State, school, and city and local agency employees hired on that date and after; existing employees who are members of employee associations, including employee associations of the District, had a five-year window to negotiate compliance with AB 340 through collective bargaining. A city, public agency or school district could require employees to pay their half of the costs of PERS pension benefits, up to 8 percent of pay for civil workers and 11 percent or 12 percent for public safety workers.

PERS has predicted that the impact of AB 340 on employers, including the District and other employers in the STRS system, and employees will vary, based on each employer's current level of benefits. To the extent that the new formulas lower retirement benefits, employer contribution rates could decrease over time as current employees retire and employees subject to the new formulas make up a larger percentage of the workforce. This change would, in some circumstances, result in lower retirement benefits than employees currently earn. Additionally, PERS has noted that AB 340 changes may have an adverse impact on public sector recruitment in areas that have historically experienced recruitment challenges due to higher pay for similar jobs in the private sector.

With respect to STRS, for employees hired after January 1, 2013, future members will pay the greater of either (1) at least 50 percent of the cost of their retirement plan, rounded to the nearest one-quarter percent, or (2) the contribution rate paid by current members. The member contribution rate could be increased from this level through collective bargaining or may be adjusted based on other factors. Public employers will pay at least the normal cost rate, after subtracting the member's contribution. The District is unable to predict the amount of future contributions it will make to STRS as a result of the implementation of AB 340 (being its future contributions for the normal costs of new employees), and as a result of negotiations with its employee associations, or, notwithstanding the adoption of AB 340, resulting from any legislative changes regarding STRS employer contributions that may be adopted in the future.

More information about AB 340 can be accessed through the PERS's web site at www.calpers.ca.gov and through the STRS website at www.calstrs.com. The references to these internet websites are shown for reference and convenience only; the information contained within the websites may not be current and has not been reviewed by the District and is not incorporated herein by reference.

GASB Statement Nos. 67 and 68. On June 25, 2012, the GASB approved two new standards with respect to pension accounting and financial reporting standards for state and local governments and pension plans. The new Statement No. 67, Financial Reporting for Pension Plans ("GASB 67"), revised existing guidance for the financial reports of most pension plans. The new Statement No. 68, Accounting and Financial Reporting for Pensions ("GASB 68"), revised and established new financial reporting requirements for most governments that provide their employees with pension benefits. Major changes include: (i) the inclusion of unfunded pension liabilities on the government's balance sheet (such unfunded liabilities were previously typically included as notes to the government's financial statements); (ii) more components of full pension costs being shown as expenses regardless of actual contribution

levels; (iii) lower actuarial discount rates being required to be used for most plans for certain purposes of the financial statements, resulting in increased liabilities and pension expenses; and (iv) shorter amortization periods for unfunded liabilities being required to be used for certain purposes of the financial statements, which generally would increase expenses; and (v) the difference between expected and actual investment returns being recognized over a closed five-year smoothing period. GASB 67 became effective beginning in fiscal year 2013-14, and GASB 68 became effective beginning in fiscal year 2014-15. See APPENDIX C — “AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2019.”

Other Post-Employment Benefits

In June 2004, the GASB pronounced Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. The pronouncement requires public agency employers providing healthcare benefits to retirees to recognize and account for the costs for providing these benefits on an accrual basis and provide footnote disclosure on the progress toward funding the benefits. The implementation date for this pronouncement was staggered in three phases based upon the entity’s annual revenues, similar to the implementation for GASB Statement No. 34 and 35. GASB Statement No. 45 (“GASB 45”) became effective for the District for fiscal year 2008-09.

In June 2015, GASB voted to approve a new standard that aimed to improve the accounting and financial reporting for OPEB by state and local governments. Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (“Statement Number 75”) requires the recognition of the entire OPEB liability, new disclosures and notes in financial reporting, supplemental information, and a more comprehensive measure of OPEB expense. These changes followed a comprehensive review of the effectiveness of preexisting standards of accounting and reporting. GASB expects that the requirements of Statement Number 75 will improve the decision-usefulness of financial information and will enhance its value for assessing accountability and inter-period equity. Statement Number 75 replaces Statement Number 45 became effective beginning in fiscal year 2017-18.

Plan Description. The District currently provides retiree and dependent medical coverage to eligible academic and classified employees. Persons retiring with more than ten years but less than fifteen years of service are eligible to receive medical benefits on a self-pay basis. For employees whose first paid date of contract services is on or after May 31, 1986 and who subsequently qualify for the foregoing fifteen (15) year retiree service benefit, the District will pay its portion of the insurance premium until the retiree reaches age 70. After age 70, such retirees may continue coverage at their own expense. The requirements of Plan members and the District are established and may be amended by the District and the District’s bargaining units.

Funding Policy. The District currently finances benefits on a pay-as-you-go basis for health premiums, and has established an irrevocable trust for contributions as described in the following paragraph. The District contributes 100% of the cost of the current year premiums for eligible retired plan members and their spouses, as applicable. The District contributed \$12,698,406 for fiscal year 2018-19, consisting of \$7,475,511 for premiums and \$5,222,895 to set aside for future liability. For fiscal year 2019-20, the District contributed \$ _____, consisting of \$ _____ for premiums and \$ _____ to set aside for future liability.

The District accumulated \$ _____ (cash balance as of June 30, 2019) in a special reserve fund to fund its outstanding liability with respect to its post-employment benefits, now in an irrevocable trust. An additional transfer of \$ _____ was made on June __, 2020. The District intends to contribute to the irrevocable trust for future contributions.

Actuarial Report. Total Compensation Systems, Inc. has prepared an actuarial valuation dated June 22, 2019 (the “2019 Actuarial Report”), covering the District’s retiree health benefits with a valuation date of June 30, 2017 and a measurement date of June 30, 2018. Certain assumptions incorporated in the 2019 Actuarial Valuation include a 6.3% discount rate, a 2.75% inflation rate, a 2.75% annual increase for salaries, and various other assumptions. The District had a total OPEB liability (“TOL”) of \$167,278,154 (and a net OPEB liability (“NOL”) of \$167,278,154), which the 2019 Actuarial Report describes as the excess of the TOL over the value of the plan assets) as of June 30, 2017 and a TOL of \$138,984,339 as of June 30, 2018. The 2019 Actuarial Report describes the TOL as the liability that would have accumulated if all actuarial assumptions are exactly met and the District expensed the service cost every year for all past and current employees and retirees. Under GASB Statement 74 and Statement 75, in order for assets to count toward offsetting the TOL, the assets have to be held in an irrevocable trust that is safe from creditors and can only be used to provide OPEB benefits to eligible participants. The District has established such an irrevocable trust which it expects will be reflected in future actuarial valuations.

According to the 2019 Actuarial Valuation, the District’s annual OPEB expense for the fiscal year ended June 30, 2019, of \$14,034,699, which is comprised of a service cost of \$7,767,432 plus interest on the TOL of \$10,522,057, minus \$4,254,790 of recognized assumption changes. This annual expense does not include the estimated \$8,290,199 in contributions made by the District.

Risks Related to COVID-19

Introduction. The outbreak of a new strain of coronavirus (“COVID-19”), a respiratory tract illness first identified in Wuhan, China, has spread to numerous countries across the globe, including the United States. COVID-19 has been characterized as a pandemic by the World Health Organization and has resulted in a declaration of a national emergency by the Federal Government on March 13, 2020, as a state of emergency by certain states (including by the State on March 4, 2020) and by local governments and counties. The purpose behind these declarations was to coordinate and formalize emergency actions across federal, state and local governmental agencies, and to proactively prepare for a wider spread of the virus. The outbreak has resulted in the imposition of stay-at-home orders, restrictions on gatherings and widespread temporary closings of businesses, universities and schools. Multiple states implemented state-wide school closures for the 2019-20 school year, including the State. The United States is currently restricting certain non-U.S. citizens and permanent residents from entering the country.

The spread of COVID-19 has significantly altered the behavior of businesses and people in a manner that has had substantial negative impacts on global and local economies. Stock markets in the U.S. and globally have seen significant declines attributed to COVID-19 and related stay-at-home orders, and the corresponding decreases in business activity attributable thereto. The country’s unemployment rate has risen to a level not seen since the Great Depression.

The District’s Response to the COVID-19 Pandemic. The District is currently receiving guidance on responses to COVID-19 from State and County health officials which are monitoring the COVID-19 situation, in accordance with COVID-19 guidelines published by the Centers for Disease Control and Prevention. The District closed its on-site facilities through the end of the 2019-20 school year and expects the majority of classes for the fall semester for the 2020-21 school year to be online. While the District has halted on-site learning, it has taken numerous steps to encourage continued learning for enrolled students. The District is still maintaining essential services including, but not limited to, operations, communications, distance learning, payroll, accounts payable, providing meals for children, and ongoing project management. The District has incurred additional operational costs to implement distance learning strategies, deep clean and sanitize its facilities, and purchase additional sanitation and cleaning supplies necessary to maintain sanitation of its facilities. While certain of these expenditures are

expected to be reimbursed by the Federal government, the District does not know the extent or timing of such reimbursement.

Additional costs may be borne by the District as circumstances related to the COVID-19 pandemic fluctuate during the 2020-21 school year. These may include costs related to or associated with: (i) implementing and performing tests and screening for the virus, and monitoring staff and students for signs of illness; (ii) modifications to accommodate students or staff testing positive for the virus, including additional communications systems to exposed staff and students; (iii) obtaining an ongoing supply of personal protective equipment for students and staff (iv) addressing additional hygiene and handwashing practices, including increasing the frequency of disinfecting high-touch surfaces; (v) implementation of staggered schedules and physical distancing procedures, including utilization of campus locations such as lecture halls, gymnasiums, auditoriums, cafeterias, and outdoor spaces, for educational activities; (vi) incorporation of additional technology to implement distance learning; (vii) altering procedures for cafeterias and provision of food service, including installation of additional physical barriers for provision of food service, such as sneeze guards and partitions, and modification of cafeteria spaces to allow physical distancing; (viii) ensuring adequate air circulation, including potential modification of HVAC systems; (ix) hazard payments for essential employees or any other additional labor costs resulting from the COVID-19 pandemic, including costs of staff training and costs associated with ensuring appropriate staffing levels to meet facility cleanliness and physical distancing requirements; (x) providing services to students and staff with disabilities, or who are otherwise at higher risk of contracting COVID-19; (xi) ensuring adequate support for English-learners and social and emotional support for all students and staff; (xii) modifications to programs in career and technical education, including cleaning of specialized equipment and tools, laboratories, experiential learning, and career counseling; and (xiii) development and implementation of a plan to close physical locations once reopened, if required by circumstances related to the pandemic.

The District cannot evaluate at this time whether, or the extent to which, any of the above considerations will affect its operations or result in increased costs, however such costs may be material. The circumstances described above are not unique to the District and will be considerations for all community college districts in the State. The District cannot predict the extent to which the State or Federal government will provide reimbursement or additional funding to offset any of the above expenses, or whether the extent of such funding will be sufficient, if provided.

The 2020-21 State Budget has indicated that there will be significant reductions and deferrals in State funding of community college districts throughout the State due to the COVID-19 pandemic, as further described under the caption “Fiscal Year 2020-21 State Budget” herein. The District has the ability to rely on interfund borrowing and its existing reserves, as well as the issuance of tax and revenue anticipation notes to manage cash flow during the 2020-21 fiscal year or beyond. The District does not expect such deferrals or delays in payment to cause a material adverse impact on its operations or finances at this time, and does not expect to experience any significant cash flow problems or issue any such notes for the 2020-21 fiscal year at this time.

The District is currently undergoing its budget process for fiscal year 2020-21, as part of which it will determine the effect of these reductions and deferrals on its operations and finances. Community college districts may also hold reserves in their local operating accounts, and as part of its preparation of its budget for fiscal year 2020-21, the District is in the process of evaluating its reserves for the next and future fiscal year. At this time, the District expects its reserves to satisfy all State requirements for fiscal year 2020-21. It expects to adopt its budget for the 2020-21 fiscal year and submit it to the Chancellor by or before October 31, 2020.

Effect of the COVID-19 Pandemic on State Funding of Community College Districts. *The GO Bonds are general obligations of the District and only payable solely from ad valorem property taxes and are not payable from the general fund of the District or from any amounts received from the State discussed below. The impacts set forth below and in the section “ – Fiscal Year 2020-21 State Budget” will affect all community college districts in the State, and the effects described below and therein are not unique to the District.*

Significant Declines in State Revenues and 2020-21 State Budget Solutions. In the 2020-21 State Budget, the State anticipates approximately an overall 7% decline in State Revenues, which without other action, would result in an approximately \$10 billion reduction in spending from the Proposition 98 minimum guarantee set forth the 2019-20 State Budget. The 2020-21 State Budget offsets this loss in several ways, including the deferral of approximately \$12.9 billion in payments into the 2021-22 fiscal year to preserve programs for school districts and community college districts and draws of approximately \$8.8 billion in reserves from the BSA, Safety Net Reserve and PSSSA. The 2020-21 State Budget restores up to an approximate of \$11.1 billion in the event federal funds are received by October 15, 2020, with the specific amount depending on the amount of federal funding received. See “ – Fiscal Year 2020-21 State Budget” herein.

Emergency Conditions Allowance. During certain emergency conditions, State regulations provide that a community college district may be provided an “emergency conditions allowance,” calculated to approximate the same general purpose apportionment that such district would have received in absence of the emergency. Emergency conditions are defined to include epidemics, an order from a city or county board of health or the State Board of Health, or another emergency declared by the State or federal government. Districts are required to demonstrate that the occurrence of the emergency condition prevented the district from maintaining its schools during a fiscal year for a period of 175 days, or caused the district’s general purpose apportionment to be materially decreased in that year or in subsequent years. To receive the emergency conditions allowance, a district must demonstrate to the satisfaction of the Chancellor that the district made good faith efforts to avoid material decreases in general purposes apportionments. Community college districts may also seek a waiver of the 175-day requirement. Finally, the Board of Governors of the California Community Colleges (the “Board of Governors”), on March 16, 2020, granted the Chancellor temporary emergency powers to suspend or waive State regulatory requirements and local rules and regulations that present barriers to the continuity of educational services. This temporary grant is in addition to standing emergency powers the Chancellor has to hold community college districts financially harmless in the wake of campus closures.

Executive Orders and Legislation. Governor Newsom has enacted a number of executive orders and the State Legislature has also adopted legislation in response to the COVID-19 pandemic, and additional executive orders or legislation may be enacted in response to the pandemic. The District cannot predict the nature or content of such orders, or the effect they will have, if any, on its operations or finances. In addition, certain of these executive orders have been challenged in the courts by affected plaintiffs. The District cannot predict the outcome of any such litigation or whether any resulting change to any executive order will affect the funding of community college districts in the State, including the District.

Federal Response to the COVID-19 Pandemic. On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”) was signed into law, which among other things, provides approximately \$14.25 billion for postsecondary education, including community college districts in the State. The CARES Act also waives a number of federal regulatory requirements to provide institutions greater flexibility in addressing the effects of the COVID-19 outbreak. Funding from the CARES Act is based on a formula consisting of 75% of FTES receiving PELL grants and 25% of all FTES. The District expects to receive some funding from the CARES Act pursuant to such formula.

Additional Information. Additional information with respect to events surrounding the outbreak of COVID-19 and responses thereto can be found on Federal, State and local government websites, including but not limited to the CDC (<https://www.cdc.gov/coronavirus/2019-nCoV/index.html>), the Governor’s office (<http://www.gov.ca.gov>), the California Department of Public Health (<http://covid19.ca.gov/>), and the Office of the Chancellor of California Community Colleges (<https://www.cccco.edu/About-Us/Chancellors-Office/Divisions/Communications-and-Marketing/Novel-Coronavirus>). *The District has not incorporated by reference the information on such websites into this notice and the District does not assume any responsibility for the accuracy of the information on such websites.*

FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA

Major Revenues

General. On September 29, 2006, the Governor signed into law Senate Bill No. 361 (“SB 361”) which established the formulas for allocating general-purpose apportionments to California community college districts beginning fiscal year 2006-07. SB 361 required the Board of Governors of the California Community Colleges (the “Board of Governors”) to develop criteria and standards in accordance with prescribed Statewide minimum requirements. In establishing these minimum requirements, the Board of Governors was required to acknowledge community college districts’ need to receive an annual allocation based on the number of colleges and comprehensive centers in each respective district, plus funding based on the number of credit and noncredit FTES in each district.

SB 361 specified that, commencing with the 2006-07 fiscal year, the marginal amount of credit revenue allocated per credit FTES would not be less than \$4,367, noncredit instruction would be funded at a uniform rate of \$2,626 per FTES, and career development and college preparation would be funded at a rate of \$3,092 per FTES, each subject to cost of living adjustments in the budget act in subsequent fiscal years.

The major local revenue source is local property taxes that are collected from within district boundaries. Student enrollment fees from the local community college district generally account for the remainder of local revenues for the district. Property taxes and student enrollment fees are applied towards fulfilling the district’s financial needs. State aid is subject to the appropriation of funds in the State’s annual budget. Decreases in State revenues may affect appropriations made by the State Legislature to community college districts in the State, including the District. The sum of the property taxes, student enrollment fees, and State aid generally comprise a district’s revenue limit. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Assessed Valuations – Constitutional and Statutory Initiatives” in the forepart of this Official Statement for additional information regarding Article XIII A of the State Constitution, assessed valuations and *ad valorem* property taxes.

A small part of each community college district’s budget is from local sources other than property taxes and student enrollment fees, such as interest income, donations and sales of property. Every community college district receives the same amount of lottery funds per pupil from the State. The initiative authorizing the lottery does require the funds to be used for instructional materials, and prohibits their use for capital purposes.

Student Centered Funding Formula. In connection with the 2018-19 State Budget, beginning in fiscal year 2018-19, the State began implementation of the Student Centered Funding Formula (the “SCFF”) included in State Assembly Bill 1809 (“A.B. 1809”). The SCFF establishes a new three-pronged structure for addressing the unique funding challenges facing community college districts within the

State. Under the SCFF, community college districts receive: (a) a base allocation structured on the total number of enrolled students, (b) a supplemental allocation, which is determined based on the number of financially-restricted enrolled students (calculated by the number of students receiving Pell Grants, California College Promise Grants or certain fee waivers, with the potential for duplicate funding for students receiving more than one of the qualifying grants or waivers), and (c) a student success allocation, which is structured based on the number of certificates and degrees awarded to students, the number of transfers to four-year universities/colleges, and the amount of students who earn a living wage in their region within a year of college completion. The student success allocation also analyzes the number of financially-restricted students who complete degree or certificate programs to determine eligibility for additional funding.

As originally designed, the new formula was to be implemented in three phases, which began in fiscal year 2018-19 and over the next three fiscal years was to reduce the base allocation from 70% of funding to 60%. However, in connection with the enactment of the 2019-20 State Budget, a base allocation of 70% was maintained, with 20% provided by the supplemental allocation and 10% provided by the student success allocation. In addition, minimum funding levels for FTES are set for each of these periods. See “–District Enrollment” above for the District’s enrollment of full time equivalent students for the current and prior fiscal years.

Additionally, A.B. 1809 established “hold-harmless” provisions for community college districts. Such provisions ensure that in fiscal years 2018-19 through 2021-22, college districts will not receive less total apportionment funding under the new SCFF than they received in fiscal year 2017-18 when adjusted for cost-of-living. In fiscal year 2022-2023 and subsequent fiscal years, certain adjustments will be subject to appropriation in the State Budget for such fiscal year.

The SCFF, the funding levels therein, the hold harmless provisions and other provisions thereof may be subject to future adjustment through the state budget process in future fiscal years or other supplemental legislation. As described under the heading “ – Fiscal Year 2020-21 State Budget,” the SCFF hold harmless provisions have been extended for an additional two years.

Budget Procedures. On or before September 15 of each calendar year, the respective board of trustees for each community college district is required under Section 58305 of the California Code of Regulations, Title V, to adopt a balanced budget. Each September, every State agency, including the Chancellor’s Office of the California Community Colleges (the “Chancellor’s Office”), submits to the Department of Finance (“DOF”) proposals for changes in the State budget. These proposals are submitted in the form of Budget Change Proposals (“BCPs”), involving analyses of needs, proposed solutions and expected outcomes. Thereafter, the DOF makes recommendations to the Governor, and by January 10 a proposed State budget is presented by the Governor to the State Legislature. The Governor’s proposed State budget is then analyzed and discussed in committees, and hearings begin in the State Assembly and Senate. In May, based on the debate, analysis and changes in the economic forecasts, the Governor issues a revised budget with changes he or she supports. The law requires the State Legislature to submit its approved budget by June 15. State law requires the Governor to announce his or her line item reductions and sign the State budget by June 30.

In response to growing concern for accountability the statewide Board of Governors and the Chancellor’s Office have, through enabling legislation (AB 2910, Chapter 1486, Statutes of 1986), established expectations for sound district fiscal management and a process for monitoring and evaluating the financial condition to ensure the financial health of California’s community college districts. In accordance with statutory and regulatory provisions, the Chancellor has been given the responsibility to identify districts at risk and, when necessary, the authority to intervene to bring about improvement in

their financial condition. To stabilize a district's financial condition, the Chancellor may, as a last resort, seek an appropriation for an emergency apportionment.

The monitoring and evaluation process is designed to provide early detection and amelioration that will stabilize the financial condition of the district before an emergency apportionment is necessary. This is accomplished by (1) assessing the financial condition of districts through the use of various information sources, and (2) taking appropriate and timely follow-up action to bring about improvement in a district's financial condition, as needed. A variety of instruments and sources of information are used to provide a composite of each district's financial condition, including quarterly financial status reports, annual financial and budget reports, attendance reports, annual district audit reports, district input and other financial records. In assessing each district's financial condition, the Chancellor will pay special attention to each district's general fund balance, spending pattern, and FTES patterns. Those districts with greater financial difficulty will receive follow-up visits from the Chancellor's Office where financial solutions to the district's problems will be addressed and implemented.

Proposition 98

General. In 1988, California voters approved Proposition 98, a combined initiative, constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" ("Proposition 98"). Proposition 98 changed State funding of public education below the university level, and the operation of the State's Appropriations Limit, primarily by guaranteeing State funding for K-12 school districts and community college districts (collectively, "K-14").

Under Proposition 98 (as modified by Proposition 111, which was enacted on June 5, 1990), K-14 districts were guaranteed the greater of (a) in general, a fixed percent of the State's General Fund revenues ("Test 1"), (b) the amount appropriated to K-14 schools in the prior year, adjusted for changes in the cost-of-living (measured as in Article XIII B by reference to State per capita personal income) and enrollment ("Test 2"), or (c) a third test, which would replace Test 2 in any year when the percentage growth in per capita State General Fund revenues from the prior year plus one-half of one percent is less than the percentage growth in State per capita personal income ("Test 3"). Under Test 3, schools would receive the amount appropriated in the prior year adjusted for changes in enrollment and per capita State General Fund revenues, plus an additional small adjustment factor. If Test 3 was used in any year, the difference between Test 3 and Test 2 would become a "credit" to schools which would be the basis of payments in future years when per capita State General Fund revenue growth exceeds per capita personal income growth. Legislation adopted prior to the end of the 1988-89 fiscal year, implementing Proposition 98, determined the K-14 districts' funding guarantee under Test 1 to be 40.3% of the State General Fund tax revenues, based on 1986-87 appropriations. However, that percentage has been adjusted to 35% to account for a subsequent redirection of local property taxes whereby a greater proportion of education funding now comes from local property taxes.

Proposition 98 permits the State Legislature by a two-thirds vote of both houses, with the Governor's concurrence, to suspend the K-14 districts' minimum funding formula for a one-year period. In 1989, the State Legislature and the Governor last utilized this provision to avoid having 40.3% of revenues generated by a special supplemental sales tax enacted for earthquake relief go to K-14 districts. Proposition 98 also contains provisions transferring certain State tax revenues in excess of the Article XIII B limit to K-14 districts.

Application of Proposition 98. The application of Proposition 98 and other statutory regulations became increasingly difficult to predict accurately in recent years. One major reason is that Proposition 98 minimum funding levels under Test 1 and Test 2 are dependent on State General Fund revenues. In past fiscal years, the State made actual allocations to K-14 districts based on an assumption of State

General Fund revenues at a level above that which was ultimately realized. In such years, the State has considered the amounts appropriated above the minimum as a loan to K-14 districts, and has deducted the value of these loans from future years' estimated Proposition 98 minimum funding levels. The State determined that there were loans to K-14 districts of \$1.3 billion during fiscal year 1990-91, \$1.1 billion during fiscal year 1991-92, \$1.3 billion during fiscal year 1992-93 and \$787 million during fiscal year 1993-94. These loans have been combined with the K-14 1992-93 loans into one loan totaling \$1.760 billion. The State proposed that repayment of this loan would be from future years' Proposition 98 entitlements, and would be conditioned on maintaining current funding levels per pupil for K-12 schools.

See “ – Fiscal Year 2020-21 State Budget” below for discussion of the recent declines in State revenues and corresponding effect on Proposition 98 funding.

State Assistance

The principal funding formulas and revenue sources for school and community college districts are derived from the budget of the State. **The following information concerning the State's budgets has been obtained from publicly available information which the District believes to be reliable; however, the State has not entered into any contractual commitment with the District, the County, the Underwriter, Bond Counsel, Disclosure Counsel, nor the owners of the Bonds to provide State budget information to the District or the owners of the Bonds. Although they believe the State sources of information listed above are reliable, neither the District, the County, Bond Counsel, Disclosure Counsel nor the Underwriter assumes any responsibility for the accuracy of the State budget information set forth or referred to herein or incorporated by reference herein. Additional information regarding State budgets is available at various State-maintained websites including www.dof.ca.gov.** This website is not incorporated herein by reference and neither the District nor the Underwriter makes any representation as to the accuracy of the information provided therein.

Fiscal Year 2020-21 State Budget

Introduction. On June 29, 2020, Governor Gavin Newsom signed the fiscal year 2020-21 budget (the “2020-21 State Budget”). In January, the State was projecting a budget surplus of \$5.6 billion, however by May, the State confronted a budget deficit of \$54.3 billion—a four-month swing of \$60 billion primarily caused by the impacts of the COVID-19 pandemic. The 2020-21 State Budget closes the \$54.3 billion gap in fiscal year 2020-21 and significantly reduces the State's ongoing structural deficit. Despite the global economic crisis caused by the COVID-19 pandemic, the State asserts in the 2020-21 State Budget that its prudent fiscal management, including its structurally balanced budgets and record reserves, puts it in a better position to contend with these challenges.

The 2020-21 State Budget takes steps to reduce spending commitments and address long-term structural deficits, but deficits remain and asserts that further actions will be needed, especially if the federal government does not act. The 2020-21 State Budget recognizes that the COVID-19 pandemic has impacted every sector of the State's economy and has caused record high unemployment—almost 1 in 5 Californians who were employed in February were out of work in May—and asserts that further action from the federal government is needed, given the magnitude of the crisis. The 2020-21 State Budget forecast that personal income is projected to decline by 9 percent in 2020 with the peak unemployment rate reaching 24.5 percent in the second quarter of 2020.

The 2020-21 State Budget projects State general fund revenues in the amount of \$137.6 billion in fiscal year 2019-20 and \$137.7 billion in fiscal year 2020-21. This represents a decline of over \$22.8 billion for the two years when compared to projections released in the Governor's January Proposed 2020-21 State Budget. This revenue drop, combined with increased costs in health and human services

programs and the added costs to address COVID-19, leads to a projected budget deficit of approximately \$54 billion before the changes proposed in the 2020-21 State Budget. State general fund expenditures for fiscal year 2020-21 are expected to be \$133.9 billion (a decrease of approximately \$13 billion from fiscal year 2019-20 general fund expenditures), of which \$48.1 billion (35.9%) is allocated to K-12 education and \$15.8 billion (11.8%) is allocated to higher education. The 2020-21 State Budget projects that the State will end fiscal year 2019-20 with a reserve balance of approximately \$14.9 billion (comprised of an approximate balance of -\$1.2 billion in the SFEU and an approximate balance of \$16.1 billion in the Budget Stabilization Account (the “BSA” or “Rainy Day Fund”), and that the State will end fiscal year 2020-21 with an approximately \$10.9 billion reserve balance (comprised of approximately \$2.6 billion in the SFEU and approximately \$8.3 billion in the BSA). The 2020-21 State Budget reduces (but does not eliminate) the structural deficit over the next several years, by sustaining the January 1, 2022 suspension of several ongoing programmatic expansions that were made in the State’s 2019-20 Budget. Despite these measures, the 2020-21 State Budget forecasts an operating deficit of \$8.7 billion in 2021-22, after accounting for reserves.

The 2020-21 State Budget includes (i) drawing down \$8.8 billion in reserves, comprised of \$7.8 billion from the BSA, \$450 million from the Safety Net Reserve, and all of the funds in the Public School System Stabilization Account; (ii) \$11.1 billion in reductions and deferrals that will be restored if at least \$14 billion in federal funds are received by October 15, 2020. If the State receives a lesser amount in federal funds, the reductions and deferrals will be partially restored. The trigger includes \$6.6 billion in deferred spending on schools, approximately \$970 million in funding for the University of California and the California State University, \$2.8 billion for state employee compensation, \$150 million for courts, and funding for child support administration, teacher training, moderate-income housing, and infrastructure to support infill housing. The trigger would also fund an additional \$250 million for county programs to backfill revenue losses; (iii) reliance on \$10.1 billion in federal funds that provide General Fund relief, including \$8.1 billion already received. This includes the enhanced Federal Medical Assistance Percentage (“FMAP”), a portion of the State’s Coronavirus Relief Fund allocation and funds provided for childcare programs; (iv) temporary suspension of the use of net operating losses for medium and large businesses and temporary limits to \$5 million the amount of business incentive credits a taxpayer can use in any given tax year. These short-term limitations will generate \$4.4 billion in new revenues in the 2020-21 fiscal year; (v) reliance on \$9.3 billion in special fund borrowing and transfers, as well as other deferrals for K-14 schools. (Approximately \$900 million in additional special fund borrowing is associated with the reductions to employee compensation and is contained in the trigger); (vi) \$10.6 billion of solutions, including cancelling multiple program expansions and anticipating increased government efficiencies.

As described in the 2020-21 State Budget, under temporary federal funding to support the State’s response to the COVID-19 pandemic the State expects to receive over \$72 billion in assistance to State programs with unemployment insurance representing about \$52 billion of this total. In addition, over \$142 billion in direct assistance is expected to be provided to individuals and families, small businesses, hospitals and providers, including rural and community clinics, higher education institutions and college students, local housing authorities, airports, farmers, and local governments. The 2020-21 State Budget proposes to strategically use \$9.5 billion in federal funding from the CARES Act funds as follows: (1) \$2.6 billion for State offsets for vulnerable populations and public safety; (2) \$550 million for housing for homeless individuals and families; (3) \$4.5 billion for K-14 learning loss mitigation; (4) \$1.3 billion for county homelessness, public health, public safety and other services; and (5) \$500 million for city homelessness, public health, public safety and other services.

Higher Education. Higher Education includes the California Community Colleges (“CCCs”), the California State University (“CSU”), the University of California (“UC”), the Student Aid

Commission, and several other entities. The 2020-21 State Budget includes total funding of \$19.4 billion General Fund and local property tax for all Higher Education entities in fiscal year 2020-21.

Community College Flexibilities. To assist CCCs in their recovery from the impacts of the COVID-19 recession and provide additional near-term certainty, the 2020-21 State Budget enacts statutory changes to:

- Exempt direct COVID-19-related expenses incurred by districts from the 50 Percent Law. This excludes revenue declines.
- Provide a hardship exemption for districts unable to meet their financial obligations due to the deferrals enacted in the 2020-21 State Budget.
- Extend the Student-Centered Funding Formula “hold harmless” provisions for an additional two years, and authorize the use of past-year data sources that have not been impacted by the COVID-19 pandemic for the calculation of the Student-Centered Funding Formula for 2020-21.
- Encourage and expedite the development of short-term career technical education courses to address the impacts of the COVID-19 pandemic.

Other Significant Adjustments.

- Staff for Working Group on Community College Athlete Compensation - An increase of \$700,000 one-time non-Proposition 98 General Fund for the Chancellor’s Office to contract with an external organization to staff a working group on a community college athlete’s use of the athlete’s name, image, and likeness for compensation, pursuant to Chapter 383, Statutes of 2019 (SB 206).
- 2019-20 Deferrals - A deferral of approximately \$330.1 million Proposition 98 General Fund of community college apportionments from fiscal year 2019-20 to fiscal year 2020-21.
- 2020-21 Deferrals - A deferral of approximately \$662.1 million Proposition 98 General Fund of community college apportionments from fiscal year 2020-21 to fiscal year 2021-22.
- 2020-21 Deferrals Subject to Control Section 8.28 - As a result of the COVID-19 Recession and absent the receipt of additional federal funds to assist the state with the fiscal crisis, reductions are necessary to balance the State budget. To the extent the federal government provides sufficient federal funds by October 15, 2020, which are eligible for purposes identified below, funds will be appropriated for the 2020-21 fiscal year as follows:
 - A deferral of approximately \$791.1 million Proposition 98 General Fund of community college apportionments from fiscal year 2020-21 to fiscal year 2021-22.
- COVID-19 Response Block Grant for CCCs – A one-time increase of approximately \$120.2 million, which is comprised of approximately \$54 million from the CARES Act and approximately \$66.3 million Proposition 98 General Fund, for a COVID-19

Response Block Grant for the CCCs to support student learning and mitigate learning loss related to the COVID-19 pandemic.

- Dreamer Resource Liaisons - An increase of \$5.8 million Proposition 98 General Fund to fund Dreamer Resource Liaisons and student support services, for immigrant students including undocumented students in community colleges, pursuant to Chapter 788, Statutes of 2019 (AB 1645). These services provide an opportunity to address disparities and advance economic justice by supporting educational attainment, career pathways and economic mobility for students who may face barriers related to their immigration status.
- Legal Services - An increase of \$10 million ongoing Proposition 98 General Fund to provide legal services to immigrant students, faculty, and staff on community college campuses.
- Calbright College - A decrease of \$5 million ongoing Proposition 98 General Fund for Calbright College, and a decrease of \$40 million one-time Proposition 98 General Fund provided to Calbright College that is redirected to offset apportionments costs for fiscal year 2020-21.
- Revised PERS/STRS Contributions - As referenced in the K-12 Education Chapter, to provide local educational agencies and community college districts with increased fiscal relief, the 2020-21 State Budget redirects \$2.3 billion appropriated in the 2019 Budget Act to STRS and PERS for long-term unfunded liabilities to further reduce employer contribution rates in fiscal year 2020-21 and fiscal year 2021-22.
- CCC Facilities - An increase of general obligation bond funding of \$223.1 million, including \$28.4 million to start 25 new capital outlay projects and \$194.7 million for the construction phase of 15 projects anticipated to complete design by spring 2021. This allocation represents the next installment of the \$2 billion available to CCCs under Proposition 51.
- Local Property Tax Adjustment - A decrease of \$60.9 million Proposition 98 General Fund as a result of increased offsetting local property tax revenues.
- Food Pantries - The 2020-21 State Budget enacts statutory changes to support food pantries within available Student Equity and Achievement Program funding.

California Student Aid Commission. The California Student Aid Commission, which administers the State's financial aid programs, the largest of which is the Cal Grant, supports over 410,000 financial aid awards to students accessing higher education. The 2020-21 State Budget reflects a sustained commitment to financial aid programs to provide the least-resourced students access to higher education.

Significant Adjustments:

- Cal Grant Program Adjustment - A decrease of approximately \$149 million in fiscal year 2019-20 and approximately \$63.3 million in fiscal year 2020-21 to reflect revised estimates of the number of new and renewal Cal Grant awardees in fiscal years 2019-20 and 2020-21.

- Temporary Assistance for Needy Families (TANF) Adjustment - A decrease of \$600 million in federal TANF reimbursements in fiscal year 2019-20 which increases General Fund support for the Cal Grant program by an equal amount.
- Grant Delivery System - An increase of \$5.3 million one-time General Fund to fund the third year and final year of project development costs for the Grant Delivery System Modernization Project.
- Cal Grant B Service Incentive Grant - A reappropriation of \$7.5 million one-time General Fund from the 2019 Budget Act and a redirection of the Program's \$7.5 million funding in fiscal year 2020-21 to support the Disaster Relief Emergency Student Financial Aid Program, which will provide emergency financial aid to students at the University of California, California State University, and California Community Colleges.
- Contingent General Fund Reduction - As a result of the COVID-19 recession and absent the receipt of additional federal funds to assist the State with the fiscal crisis, reductions are necessary to balance the State budget. To the extent the federal government provides sufficient federal funds by October 15, 2020, which are eligible for purposes identified below, funds will be appropriated for fiscal year 2020-21 as follows:
 - A decrease of \$88.4 million one-time General Fund for the Golden State Teacher Grant program, established in the 2019 Budget Act.

LAO Overview of 2020-21 State Budget.

[TO BE INCORPORATED WHEN AVAILABLE]

Additional Information. The District cannot predict how State income or State education funding will vary over the term of the Bonds, and the District takes no responsibility for informing owners of the Bonds as to actions the State Legislature or Governor may take affecting the current year's budget after its adoption. Information about the State budget and State spending for education is regularly available at various State-maintained websites. The complete text of proposed and adopted budgets may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget" or www.ebudget.ca.gov. An impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found at the website of the State Treasurer, www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the District, and the District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

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. Proposition 1A was generally superseded by the passage of an initiative supporting another 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 Proposition 22 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 fiscal year 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 fiscal year 2009-10 State budget of \$1.7 billion in local property tax revenues from local redevelopment agencies. Redevelopment agencies, through the California Redevelopment Association ("CRA") are actively engaged in litigation to block the transfer of payments and recoup certain payments already made under certain legislation passed in July 2009 that is beyond the reach of Proposition 22, known as "ABX4 26." Because Proposition 22 reduces the State's authority to use or reallocate certain revenue sources, fees and taxes for State General Fund purposes, the State will have to take other actions to balance its budget, such as reducing State spending or increasing State taxes, and school and college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State General Fund.

On December 30, 2011, the California Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos*, finding ABx1 26, a trailer bill to the 2011-12 State Budget, to be constitutional. As a result, all redevelopment agencies in California were dissolved as of February 1, 2012, and all net tax increment revenues, after payment of redevelopment bonds debt service and administrative costs, will be distributed to cities, counties, special districts and K-14 school districts. The Court also found that ABx1 27, a companion bill to ABx1 26, violated the California Constitution, as amended by Proposition 22. ABx1 27 would have permitted redevelopment agencies to continue operations provided their establishing cities or counties agreed to make specified payments to K-14 school districts and county offices of education, totaling \$1.7 billion statewide. The District is unable to predict what affect the implementation of ABx1 26 will have on the District's future receipt of tax increment revenues.

Proposition 1A

Proposition 1A ("Proposition 1A"), proposed by the State Legislature in connection with the 2004-05 Budget Act and approved by the voters in November 2004, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. See "CONSTITUTIONAL INITIATIVES AND STATUTORY MEASURES – *Proposition 1A*" below for more information.

Final State Budgets

Under State law, the State Legislature is required to adopt its budget by June 15 of each year for the upcoming fiscal year, with approval by the Governor to occur on June 30. The State Legislature failed to pass a State budget for fiscal year 2008-09 until September 23, 2008. Accordingly, many State payments were held until the 2008-09 State budget was adopted, including those scheduled to be made to school and community college districts under Proposition 98 and receipt of State categorical funds by the District was delayed until the State budget was in fact adopted. The events leading to the inability of the

State Legislature to pass a budget in a timely fashion are not unique, and the District cannot predict what circumstances may cause a similar failure in future years. In each year where the State budget lags adoption of the District's budget, it will be necessary for the District's staff to review the consequences of the changes, if any, at the State level from the proposals in the May Revision for that year, and determine whether the District's budget will have to be revised.

The State has in past years experienced budgetary difficulties and has balanced its budget by requiring local political subdivisions to fund certain costs theretofore borne by the State. Further State actions taken to address its budgetary difficulties could have the effect of reducing the District's support indirectly, and the District is unable to predict the nature, extent or effect of such reductions.

Future State Budgets

The District cannot predict what actions will be taken in the future by the State Legislature and the Governor to address any future budget deficits and cash management practices. Future State budgets will be affected by national and State economic conditions over which the District has no control, and other factors over which the District will have no control, including by the COVID-19 pandemic. The District cannot predict whether the State will continue to encounter budgetary difficulties in future fiscal years. The District also cannot predict the impact future State Budgets will have on the District's finances and operations or what actions the State Legislature and the Governor may take to respond to changing State revenues and expenditures. In the event current or future State Budgets decrease the District's revenues or increase required expenditures by the District from the levels assumed by the District, the District will be required to generate additional revenues, curtail programs or services, or use its reserve funds to ensure a balanced budget.

CONSTITUTIONAL INITIATIVES AND STATUTORY MEASURES

Article XIII A of the California Constitution. On June 16, 1978, California voters approved Proposition 13, which added Article XIII A to the California Constitution ("Article XIII A"). See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Assessed Valuations – Constitutional and Statutory Initiatives" in the forepart of this Official Statement for additional information regarding Article XIII A.

Proposition 26. On November 2, 2010, California voters approved Proposition 26 as an amendment to Section 3 of Article XIII A (and Section 1 of Article XIII C) of the State Constitution that requires a two-thirds vote in the State Legislature to pass certain State fees, levies, charges and tax revenue allocations that under the State's previous rules could be enacted by a simple majority vote. Certain local fees must also be approved by two-thirds of voters. Proposition 26 expanded the scope and definition of a State or local tax to include many payments previously considered to be fees or charges, so that more proposals would require approval by two-thirds of the State Legislature or by local voters.

Article XIII B of the California Constitution. Under Article XIII B of the California State Constitution state and local government entities have an annual "appropriations limit" and are not permitted to spend certain moneys which are called "appropriations subject to limitation" (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the "appropriations limit." Article XIII B does not affect the appropriations of moneys which are excluded from the definition of "appropriations subject to limitation," including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the "appropriations limit" is to be based on certain 1978-79 expenditures, and is to be adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIII B, if these entities' revenues in any year exceed the amounts permitted to be

spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years. The District's fiscal year 2017-18 appropriations limit is \$264,469.343.

Unitary Property. AB 454 (Chapter 921, Statutes of 1986) provides that revenues derived from most utility property assessed by the State Board of Equalization ("Unitary Property"), commencing with the 1988-89 fiscal year, will be allocated as follows: (1) each jurisdiction will receive up to 102% of its prior year State-assessed revenue; and (2) if county-wide revenues generated from Unitary Property are less than the previous year's revenues or greater than 102% of the previous year's revenues, each jurisdiction will share the burden of the shortfall or excess revenues by a specified formula. This provision applies to all Unitary Property except railroads, whose valuation will continue to be allocated to individual tax rate areas.

The provisions of AB 454 do not constitute an elimination of the assessment of any State-assessed properties nor a revision of the methods of assessing utilities by the State Board of Equalization. Generally, AB 454 allows valuation growth or decline of Unitary Property to be shared by all jurisdictions in a county.

California Lottery. In the November 1984 general election, the voters of the State approved a constitutional amendment establishing a California State Lottery (the "State Lottery"), the net revenues (revenues less expenses and prizes) of which shall be used to supplement other moneys allocated to public education. The legislation further requires that the funds shall be used for the education of pupils and students and cannot be used for the acquisition of real property, the construction of facilities or the financing of research.

Allocation of State Lottery net revenues is based upon the average daily attendance or full-time equivalent students at each school and community college district; however, the exact allocation formula may vary from year to year. At this time, the amount of additional revenues that may be generated by the State Lottery in any given year cannot be predicted.

Proposition 46. On June 3, 1986, California voters approved Proposition 46, which added an additional exemption to the 1% tax limitation imposed by Article XIII A. Under this amendment to Article XIII A, local governments and school and community college districts may increase the property tax rate above 1% for the period necessary to retire new, general obligation bonds, if two-thirds of those voting in a local election approve the issuance of such bonds and the money raised through the sale of the bonds is used exclusively to purchase or improve real property.

Proposition 39. On November 7, 2000, California voters approved Proposition 39, called the "Smaller Classes, Safer Schools and Financial Accountability Act" (the "Smaller Classes Act") which amends Section 1 of Article XIII A, Section 18 of Article XVI of the California Constitution and Section 47614 of the California Education Code and allows an alternative means of seeking voter approval for bonded indebtedness by 55 percent of the vote, rather than the two-thirds majority required under Section 18 of Article XVI of the Constitution. The 55 percent voter requirement applies only if the bond measure submitted to the voters includes, among other items: (1) a restriction that the proceeds of the bonds may be used for "the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities," (2) a list of projects to be funded and a certification that the school district board has evaluated "safety, class size reduction, and information technology needs in developing that list" and (3) that annual, independent performance and financial audits will be conducted regarding the expenditure and use of the bond proceeds.

Section 1(b)(3) of Article XIII A has been added to exempt the one percent *ad valorem* tax limitation that Section 1(a) of Article XIII A of the Constitution levies, to pay bonds approved by 55 percent of the voters voting on the measure, subject to the restrictions explained above.

The State Legislature enacted AB 1908, Chapter 44, which became effective upon passage of Proposition 39 and amends various sections of the Education Code. Under amendments to Section 15268 and 15270 of the Education Code, the following limits on *ad valorem* taxes apply in any single election: (1) for a school district, indebtedness shall not exceed \$30 per \$100,000 of taxable property, (2) for a unified school district, indebtedness shall not exceed \$60 per \$100,000 of taxable property, and (3) for a community college district, indebtedness shall not exceed \$25 per \$100,000 of taxable property. Finally, AB 1908 requires that a citizens' oversight committee must be appointed who will review the use of the bond funds and inform the public about their proper usage.

Proposition 30 and Proposition 55. The passage of the Governor's November Tax Initiative ("Proposition 30") on November 6, 2012, resulted in an increase in the State sales tax by a quarter-cent for four years and, for seven years, and raises taxes on individuals after their first \$250,000 in income and on couples after their first \$500,000 in earnings. These increased tax rates affect approximately one percent of California personal income tax filers and will be in effect until the conclusion of the 2018 tax year. The State Office of Legislative Analyst (the "LAO") estimates that, as a result of Proposition 30, additional state tax revenues of about \$6 billion annually from fiscal years 2012-13 through 2016-17 will be received by the State with lesser amounts of additional revenue available in fiscal years 2017-18, and 2018-19. Proposition 30 also places into the State Constitution certain requirements related to the transfer of certain State program responsibilities to local governments, mostly counties, including incarcerating certain adult offenders, supervising parolees, and providing substance abuse treatment services.

Proposition 30 also provided additional tax revenues aimed at balancing the State's budget through fiscal year 2018-19, providing several billion dollars annually through fiscal year 2018-19 available for purposes including funding existing State programs, ending K-14 education payment delays, and paying other State debts. Future actions of the State Legislature and the Governor will determine the use of these funds. According to the LAO, future revenues raised by Proposition 30 could be subject to multibillion-dollar swings, above or below the revenues projections, due to the majority of the additional revenue coming from the personal income tax rate increases on upper-income taxpayers. These fluctuations in incomes of upper-income taxpayers will impact potential State revenue and could complicate State budgeting in future years. After the tax increases expire, the loss of the associated tax revenues could create additional budget pressure in subsequent years.

On November 8, 2016, voters approved the California Children's Education and Health Care Protection Act of 2016, also known as Proposition 55 ("Proposition 55"), which extends the temporary tax increases created by Proposition 30 from the 2016 tax year through the 2030 tax year. The District cannot predict the effect the loss of the revenues generated from such temporary tax increases will have on total State revenues and the effect on the Proposition 98 formula for funding schools.

Proposition 51. At the November 8, 2016, election, voters in the State approved the California Public School Facility Bonds Initiative, ("Proposition 51"). Proposition 51 authorizes the sale and issuance of \$9 billion in general obligation bonds to fund the construction and modernization of school facilities for both community colleges and K-12 schools within the state.

Specifically, the \$9 billion will be stored between a State School Facilities Fund and a California Community College Capital Outlay Bond Fund. The funds can then be used to allocate bond revenue in the following manner:

- \$3 billion for construction of new K-12 school district facilities;
- Another \$3 billion for the modernization of K-12 public school sites, which includes repairs to outdated facilities to increase earthquake and fire safety, removing asbestos, technology upgrades and other health and safety improvements;
- \$500 million for various charter school facilities;
- \$500 million for career technical education facilities;
- \$2 billion for California community college facility construction and modernization.

The State issues general obligation bonds for facility projects. Typically, K-12 schools can submit proposals for such projects to the State Office of Public School Construction for both modernization and new construction. If the project is approved, the school district will receive State grant funding and in turn the school district must contribute local funding to such projects. If sufficient local funding is unavailable, the school district may potentially receive the full project cost via State grant funding. Career technical education and charter school facilities face a similar approval process. Community college districts, on the other hand, must submit requests for facility projects to the Chancellor of the community college system. Selected projects are eventually approved and funded as part of the annual State budget. A scoring system is used to determine the State and local contributions for these community college sites.

The impact that Proposition 51 will have on school and community college district behavior is unclear. Some districts may spend less local funds given the greater support of State funding. However, districts may decide to spend more local funds by proposing an increased number of facility projects with the knowledge that additional State funding could be available. It is also possible that districts may make no changes to their number of proposals for construction and modernization projects.

The District was approved for funding under Proposition 51 for its \$40.9 million Russell Hall Replacement Project.

Article XIIC and XIID of the California Constitution. On November 5, 1996, an initiative to amend the California Constitution known as the “Right to Vote on Taxes Act” (“Proposition 218”) was approved by a majority of California voters. Proposition 218 added Articles XIIC and XIID to the State Constitution and requires majority voter approval for the imposition, extension or increase of general taxes and 2/3 voter approval for the imposition, extension or increase of special taxes by a local government, which is defined in Proposition 218 to include counties. Proposition 218 also provides that any general tax imposed, extended or increased without voter approval by any local government on or after January 1, 1995, and prior to November 6, 1996 shall continue to be imposed only if approved by a majority vote in an election held within two years following November 6, 1996. All local taxes and benefit assessments which may be imposed by public agencies will be defined as “general taxes” (defined as those used for general governmental purposes) or “special taxes” (defined as taxes for a specific purpose even if the revenues flow through the local government’s general fund) both of which would require a popular vote. New general taxes require a majority vote and new special taxes require a two-thirds vote. Proposition 218 also extends the initiative power to reducing or repealing local taxes, assessments, fees and charges, regardless of the date such taxes, assessments or fees or charges were imposed, and lowers the number of signatures necessary for the process. In addition, Proposition 218 limits the application of assessments, fees and charges and requires them to be submitted to property owners for approval or rejection, after notice and public hearing.

The District has no power to impose taxes except property taxes associated with a general obligation bond election, following approval by 55% or 2/3 of the District's voters voting on a bond measure, depending upon the Article of the Constitution under which it is passed. Under previous law, the District could apply provisions of the Landscape and Lighting Act of 1972 to create an assessment district for specified purposes, based on the absence of a majority protest. Proposition 218 significantly reduces the ability of the District to create such special assessment districts. Any assessments, fees or charges levied or imposed by any assessment district created by the District will become subject to the election requirements of Proposition 218 as described above, a more elaborate notice and balloting process and other requirements.

Proposition 218 also expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed, and reduces the number of signatures required for the initiative process. This extension of the initiative power to some extent constitutionalizes the March 6, 1995 State Supreme Court decision in *Rossi v. Brown*, which upheld an initiative that repealed a local tax and held that the State Constitution does not preclude the repeal, including the prospective repeal, of a tax ordinance by an initiative, as contrasted with the State constitutional prohibition on referendum powers regarding statutes and ordinances which impose a tax. Generally, the initiative process enables California voters to enact legislation upon obtaining requisite voter approval at a general election. Proposition 218 extends the authority stated in *Rossi v. Brown* by expanding the initiative power to include reducing or repealing assessments, fees and charges, which had previously been considered administrative rather than legislative matters and therefore beyond the initiative power. This extension of the initiative power is not limited by the terms of Proposition 218 to fees imposed after November 6, 1996 and absent other legal authority could result in retroactive reduction in any existing taxes, assessments or fees and charges. Such legal authority could include the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution.

Proposition 218 has no effect upon the District's ability to pursue approval of a general obligation bond issue or a Mello-Roos Community Facilities District bond issue in the future, both of which are already subject to a 2/3 vote, although certain procedures and burdens of proof may be altered slightly. The District is unable to predict the nature of any future challenges to Proposition 218 or the extent to which, if any, Proposition 218 may be held to be unconstitutional.

Proposition 1A. Proposition 1A (SCA 4), proposed by the State Legislature in connection with the 2004-05 Budget Act and approved by the voters in November 2004, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the State Legislature. Proposition 1A provides, however, that the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses of the State Legislature and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the Vehicle License Fee rate from 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State to suspend State mandates affecting cities, counties and special districts, schools or community colleges, excepting mandates relating to employee rights, in any year that the State does not fully reimburse local governments for their costs of compliance with such mandates.

Future Initiatives. Article XIII A, Article XIII B, Article XIII C, Article XIII D and Propositions 98, 39 and 1A 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 the District's revenues or their ability to expend revenues.

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APPENDIX B

FORM OF BOND COUNSEL OPINION

_____, 2020

Board of Trustees
Rancho Santiago Community College District
2323 North Broadway
Santa Ana, California 92706

Re: \$_____ Rancho Santiago Community College District General Obligation Refunding Bonds, 2020 Series A-1 (Federally Taxable)

We have acted as bond counsel for the Rancho Santiago Community College District (the “District”), Orange County, State of California, in connection with the issuance of \$_____ aggregate principal amount of the Rancho Santiago Community College District General Obligation Refunding Bonds, 2020 Series A-1 (Federally Taxable) (the “Bonds”). The Bonds are issued pursuant to Articles 9 and 11, Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, as amended, and the resolution adopted by the Board of Trustees of the District on July __, 2020 (the “Resolution”). Capitalized terms used herein and not otherwise defined shall be the meanings ascribed to them in the Resolution.

As Bond Counsel, we have examined copies, certified to us as being true and complete copies, of the proceedings of the District for the authorization and issuance of the Bonds. In this connection, we have also examined such certificates of public officials and officers of the District as we have considered necessary for the purposes of this opinion. We have, with your approval, assumed that all items submitted to us as originals are authentic and that all items submitted as copies conform to the originals.

On the basis of such examination, our reliance upon the assumptions contained herein and our consideration of those questions of law we considered relevant, and subject to the limitations and qualifications in this opinion, we are of the opinion that:

1. The Bonds have been duly authorized and issued and constitute legally valid and binding obligations of the District, enforceable in accordance with their terms and the terms of the Resolution.
2. The Bonds are payable solely from and are secured by a pledge of *ad valorem* taxes which may be levied without limitation as to rate or amount upon all taxable real property in the District, and which, under the laws now in force with respect to the Bonds, may be levied within the limit prescribed by law upon all taxable personal property in the District, and from other available funds as set forth in the Resolution.
3. The Resolution has been duly authorized by the District and constitutes the legally valid and binding obligation of the District, enforceable in accordance with its terms. The Bonds, assuming due authentication by the Paying Agent, are entitled to the benefits of the Resolution.
4. Interest on the Bonds is exempt from personal income taxes of the State of California under present State law.

The opinions set forth in paragraphs 1, 2, and 3 above (i) assume that the Paying Agent has duly authenticated the Bonds and (ii) are subject to (a) applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally (including, without limitation, fraudulent conveyance laws), (b) the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and (c) the limitations on legal remedies against government entities in the State of California.

Except as stated in paragraph 4 above, we express no opinion as to any other federal, state or local tax consequences of the ownership or disposition of the Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other counsel.

No opinion is expressed herein on the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds. This opinion is expressly limited to the matters set forth above and we render no opinion, whether by implication or otherwise, as to any other matters.

Our opinions are limited to matters of California law and applicable federal law, and we assume no responsibility as to the applicability of laws of other jurisdictions. We call attention to the fact that the opinions expressed herein and the exclusion of interest on the Bonds from gross income for federal income tax purposes may be affected by actions taken or omitted or events occurring or failing to occur after the date hereof. We have not undertaken to determine, or inform any person, whether any such actions are taken, omitted, occur or fail to occur.

Respectfully submitted,

APPENDIX C
AUDITED FINANCIAL STATEMENTS
OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2019

APPENDIX D

FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (this “Disclosure Undertaking”) is executed and delivered by the Rancho Santiago Community College District (the “District”), as of September __, 2020, in connection with the issuance of \$_____ aggregate principal amount of the District’s General Obligation Refunding Bonds, 2020 Series A-1 (Federally Taxable) (the “Bonds”). The Bonds are being issued pursuant to a Resolution adopted by the Board of Trustees of the District on July [13], 2020 (the “Resolution”). Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Resolution.

In consideration of the issuance of the Bonds and the purchase of such Bonds by the Underwriter described below, the District hereby covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Undertaking. This Disclosure Undertaking is being executed and delivered by the District for the benefit of the Bondholders and in order to assist Piper Sandler & Co. (the “Underwriter”) in complying with Rule 15c2-12(b)(5) (the “Rule”) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

SECTION 2. Additional Definitions. In addition to the above definitions and the definitions set forth in the Resolution, the following capitalized terms shall have the following meanings:

“Annual Report” means any Annual Report provided by the District pursuant to, and as described in, Sections 4 and 5 of this Disclosure Undertaking.

“Bondholder” or “Holder” means any holder of the Bonds or any beneficial owner of the Bonds so long as they are immobilized with DTC.

“Commission” means the Securities and Exchange Commission.

“Dissemination Agent” means [Cooperative Strategies, LLC], and any alternate or successor dissemination agent, designated in writing by the Chancellor or Vice Chancellor (or otherwise by the District), which Dissemination Agent has evidenced its acceptance in writing.

“Financial Obligation” means (a) a debt obligation; (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) the guarantee of a debt obligation or any such derivative instrument; provided, that “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Listed Event” means any of the events listed in Section 6 of this Disclosure Undertaking.

“MSRB” means the Municipal Securities Rulemaking Board, through its Electronic Municipal Market Access (“EMMA”) website located at <http://emma.msrb.org>, or any other entity designated or authorized by the Commission.

SECTION 3. CUSIP Numbers and Final Official Statement. The CUSIP Numbers for the Bonds have been assigned. The Final Official Statement relating to the Bonds is dated August __, 2020 (the “Final Official Statement”).

SECTION 4. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent (if other than the District), not later than 240 days after the end of the District's fiscal year (currently ending June 30), commencing with the report for the fiscal year ending June 30, 2020, to provide to the MSRB, in a format prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 5 of this Disclosure Undertaking. As of the date of this Certificate, the format prescribed by the MSRB is the Electronic Municipal Market Access system. Information regarding requirement for submissions to EMMA is available at <http://emma.msrb.org>.

The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 5 of this Disclosure Undertaking; provided that the audited financial statements of the District may be submitted, when and if available, separately from the balance of the relevant Annual Report. If the District does not have audited financial statements available when it submits the relevant Annual Report, the District shall submit unaudited financial statements, as described in Section 5(a) below.

(b) Not later than 15 Business Days prior to the filing date required in paragraph (a) above for providing the Annual Report to the MSRB, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If the District is unable to provide to the MSRB an Annual Report by the date required in paragraph (a) above, the District shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent (if other than the District) shall:

(i) determine each year prior to the date for providing the Annual Report the format for filing with the MSRB; and

(ii) file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Undertaking, stating the date it was provided to the MSRB.

SECTION 5. Content of Annual Report. The District's Annual Report shall contain or incorporate by reference the following:

(a) Financial information including the general purpose financial statements of the District for the preceding fiscal year, prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. If audited financial information is not available by the time the Annual Report is required to be filed pursuant to Section 4(a) hereof, the financial information included in the Annual Report may be unaudited, and the District will provide audited financial information to the MSRB as soon as practical after it has been made available to the District.

(b) Operating data, including the following information (to the extent not included in the audited financial statements described in paragraph (a) above):

(i) Outstanding indebtedness and lease obligations of the District for the preceding fiscal year;

(ii) General fund budget and actual results of the District for the preceding fiscal year;

- year;
- (iii) Enrollment, or equivalent information, in the District for the preceding fiscal
- roll; and
- (iv) Assessed valuations in the District as of the most recent equalized assessment
- (v) Largest local secured taxpayers in the District as of the most recent equalized
- assessment roll.

(c) Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the District, or related public entities, which have been submitted to the MSRB or to the Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each other document so incorporated by reference.

SECTION 6. Reporting of Significant Events.

(a) The District agrees to provide or cause to be provided to the MSRB notice of the occurrence of any of the following events with respect to the Bonds not later than ten (10) Business Days after the occurrence of the event:

- (i) Principal and interest payment delinquencies;
- (ii) Unscheduled draws on any debt service reserves reflecting financial difficulties;
- (iii) Unscheduled draws on any credit enhancements reflecting financial difficulties;
- (iv) Substitution of credit or liquidity providers, or their failure to perform;
- (v) Adverse tax opinions with respect to the tax status of the Bonds, or the issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701-TEB);
- (vi) Tender offers;
- (vii) Defeasances;
- (viii) Rating changes;
- (ix) Bankruptcy, insolvency, receivership or similar event of the “obligated person” (within the meaning of the Rule); or
- (x) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties.

For purposes of item (ix) above, the described event shall be deemed to occur when any of the following shall occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or other

governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority have supervision or jurisdiction over substantially all of the assets or business of the District.

(b) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, not later than ten (10) business days after the occurrence of the event:

(i) Unless described in paragraph 6(a)(v) hereof, other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

(ii) Modifications to rights of Owners;

(iii) Optional, unscheduled or contingent Bond calls;

(iv) Release, substitution or sale of property securing repayment of the Bonds;

(v) Non-payment related defaults;

(vi) The consummation of a merger, consolidation, or acquisition involving an “obligated person” or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

(vii) Appointment of a successor or additional Paying Agent or the change of name of a Paying Agent, if material; or

(viii) Incurrence of a Financial Obligation of the District, if material, or an agreement to covenants, events of default, remedies, priority rights or other similar terms of a Financial Obligation of the District, any of which affect the Owners, if material; or

(c) The District shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 4 hereof, as provided in Section 4(b) hereof.

(d) Whenever the District obtains knowledge of the occurrence of a Listed Event described in Section 6(a) hereof, or determines that knowledge of a Listed Event described in Section 6(b) hereof would be material under applicable federal securities laws, the District shall within ten (10) business days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(vii) or (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

SECTION 7. Termination of Reporting Obligation. The District’s obligations under this Disclosure Undertaking shall terminate when the District is no longer an obligated person with respect to the Bonds, as provided in the Rule, upon the defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 8. Dissemination Agent. The Chancellor or Vice Chancellor, Business Operations/Fiscal Services, may, from time to time, appoint or engage an alternate or successor Dissemination Agent to assist in carrying out the District's obligations under this Disclosure Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is no other designated Dissemination Agent in place, the District shall act as the Dissemination Agent.

The Dissemination Agent, if other than the District, shall be paid compensation for its services provided hereunder, and reimbursement for its costs and expenses. The Dissemination Agent shall not be responsible for the form or content of any document provided by the District hereunder.

SECTION 9. Amendment. Notwithstanding any other provision of this Disclosure Undertaking, the District may amend this Disclosure Undertaking under the following conditions, provided no amendment to this Disclosure Undertaking shall be made that affects the rights, duties or obligations of the Dissemination Agent without its written consent:

(a) The amendment may be made only in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the obligated person, or type of business conducted;

(b) This Disclosure Undertaking, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment does not materially impair the interests of Holders, as determined either by parties unaffiliated with the District or another obligated person (such as the Bond Counsel) or by the written approval of the Bondholders; provided, that the Annual Report containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

SECTION 10. Additional Information. If the District chooses to include any information from any document or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Undertaking, the District shall have no obligation under this Disclosure Undertaking to update such information or to include it in any future disclosure or notice of occurrence of a Designated Material Event.

Nothing in this Disclosure Undertaking shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Designated Material Event, in addition to that which is required by this Disclosure Undertaking.

SECTION 11. Default. The District shall give notice to the MSRB of any failure to provide the Annual Report when the same is due hereunder, which notice shall be given prior to July 1 of that year. In the event of a failure of the District to comply with any provision of this Disclosure Undertaking, any Bondholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Undertaking in the event of any failure of the District to comply with this Disclosure Undertaking shall be an action to compel performance.

SECTION 12. Beneficiaries. This Disclosure Undertaking shall inure solely to the benefit of the District, the Dissemination Agent, the Underwriter and Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. Record Keeping. The District shall maintain records of all Annual Reports and notices of Listed Events including the content of such disclosure, the names of the entities with whom the such disclosure were filed and the date of filing such disclosure.

SECTION 14. Governing Law. This Disclosure Undertaking shall be governed by the laws of the State of California, applicable to contracts made and performed in such State of California.

IN WITNESS WHEREOF, Rancho Santiago Community College District has executed this Continuing Disclosure Undertaking as of the date first set forth herein.

RANCHO SANTIAGO COMMUNITY COLLEGE
DISTRICT

By: _____
Chancellor

EXHIBIT A

NOTICE TO THE MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Rancho Santiago Community College District

Name of Issue: \$_____ Rancho Santiago Community College District General
Obligation Refunding Bonds, 2020 Series A-1 (Federally Taxable)

Date of Issuance: September __, 2020

NOTICE IS HEREBY GIVEN that the above-named Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 4(a) of the Disclosure Undertaking dated September __, 2020. The Issuer anticipates that the Annual Report will be filed by _____.

Dated: _____

[ISSUER/DISSEMINATION AGENT]

By: _____

APPENDIX E

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix E concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedure" of DTC to be followed in dealing with DTC Participants are on file with DTC.

General

The Depository Trust Company ("DTC") will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *The foregoing internet address is included for reference only, and the information on this internet site is not incorporated by reference herein.*

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect

Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 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 District (or the Paying Agent on behalf thereof) 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 Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of

DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, certificates for the Bonds are required to be printed and delivered in such principal amount or amounts, in authorized denominations, and registered in whatever name or names DTC shall designate.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). Discontinuance of use of the system of book-entry transfers through DTC may require the approval of DTC Participants under DTC's operational arrangements. In that event, printed certificates for the Bonds will be printed and delivered in such principal amount or amounts, in authorized denominations, and registered in whatever name or names DTC shall designate.

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

Discontinuation of Book-Entry Only System; Payment to Beneficial Owners

In the event that the book-entry system described above is no longer used with respect to the Bonds, the following provisions will govern the payment, transfer and exchange of the Bonds.

The principal of the Bonds and any premium and interest upon the redemption thereof prior to maturity will be payable in lawful money of the United States of America upon presentation and surrender of the Bonds at the office of the Paying Agent, initially located in Los Angeles, California. Interest on the Bonds will be paid by the Paying Agent by check or draft mailed to the person whose name appears on the registration books of the Paying Agent as the registered owner, and to that person's address appearing on the registration books as of the close of business on the Record Date. At the written request of any registered owner of at least \$1,000,000 in aggregate principal, payments shall be wired to a bank and account number on file with the Paying Agent as of the Record Date.

Any Bond may be exchanged for a Bond of any authorized denomination upon presentation and surrender at the office of the Paying Agent, initially located in Los Angeles, California, together with a request for exchange signed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred only on the Bond registration books upon presentation and surrender of the Bond at such office of the Paying Agent together with an assignment executed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent shall complete, authenticate and deliver a new Bond or Bonds of any authorized denomination or denominations requested by the owner equal in the aggregate to the unmaturing principal amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

Neither the District nor the Paying Agent will be required to exchange or transfer any Bond during the period from the Record Date through the next Interest Payment Date.

APPENDIX F

ORANGE COUNTY EDUCATIONAL INVESTMENT POOL DISCLOSURE

The following information concerning the Investment Pool (defined herein) has been provided by the Treasurer of Orange County (the “County”) and has not been confirmed or verified by either the District or the Underwriter. Further, neither the District nor the Underwriter make any representation as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date.

The County Board of Supervisors (the “Board”) approved the current County Investment Policy Statement (the “Investment Policy”) on December 18, 2018 (see Appendix G – ORANGE COUNTY INVESTMENT POLICY STATEMENT” or ocgov.com/ocinvestments). (This reference is for convenience of reference only and not considered to be incorporated as part of this Official Statement.) The Investment Policy applies to all funds managed by the County Treasurer as delegated by the Board including the Orange County Investment Pool, the Orange County Educational Investment Pool, the John Wayne Airport Investment Fund and various other small non-Pooled investment funds. The primary goal is to invest public funds in a manner which will provide the maximum security of principal invested with secondary emphasis on providing adequate liquidity to Pool Participants and lastly to achieve a market rate of return within the parameters of prudent risk management while conforming to all applicable statutes and resolutions governing the investment of public funds. The main investing objectives, in order of priority are: Safety, Liquidity and Yield.

Pursuant to California Government Code Section (CGC) 27130-27137, the Board of Supervisors has established a Treasury Oversight Committee (TOC) that monitors and reviews the Investment Policy Statement annually and causes an annual audit to be conducted to determine if the Treasurer is in compliance with CGC 27130-17137 and which includes, limited tests of compliance with laws and regulations. The TOC consists of the County Executive Officer, the elected County Auditor-Controller, the elected County Superintendent of Schools, or their respective designees and four public members. In addition, the Auditor-Controller Internal Audit Division and the Internal Audit Department perform regular reviews and audits as required by CGC 26920(a) and (b) and as required by a TOC Directive. These reports, when issued, are available online in the Treasurer’s Monthly Investment Report at ocgov.com/ocinvestments (This reference is for convenience of reference only and not considered to be incorporated as part of this Official Statement).

The District’s funds held by the County Treasurer are invested in the Orange County Educational Investment Pool (the “Pool”) which pools all of the District’s funds. As of June 30, 2019, the balance of the District’s funds was \$325,630,178.72 or 5.85% of the Pool. The pool is invested 96% in securities rated in the two highest rating categories. As of June 30, 2019, the Pool has a weighted average maturity of 310 days and the year-to-date net yield is 2.03%.

The following represents the composition of the Pool as of June 30, 2019:

<u>Type of Investment</u>	<u>Market Value</u>	<u>% of Pool</u>
---------------------------	---------------------	------------------

	(In thousands)	
U.S. Government Agencies	\$ 3,501,409	62.57%
U.S. Treasuries	1,411,699	25.22%
Municipal Debt	296,037	5.29%
Medium-Term Notes	222,564	3.98%
Money Market Mutual Funds	131,024	2.34%
Local Agency Investment Fund	33,425	0.60%
Total	<u>\$ 5,596,158</u>	<u>100.00%</u>

Neither the District nor the Underwriter has made an independent investigation of the investments in the Pools and has made no assessment of the current County Investment Policy. The value of the various investments in the Pools will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the County Treasurer, after a review by the Committee and approval by the Board may change the County Investment Policy at any time. Therefore, there can be no assurance that the values of the various investments in the Pools will not vary significantly from the values described therein.

APPENDIX G

ORANGE COUNTY INVESTMENT POLICY STATEMENT

Resolution No. 20-14

**RESOLUTION OF THE BOARD OF TRUSTEES
OF RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT, ACTING AS THE
LEGISLATIVE BODY FOR SANTA ANA COLLEGE IMPROVEMENT DISTRICT
NO. 1 OF THE RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT,
AUTHORIZING THE ISSUANCE AND SALE OF
SANTA ANA COLLEGE IMPROVEMENT DISTRICT NO. 1 OF RANCHO SANTIAGO
COMMUNITY COLLEGE DISTRICT GENERAL OBLIGATION REFUNDING
BONDS, 2020 SERIES A-2 (FEDERALLY TAXABLE), IN AN AGGREGATE
PRINCIPAL AMOUNT NOT TO EXCEED \$60,000,000, AND APPROVING CERTAIN
OTHER MATTERS RELATING TO SAID BONDS**

TABLE OF CONTENTS

	<u>Page</u>
SECTION 1. Definitions.....	3
SECTION 2. Rules of Construction	6
SECTION 3. Authority for this Resolution	6
SECTION 4. Resolution to Constitute Contract.....	6
SECTION 5. Approval of Documents; Determination of Method of Sale and Terms of Bonds	7
SECTION 6. Authorization of Officers	8
SECTION 7. Use of Bond Proceeds	9
SECTION 8. Designation and Form; Payment.....	9
SECTION 9. Description of the Bonds	9
SECTION 10. Book-Entry System.....	10
SECTION 11. Execution of the Bonds	12
SECTION 12. Transfer and Exchange	12
SECTION 13. Bonds Mutilated, Destroyed, Stolen or Lost.....	13
SECTION 14. Bond Register.....	14
SECTION 15. Unclaimed Money.....	14
SECTION 16. Application of Proceeds.....	14
SECTION 17. Payment of and Security for the Bonds	15
SECTION 18. Payment of Costs of Issuance	16
SECTION 19. Negotiated Sale/Method of Sale	16
SECTION 20. Engagement of Consultants; Parameters of Sale	16
SECTION 21. Establishment of Additional Funds and Accounts.....	17
SECTION 22. Request for Necessary County Actions	17
SECTION 23. Redemption	17
SECTION 24. Selection of Bonds for Redemption.....	17
SECTION 25. Notice of Redemption	18
SECTION 26. Partial Redemption of Bonds	19
SECTION 27. Conditional Redemption	19
SECTION 28. Effect of Notice of Redemption.....	19
SECTION 29. Paying Agent; Appointment and Acceptance of Duties	20

TABLE OF CONTENTS
(continued)

	<u>Page</u>
SECTION 30. Liability of Paying Agent.....	20
SECTION 31. Evidence on Which Paying Agent May Act	20
SECTION 32. Compensation	20
SECTION 33. Ownership of Bonds Permitted.....	21
SECTION 34. Resignation or Removal of Paying Agent and Appointment of Successor	21
SECTION 35. Investment of Certain Funds.....	21
SECTION 36. Valuation and Sale of Investments	21
SECTION 37. Supplemental Resolutions with Consent of Owners.....	22
SECTION 38. Supplemental Resolutions Effective Without Consent of Owners	22
SECTION 39. Effect of Supplemental Resolution	22
SECTION 40. Discharge and Defeasance	23
SECTION 41. Approval of Actions; Miscellaneous	23
SECTION 42. Conflicts.....	24
SECTION 43. Effective Date	24
EXHIBIT A FORM OF BOND.....	A-1
EXHIBIT B FORM OF 15c2-12 CERTIFICATE	B-1

**RESOLUTION OF THE BOARD OF TRUSTEES
OF RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT, ACTING AS THE
LEGISLATIVE BODY FOR SANTA ANA COLLEGE IMPROVEMENT DISTRICT
NO. 1 OF THE RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT,
AUTHORIZING THE ISSUANCE AND SALE OF
SANTA ANA COLLEGE IMPROVEMENT DISTRICT NO. 1 OF RANCHO SANTIAGO
COMMUNITY COLLEGE DISTRICT GENERAL OBLIGATION REFUNDING
BONDS, 2020 SERIES A-2 (FEDERALLY TAXABLE), IN AN AGGREGATE
PRINCIPAL AMOUNT NOT TO EXCEED \$60,000,000, AND APPROVING CERTAIN
OTHER MATTERS RELATING TO SAID BONDS**

WHEREAS, the Rancho Santiago Community College District (the “**College District**”) is a community college district duly organized and operating within the County of Orange (the “**County**”) pursuant to the laws of the State of California (the “**State**”), including, but not limited to, the State Constitution and the Education Code of the State (the “**Education Code**”); and

WHEREAS, the College District has, pursuant to Chapter 2 of Part 10 of the Education Code, commencing with Section 15300, formed Santa Ana College Improvement District No. 1 of the Rancho Santiago Community College District (the “**Improvement District**”) pursuant to State law (the “**Formation Proceedings**”) to include a certain specified portion of the territory within the College District, as shown on maps on file with the Recorder of the County; and

WHEREAS, a duly called election was held within the boundaries of the Improvement District on November 6, 2012 (the “**2012 Election**”), and thereafter canvassed pursuant to law; and

WHEREAS, at the 2012 Election, there was submitted to and approved by the requisite fifty-five percent (55%) vote of the qualified electors of the Improvement District a question as to the issuance and sale of general obligation bonds of the Improvement District for various purposes set forth in the ballot submitted to the voters, in the maximum amount of \$198,000,000 payable from the levy of an *ad valorem* tax against the taxable property in the Improvement District (the “**Authorization**”); and

WHEREAS, the Improvement District has previously issued and sold \$70,585,000 aggregate principal amount of its General Obligation Bonds, Election of 2012, 2014 Series A (the “**Prior Bonds**”), certain maturities of which are now subject to redemption and defeasance; and

WHEREAS, the Board of Trustees of the College District, acting as the legislative body for the Improvement District (the “**Governing Board**”), has now determined that financial market conditions are favorable for the refunding of certain maturities of the Prior Bonds (collectively, the “**Refunded Bonds**”) on an advance basis, with interest subject to federal income taxation, and desires to issue the Santa Ana College Improvement District No. 1 of Rancho Santiago Community College District General Obligation Refunding Bonds, 2020 Series A-2 (Federally Taxable) (the “**Bonds**”); and

WHEREAS, this Governing Board has determined that it is desirable to sell the Bonds pursuant to a negotiated underwriting to Piper Sandler & Co., as underwriter (the “**Underwriter**”), pursuant to a Contract of Purchase (as defined herein), a form of which has been submitted to this meeting of the Governing Board and is on file with the Clerk of the Governing Board (the “**Clerk**”); and

WHEREAS, a form of the preliminary official statement (the “**Preliminary Official Statement**”) relating to the Bonds has been submitted to this meeting of the Governing Board and is on file with the Clerk; and

WHEREAS, a form of continuing disclosure undertaking (the “**Continuing Disclosure Undertaking**”), attached as Appendix D to the Preliminary Official Statement, has been submitted to this meeting of the Governing Board and is on file with the Clerk; and

WHEREAS, this Governing Board desires that the Treasurer and Tax Collector of the County (the “**Treasurer**”) should levy and collect an *ad valorem* property tax on all taxable property within the Improvement District sufficient to provide for payment of the Bonds (with certain property subject to limitations), and intends by the adoption of this Resolution to notify the Board of Supervisors of the County, the Auditor-Controller of the County (the “**Auditor-Controller**”), the Treasurer and other officials of the County that they should take such actions as shall be necessary to provide for the levy and collection of such tax and payment of the Bonds; and

WHEREAS, this Governing Board recognizes that Senate Bill No. 222 (Chapter 78, Statutes of 2015), which provides for a statutory lien on the Pledged Moneys (as defined herein) when collected by the County (but not on real property of homeowners in the Improvement District) to secure repayment of general obligation bonds, was passed by the legislature and approved by the Governor and became effective January 1, 2016; and

WHEREAS, the pledge included in this Resolution to secure payment of the Bonds is intended to be a consensual agreement with the registered owners of the Bonds; and

WHEREAS, Section 5852.1 of the Government Code of the State (the “**Government Code**”) requires that the Governing Board obtain and disclose good faith estimates from a municipal advisor, underwriter or private lender, prior to the authorization of the Bonds, the following good faith estimates of certain information provided to the Improvement District by its Municipal Advisor (defined below): (a) the true interest cost of the Bonds is estimated to be 2.75%, (b) the finance charge, or amount paid to third parties (which includes Underwriter’s discount) in connection with the sale, of the Bonds is estimated to be \$371,459, (c) the amount of proceeds received by the Improvement District from the sale of the Bonds is expected to be \$47,438,541, and (d) the sum total of all payments the Improvement District will make to the final maturity of the Bonds is expected to be \$55,519,534; and

WHEREAS, all acts, conditions and other matters required by law to be done or performed have been done and performed in strict conformity with the laws authorizing the issuance of general obligation bonds of the Improvement District, and the indebtedness of the Improvement District, including this proposed issue of the Bonds, is within all limits prescribed by law;

NOW THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED by the Governing Board of Rancho Santiago Community College District, acting as the legislative body for the Improvement District, as follows:

SECTION 1. Definitions. Capitalized terms used but not defined herein shall have the meanings set forth in the recitals hereto. Additionally, the following terms shall for all purposes of this Resolution have the following meanings:

“Authorized Investments” shall mean the County Investment Pool, the County Educational Investment Pool (or other investment pools of the County into which the Improvement District may lawfully invest its funds), any investment authorized pursuant to Government Code Sections 16429.1, 53601 and 53635, or any investment authorized in the Official Statement.

“Authorized Officer” and “Authorized Officers” shall mean the officers of the College District, including the Chancellor, the Vice Chancellor, Business Operations and Fiscal Services and their authorized representatives, and any member of the Governing Board.

“Authorizing Law” shall mean, collectively, (i) Articles 9 and 11 of Chapter 3 of Part 1 of Division 1 of Title 5 of the California Government Code of the State, as amended, commencing with Sections 53550 and 53580, respectively; (ii) applicable provisions of the Education Code of the State, as amended; and (iii) Article XIII A of the California Constitution.

“Board of Supervisors” shall mean the Board of Supervisors of the County.

“Bond Counsel” shall mean Nixon Peabody LLP or any other firm that is a nationally recognized bond counsel firm.

“Bond Register” shall mean the books referred to in Section 14 of this Resolution.

“Business Day” shall mean a day which is not a Saturday, Sunday or a day on which banking institutions in the State or the State of New York and the New York Stock Exchange are authorized or required to be closed.

“Chancellor” shall mean the Chancellor of the College District.

“Contract of Purchase” shall mean the Contract of Purchase by and between the Improvement District and the Underwriter relating to the Bonds.

“Costs of Issuance” shall mean all of the authorized costs of issuing the Bonds as described in the Authorizing Law, including but not limited to, all printing and document preparation expenses in connection with this Resolution, the Bonds and the Preliminary Official Statement and the Official Statement pertaining to the Bonds and any and all other agreements, instruments, certificates or other documents prepared in connection therewith; rating agency fees; auditor’s fees; CUSIP service bureau charges; legal fees and expenses of counsel with respect to the financing, including the fees and expenses of Bond Counsel and Disclosure Counsel; the fees and expenses of the Municipal Advisor; the fees and expenses of the Paying Agent; fees and expenses of the Escrow Agent and Verification Agent, fees for credit enhancement (if any) relating to the

Bonds; and other fees and expenses incurred in connection with the issuance of the Bonds, to the extent such fees and expenses are approved by the Improvement District.

“County” shall mean Orange County, California.

“County Office of Education” shall mean the Office of Education of the County and such other persons as may be designated by the County Office of Education to perform the operational and disbursement functions hereunder.

“Date of Delivery” shall mean the date on which the Underwriter purchases the Bonds, as set forth in the Contract of Purchase.

“Debt Service” shall have the meaning given to that term in Section 16 of this Resolution.

“Debt Service Fund” shall mean the Debt Service Fund established pursuant to Section 16 of this Resolution.

“Depository” shall mean DTC and its successors and assigns or if (a) the then-acting Depository resigns from its functions as securities depository for the Bonds, or (b) the College District discontinues use of the Depository pursuant to this Resolution, any other securities depository which agrees to follow procedures required to be followed by a securities depository in connection with the Bonds.

“Disclosure Counsel” shall mean Nixon Peabody LLP, in its capacity as disclosure counsel to the Improvement District with respect to the Bonds.

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

“EMMA” shall mean the Electronic Municipal Market Access website of the MSRB, currently located at <http://emma.msrb.org>.

“Education Code” shall mean the Education Code of the State, as amended.

“Escrow Agent” shall mean Wells Fargo Bank National Association, in its capacity as escrow agent with respect to the Refunded Bonds.

“Escrow Agreement” shall mean that certain Escrow Deposit and Trust Agreement, by and between the Escrow Agent and the Improvement District, providing for the timely payment of the principal and redemption price of and interest on the Refunded Bonds.

“Escrow Fund” shall mean the fund by that name established under the terms of the Escrow Agreement.

“Government Code” shall mean the Government Code of the State, as amended.

“Information Services” shall mean EMMA and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services

providing information with respect to called bonds as the Improvement District may designate in a certificate of the Improvement District, delivered to the Paying Agent.

“Interest Payment Date” shall mean with respect to any Bond, February 1 and August 1 in each year, commencing on February 1, 2021, or as otherwise specified in the Contract of Purchase.

“Moody’s” shall mean Moody’s Investors Service, its successors and assigns, except that if such corporation shall no longer perform the functions of a securities rating agency for any reason, the term “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the College District.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive the reports described in the Continuing Disclosure Undertaking. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through EMMA.

“Municipal Advisor” shall mean Fieldman Rolapp & Associates, Inc. as municipal advisor to the Improvement District.

“Nominee” shall mean the nominee of the Depository which may be the Depository, as determined from time to time by the Depository.

“Official Statement” shall mean the final official statement of the Improvement District describing the Bonds.

“Outstanding” when used with reference to the Bonds, shall mean, as of any date, Bonds theretofore issued or thereupon being issued under this Resolution except:

- (i) Bonds canceled at or prior to such date;
- (ii) Bonds in lieu of or in substitution for which other Bonds shall have been delivered pursuant to Section 13 hereof; and
- (iii) Bonds for the payment or redemption of which funds or eligible securities in the necessary amount shall have been set aside (whether on or prior to the maturity or redemption date of such Bonds), in accordance with Section 40 of this Resolution.

“Owner” shall mean the registered owner, as indicated in the Bond Register, of any Bond.

“Participant” shall mean a member of or participant in the Depository.

“Paying Agent” shall mean the paying agent designated pursuant to this Resolution, their designated agents, or any successor Paying Agent or assign.

“Pledged Moneys” shall have the meaning given to that term in Section 17 of this Resolution.

“Principal” or “Principal Amount” shall mean, as of any date of calculation, with respect to any Bond, the principal amount thereof.

“Record Date” shall mean the close of business on the fifteenth calendar day of the month next preceding an Interest Payment Date, whether or not a Business Day.

“S&P” shall mean S&P Global Ratings, a Standard & Poor’s Financial Services LLC business, its successors and assigns, except that if such corporation shall no longer perform the functions of a securities rating agency for any reason, the term “S&P” shall be deemed to refer to any other nationally recognized securities rating agency selected by the College District.

“Securities Depositories” shall mean The Depository Trust Company, 55 Water Street, New York, New York 10041, Facsimile transmission: (212) 785-9681, (212) 855-3215, and, in accordance with then-current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the College District may designate in a certificate delivered to the Paying Agent.

“Supplemental Resolution” shall mean any resolution supplemental to or amendatory of this Resolution, adopted by the College District in accordance with Section 37 or Section 38 hereof.

“Term Bond” shall mean any Bond which, by its terms, has a single maturity but is subject to mandatory sinking fund redemption prior to the date of such maturity.

“Underwriter” shall mean Piper Sandler & Co.

“Verification Agent” shall mean Causey, Demgen & Moore, PC, a firm of certified public accountants, performing the services of verification agent with respect to amounts deposited in the Escrow Fund.

SECTION 2. Rules of Construction. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders, and vice versa. Except where the context otherwise requires, words importing the singular shall include the plural and vice versa, and words importing persons shall include firms, associations and corporations, including public bodies, as well as natural persons.

SECTION 3. Authority for this Resolution. This Resolution is adopted pursuant to the provisions of the Authorizing Law. The Governing Board hereby determines that the prudent management of the fiscal affairs of the Improvement District requires that it issue the Bonds under the provisions of the Authorizing Law without submitting the question of issuing the Bonds to a vote of the qualified electors of the Improvement District.

SECTION 4. Resolution to Constitute a Contract. In consideration of the purchase and acceptance of any and all of the Bonds authorized to be issued hereunder by those who shall own the same from time to time, this Resolution shall be deemed to be and shall constitute a contract among the Improvement District and the Owners from time to time of the Bonds; and the pledge made in this Resolution shall be for the equal benefit, protection and security of the Owners of any and all of the Bonds, all of which, regardless of the time or times of their

issuance or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof.

SECTION 5. Approval of Documents; Determination of Method of Sale and Terms of Bonds.

(A) The Authorized Officers, or any of them acting alone, in consultation with Bond Counsel, the Municipal Advisor and the other officers of the College District, are, and each of them acting alone is, hereby authorized and directed to issue and deliver the Bonds and to establish the initial aggregate principal amount thereof; provided, however, that such initial aggregate principal amount shall not exceed \$60,000,000. Approval of documents related to the authorization, issuance and sale of the Bonds shall be taken by the Governing Board of the College District, acting as the legislative body of the Improvement District, and execution of such documents shall be made by the Authorized Officers and other officers of the College District; provided, however, that such actions and such documents shall not create any liability on behalf of the College District with respect to the Bonds, which are the sole obligations of the Improvement District. Notices to and from the College District hereunder shall be deemed to be delivered by or to the Improvement District for all purposes hereof. The Authorized Officers are, and each of them acting alone is, hereby authorized and directed to determine the specific maturities and amounts of the Prior Bonds or portions thereof, to be refunded based upon market conditions existing at the time of the pricing of the Bonds.

(B) The form of the Contract of Purchase is hereby approved. The Authorized Officers are, and each of them acting alone is, authorized and directed to execute and deliver the Contract of Purchase to the Underwriter for and in the name and on behalf of the Improvement District, with such additions, changes or corrections therein as the Authorized Officer executing the same on behalf of the Improvement District may approve, in his or her discretion, as being in the best interests of the Improvement District including, without limitation (i) such changes as are necessary to reflect the final terms of the Bonds to the extent such terms differ from those set forth in this Resolution, such approval to be conclusively evidenced by such Authorized Officer's execution thereof and (ii) any other documents required to be executed thereunder. The Authorized Officers are, and each of them acting alone is, hereby authorized to negotiate with the Underwriter the terms, maturities, interest rates, principal amounts and series of the Bonds and the purchase price of the Bonds to be paid by the Underwriter, which purchase price shall reflect an Underwriter's discount of not more than 0.39% (not including original issue discount and any costs of issuance paid by the Underwriter) of the principal amount thereof. The interest rate on the Bonds shall not exceed the maximum allowed under law. All Principal of the Bonds shall be payable no later than the maturity dates of the respective Refunded Bonds.

(C) The form of the Continuing Disclosure Undertaking included as an Appendix to the Preliminary Official Statement is hereby approved. The Authorized Officers are, and each of them acting alone is, hereby authorized to execute and deliver the Continuing Disclosure Undertaking on behalf of the Improvement District, with such changes therein as the Authorized Officer executing the same on behalf of the Improvement District may approve, in his or her discretion, as being in the best interests of the Improvement District, such approval to be conclusively evidenced by such Authorized Officer's execution thereof, and any other documents required to be executed thereunder, and to deliver the same to the Underwriter. The Improvement

District hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Undertaking. Notwithstanding any other provision of this Resolution, failure of the Improvement District to comply with the Continuing Disclosure Undertaking shall not be considered an event of default and shall not be deemed to create any monetary liability on the part of the Improvement District to any other persons, including Owners of the Bonds.

(D) The form of the Preliminary Official Statement is hereby approved. This Governing Board also hereby authorizes the use and distribution by the Underwriter of: (i) the Preliminary Official Statement with such changes as the Authorized Officer executing the certificate described below may approve, in consultation with Disclosure Counsel, such approval to be conclusively evidenced by such Authorized Officer's execution of such certificate; and (ii) an Official Statement in substantially the form of the Preliminary Official Statement with such changes as may be necessary or desirable in connection with the sale of the Bonds as determined by the Authorized Officer executing the Official Statement, in consultation with Disclosure Counsel, such determination to be conclusively evidenced by the execution and delivery of the Official Statement by such Authorized Officer; and (iii) any amendments or supplements to the Preliminary Official Statement or the Official Statement which an Authorized Officer may deem necessary or desirable, such determination to be conclusively evidenced by the execution of such amendment or supplement or of a certificate as described below by such Authorized Officer. The Authorized Officers are, and each of them acting alone hereby is, authorized to approve such additions, deletions or changes to the Preliminary Official Statement and Official Statement, as are necessary or desirable to effect the purposes of this Resolution and to comply with applicable laws and to deliver copies of the Preliminary Official Statement and the Official Statement. The Authorized Officers also are, and each of them acting alone hereby is, authorized to determine whether any Preliminary Official Statement and/or Official Statement, and any amendments or supplements thereto, shall be used in connection with the sale of the Bonds. Upon approval of the Preliminary Official Statement by such Authorized Officer as evidenced by execution of a certificate substantially in the form of Exhibit B attached hereto and by this reference incorporated herein, with such changes as may be necessary or desirable, the Preliminary Official Statement shall be deemed final as of its date except for the omission of certain information as provided in and pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934.

(E) The form of Escrow Agreement is hereby approved. The Authorized Officers are, and each of them acting alone is, hereby authorized to execute and deliver the Escrow Agreement on behalf of the Improvement District, with such changes there in as the Authorized Officer executing the same on behalf of the Improvement District may approve in his or her discretion, as being in the best interests of the Improvement District, such approval to be conclusively evidenced by such Authorized Officer's execution thereof, and any other document required to be executed thereunder.

(F) This Governing Board also hereby authorizes the preparation of a paying agent agreement in connection with the Bonds, in such form as shall be determined by an Authorized Officer, such determination to be conclusively evidenced by the execution and delivery of the paying agent agreement by such Authorized Officer.

SECTION 6. Authorization of Officers. The Authorized Officers are, and each of them acting alone is, hereby authorized to execute any and all agreements, certifications,

disclosures, and other documents and do and perform any and all acts and things, from time to time, consistent with this Resolution and necessary or appropriate to carry the same into effect and to carry out its purposes.

SECTION 7. Use of Bond Proceeds. The proceeds of the Bonds shall be used for (a) the advance refunding of the Refunded Bonds, (b) the payment of capitalized interest on the Bonds, if necessary, and (c) the payment of the Costs of Issuance of the Bonds. The Governing Board hereby determines that any funding of capitalized interest with proceeds of the Bonds is reasonably required. The Prior Bonds will be redeemed on the first available redemption date therefor, or as otherwise necessary to accomplish the refunding thereof, as determined by an Authorized Officer.

SECTION 8. Designation and Form; Payment.

(A) An issue of Bonds in one or more series entitled to the benefit, protection and security of this Resolution is hereby authorized in an aggregate principal amount not to exceed \$60,000,000. Such Bonds shall be general obligations of the Improvement District, payable as to Principal, premium, if any, and interest from *ad valorem* taxes to be levied upon all of the taxable property in the Improvement District (except certain property which is taxable at limited rates). The Bonds shall be designated the “**Santa Ana College Improvement District No. 1 of Rancho Santiago Community College District General Obligation Refunding Bonds, 2020 Series A-2 (Federally Taxable)**,” with such insertions or other changes as determined to be appropriate by an Authorized Officer to describe the authorization, tax status, or other identifiers of the Bonds. The Bonds shall be issued as current interest bonds, may be issued as serial bonds and/or Term Bonds, in one or more series, sub-series or tranches, and may be subject to redemption as set forth in the Contract of Purchase, subject to the provisions of this Resolution.

(B) The form of the Bonds shall be substantially in conformity with the standard form of registered general obligation bonds, a copy of which is attached hereto as Exhibit A hereto and incorporated herein by this reference, with such changes as are necessary to reflect the final terms of the Bonds or to cure any ambiguity therein.

(C) Principal of, premium, if any, and interest on any Bond are payable in lawful money of the United States of America. Principal and premium, if any, of the Bonds is payable upon surrender thereof at maturity or earlier redemption at the office designated by the Paying Agent.

SECTION 9. Description of the Bonds.

(A) The Bonds shall be issued in fully registered form, without coupons, in denominations of \$5,000 or any integral multiple thereof. The Bonds shall be dated the Date of Delivery and shall mature on the dates, in the years and in the Principal Amounts, and interest shall be computed at the rates, set forth in the Contract of Purchase.

(B) Interest on each Bond, if any, shall accrue from its dated date as set forth in the Contract of Purchase. Interest on the Bonds shall be computed using a year of 360 days comprised of twelve 30-day months and shall be payable on each Interest Payment Date to the Owner thereof appearing on the Bond Register as of the close of business on the Record Date.

Interest on each Bond will be payable from the Interest Payment Date next preceding the date of registration thereof, unless (i) it is registered after the close of business on any Record Date and before the close of business on the immediately following Interest Payment Date, in which event interest thereon shall be payable from such following Interest Payment Date; or (ii) it is registered prior to the close of business on the first Record Date, in which event interest shall be payable from its dated date; provided, however, that if at the time of registration of any Bond, interest thereon is in default, such interest shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment. Payments of interest on the Bonds will be made on each Interest Payment Date by check or draft of the Paying Agent sent by first-class mail, postage prepaid, to the Owner thereof appearing on the Bond Register on the Record Date, or by wire transfer to any Owner of \$1,000,000 aggregate principal amount or more of such Bonds, to the account specified by such Owner in a written request delivered to the Paying Agent on or prior to the Record Date for such Interest Payment Date; provided, however, that payments of defaulted interest shall be payable to the person in whose name such Bond is registered at the close of business on a special record date fixed therefor by the Paying Agent which shall not be more than fifteen days and not less than ten days prior to the date of the proposed payment of defaulted interest.

SECTION 10. Book-Entry System.

(A) The Bonds shall be initially issued in the form of a separate single fully registered Bond for each series and maturity of the Bonds. Separate Bonds may be issued to represent Bonds maturing in the same years, if any.

Upon initial issuance, the ownership of each such global Bond shall be registered in the Bond Register in the name of the Nominee as nominee of the Depository. Except as provided in subsection (C) hereof, all of the Outstanding Bonds shall be registered in the Bond Register in the name of the Nominee and the Bonds may be transferred, in whole but not in part, only to the Depository, to a successor Depository or to another nominee of the Depository or of a successor Depository. Each Bond shall bear a legend describing restrictions on transfer, as may be prescribed by the Depository.

With respect to Bonds registered in the Bond Register in the name of the Nominee, the Improvement District shall have no responsibility or obligation to any Participant or to any person on behalf of which such a Participant holds a beneficial interest in the Bonds. Without limiting the immediately preceding sentence, the Improvement District shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Participant with respect to any beneficial ownership interest in the Bonds, (ii) the delivery to any Participant, beneficial owner or any other person, other than the Depository, of any notice with respect to the Bonds, including any Redemption Notice (as defined in Section 25 below), (iii) the selection by the Depository and the Participants of the beneficial interests in the Bonds to be redeemed in part, or (iv) the payment to any Participant, beneficial owner or any other person, other than the Depository, of any amount with respect to Principal of, premium, if any, and interest on the Bonds. The Improvement District and the Paying Agent may treat and consider the person in whose name each Bond is registered in the Bond Register as the holder and absolute Owner of such Bond for the purpose of payment of Principal of, premium, if any, and interest on such Bond, for the purpose of giving Redemption Notices and other notices with respect to such Bond, and for

all other purposes whatsoever, including, without limitation, registering transfers with respect to the Bonds.

The Paying Agent shall pay all Principal of, premium, if any, and interest on the Bonds only to the respective Owners, as shown in the Bond Register, and all such payments shall be valid hereunder with respect to payment of Principal of, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the Bond Register, shall receive a Bond evidencing the obligation to make payments of Principal of, premium, if any, and interest, pursuant to this Resolution. Upon delivery by the Depository to the Paying Agent and the Improvement District of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions hereof with respect to Record Dates, the word Nominee in this Resolution shall refer to such new nominee of the Depository.

(B) In order to qualify the Bonds for the Depository's book-entry system, the Improvement District is hereby authorized to execute and deliver to such Depository a letter from the Improvement District representing such matters as shall be necessary to so qualify the Bonds, or ratifies the prior execution and delivery of such a letter (the "**Representation Letter**"). The execution and delivery of the Representation Letter shall not in any way limit the provisions of subsection (A) hereof or in any other way impose upon the College District or the Improvement District any obligation whatsoever with respect to persons having beneficial interests in the Bonds other than the Owners, as shown in the Bond Register. In addition to the execution and delivery of the Representation Letter, the Improvement District, and its Authorized Officers are hereby authorized to take any other actions, not inconsistent with this Resolution, to qualify the Bonds for the Depository's book-entry program.

(C) If at any time the Depository notifies the College District or the Improvement District that it is unwilling or unable to continue as Depository with respect to the Bonds or if at any time the Depository shall no longer be registered or in good standing under the Securities Exchange Act or other applicable statute or regulation and a successor Depository is not appointed by the College District within 90 days after the College District or the Improvement District receives notice or become aware of such condition, as the case may be, subsection (A) hereof shall no longer be applicable and the College District shall cause the issuance of bonds representing the Bonds as provided below. In addition, the College District or the Improvement District may determine at any time that the Bonds shall no longer be lodged with a Depository and that the provisions of subsection (A) hereof shall no longer apply to the Bonds. In any such event the College District and the Improvement District shall cause the execution and delivery of certificated securities representing the Bonds as provided below. Bonds issued in exchange for global bonds pursuant to this subsection (C) hereof shall be registered in such names and delivered in such denominations as the Depository shall instruct the College District or the Improvement District. The College District or the Improvement District shall cause delivery of such certificated securities representing the Bonds to the persons in whose names such Bonds are so registered.

If the College District or the Improvement District determines to replace the Depository with another qualified securities depository, the College District or the Improvement District shall prepare or cause to be prepared a new fully registered global bond for each of the maturities of Bonds, registered in the name of such successor or substitute securities depository or its nominee,

or make such other arrangements as are acceptable to the College District or the Improvement District and such securities depository and not inconsistent with the terms of this Resolution.

(D) Notwithstanding any other provision of this Resolution to the contrary, so long as any Bond is registered in the name of the Nominee, all payments of Principal of, premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, as provided in the Representation Letter or as otherwise instructed by the Depository.

(E) The initial Depository under this Resolution shall be DTC. The initial Nominee shall be Cede & Co., as nominee of DTC.

(F) Neither the College District nor the Improvement District shall have any responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any beneficial owners of the Bonds, and neither the College District nor the Improvement District shall have any responsibility or obligation, legal or otherwise, to the beneficial owners or to any other party, including the Depository or its Nominee, for any failure of the Depository, or its Nominee to provide notices, distribute payments on the Bonds nor take other actions concerning the beneficial owners of the Bonds, which are the responsibility of the Depository and its Nominee.

SECTION 11. Execution of the Bonds.

(A) The Bonds shall be executed by the Improvement District in the manner required by the Authorizing Law. All signatures and countersignatures may be signed by facsimile signature, but in such event shall be manually signed by the Paying Agent as authenticating agent. In case any one or more of the Authorized Officers who shall have signed any of the Bonds shall cease to be an Authorized Officer before the Bonds signed on behalf of the Improvement District shall have been issued, such Bonds may, nevertheless, be issued, as herein provided, as if the Authorized Officers who signed such Bonds had not ceased to hold such offices. Any of the Bonds may be signed on behalf of the Improvement District by such persons as at the time of the execution of such Bonds shall be duly authorized to hold or shall hold the proper offices in the College District or the Improvement District, although at the date borne by the Bonds such persons may not have been so authorized or have held such offices.

(B) The Bonds shall bear thereon a certificate of authentication executed manually by the Paying Agent. Only such Bonds as shall bear thereon such certificate of authentication duly executed by the Paying Agent shall be entitled to any right or benefit under this Resolution and no Bond shall be valid or obligatory for any purpose until such certificate of authentication shall have been duly executed by the Paying Agent. Such certificate of the Paying Agent upon any Bond shall be conclusive evidence that the Bond so authorized has been duly authenticated and delivered under this Resolution and that the Owner thereof is entitled to the benefit of this Resolution.

SECTION 12. Transfer and Exchange. The registration of any Bond may be transferred upon the Bond Register upon surrender of such Bond to the Paying Agent. Such Bond shall be endorsed or accompanied by delivery of the written instrument of transfer shown in Exhibit A hereto, duly executed by the Owner or such Owner's duly authorized attorney, and

payment of such reasonable transfer fees as the Paying Agent may establish. Upon such registration of transfer, a new Bond or Bonds, of like tenor, series, interest rate and maturity in the same Principal Amount and in authorized denominations, will be executed and delivered to the transferee in exchange therefor.

The Paying Agent shall deem and treat the person in whose name any Outstanding Bond shall be registered upon the Bond Register as the absolute owner of such Bond, whether the Principal of and premium, if any, or interest on such Bond shall be overdue or not, for the purpose of receiving payment of Principal of and premium, if any, and interest on such Bond and for all other purposes, and any such payments so made to any such Owner or upon his or her order shall be valid and effective to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and the College District, the Improvement District or the Paying Agent shall not be affected by any notice to the contrary.

Bonds may be exchanged at the office of the Paying Agent for Bonds of like series, tenor, maturity, interest rate, and Principal Amount. All Bonds surrendered in any such exchange shall thereupon be cancelled by the Paying Agent. The Paying Agent may charge the Owner a reasonable sum for each new Bond executed and delivered upon any exchange (except in the case of the first exchange of any Bond in the form in which it is originally delivered, for which no charge shall be imposed) and the Paying Agent may require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

The Paying Agent shall not be required to register the transfer or exchange of any Bond (i) during the period beginning at the close of business on any Record Date through the close of business on the immediately following Interest Payment Date, or (ii) that has been called or is subject to being called for redemption, during a period beginning at the opening of business 15 days before any selection of Bonds to be redeemed through the close of business on the applicable redemption date, except for the unredeemed portion of any Bond to be redeemed only in part.

SECTION 13. Bonds Mutilated, Destroyed, Stolen or Lost; Temporary Bonds.
In case any Bond shall become mutilated, the Paying Agent, at the expense of the Owner, shall deliver a new Bond of like date, interest rate, maturity, principal amount, series and tenor as the Bond so mutilated in exchange and substitution for such mutilated Bond, upon surrender and cancellation thereof. All Bonds so surrendered shall be cancelled. If any Bond shall be destroyed, stolen or lost, evidence of such destruction, theft or loss may be submitted to the Paying Agent and if such evidence is satisfactory to the Paying Agent that such Bond has been destroyed, stolen or lost, and upon furnishing the Paying Agent with indemnity satisfactory to the Paying Agent and complying with such other reasonable regulations as the Paying Agent may prescribe and paying such expenses as the Paying Agent may incur, the Paying Agent shall, at the expense of the Owner, execute and deliver a new Bond of like series, date, interest rate, maturity, principal amount and tenor in lieu of and in substitution for the Bond so destroyed, stolen or lost. Any new Bonds issued pursuant to this Section in substitution for Bonds alleged to be destroyed, stolen or lost shall constitute original additional contractual obligations on the part of the Improvement District, whether or not the Bonds so alleged to be destroyed, stolen or lost are at any time enforceable by anyone, and shall be equally secured by and entitled to equal and proportionate benefits with all

other Bonds issued under this Resolution in any moneys or securities held by the Paying Agent for the benefit of the Owners of the Bonds.

The Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such authorized denominations as may be determined by the Improvement District, and may contain such reference to any of the provisions of this Resolution as may be appropriate. Every temporary Bond shall be executed by the Improvement District and authenticated by the Paying Agent upon the same conditions and in substantially the same manner as the definitive Bonds. If the Improvement District issues temporary Bonds, it will execute and furnish definitive Bonds without delay and thereupon the temporary Bonds shall be surrendered, for cancellation, in exchange for the definitive Bonds at the office of the Paying Agent or at such other location as the Paying Agent shall designate, and the Paying Agent shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Resolution as definitive Bonds authenticated and delivered hereunder.

SECTION 14. Bond Register. The Paying Agent shall keep or cause to be kept at its office sufficient books for the registration and transfer of the Bonds. Upon presentation for registration or transfer, the Paying Agent shall, as above provided and under such reasonable regulations as it may prescribe subject to the provisions hereof, register or cause the registration of the Bonds, or cause the same to be registered or cause the registration of the same to be transferred, on such books. While the Bonds are held in the book-entry system, and the Bond Register is held by the Depository, the Paying Agent is not required to keep the Bond Register.

SECTION 15. Unclaimed Money. All money which the Paying Agent shall have received from any source and set aside for the purpose of paying or redeeming any of the Bonds shall be held in trust for the respective Owners of such Bonds, but subject to the escheat laws of the State, any money which shall be so set aside or deposited by the Paying Agent and which shall remain unclaimed by the Owners of such Bonds for a period of one year after the date on which any payment or redemption price with respect to such Bonds shall have become due and payable shall be transferred to the general fund of the College District (the “**General Fund**”); provided, however, that the Paying Agent, before making such payment, shall cause notice to be mailed to the Owners of such Bonds, by first-class mail, postage prepaid, not less than 90 days prior to the date of such payment to the effect that said money has not been claimed and that after a date named therein any unclaimed balance of said money then remaining will be transferred to the General Fund of the College District. Thereafter, the Owners of such Bonds may look only to the General Fund for payment of such Bonds, which payment shall in no event exceed the amount transferred pursuant to this Section.

SECTION 16. Application of Proceeds.

(A) Upon the sale of the Bonds and at the further written instruction of an Authorized Officer, the Improvement District shall cause the net proceeds of sale of the Bonds to be deposited into the Costs of Issuance Fund, the Debt Service Fund and the Escrow Fund as provided herein. Each such Fund shall be kept separate and distinct from all other College District and Improvement District funds.

(i) An amount necessary to provide for the defeasance and redemption of the Refunded Bonds shall be deposited into the Escrow Fund and disbursed in accordance with the provisions of the Escrow Agreement;

(ii) An amount necessary to pay the Costs of Issuance shall be deposited into the Costs of Issuance Fund; and

(iii) Accrued and capitalized interest, if any, and except as shall otherwise be directed by the Improvement District in accordance with applicable law from the sale of the Bonds shall be kept separate and apart in the fund hereby created and established and to be designated as the “Santa Ana College Improvement District No. 1 of the Rancho Santiago Community College District, 2020 Series A-2 General Obligation Refunding Bonds Debt Service Fund” (the “**Debt Service Fund**”) and used only for payment of interest on the Bonds. All Pledged Moneys shall be deposited upon collection by the County into the Debt Service Fund and used for the payment of the Principal of, premium, if any, and interest on the Bonds. Any excess proceeds of the Bonds not needed for the authorized purposes set forth herein for which the Bonds are being issued shall be transferred to the Debt Service Fund and applied to the payment of the Principal of and interest on the Bonds. All amounts held in the Debt Service Fund shall be invested at the sole discretion of the Treasurer. Any amounts on deposit in the Debt Service Fund when there are no longer any Bonds Outstanding shall be transferred to the General Fund of the College District

(B) On or before the Business Day immediately preceding each Interest Payment Date if the Paying Agent is not the Treasurer, and on the Interest Payment Date if the Paying Agent is the Treasurer, the Improvement District shall transfer or cause to be transferred from the Debt Service Fund to the Paying Agent, an amount, in immediately available funds, sufficient to pay all the Principal of, premium, if any, and interest on the Bonds coming due (collectively, “**Debt Service**”) on such payment date. Debt Service on the Bonds shall be paid by the Paying Agent in the manner provided by law for the payment of Debt Service.

SECTION 17. Payment of and Security for the Bonds. There shall be levied on all the taxable property in the Improvement District, in addition to all other taxes, a continuing direct *ad valorem* property tax annually during the period the Bonds are Outstanding in an amount sufficient, together with moneys on deposit in the Debt Service Fund and available for such purpose, to pay the Principal of and premium, if any, and interest on the Bonds as each becomes due and payable, which monies when collected will be placed in the Debt Service Fund of the Improvement District, which fund is irrevocably pledged for the payment of the Principal of and interest on the Bonds when and as the same shall become due (the “**Pledged Moneys**”). When collected by the County, Pledged Moneys will be placed in the Debt Service Fund. The *ad valorem* property taxes and amounts collected shall be immediately subject to this pledge, and the pledge shall constitute a lien and security interest which shall immediately attach to the property taxes and amounts held in the Debt Service Fund when collected, to secure the payment of the Bonds and shall be effective, binding, and enforceable against the Improvement District, its successors, creditors and all others irrespective of whether those parties have notice of the pledge and without the need of any physical delivery, recordation, filing, or further act. The Bonds are obligations of the Improvement District payable solely from the levy of *ad valorem* property taxes upon all

property within the Improvement District subject to taxation. The tax levy may include an allowance for a reasonably required reserve in accordance with Section 15250 of the Education Code, established for the purpose of ensuring that the *ad valorem* property tax actually collected is sufficient to pay the annual debt service requirements on the Bonds due in such fiscal year. The College District and the Improvement District each covenant to cause the County to take all actions necessary to levy such *ad valorem* property tax in accordance with this Section, and Section 15140 of the Education Code and Section 53508.7 of the Government Code. Notwithstanding anything to the contrary herein, the Bonds shall in no event be subject to acceleration.

Interest earned on the investment of moneys held in the Debt Service Fund shall be retained in the Debt Service Fund and used to pay Principal Amount of and interest on the Bonds when due.

The foregoing pledge is an agreement between the Improvement District and the Owners of the Bonds to provide security for the Bonds in addition to any statutory lien that may exist, and the Bonds and each of the other bonds secured by the pledge are or were originally issued to finance or refinance one or more of the projects specified in the applicable voter-approved measure.

SECTION 18. Payment of Costs of Issuance. Proceeds of the sale of the Bonds necessary to pay certain costs of issuing the Bonds may be deposited in the fund of the Improvement District known as the “Santa Ana College Improvement District No. 1 of the Rancho Santiago Community College District 2020 Series D General Obligation Refunding Bonds Costs of Issuance Fund” (the “**Cost of Issuance Fund**”) and shall be kept separate and distinct from all other College District and Improvement District funds, and those proceeds shall be used solely for the purpose of paying Costs of Issuance of the Bonds. The Cost of Issuance Fund may be held and administered by the Paying Agent or any such fiscal agent designated for such purpose. Notwithstanding the foregoing, all or a portion of the costs of issuance may be paid by the Underwriter, by the Paying Agent or by a fiscal agent designated for such purpose. Any amounts retained for payment of Costs of Issuance and returned to the Improvement District pursuant to the Contract of Purchase shall be transferred to the Debt Service Fund. This Governing Board hereby authorizes the payment to the County of its out-of-pocket expenses and other costs incurred by the County in connection with the County’s participation in the issuance and delivery of the Bonds.

SECTION 19. Negotiated Sale. The Bonds shall be sold by negotiated sale to the Underwriter inasmuch as: (i) such a sale will allow the Improvement District to integrate and coordinate the sale of the Bonds with public financings undertaken, or to be undertaken, by the College District and the Improvement District in order to fund its public education facilities; (ii) such a sale will allow the Improvement District to utilize the services of consultants who are familiar with the financial needs, status and plans of the Improvement District; and (iii) such a sale will allow the Improvement District to control the timing of the sale of the Bonds to the municipal bond market and, potentially, take advantage of interest rate opportunities for favorable sale of the Bonds to such market and the generation of savings to the taxpayers of the Improvement District.

SECTION 20. Engagement of Consultants; Parameters of Sale. Nixon Peabody LLP has been selected as the Improvement District’s Bond and Disclosure Counsel, Piper Sandler & Co. has been selected to act as Underwriter, and Fieldman Rolapp & Associates, Inc.

has been selected as Municipal Advisor with respect to the authorization, sale and issuance of the Bonds. The estimated costs of issuance associated with the sale of the Bonds are approximately 0.39% of the aggregate Principal Amount of the Bonds, which include Bond and Disclosure Counsel fees, Municipal Advisor fees, costs of printing the Preliminary Official Statement and Official Statement, rating agency fees, Paying Agent fees and other related costs. In addition, the Underwriter's discount, which is not included in the percentage above, shall not be greater than .39% of the aggregate Principal Amount of the Bonds.

SECTION 21. Establishment of Additional Funds and Accounts. If at any time it is deemed necessary or desirable by the Improvement District, the Treasurer, the County Office of Education, or the Paying Agent, the Improvement District may establish additional funds under this Resolution and/or accounts within any of the funds or accounts established hereunder.

SECTION 22. Request for Necessary County Actions. The Board of Supervisors, the Auditor-Controller, the Treasurer, and other officials of the County, are hereby requested to take and authorize such actions as may be necessary pursuant to law to provide for the levy and collection of an *ad valorem* property tax on all taxable property of the Improvement District sufficient to provide for payment of all Principal of, redemption premium, if any, and interest on the Bonds as the same shall become due and payable as necessary for the payment of the Bonds, and the Clerk of the Governing Board is hereby authorized and directed to deliver certified copies of this Resolution to the Clerk of the Governing Board of Supervisors of the County, the Auditor-Controller of the County, and the Treasurer. The Governing Board hereby agrees to reimburse the County for any costs associated with the levy and collection of said tax, upon such documentation of said costs as the College District shall reasonably request.

The Board of Supervisors, the Treasurer, and other officials of the County, are hereby requested to take and authorize such actions as may be necessary, upon, but only upon, the defeasance or redemption of the Refunded Bonds from proceeds of the Bonds, to discontinue the levy of property taxes on all taxable property of the Improvement District for the payment of the Refunded Bonds, pursuant to Section 53561 of the Government Code.

SECTION 23. Redemption. The Bonds shall be subject to redemption as provided in the Contract of Purchase.

SECTION 24. Selection of Bonds for Redemption.

(A) Whenever provision is made in this Resolution or in the Contract of Purchase for the redemption of the Bonds and less than all Outstanding Bonds are to be redeemed, the Paying Agent, upon written instruction from the Improvement District as set forth herein, shall select maturities of Bonds for redemption in the manner directed by the Improvement District.

(B) With respect to any Bonds designated for redemption, or within a maturity of any Bond, the Paying Agent shall select such Bonds for redemption as directed by the Improvement District, or, in the absence of such direction, by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine; provided, however, that the portion of any Bond to be redeemed in part shall be in the Principal Amount of \$5,000 or any integral multiple thereof.

(C) With respect to any Bonds designated as taxable Bonds by an Authorized Officer and issued on a federally taxable basis, if such Bonds are registered in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of such Bonds, if less than all of such Bonds of a series and maturity are called for prior redemption, the particular Bonds or portions thereof to be redeemed shall be selected on a “*Pro Rata Pass Through Distribution of Principal*” basis in accordance with DTC procedures, provided that, so long as such Bonds are held in book-entry form, the selection for redemption of such Bonds shall be made in accordance with the operational arrangements of DTC then in effect that currently provide for adjustment of the principal by a factor provided by the Paying Agent pursuant to DTC operational arrangements. If the Paying Agent does not provide the necessary information and identify the redemption as on a “*Pro Rata Pass Through Distribution of Principal*” basis, such Bonds will be selected for redemption in accordance with DTC procedures by lot. It is the Improvement District’s intent that redemption allocations made by DTC, participants in DTC or such other intermediaries that may exist between the Improvement District and the Beneficial Owners be made on a “*Pro Rata Pass Through Distribution of Principal*” basis as described above. In the event that such Bonds are no longer held by DTC or a successor securities depository, such Bonds shall be selected for redemption in the manner provided in the Contract of Purchase.

In the event that a Term Bond is optionally redeemed, the Principal Amount of the remaining sinking fund payment with respect to such Term Bond will be reduced as directed by the Improvement District in the aggregate amount equal to the amount so redeemed.

SECTION 25. Notice of Redemption. When redemption is authorized or required pursuant to this Resolution or the Contract of Purchase, the Paying Agent, upon written instruction from the Improvement District given at least 45 days prior to the date designated for such redemption (or such lesser period to which the Paying Agent agrees), shall give notice (each, a “**Redemption Notice**”) of the redemption of the Bonds. Such Redemption Notice shall specify: (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the Principal Amount of such Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part. Such Redemption Notice shall further state (i) that on the specified date there shall become due and payable upon each Bond or portion thereof being redeemed the redemption price, together with the interest accrued to the redemption date, and (ii) that from and after such date interest with respect thereon shall cease to accrue and be payable.

The Paying Agent shall take the following actions with respect to such Redemption Notice:

(A) At least 20 but not more than 45 days prior to the redemption date, such Redemption Notice shall be given to the respective Owners of Bonds designated for redemption by first-class mail, postage prepaid, at their addresses appearing on the Bond Register, and to the MSRB.

(B) In the event that the Bonds shall no longer be held in book-entry-only form, at least 35 but not more than 45 days before the redemption date, such Redemption Notice shall be given (x) by (i) first class mail, postage prepaid, (ii) telephonically confirmed facsimile transmission, or (iii) overnight delivery service, to each of the Securities Depositories and to the MSRB.

Neither failure to receive any Redemption Notice nor any defect in any such Redemption Notice so given shall affect the sufficiency of the proceedings for the redemption of the affected Bonds. Each check issued or other transfer of funds made by the Paying Agent for the purpose of redeeming Bonds shall bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

SECTION 26. Partial Redemption of Bonds. Upon the surrender of any Bond redeemed in part only, the Paying Agent shall execute and deliver to the Owner thereof a new Bond or Bonds of like series, tenor and maturity and interest rates and of authorized denominations equal in principal amounts to the unredeemed portion of the Bond surrendered. Such partial redemption shall be valid upon payment of the amount required to be paid to such Owner, and the Improvement District shall be released and discharged thereupon from all liability to the extent of such payment.

SECTION 27. Conditional Redemption. Any Redemption Notice given hereunder may be made conditional upon the satisfaction of certain conditions and/or the receipt of sufficient moneys to pay the redemption price of the designated Bonds and may be rescinded by the Improvement District at any time prior to the scheduled date of redemption by so notifying the Paying Agent, who shall notify the Owners of affected Bonds and the MSRB in the event such conditions are not met or are not expected to be met and/or such funds are not received or are not expected to be received, in the same manner in which the Redemption Notice was originally given. In the event that a Redemption Notice contains such a condition and such moneys are not so received and/or such conditions are not met, the redemption shall not be made and the Paying Agent shall, within a reasonable time thereafter give notice, to the persons to whom and in the manner in which the Redemption Notice was given, that such moneys were not so received and/or such condition was not met.

SECTION 28. Effect of Notice of Redemption. Notice having been given as aforesaid, and the moneys for the redemption (including the interest to the applicable date of redemption) having been set aside in the Debt Service Fund or deposited with a duly appointed escrow agent, in trust, the Bonds to be redeemed shall become due and payable on such date of redemption.

If on such redemption date, money for the redemption of all the Bonds to be redeemed as provided in this Resolution and the Contract of Purchase, together with interest to such redemption date, shall be held by the Paying Agent or deposited with a duly appointed escrow agent, in trust, so as to be available therefor on such redemption date, and any conditions to such redemption described in the Redemption Notice shall be met, and if notice of redemption thereof shall have been given as aforesaid, then from and after such redemption date, interest on the Bonds to be redeemed shall cease to accrue and become payable. All money held by or on behalf of the Paying

Agent for the redemption of Bonds shall be held in trust for the account of the Owners of the Bonds so to be redeemed.

All Bonds paid at maturity or redeemed prior to maturity pursuant to the provisions of this Resolution and the Contract of Purchase shall be cancelled upon surrender thereof and delivered to or upon the order of the Improvement District. All or any portion of a Bond purchased by the Improvement District shall be cancelled by the Paying Agent upon written notice by the Improvement District given to the Paying Agent.

SECTION 29. Paying Agent; Appointment and Acceptance of Duties.

(A) Wells Fargo Bank, National Association is hereby appointed as the initial authenticating agent, bond registrar, transfer agent and paying agent (collectively, the “**Paying Agent**”). All fees and expenses incurred for services of the Paying Agent, shall be the sole responsibility of the Improvement District and may be paid from the annual *ad valorem* property tax levy supporting the Bonds. The Paying Agent shall keep accurate records of all funds administered by it and all of the Bonds paid and discharged by it. Such records shall be provided, upon reasonable request, to the District in a format mutually agreeable to the Paying Agent and the District.

(B) Unless otherwise provided, the office of the Paying Agent designated by the Paying Agent shall be the place for the payment of Principal of, premium, if any, and interest on the Bonds.

(C) The Paying Agent is hereby authorized and directed to give notice of redemption of the Refunded Bonds, pursuant to the terms of the resolution authorizing the issuance thereof.

SECTION 30. Liability of Paying Agent. The Paying Agent makes no representations as to the validity or sufficiency of this Resolution or of any Bonds issued hereunder or as to the security afforded by this Resolution, and the Paying Agent shall incur no liability in respect hereof or thereof.

SECTION 31. Evidence on Which Paying Agent May Act. The Paying Agent, upon receipt of any notice, resolution, request, consent, order, certificate, report, opinion, bond, or other paper or document furnished to it pursuant to any provision of this Resolution, shall examine such instrument to determine whether it conforms to the requirements of this Resolution and shall be protected in acting upon any such instrument believed by it to be genuine and to have been signed or presented by the proper party or parties. The Paying Agent may consult with counsel, who may or may not be counsel to the College District or the Improvement District, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under this Resolution in good faith and in accordance therewith.

SECTION 32. Compensation. The Improvement District shall pay or cause to be paid to the Paying Agent from time to time reasonable compensation for all services rendered under this Resolution, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents, and employees, incurred in and about the

performance of their powers and duties under this Resolution, all of which may be paid from the County's annual levy of *ad valorem* property taxes.

SECTION 33. Ownership of Bonds Permitted. The Paying Agent or the Underwriter may become the Owner of any Bonds.

SECTION 34. Resignation or Removal of Paying Agent and Appointment of Successor.

(A) The initially appointed Paying Agent or any successor Paying Agent may resign from service as Paying Agent at any time. Prior to such resignation a new Paying Agent shall be appointed by the Improvement District in accordance with applicable law, which shall be the Treasurer or a bank or trust company doing business in and having a corporate trust office in Los Angeles or San Francisco, California, with at least \$50,000,000 in net assets. Such successor Paying Agent shall signify the acceptance of its duties and obligations hereunder by executing and delivering to the Improvement District a written acceptance thereof. Resignation of the initial or a successor Paying Agent shall be effective upon appointment and acceptance of a successor Paying Agent.

(B) Any Paying Agent appointed may resign from service as Paying Agent and may be removed at any time by the Improvement District as provided in the Paying Agent's service agreement. If at any time the Paying Agent shall resign or be removed, a new Paying Agent shall be appointed in accordance with applicable law, which shall be either the Treasurer or a bank or trust company doing business in and having a corporate trust office in Los Angeles or San Francisco, California, with at least \$50,000,000 in net assets. Such successor Paying Agent shall signify the acceptance of its duties and obligations hereunder by executing and delivering to the Improvement District a written acceptance thereof. Resignation or removal of the Paying Agent shall be effective upon appointment and acceptance of a successor Paying Agent.

(C) In the event of the resignation or removal of the Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it as Paying Agent to its successor. The Improvement District shall promptly provide notice of the name and principal corporate trust office address of the Paying Agent appointed to replace any resigned or removed Paying Agent to the Owners of the Bonds by first-class mail, postage prepaid, at their addresses appearing on the Bond Register.

SECTION 35. Investment of Certain Funds. Moneys held in all funds and accounts established hereunder shall be invested and reinvested in Authorized Investments to the fullest extent practicable as shall be necessary to provide moneys when needed for payments to be made from such funds and accounts. Nothing in this Resolution shall prevent any investment securities acquired as investments of funds held hereunder from being issued or held in book entry form on the books of the Department of Treasury of the United States. All investment earnings on amounts on deposit in the Debt Service Fund shall remain on deposit in such fund.

SECTION 36. Valuation and Sale of Investments. Obligations purchased as an investment of moneys in any fund or account shall be deemed at all times to be a part of such fund or account. Profits or losses attributable to any fund or account shall be credited or charged to

such fund or account. In computing the amount in any fund or account created under the provisions of this Resolution for any purpose provided in this Resolution, obligations purchased as an investment of moneys therein shall be valued at cost, plus, where applicable, accrued interest.

SECTION 37. Supplemental Resolutions with Consent of Owners. This Resolution, and the rights and obligations of the College District and the Improvement District and of the Owners of the Bonds issued hereunder, may be modified or amended at any time by a Supplemental Resolution adopted by the College District, acting as the legislative body of the Improvement District, with the written consent of Owners owning at least 60% in aggregate Principal Amount of the Outstanding Bonds, exclusive of Bonds, if any, owned by the College District and the Improvement District. Notwithstanding the foregoing, no such modification or amendment shall, without the express consent of the Owner of each Bond affected, reduce the Principal Amount of any Bond, reduce the interest rate payable thereon, advance the earliest redemption date thereof, extend its maturity or the times for paying interest thereon or change the monetary medium in which Principal and interest is payable, nor shall any modification or amendment reduce the percentage of consents required for amendment or modification thereof or hereof. No such Supplemental Resolution shall change or modify any of the rights or obligations of any Paying Agent without its written assent thereto. Notwithstanding anything herein to the contrary, no such consent shall be required if the Owners are not directly and adversely affected by such amendment or modification.

SECTION 38. Supplemental Resolutions Effective Without Consent of Owners. For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution of the College District, acting as the legislative body of the Improvement District, may be adopted, which, without the requirement of consent of the Owners, shall be fully effective in accordance with its terms:

(A) To add to the covenants and agreements of the Improvement District in this Resolution, other covenants and agreements to be observed by the Improvement District which are not contrary to or inconsistent with this Resolution as theretofore in effect;

(B) To add to the limitations and restrictions in this Resolution, other limitations and restrictions to be observed by the Improvement District which are not contrary to or inconsistent with this Resolution as theretofore in effect;

(C) To confirm as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by this Resolution, of any moneys, securities or funds, or to establish any additional funds, or accounts to be held under this Resolution;

(D) To cure any ambiguity, supply any omission, or cure to correct any defect or inconsistent provision in this Resolution; or

(E) To amend or supplement this Resolution in any other respect, provided such Supplemental Resolution does not, in the opinion of Bond Counsel, adversely affect the interests of the Owners.

SECTION 39. Effect of Supplemental Resolution. Any act done pursuant to a modification or amendment so consented to shall be binding upon the Owners of all the Bonds and

shall not be deemed an infringement of any of the provisions of this Resolution, whatever the character of such act may be, and may be done and performed as fully and freely as if expressly permitted by the terms of this Resolution, and after consent relating to such specified matters has been given, no Owner shall have any right or interest to object to such action or in any manner to question the propriety thereof or to enjoin or restrain the College District or the Improvement District or any officer or agent thereof from taking any action pursuant thereto.

SECTION 40. Discharge and Defeasance. If any or all Outstanding Bonds shall be paid and discharged in any one or more of the following ways:

(i) by paying or causing to be paid the Principal, premium, if any, and interest on such Bonds, and when the same become due and payable;

(ii) by depositing with the Paying Agent, or a duly appointed escrow agent, in trust, at or before maturity, cash which together with the amounts transferred from or then on deposit in the Debt Service Fund (and the accounts therein other than amounts that are not available to pay Debt Service) together with the interest to accrue thereon without the need for further investment, is fully sufficient to pay such Bonds at maturity or earlier redemption thereof, including any premium and all interest thereon, notwithstanding that any Bonds shall not have been surrendered for payment; or

(iii) by depositing in escrow with an institution that meets the requirements of serving as successor Paying Agent hereunder selected by the Improvement District, in trust, lawful money or noncallable direct obligations issued by the United States Treasury (including State and Local Government Series) or obligations which are unconditionally guaranteed by the United States of America or “prerefunded” municipal obligations rated in the highest category by Moody’s or S&P, in such amount as will, together with the interest to accrue thereon without the need for further investment, be fully sufficient, as fully verified by the report of an independent certified public accountant licensed to practice in the State, to pay and discharge such Bonds at maturity or earlier redemption thereof, for which notice has been given or provided for, including any premium and all interest thereon, notwithstanding that any Bonds shall not have been surrendered for payment;

then all obligations of the Improvement District and the Paying Agent under this Resolution with respect to such Bonds shall cease and terminate, except only the obligation of the Paying Agent to pay or cause to be paid to the Owners of such Bonds all sums due thereon, and the obligation of the Improvement District to pay to the Paying Agent amounts owing to the Paying Agent hereunder.

SECTION 41. Approval of Actions; Miscellaneous.

(A) The Chancellor and the other Authorized Officers are each hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all certificates, statements, disclosures, notices, contracts, or other documents, and do and perform any and all acts and things, which they may deem necessary or advisable in order to proceed with the sale and issuance of the Bonds or otherwise carry out, give effect to and comply

with the terms and intent of this Resolution. Such actions heretofore taken by such officers, officials and staff are hereby ratified, confirmed and approved.

(B) The County, the Board of Supervisors, officers, agents, and employees shall not be responsible for any proceedings or the preparation or contents of any resolutions, certificates, statements, disclosures, notices, contracts, or other documents relating to the sale and issuance of the Bonds.

(C) The Principal of and interest and redemption premium (if any) on the Bonds shall not constitute debt or an obligation of the County, the Board of Supervisors, officers, agents, or employees, and the County, the Board of Supervisors, officers, agents, and employees thereof shall not be liable thereon. In no event shall the Principal of and interest and redemption premium (if any) on any Bond be payable out of any funds or property of the County.

(D) The Clerk shall send or cause to be sent a certified copy of this Resolution, together with the final debt service schedule for the Bonds, to the Treasurer.

SECTION 42. Conflicts. If there is any inconsistency or conflict between any provision of this Resolution and any provision of the Contract of Purchase, the Contract of Purchase prevails to the extent of the inconsistency or conflict.

SECTION 43. Effective Date. This Resolution shall take effect immediately upon its adoption.

ADOPTED, SIGNED AND APPROVED this 13th day of July, 2020, by the Board of Trustees of the Rancho Santiago Community College District, at a regularly scheduled meeting held in Santa Ana, California, at a location freely accessible to the public, by the following roll-call vote:

AYES: _____

NOES: _____

ABSTAIN: _____

ABSENT: _____

BOARD OF TRUSTEES OF RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT, on behalf of the Rancho Santiago Community College District and acting as legislative body for the Santa Ana College Improvement District No. 1 of Rancho Santiago Community College District

By: _____

President of the Board of Trustees of Rancho
Santiago Community College District

Attest:

By: _____
Clerk of the Board of Trustees of
Rancho Santiago Community College District

EXHIBIT A

FORM OF BOND

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

UNITED STATES OF AMERICA

STATE OF CALIFORNIA

**SANTA ANA COLLEGE IMPROVEMENT DISTRICT NO. 1
OF RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
(COUNTY OF ORANGE, CALIFORNIA)
GENERAL OBLIGATION REFUNDING BONDS
2020 SERIES A-2 (FEDERALLY TAXABLE)**

\$ _____

No. _____

Interest Rate

Maturity Date

Dated Date

CUSIP

_____%

August 1, 20__

Date of Delivery

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT:

The Santa Ana College Improvement District No. 1 of Rancho Santiago Community College District (the "Improvement District"), a school facilities improvement district formed by Rancho Santiago Community College District, a community college district organized and operating under the laws of the State of California (the "State"), County of Orange (the "County"), for value received, hereby acknowledges itself indebted and promises to pay to the Registered Owner named above, or registered assigns, the Principal Amount set forth above, on the Maturity Date set forth above, together with interest thereon from the Dated Date set forth above until the Principal Amount hereof shall have been paid or provided for, in accordance with the Resolution hereinafter referred to, at the interest rate set forth above. Interest on this Bond is payable on February 1, 2021, and semiannually thereafter on the first day of February and August (each, an "Interest Payment Date") in each year to the registered owner hereof (the "Owner") from the Interest Payment Date next preceding the date on which this Bond is registered (unless it is registered after the close of business on the fifteenth calendar day of the month preceding any

Interest Payment Date (a “Record Date”) and before the close of business on the immediately following Interest Payment Date, in which event it shall bear interest from such following Interest Payment Date, or unless this Bond is registered prior to the close of business on January 15, 2021, in which event it shall bear interest from its date; *provided, however*, that if at the time of registration of this Bond interest with respect hereto is in default, interest with respect hereto shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment. The principal amount hereof is payable at the office of Wells Fargo Bank, National Association, as initial paying agent (the “Paying Agent”), in Los Angeles, California, or at the office of a successor Paying Agent appointed pursuant to the Resolution (as hereinafter defined). The interest hereon is payable by check or draft mailed by first class mail to each Owner, at its address as it appears on the registration books kept by the Paying Agent as of the Record Date, or by wire transfer to any Owner of \$1,000,000 aggregate principal amount of such Bonds, to the account specified by such Owner in a written request delivered to the Paying Agent on or prior to the Record Date for such Interest Payment Date; provided however, that payments of defaulted interest shall be payable to the person in whose name such Bond is registered at the close of business on a special record date fixed therefor by the Paying Agent, which shall not be more than fifteen days and not less than ten days prior to the date of the proposed payment of defaulted interest.

The Bonds of this issue are comprised of \$_____ principal amount of Bonds. This Bond is issued by the Improvement District under and in accordance with the provisions of (i) Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53550 and 53580, respectively; (ii) applicable provisions of the Education Code of the State of California; and (iii) Article XIII A of the California Constitution, and pursuant to a resolution of the Board of Trustees (the “Governing Board”) of the Rancho Santiago Community College District (the “College District”), acting as the legislative body of the Improvement District, adopted on July 13, 2020 (the “Resolution”). Reference is hereby made to the Resolution, a copy of which is on file at the College District, for a description of the terms on which the Bonds are delivered, and the rights thereunder of the Owners of the Bonds and the rights and duties of the Paying Agent and the Improvement District, to all of the provisions of which the Owner of this Bond, by acceptance hereof, assents and agrees. All capitalized terms used but not otherwise defined herein shall have the respective meanings set forth in the Resolution. The bonds to be refunded by the Bonds were authorized by a vote of more than 55% of the qualified electors of the Improvement District voting on the proposition at a general election held therein to determine whether such bonds should be issued.

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

This Bond is a general obligation of the Improvement District, payable as to both principal and interest from *ad valorem* property taxes which, under the laws now in force, may be levied without limitation as to rate or amount upon all of the taxable property in the Improvement District. Neither the payment of the principal of this Bond, or any part thereof, nor any interest or premium hereon constitute a debt, liability or obligation of the College District or the County.

Board of the College District, acting as the legislative body of the Improvement District, with the written consent of owners of at least 60% in aggregate Principal Amount of the Outstanding Bonds, exclusive of Bonds, if any, owned by the Improvement District; *provided, however*, that no such modification or amendment shall, without the express consent of the Owner of each Bond affected, reduce the Principal Amount of any Bond, reduce the interest rate payable thereon, advance the earliest redemption date thereof, extend its maturity or the times for paying interest thereon or change the monetary medium in which the Principal and interest is payable, nor shall any modification or amendment reduce the percentage of consents required for amendment or modification hereof. No such supplemental resolution shall change or modify any of the rights or obligations of any Paying Agent without its written assent thereto. Notwithstanding anything herein to the contrary, no such consent shall be required if the Owners are not directly and adversely affected by such amendment or modification.

A supplemental resolution of the Governing Board of the College District, acting as the legislative body of the Improvement District, may be adopted, which, without the requirement of consent of the registered owners, shall be fully effective in accordance with its terms: (1) to add to the covenants and agreements of the Improvement District in the Resolution, other covenants and agreements to be observed by the Improvement District which are not contrary to or inconsistent with the Resolution as theretofore in effect; (2) to add to the limitations and restrictions in the Resolution, other limitations and restrictions to be observed by the Improvement District or the College District which are not contrary to or inconsistent with the Resolution as theretofore in effect; (3) to confirm as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by the Resolution, of any moneys, securities or funds, or to establish any additional funds or accounts to be held under the Resolution; (4) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Resolution; or (5) to amend or supplement the Resolution in any other respect, provided such supplemental resolution does not, in the opinion of nationally recognized bond counsel, adversely affect the interests of the owners of the Bonds.

If this Bond is called for redemption and the principal amount of this Bond plus premium, if any, and accrued interest due with respect hereto are duly provided therefor as specified in the Resolution, then interest shall cease to accrue with respect hereto from and after the date fixed for redemption.

This Bond shall not become valid or obligatory for any purpose until the Certificate of Authentication hereon endorsed shall have been dated and executed manually by the Paying Agent.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED, that an election was duly and legally called, held and conducted, and the notices thereof duly given, and the results thereof canvassed and declared in accordance with the provisions of the Authorizing Law and that all of the proceedings of the Board of Trustees of the College District, acting as legislative body for the Improvement District, in the matter of the issuance of this Bond were regular and in strict accordance with the provisions of the Authorizing Law, including the Constitution of the State of California, that the total bonded indebtedness of the Improvement District, including the issue of which this Bond is a part, does not exceed any limit prescribed by said Act, and that due provision has been made for levying and collecting *ad valorem* property taxes on all of the taxable property within the Improvement District in an amount sufficient to pay Principal and interest when due.

IN WITNESS WHEREOF, the Rancho Santiago Community College District, on behalf of its Santa Ana College Improvement District No.1 has caused this Bond to be executed in their official capacities by the manual or facsimile signature of the President of the Board of Trustees of the Rancho Santiago Community College District and countersigned by the manual or facsimile signature of the Clerk of the Board of Trustees of the Rancho Santiago Community College District, acting as the legislative body for the Santa Ana College Improvement District No. 1 of Rancho Santiago Community College District, as of the date stated above.

SANTA ANA COLLEGE IMPROVEMENT
DISTRICT NO. 1 OF THE RANCHO SANTIAGO
COMMUNITY COLLEGE DISTRICT

By: _____ [Form Document] _____
Authorized Officer

Countersigned:

By: _____ [Form Document] _____
Clerk of the Board of Trustees
of Rancho Santiago Community College District

The following Certificate of Authentication shall be printed on each Bond:

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Resolution of the Board of Trustees of the Rancho Santiago Community College District, acting as the legislative body of Santa Ana College Improvement District No. 1 of Rancho Santiago Community College District.

DATED: _____, 2020

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Paying Agent

By: _____
Authorized Officer

FORM OF ASSIGNMENT

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

Name of Transferee: _____

Address for Payment of Interest: _____

Social Security Number or other Tax Identification No.: _____

the within-mentioned Bond and hereby irrevocably constitutes and appoints attorney, to transfer the same on the books of the Paying Agent with full power of substitution in the premises.

Registered Owner

Dated: _____

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

Signature _____
guaranteed

[Bank, Trust Company or Firm]

By: _____
Authorized Officer

NOTICE: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

§ _____
**SANTA ANA COLLEGE IMPROVEMENT DISTRICT NO. 1
OF RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
(Orange County, California)
GENERAL OBLIGATION REFUNDING BONDS,
2020 SERIES A-2 (FEDERALLY TAXABLE)**

CONTRACT OF PURCHASE

August __, 2020

Rancho Santiago Community College District
2323 North Broadway
Santa Ana, California 92706-1640

Ladies and Gentlemen:

The undersigned, Piper Sandler & Co., as underwriter (the “Underwriter”), acting on its own behalf and not as fiduciary or agent for you, offers to enter into this Contract of Purchase (the “Purchase Contract”) with the Rancho Santiago Community College District (the “District”), which, upon your acceptance hereof, will be binding upon both the District and the Underwriter. This offer is made subject to the written acceptance of this Purchase Contract by the District and delivery of such acceptance to the Underwriter at or prior to 11:59 P.M., Pacific Daylight Time, on the date hereof. Capitalized terms used and not otherwise defined herein shall have the respective meanings assigned thereto in the District Resolution (defined below).

1. **Purchase and Sale of the Bonds.** Upon the terms and conditions and in reliance upon the representations, warranties and agreements herein set forth, the Underwriter hereby agrees to purchase from the District for reoffering to the public, and the District hereby agrees to sell to the Underwriter for such purpose, all (but not less than all) of \$_____ aggregate initial principal amount of the Santa Ana College Improvement District No. 1 of Rancho Santiago Community College District General Obligation Refunding Bonds, 2020 Series A-2 (Federally Taxable) (the “Bonds”). The Bonds shall bear interest at the rates, and shall mature in the years and shall be subject to redemption as shown on Exhibit A hereto, which is incorporated herein by this reference. The Bonds shall be dated the date of delivery thereof and shall be payable as to interest on each February 1 and August 1, commencing February 1, 2021. The Underwriter shall purchase the Bonds at a price of \$_____ (consisting of the aggregate principal amount of the Bonds of \$_____ less an Underwriter’s discount of \$_____).

Inasmuch as this purchase and sale represents a negotiated transaction, the District acknowledges and agrees that: (i) the purchase and sale of the Bonds pursuant to this Purchase Contract is an arm’s-length, commercial transaction between the District and the Underwriter in which the Underwriter is acting solely as a principal and is not acting as a municipal advisor, financial advisor, or fiduciary to the District; (ii) the Underwriter has not assumed any advisory or fiduciary responsibility to the District with respect to the transaction contemplated hereby and the discussions, undertakings, and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the District on other matters);

(iii) the Underwriter is acting solely in its capacity as underwriter for its own account; (iv) the only obligations the Underwriter has to the District with respect to the transaction contemplated hereby are expressly set forth in this Purchase Contract; and (v) the District has consulted its own legal, accounting, tax, financial and other advisors, as applicable, including Fieldman, Rolapp & Associates, Inc. as municipal advisor to the District (the “Municipal Advisor”) to the extent it has deemed appropriate.

The net proceeds of the Bonds will be used for (a) the advance refunding of certain maturities of the Santa Ana College Improvement District No. 1 of Rancho Santiago Community College District General Obligation Bonds, Election of 2012, 2014 Series A (the “Refunded Bonds”), pursuant to an Escrow Agreement, dated as of August 1, 2020 (the “Escrow Agreement”), by and between the District and Wells Fargo Bank, National Association, as escrow agent (the “Escrow Agent”) and (b) the payment of costs of issuance of the Bonds. The net proceeds of the Bonds will be deposited into an escrow fund established pursuant to the Escrow Agreement and applied to pay the interest on Refunded Bonds due on and before the respective redemption dates thereof and the redemption price of Refunded Bonds to be redeemed on such redemption date, all as provided in the Escrow Agreement.

The District acknowledges that it has previously provided the Underwriter with an acknowledgement of receipt of the required Underwriter disclosure under Rule G-17 of the Municipal Securities Rulemaking Board (the “MSRB”).

2. **The Bonds.** The Bonds shall be dated the date of their delivery. The Bonds shall mature as shown on Exhibit A hereto and shall otherwise be as described in the Official Statement (as defined below), and shall be issued and secured pursuant to the provisions of the Resolution of the Board of Trustees of the District adopted on July 13, 2020 (the “District Resolution”) and Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the “Act”).

The Bonds shall be executed and delivered under and in accordance with the provisions of this Purchase Contract and the District Resolution. The Bonds shall bear CUSIP numbers, shall be in fully registered book-entry form, and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”); the Bonds shall initially be in authorized denominations of Five Thousand Dollars (\$5,000) principal amount or any integral multiple thereof.

3. **Use of Documents.** The District hereby authorizes the Underwriter to use, in connection with the offer and sale of the Bonds, this Purchase Contract, the Escrow Agreement, the Preliminary Official Statement (defined below) and an Official Statement (defined in Section 8(c) hereof), the District Resolution and all information contained herein and therein and all of the documents, certificates or statements furnished by the District to the Underwriter in connection with the transactions contemplated by this Purchase Contract.

4. **Public Offering of the Bonds.** The Underwriter agrees to make a bona fide public offering of all the Bonds at the initial public offering prices or yields set forth on Exhibit A hereto. Subsequent to such initial public offering, the Underwriter reserves the right to change such initial public offering prices or yields as it deems necessary in connection with the marketing of the Bonds.

5. **Review of Preliminary Official Statement.** The Underwriter hereby represents that it has received and reviewed the Preliminary Official Statement with respect to the Bonds, dated July __, 2020 (the “Preliminary Official Statement”), which has been duly authorized and prepared by the District for use by the Underwriter in connection with the Bonds. The District represents that it has deemed the Preliminary Official Statement to be final as of its date, except for either revision or addition of the offering price(s), interest rate(s), yield(s) to maturity, selling compensation, aggregate principal amount, principal amount per maturity, delivery date, rating(s) and other terms of the Bonds which depend upon the foregoing as provided in and pursuant to Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”).

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

References herein to the Preliminary Official Statement and the final Official Statement include the cover page, inside cover and all appendices, exhibits, maps, reports and statements included therein or attached thereto.

6. **Closing.** At 9:00 A.M., Pacific Daylight Time, on August __, 2020, or at such other time or on such other date as shall have been mutually agreed upon by the District and the Underwriter (the “Closing”), the District shall deliver to the Underwriter, through the facilities of DTC, or at such other place as the parties hereto may mutually agree upon, the Bonds in fully registered book-entry form, duly executed and registered in the name of Cede & Co., as nominee of DTC, and at the offices of Nixon Peabody LLP (“Bond Counsel”), in Los Angeles, California, the other documents hereinafter mentioned; and the Underwriter will accept such delivery and pay the purchase price thereof in immediately available funds by check, draft or wire transfer to or upon the order of the District.

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

(a) **Due Organization.** Santa Ana College Improvement District No. 1 of Rancho Santiago Community College District (the “Improvement District”) is a school facilities improvement district duly organized and validly existing under the laws of the State of California. The District is a community college district duly organized and validly existing under the laws of the State of California, with the power to issue the Bonds pursuant to the Act.

(b) **Due Authorization.** (i) At or prior to the Closing, the District, acting on behalf of the Improvement District, will have taken all action required to be taken by it to authorize the issuance and delivery of the Bonds; (ii) the District, acting on behalf of the Improvement District, has full legal right, power and authority to enter into this Purchase Contract, the Escrow Agreement and the Continuing Disclosure Undertaking (as defined in Section 7(i) hereof), to adopt the District Resolution, to perform its obligations under each such document or instrument, to approve the Official Statement and to carry out and

effectuate the transactions contemplated by this Purchase Contract, the Escrow Agreement and the District Resolution; (iii) the execution and delivery or adoption of, and the performance by the District of the obligations contained in the Bonds, the District Resolution, the Continuing Disclosure Undertaking, the Escrow Agreement and this Purchase Contract have been duly authorized and such authorization shall be in full force and effect at the time of the Closing; (iv) this Purchase Contract, the Escrow Agreement and the Continuing Disclosure Undertaking constitute valid and legally binding obligations of the District; and (v) the District has duly authorized the consummation by it of all transactions contemplated by this Purchase Contract, the Escrow Agreement and the Official Statement.

(c) Consents. No consent, approval, authorization, order, filing, registration, qualification, election or referendum, of or by any court or governmental agency or public body whatsoever is required in connection with the issuance, delivery or sale of the Bonds, the execution and delivery of this Purchase Contract, the Escrow Agreement and the Continuing Disclosure Undertaking, the adoption of the District Resolution, or the consummation of the other transactions effected or contemplated herein or hereby, which has not been taken or obtained, except for such actions as may be necessary to qualify the Bonds for offer and sale under Blue Sky or other securities laws and regulations of the states and jurisdictions of the United States as the Underwriter may reasonably request; provided, however, that neither the District nor the Improvement District shall be required to subject itself to service of process in any jurisdiction in which it is not so subject as of the date hereof.

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

(e) No Conflicts. To the best knowledge of the District, the issuance of the Bonds, and the execution, delivery and performance of this Purchase Contract, the Continuing Disclosure Undertaking, the District Resolution, the Escrow Agreement and the Bonds, and the compliance with the provisions hereof do not conflict with or constitute on the part of the District a violation of or default under, the Constitution of the State of California or any existing law, charter, ordinance, regulation, decree, order or resolution and do not conflict with or result in a violation or breach of, or constitute a default under, any agreement, indenture, mortgage, lease or other instrument to which the District is a party or by which it is bound or to which it is subject.

(f) Litigation. As of the time of acceptance hereof, no action, suit, proceeding, hearing or investigation is pending or, to the best knowledge of the District, threatened against the District or the Improvement District: (i) in any way affecting the existence of the District or the Improvement District or in any way challenging the respective powers of the several offices or of the titles of the officials of the District to such offices; or (ii) seeking to restrain or enjoin the sale, issuance or delivery of any of the Bonds, the application of the proceeds of the sale of the Bonds, or the collection of tax revenues contemplated by the District Resolution and pledged or to be pledged or available to pay the principal of and interest on the Bonds, or the pledge thereof, or the levy of any taxes contemplated by the District Resolution or in any way contesting or affecting the validity or enforceability of the Bonds, this Purchase Contract, the Escrow Agreement or the District Resolution or contesting the powers of the District or the Improvement District or the District's authority with respect to the Bonds, the District Resolution, the Escrow Agreement or this Purchase Contract; or

(iii) in which a final adverse decision could (a) materially adversely affect the operations of the District or the consummation of the transactions contemplated by this Purchase Contract, the Escrow Agreement or the District Resolution, (b) declare this Purchase Contract or the Escrow Agreement to be invalid or unenforceable in whole or in material part, or (c) adversely affect the exclusion of the interest paid on the Bonds from California personal income taxation.

(g) No Other Debt. Between the date hereof and the Closing, without the prior written consent of the Underwriter, neither the District or the Improvement District nor any other person on behalf of the District or the Improvement District, will have issued in the name and on behalf of the Improvement District any bonds, notes or other obligations for borrowed money except for such borrowings as may be described in or contemplated by the Official Statement.

(h) Certificates. Any certificates signed by any officer of the District and delivered to the Underwriter shall be deemed a representation and warranty by the District or the Improvement District to the Underwriter, but not by the person signing the same, as to the statements made therein.

(i) Continuing Disclosure. At or prior to the Closing, the District shall have duly authorized, executed and delivered a continuing disclosure undertaking with respect to the Bonds (the “Continuing Disclosure Undertaking”) on behalf of each obligated person for which financial and/or operating data is presented in the Official Statement. Except as disclosed in the Official Statement, for the past five fiscal years, the District has not otherwise failed, to comply in all material respects with its previous undertakings pursuant to Rule 15c2-12 to file annual reports or notices of significant events, and for such years, the District is currently in compliance with all prior continuing disclosure obligations. The Continuing Disclosure Undertaking shall comply with the provisions of section (b)(5) of Rule 15c2-12 and be substantially in the form attached to the Preliminary Official Statement as Appendix D.

(j) Official Statement Accurate and Complete. The Preliminary Official Statement, at the date thereof, did not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. As of the date hereof and as of the Closing Date, the Preliminary Official Statement and the final Official Statement (as defined in Section 8(c) hereof) does not and will not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. Notwithstanding this paragraph 7(j) or paragraph 8(f) hereof, the District makes no representation or warranty as to the information (i) contained in the Preliminary Official Statement or the Official Statement under “THE BONDS – Book-Entry Only System” or in “APPENDIX E – Book-Entry Only System” or (ii) contained in the Preliminary Official Statement or the Official Statement in reliance upon and in conformity with information furnished in writing to the District by or on behalf of the Underwriter specifically for inclusion therein.

(k) No Material Adverse Change. The financial statements of, and other financial information regarding the District in the Preliminary Official Statement and the Official Statement, fairly present the financial position and results of the District as of the

dates and for the periods therein set forth. As of the date hereof, there has been no adverse change of a material nature in such financial position, results of operations or condition, financial or otherwise, of the District.

(l) Levy of Tax. The District hereby agrees to take any and all actions as may be required by the County of Orange (the "County") or otherwise necessary in order to arrange for the levy and collection of taxes, payment of the Bonds, and the deposit and investment of Bond proceeds. In particular, the District hereby agrees to provide to the Auditor-Controller of the County and the Treasurer-Tax Collector of the County a copy of the District Resolution and the full debt service schedule for the Bonds, in accordance with Education Code Section 15140(c) and the policies and procedures of the County.

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

(a) Securities Laws. The District will furnish such information, execute such instruments, and take such other action in cooperation with the Underwriter if and as the Underwriter may reasonably request in order to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and jurisdictions, provided, however, that the District shall not be required to consent to service of process in any jurisdiction in which it is not so subject as of the date hereof.

(b) Application of Proceeds. The District will apply the proceeds from the sale of the Bonds for the purposes specified in the District Resolution.

(c) Official Statement. The District hereby agrees to deliver or cause to be delivered to the Underwriter, not later than the seventh (7th) business day following the date this Purchase Contract is signed, and in sufficient time to accompany any confirmation that requests payment from any customer, copies of a final Official Statement substantially in the form of the Preliminary Official Statement, with only such changes therein as shall have been accepted by the Underwriter and the District (such Official Statement with such changes, if any, and including the cover page and all appendices, exhibits, maps, reports and statements included therein or attached thereto being herein called the "Official Statement") in such quantities as may be requested by the Underwriter not later than five (5) business days following the date this Purchase Contract is signed, in order to permit the Underwriter to comply with paragraph (b)(4) of Rule 15c2-12 and with the rules of the Municipal Securities Rulemaking Board. The District hereby authorizes the Underwriter to use and distribute the Official Statement in connection with the offering and sale of the Bonds.

(d) Subsequent Events. The District hereby agrees to notify the Underwriter of any event or occurrence that may affect the accuracy or completeness of any information set forth in the Official Statement relating to the District or the Improvement District until the date which is twenty-five (25) days following the Closing, or until such time (if earlier) as the Underwriter shall no longer hold any of the Bonds for sale.

(e) References. References herein to the Preliminary Official Statement and the final Official Statement include the cover page, inside cover page and all appendices, exhibits, maps, reports and statements included therein or attached thereto.

(f) Amendments to Official Statement. During the period ending on the 25th day after the End of the Underwriting Period (or such other period as may be agreed to by the District and the Underwriter), the District (i) shall not supplement or amend the Official Statement or cause the Official Statement to be supplemented or amended without the prior written consent of the Underwriter and (ii) shall notify the Underwriter promptly if any event shall occur, or information comes to the attention of the District, that is reasonably likely to cause the Official Statement (whether or not previously supplemented or amended) to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. If, in the opinion of the Underwriter, such event requires the preparation and distribution of a supplement or amendment to the Official Statement, the District shall prepare and furnish to the Underwriter, at the District's expense, such number of copies of the supplement or amendment to the Official Statement, in form and substance mutually agreed upon by the District and the Underwriter, as the Underwriter may reasonably request. If the Official Statement is supplemented or amended, the supplement will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which made, not misleading. If such notification shall be given subsequent to the Closing, the District also shall furnish, or cause to be furnished, such additional legal opinions, certificates, instruments and other documents as the Underwriter may reasonably deem necessary to evidence the truth and accuracy of any such supplement or amendment to the Official Statement.

(g) For purposes of this Agreement, the "End of the Underwriting Period" is used as defined in Rule 15c2-12 and shall occur on the later of (A) the date of Closing or (B) when the Underwriter no longer retains an unsold balance of the Bonds; unless otherwise advised in writing by the Underwriter on or prior to the Closing Date, or otherwise agreed to by the District and the Underwriter, the District may assume that the End of the Underwriting Period is the Closing Date.

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

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

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

(c) The Underwriter has, and has had, no financial advisory relationship, as that term is defined in California Government Code Section 53590(c) or MSRB Rule G-23, with the District with respect to the Bonds, and no investment firm controlling, controlled by or under common control with the Underwriter has or has had any such financial advisory relationship.

10. **Conditions to Closing.** The Underwriter has entered into this Purchase Contract in reliance upon the representations and warranties of the District contained herein and the performance

by the District of its obligations hereunder, both as of the date hereof and as of the date of the Closing. The Underwriter's obligations under this Purchase Contract are and shall be subject at the option of the Underwriter, to the following further conditions at the Closing:

(a) Representations True. The representations and warranties of the District contained herein shall be true, complete and correct in all material respects at the date hereof and at and as of the Closing, as if made at and as of the Closing, and the statements made in all certificates and other documents delivered to the Underwriter at the Closing pursuant hereto shall be true, complete and correct in all material respects on the date of the Closing; and the District and the Improvement District shall be in compliance with each of the agreements made by it in this Purchase Contract.

(b) Obligations Performed. At the time of the Closing, (i) the Official Statement, this Purchase Contract, the Escrow Agreement and the District Resolution shall be in full force and effect and shall not have been amended, modified or supplemented except as may have been agreed to in writing by the Underwriter; (ii) all actions under the Act which, in the opinion of Bond Counsel, shall be necessary in connection with the transactions contemplated hereby, shall have been duly taken and shall be in full force and effect; and (iii) the District shall perform or have performed all of its obligations required under or specified in the District Resolution, this Purchase Contract, the Escrow Agreement or the Official Statement to be performed at or prior to the Closing.

(c) Adverse Rulings. No decision, ruling or finding shall have been entered by any court or governmental authority since the date of this Purchase Contract (and not reversed on appeal or otherwise set aside), or shall be pending or, to the best knowledge of the District, threatened, which has any of the effects described in Section 7(f) hereof or contesting in any way the completeness or accuracy of the Official Statement.

(d) Marketability. Between the date hereof and the Closing, the market price or marketability or the ability of the Underwriter to enforce contracts for the sale of the Bonds, at the initial offering prices of the Bonds set forth in the Official Statement shall not have been materially adversely affected in the judgment of the Underwriter (evidenced by a written notice to the District terminating its obligation to accept delivery of and pay for the Bonds) by reason of any of the following:

(1) legislation enacted by Congress, or passed by either House thereof, or by the legislature of the State, or introduced in the Congress or recommended for passage by the President of the United States (by press release, other form of notice, or otherwise), or a decision rendered by a court of the United States or the State, or an order, ruling, regulation (final, temporary or proposed) or official statement issued or made by or on behalf of the Securities and Exchange Commission (the "SEC"), or any other governmental agency having jurisdiction over the subject matter thereof, to the effect that the Bonds, or obligations of the general character of the Bonds, including any and all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended;

(2) legislation enacted by the legislature of the State of California (the "State") or a decision rendered by a Court of the State, or a ruling, order, or regulation (final or temporary) made by State authority, which would have the effect

of changing, directly or indirectly, the State tax consequences of interest on obligations of the general character of the Bonds in the hands of the holders thereof;

(3) any outbreak or escalation of hostilities affecting the United States, the declaration of war by the United States of a national emergency or war, or engagement in or material escalation of military hostilities by the United States, or the occurrence or the escalation of any other national or international emergency, calamity or crisis relating to the operation of federal or state governments or the financial community in the United States;

(4) the declaration of a general banking moratorium by federal, New York or California authorities, or the general suspension of trading on any national securities exchange or fixing of minimum or maximum prices for trading or maximum ranges for prices for securities on any national securities exchange, whether by virtue of a determination by that exchange or by order of the SEC or any other governmental authority having jurisdiction;

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

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

(7) there shall have occurred or any notice shall have been given of any intended review, downgrading, suspension, withdrawal, or negative change in credit watch status by any national rating service to the outstanding general obligation bonded indebtedness of the District or the Improvement District;

(8) any event occurring, or information becoming known which, in the reasonable judgment of the Underwriter, makes untrue in any material adverse respect any statement or information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading;

(9) the suspension by the SEC of trading in the outstanding securities of the District or the Improvement District;

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

(11) the occurrence, since the date hereof, of any materially adverse change in the affairs or financial condition of the District or the Improvement District;

(12) any state Blue Sky or securities commission, or other governmental agency or body, shall have withheld registration, exemption or clearance of the offering of the Bonds as described herein, or issued a stop order or similar ruling relating thereto;

(13) any amendment shall have been made to the federal or State Constitution or action by any federal or State court, legislative body, regulatory body, or other authority materially adversely affecting the tax status of the District, its property, income securities (or interest thereon) or the validity or enforceability of the levy of *ad valorem* property taxes to pay principal of and interest on the Bonds; or

(14) the occurrence of a material disruption in securities settlement payment or clearance services.

(e) Delivery of Documents. At or prior to the date of the Closing, the Underwriter shall have received the following documents in each case dated as of the Closing Date and satisfactory in form and substance to the Underwriter:

(1) Bond Opinion. An approving opinion of Bond Counsel, as to the validity and tax status of the Bonds, dated the date of the Closing, addressed to the District in substantially the form set forth in the Preliminary Official Statement and the Official Statement as Appendix B;

(2) Reliance Letter. A reliance letter from Bond Counsel to the effect that the Underwriter may rely upon the approving opinion described in 10(e)(1) above;

(3) Supplemental Opinion. A supplemental opinion of Bond Counsel in form and substance satisfactory to the Underwriter, dated the Closing Date and addressed to the District and the Underwriter, to the effect that:

(A) the description of the Bonds and the security for the Bonds and statements in the Official Statement on the cover page thereof and under the captions "INTRODUCTION," "THE BONDS," "PLAN OF REFUNDING," "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS," "TAX MATTERS," and "LEGAL MATTERS – Continuing Disclosure," to the extent they purport to summarize certain provisions of the District Resolution, the Escrow Agreement, the Continuing Disclosure Undertaking and the tax status of the Bonds for federal and state income tax purposes, fairly and accurately summarize the matters purported to be summarized therein; provided that Bond Counsel need not express any

opinion with respect to any financial or statistical data, information concerning the Depository Trust Company or related to its book-entry only system, or Appendices C, E, F and G to the Official Statement;

(B) this Purchase Contract, the Escrow Agreement and the Continuing Disclosure Undertaking have been duly authorized, executed and delivered by the District and, assuming due authorization, execution and delivery by the other parties thereto, constitute legal, valid and binding obligations of the District and are enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights and except as their enforcement may be subject to the application of equitable principles and the exercise of judicial discretion in appropriate cases if equitable remedies are sought; and

(C) the Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended, and the District Resolution is exempt from qualification as an indenture pursuant to the Trust Indenture Act of 1939, as amended;

(4) Defeasance Opinion. A defeasance opinion of Bond Counsel, addressed to the District and the Underwriter, with respect to the effective defeasance of the Refunded Bonds;

(5) Disclosure Counsel Opinion. An opinion of Nixon Peabody LLP, as disclosure counsel to the District ("Disclosure Counsel"), dated the Closing Date and addressed to the District and the Underwriter, substantially to the effect that, based on such counsel's participation in conferences with representatives of the District, the Underwriter, the Municipal Advisor and others, during which conferences the contents of the Official Statement and related matters were discussed, and in reliance thereon and on the records, documents, certificates and opinions described therein, such counsel advises the District and the Underwriter, that during the course of its engagement as Disclosure Counsel no information came to the attention of such counsel's attorneys rendering legal services in connection with such representation which caused such counsel to believe that the Preliminary Official Statement, as of its date and as of the date hereof, and the Official Statement as of its date and as of the Closing (except for any financial, statistical, economic, engineering, or demographic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, valuations, appraisals, or absorption, Appendices C, E, F and G, or any information regarding DTC or its book-entry only system included therein, as to which such counsel need express no opinion or view) contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(6) Executed Documents. Executed copies of this Purchase Contract, the Escrow Agreement and the Official Statement;

(7) Certificates. A certificate signed by appropriate officials of the District to the effect that (A) such officials are authorized to execute this Purchase Contract, (B) the representations, agreements and warranties of the District herein are true and correct in all material respects as of the date of Closing, (C) the District has complied with all the terms of the District Resolution and this Purchase Contract to be complied with by the District prior to or concurrently with the Closing and such documents are in full force and effect, (D) such District officials have reviewed the Official Statement and on such basis certify that the Official Statement does not contain any untrue statement of a material fact nor omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, (E) the Bonds being delivered on the date of the Closing to the Underwriter under this Purchase Contract substantially conform to the descriptions thereof contained in the District Resolution, and (F) no event concerning the District has occurred since the date of the Official Statement which has not been disclosed therein or in any supplement thereto, but should be disclosed in order to make the statements in the Official Statement in light of the circumstances in which they were made not misleading;

(8) Ratings. Evidence satisfactory to the Underwriter that (A) the Bonds shall have been rated “___” by Moody’s Investors Service (“Moody’s”) and “___” by S&P Global Ratings (“S&P”), (or such other equivalent ratings as such rating agencies may give), and (B) that any such ratings have not been revoked or downgraded;

(9) District Resolution. A certificate of the Secretary to the District Governing Board, together with fully executed copies of the District Resolution, to the effect that:

(A) such copies are true and correct copies of the District Resolution; and

(B) that the District Resolution was duly adopted and has not been modified, amended, rescinded or revoked and is in full force and effect on the date of the Closing;

(10) Official Statement. A certificate of the appropriate official of the District evidencing his or her determinations respecting the Preliminary Official Statement in accordance with Rule 15c2-12;

(11) Continuing Disclosure Undertaking. An executed copy of the Continuing Disclosure Undertaking, substantially in the form presented in the Official Statement as Appendix D thereto;

(12) Underwriter’s Counsel Opinion. An opinion of counsel for the Underwriter, dated the date of the Closing and addressed to the Underwriter, in form and substance acceptable to the Underwriter;

(13) Verification Report. A report and opinion of Causey Demgen & Moore P.C. (the “Verification Report”) with respect to the sufficiency of certain

securities, together with the interest and earnings thereon and any cash held uninvested, deposited pursuant to the Escrow Agreement to refund the Refunded Bonds as provided in the Escrow Agreement;

(14) Certificates of Paying Agent and Escrow Agent. Certificates of each of the Paying Agent and the Escrow Agent, in each case in form and substance acceptable to the Underwriter; and

(15) Other Documents. Such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter may reasonably request to evidence compliance (A) by the District with legal requirements, (B) the truth and accuracy, as of the time of the Closing, of the representations of the District herein contained and of the Official Statement, and (C) the due performance or satisfaction at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the District.

(f) Termination. Notwithstanding anything to the contrary herein contained, if for any reason whatsoever the Bonds shall not have been delivered to the Underwriter for review prior to the close of business, Pacific Daylight Time, on a day no later than two Business Days prior to the Closing, then the obligation to purchase Bonds hereunder shall terminate and be of no further force or effect except with respect to the obligations of the District and the Underwriter under Section 14 hereof.

If the District is unable to satisfy the conditions to the Underwriter's obligations contained in this Purchase Contract or if the Underwriter's obligations shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract may be cancelled by the Underwriter at, or at any time prior to, the time of the Closing. Notice of such cancellation shall be given to the District in writing, or by telephone or telegraph, confirmed in writing. Notwithstanding any provision herein to the contrary, the performance of any and all obligations of the District hereunder and the performance of any and all conditions contained herein for the benefit of the Underwriter may be waived by the Underwriter in writing at its sole discretion.

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

12. **Costs of Issuance; Expenses.** (a) The District shall pay (or shall cause to be paid) costs of issuance of the Bonds, including but not limited to the following: (i) the cost of the preparation and reproduction of the District Resolution; (ii) the fees and disbursements of Bond Counsel and Disclosure Counsel; (iii) the cost of the preparation, printing and delivery of the Bonds; (iv) the fees, if any, for credit ratings on the Bonds, including all necessary travel expenses; (v) the cost of the printing and distribution of the Preliminary Official Statement and the Official Statement; (vi) the fees of the Paying Agent and Escrow Agent; (vii) the fees and expenses of the Verification Agent; (viii) fees of the Municipal Advisor; (ix) the fees of any fiscal agent disbursing funds for such expenses, and (x) all other fees and expenses incident to the issuance and sale of the Bonds. The District hereby directs the Underwriter to deposit a portion of the purchase price of the Bonds not-to-exceed \$ _____ with Wells Fargo Bank, National Association, as fiscal agent of the District, for the payment of costs of issuance with respect to the Bonds. The District acknowledges

that it has had an opportunity, in consultation with such advisors as it may deem appropriate to evaluate and consider the fees and expenses being incurred as part of the issuance of the Bonds.

(b) Notwithstanding any of the foregoing, the Underwriter shall pay all out-of-pocket expenses of the Underwriter, including the fees of counsel to the Underwriter and other expenses (except those expressly provided above) without limitation, except travel and related expenses in connection with the credit ratings on the Bonds.

(c) The District acknowledges that it has had an opportunity, in consultation with such advisors as it may deem appropriate, if any, to evaluate and consider the fees and expenses being incurred as part of the issuance of the Bonds.

13. **Notices.** Any notice or other communication to be given under this Purchase Contract (other than the acceptance hereof as specified in the first paragraph hereof) may be given by delivering the same in writing at the following notice addresses or facsimile numbers or such other addresses or facsimile numbers as any of the following may designate in writing to the others:

If to the Underwriter: Piper Sandler & Co.
2321 Rosecrans Avenue, Suite 3200
El Segundo, California 90245
Attn: Trennis Wright
Fax: (310) 297-6001

If to the District: Vice Chancellor, Business Operations/Fiscal Services
Rancho Santiago Community College District
2323 North Broadway
Santa Ana, California 92706-1640
Fax: (714) 796-3935

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

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

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

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17. **Applicable Law.** This Purchase Contract shall be interpreted, governed and enforced in accordance with the laws of the State of California applicable to contracts made and performed in such State.

Very truly yours,

PIPER SANDLER & CO.

By: _____
Managing Director

The foregoing is hereby agreed to and accepted as of _____ p.m., Pacific Daylight Time, on the date first above written:

**RANCHO SANTIAGO COMMUNITY
COLLEGE DISTRICT**

By: _____
Vice Chancellor, Business Operations/
Fiscal Services

EXHIBIT A

\$ _____
RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
(Orange County, California)
GENERAL OBLIGATION REFUNDING BONDS,
2020 SERIES A-2 (FEDERALLY TAXABLE)

\$ _____ Serial Bonds

<u>Maturity (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>
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Redemption Provisions

The Bonds are not subject to redemption prior to their respective stated maturity dates.

ESCROW DEPOSIT AND TRUST AGREEMENT

This Escrow Deposit and Trust Agreement, dated of _____ 1, 2020 (the “Agreement”), by and between WELLS FARGO BANK, NATIONAL ASSOCIATION, as escrow agent hereunder (in such capacity, the “Escrow Agent”), and SANTA ANA COLLEGE IMPROVEMENT DISTRICT NO. 1 OF RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT, Orange County, California (the “Improvement District”).

WITNESSETH:

WHEREAS, the Board of Trustees (the “District Board”) of Rancho Santiago Community College District (the “College District”), acting as the legislative body of the Improvement District, has heretofore issued and sold general obligation bonds of the Improvement District authorized by an election conducted within the Improvement District on November 6, 2012, including \$70,585,000 in aggregate principal amount of its General Obligation Bonds, Election of 2012, 2014 Series A (the “Prior Bonds”), of which a designated principal amount is presently outstanding and subject to defeasance and redemption; and

WHEREAS, the Prior Bonds were issued by the District Board, on behalf of the Improvement District, pursuant to a resolution adopted on September 22, 2014 (the “Resolution”); and

WHEREAS, the Improvement District has determined that circumstances in the financial markets are favorable for the refunding and defeasance of all or a portion of certain maturities of the Prior Bonds (the “Refunded Bonds”); and

WHEREAS, in order to provide funds for the defeasance and refunding of the Refunded Bonds, the District Board, on behalf of the Improvement District, has now issued \$ _____ aggregate principal amount of Santa Ana College Improvement District No. 1 of Rancho Santiago Community College District General Obligation Refunding Bonds, 2020 Series A-2 (Federally Taxable) (the “Bonds”); and

WHEREAS, the Bonds are being issued pursuant to a resolution of the District Board adopted on July 13, 2020; and

WHEREAS, in connection with such refunding, the Improvement District requires that Wells Fargo Bank, National Association, undertake the services of Escrow Agent for the refunding and defeasance of the Refunded Bonds in accordance with the terms of this Agreement; and

WHEREAS, the Improvement District wishes to provide for the application of the net proceeds of the Bonds and the investment proceeds thereon to effect the refunding of the Refunded Bonds;

NOW, THEREFORE, the Improvement District and the Escrow Agent agree as follows:

ARTICLE I

REPRESENTATIONS, WARRANTIES AND AGREEMENTS

Each party hereto, as to itself and not as to the other party, hereby represents, warrants and agrees that:

Section 1.1 Authorization. The execution, delivery and performance of this Agreement by such party are within such party's respective powers and have been duly authorized by all necessary action of such party.

Section 1.2 No Conflict. (a) The Improvement District represents, warrants and agrees to its current actual knowledge that the execution, delivery and performance of this Agreement will not violate or conflict with (i) the Resolution or any related resolution of the Improvement District; (ii) the Constitution or laws of the State of California or (iii) any decisions, statutes, ordinances, rulings, directions, rules, regulations, orders, writs, decrees, injunctions, permits, certificates or other requirements of any court or other governmental or public entity with jurisdiction over the Improvement District or its operations.

(b) The Escrow Agent represents and warrants that the execution, delivery and performance of this Agreement will not violate or conflict with (i) the articles of association or bylaws of the Escrow Agent or (ii) any decisions, statutes, ordinances, rulings, directions, rules, regulations, orders, writs, decrees, injunctions, permits, certificates or other requirements of any court or other governmental or public entity with jurisdiction over the trust powers and operation of the Escrow Agent.

Section 1.3 Binding Obligation. This Agreement has been duly executed by, and is a legally valid and binding obligation of, each party, enforceable against such party in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights, and by general principles of equity.

Section 1.4 Title to Moneys Deposited in Escrow Fund. The Improvement District represents that the Improvement District has good, sufficient and legal title to the moneys deposited in the Escrow Fund established hereunder free and clear of all liens other than those created hereby.

Section 1.5 Duties of Parties. The Improvement District hereby directs the Escrow Agent to perform, and the Escrow Agent accepts, the duties set forth herein, in order that the Refunded Bonds shall be effectively and legally defeased in accordance with their terms, the terms of the Resolution and applicable provisions of law. For this purpose, the Improvement District will deposit, and the Escrow Agent shall apply, the net proceeds of the sale of the Bonds as specified herein, and for no other purpose. The Escrow Agent hereby covenants and agrees to perform its duties set forth herein in accordance with the terms hereof.

ARTICLE II

ESTABLISHMENT OF ESCROW FUND

Section 2.1 Creation of Escrow Fund. The Improvement District hereby directs the Escrow Agent to establish a special escrow fund to be designated as the “Santa Ana College Improvement District No. 1 of Rancho Santiago Community College District 2020 Escrow Fund” (the “Escrow Fund”), into which the Escrow Agent shall deposit proceeds of the Bonds in the amount of \$ _____ (the “Bond Proceeds”) which (apart from the sum of \$ _____, which shall be held uninvested as cash) shall be invested in certain United States Obligations (as defined below) further detailed in Schedule A hereto, which is incorporated herein by this reference. The Improvement District hereby irrevocably directs the Escrow Agent to make the deposits and investments as set forth hereinabove.

Section 2.2 Terms of Resolution and Refunded Bonds. Receipt is hereby acknowledged by the Escrow Agent of a copy of the Resolution. Reference herein to, or citation herein of, any provision of the Resolution or the terms of the Refunded Bonds shall be deemed to be incorporated as a part hereof in the same manner and with the same effect as if it or they were fully set forth herein.

Section 2.3 Defeasance Obligations. The Improvement District hereby irrevocably directs the Escrow Agent to take such actions as may be necessary to assure that the amount so deposited in the Escrow Fund shall be invested in “United States Obligation” (being noncallable direct obligations of the United States of America (including State and Local Government Series Treasury obligations) or obligations which are unconditionally guaranteed by the United States of America, and permitted under Section 149(b) of the Internal Revenue Code and Regulations, which, in the opinion of nationally recognized bond counsel, will not impair the exclusion from gross income for federal income tax purposes of interest on the Refunded Bonds, as particularly set forth on Schedule A attached hereto and made a part hereof (the “Escrowed Securities”), so as to be available to pay the Refunded Bonds on the dates established therein, it being the intention of the Improvement District that the principal of and interest paid on such Escrowed Securities on deposit in the Escrow Fund, together with any uninvested cash on deposit therein, will be sufficient for such purposes, as of the date of calculation, and that such Escrowed Securities will mature, bear interest and be available (i) to pay in a timely manner the principal or accreted value of and interest on the Refunded Bonds (all as more particularly set forth in Schedule B attached hereto and made a part hereof by this reference) and (ii) to pay the redemption price of the several series of Refunded Bonds to be redeemed on the dates specified herein (all as more particularly set forth in Schedule B hereto). The Improvement District hereby represents that such Escrowed Securities are comprised of United States Obligations. Any conflict in provisions respecting the defeasance of the Refunded Bonds between the foregoing and the Resolution shall be governed by the terms of the Resolution.

Section 2.4 Deposit of Moneys. The Escrow Agent hereby acknowledges receipt of the deposit of the moneys into the Escrow Fund as described in Section 2.1 hereof.

Section 2.5 Purpose of Deposit. The deposit by the Improvement District of the Bond Proceeds into the Escrow Fund shall constitute an irrevocable deposit thereof for the uses

and purposes specified in this Agreement and in the provisions of the Resolution and the Refunded Bonds expressly referred to herein, and such moneys, shall be held in trust and applied solely for such uses and purposes. Such moneys shall be held by the Escrow Agent separate and apart from all other funds and shall not be commingled with other moneys for any purpose.

Section 2.6 Investments; District Covenants. (a) Except as otherwise expressly provided in Sections 2.1 and 2.3, the Escrow Agent shall have no power or duty to invest any moneys held hereunder, or to make substitutions of the Escrowed Securities held hereunder or to sell, transfer or otherwise dispose of the Escrowed Securities acquired hereunder, or to pay interest on any such moneys not required to be invested hereunder.

(b) The Improvement District hereby agrees that it will not take action or fail to take action which would (i) adversely affect the exclusion from gross income for federal income tax purposes of interest on the Refunded Bonds, or (ii) adversely affect the status of the Refunded Bonds as being deemed no longer Outstanding under the Resolution.

Section 2.7 Handling of Investment Proceeds. The Improvement District hereby directs the Escrow Agent to collect the matured principal of and payments of interest on the Escrowed Securities as the same become due and payable and deposit the same into the Escrow Fund. Not later than the date on which any payment on any of the Refunded Bonds is required to be made, as set forth in Schedule A, or if such date is not a Business Day (being any day other than a Saturday or Sunday or a day on which the Escrow Agent and banks and trust companies located in New York, New York, or Los Angeles, California, are not authorized or required to remain closed and on which the New York Stock Exchange is open) then not later than the Business Day next succeeding such date, the Escrow Agent shall pay from the funds in the Escrow Fund, the applicable amounts set forth in Schedule A attached hereto to the registered owners of the Refunded Bonds (the "Owners"). The Escrow Agent may conclusively rely upon Schedule A with respect to all information set forth therein and may conclusively rely upon any written directions of the Improvement District with respect to any of the matters described in this Section.

If at any time, it shall appear to the Escrow Agent that the moneys in the Escrow Fund will not be sufficient to make all payments required hereunder and under the terms of the Refunded Bonds, the Escrow Agent shall give immediate notice thereof to the Improvement District in accordance with Section 5.4 hereof of the amount of such deficiency and the Improvement District agrees to pay the amount of such deficiency into the Escrow Fund from any source of lawfully available moneys. The Escrow Agent shall not be liable or responsible for any such deficiency of moneys in the Escrow Fund.

Any moneys held by the Escrow Agent in trust for the payment and discharge of the principal or interest on any of the Refunded Bonds which remain unclaimed for two years after the date when such payments have become due and payable, shall be paid (without liability for interest) to the Improvement District to be used for any of its lawful purposes and the Escrow Agent shall thereupon be released and discharged with respect thereto, and the Owners of Refunded Bonds shall look only to the Improvement District for the payment of the principal of or interest on such Refunded Bonds.

Section 2.8 Notices to Owners of Refunded Bonds. (a) The Improvement District hereby directs the Escrow Agent to provide appropriate notice to the Owners of the Refunded Bonds as to their defeasance, substantially in the form of notice appended to this Agreement as Schedule D, subject to the requirements of the Resolution, which such notice shall reflect the call provisions for the Refunded Bonds as follows:

Redemption Date: August 1, 2024 at par

Maturity Date	Principal Amount
8/1/2025	\$750,000
8/1/2026	870,000
8/1/2027	1,000,000
8/1/2028	1,140,000
8/1/2029	1,290,000
8/1/2030	1,450,000
8/1/2031	1,620,000
8/1/2032	1,770,000
8/1/2033	1,925,000
8/1/2034	2,090,000
8/1/2039	13,755,000
8/1/2044	20,680,000

(b) The Improvement District directs the Escrow Agent to provide notice of redemption of the Refunded Bonds, substantially in the form of notice appended to this Agreement as Schedule E, subject to the requirements of the Resolution. Each such notice shall reflect the redemption dates for the Refunded Bonds as described above.

Section 2.9 Compensation; Indemnification. The Improvement District agrees to pay and shall pay to the Escrow Agent as compensation in full for all services to be rendered by the Escrow Agent under this Agreement the amounts set forth in a separate schedule of fees and expenses, as modified from time to time in a writing between the Improvement District and the Escrow Agent, and shall reimburse the Escrow Agent for its out-of-pocket expenses (including legal fees and expenses) incurred hereunder. Any payment to the Escrow Agent pursuant to this Section shall be made from any moneys of the Improvement District lawfully available therefor, but the Escrow Agent shall have no lien whatsoever upon any of the moneys in the Escrow Fund for any such payment.

The Improvement District shall indemnify, defend and hold harmless the Escrow Agent and its officers, directors, employees and agents, from and against and reimburse the Escrow Agent for any and all claims, obligations, liabilities, losses, damages, actions, suits, judgments, reasonable costs and expenses (including reasonable attorneys' and agents' fees and expenses) of whatever kind or nature regardless of their merit, demanded, asserted or claimed against the Escrow Agent directly or indirectly relating to, or arising from, claims against the Escrow Agent by reason of its participation in the transactions contemplated hereby, except to the extent caused by the Escrow Agent's negligence or willful misconduct. The provisions of the foregoing sentence

shall survive the termination of this Agreement or the earlier resignation or removal of the Escrow Agent.

Section 2.10 Books and Records; Limited Liability. The Escrow Agent agrees to maintain books and records for the Escrow Fund and to account separately for deposits therein, investments thereof, earnings thereon and losses (if any) with respect thereto. The Escrow Agent shall only act in accordance with the specific provisions set forth herein and shall not assume any implied duties or obligations hereunder. None of the provisions of this Agreement shall require the Escrow Agent to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the performance of any of its duties hereunder.

The Improvement District acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Improvement District the right to receive brokerage confirmations of security transactions as they occur, the Improvement District specifically waives receipt of such confirmations to the extent permitted by law. The Escrow Agent will furnish the Improvement District periodic cash transaction statements and a final cash transaction statement.

The Escrow Agent shall have no obligation to make any payment or disbursement of any type or incur any financial liability in the performance of its duties under this Agreement unless the Improvement District shall have deposited sufficient funds therefor with the Escrow Agent. The Escrow Agent may rely and shall be protected in acting upon the written or oral instructions of authorized representatives of the District or of their respective agents relating to any matter or action undertaken as Escrow Agent under this Agreement.

The liability of the Escrow Agent for the payment of moneys as hereinabove set forth respecting the payment of the Refunded Bonds shall be limited to the amounts on deposit in the Escrow Fund. The Escrow Agent shall not be liable for any loss resulting from any investment, sale, transfer, prepayment, substitution or other disposition made pursuant to this Agreement in compliance with the provisions hereof or any uninvested moneys held hereunder to accomplish the discharge of the Refunded Bonds. The Escrow Agent shall not have any lien whatsoever upon any of the moneys deposited in accordance with Section 2.1 hereof for the payments of fees and expenses for services by it under this Agreement until after all payments required pursuant hereto have been made in accordance herewith. The recitals of fact contained in the "whereas" clauses herein shall be taken as the statements of the Improvement District, and the Escrow Agent assumes no responsibility for the correctness thereof. The Escrow Agent makes no representations as to the sufficiency of the uninvested moneys to accomplish the defeasance of the Refunded Bonds or to the validity of this Agreement as to the Improvement District and, except as otherwise provided herein, the Escrow Agent shall incur no liability in respect thereof. The Escrow Agent shall not be liable in connection with the performance of its duties under this Agreement except for its own negligence, willful misconduct or willful default, and the duties and obligations of the Escrow Agent shall be determined by the express provisions of this Agreement. The Escrow Agent may consult with counsel, who may or may not be bond counsel to the Improvement District, and in reliance upon the written opinion of such counsel, shall have full and complete authorization and protection in respect of any action taken, suffered or omitted by it in good faith in accordance therewith. Whenever the Escrow Agent shall deem it necessary or desirable that a matter be provided or established prior to taking, suffering, or omitting any action under this Agreement,

such matter (except the matters set forth herein as specifically requiring a certificate of a nationally recognized firm of independent certified public accountants or an opinion of counsel) may be deemed to be conclusively established by a written certification of the Improvement District; in this regard, the Escrow Agent acknowledges and agrees that the College District has the power to act on behalf of the Improvement District, and the Escrow Agent shall accept directions from the College District given hereunder, whether or not such directions specifically indicate that the College District is acting on behalf of the Improvement District. The Escrow Agent undertakes such duties as are expressly set forth herein, and no implied duties or obligations of the Escrow Agent shall be read into this Agreement. The Escrow Agent may resign at any time upon 30 days' written notice to the Improvement District.

The Escrow Agent may conclusively rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval 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 Escrow Agent may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, custodians or nominees appointed with due care, and shall not be responsible for any willful misconduct or negligence on the part of any agent, attorney, custodian or nominee so appointed. Anything in this Agreement to the contrary notwithstanding, in no event shall the Escrow Agent be liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Escrow Agent has been advised of the likelihood of such loss or damage and regardless of the form of action.

Any bank, corporation or association into which the Escrow Agent may be merged or converted or with which it may be consolidated, or any bank, corporation or association resulting from any merger, conversion or consolidation to which the Escrow Agent shall be a party, or any bank, corporation or association succeeding to all or substantially all of the corporate trust business of the Escrow Agent shall be the successor of the Escrow Agent hereunder without the execution or filing of any paper with any party hereto or any further act on the part of any of the parties hereto except on the part of any of the parties hereto where an instrument of transfer or assignment is required by law to effect such succession, anything herein to the contrary notwithstanding.

The Escrow Agent shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Agreement and delivered using Electronic Means ("Electronic Means" means mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Escrow Agent, or another method or system specified by the Escrow Agent as available for use in connection with its services hereunder); provided, however, that the District shall provide to the Escrow Agent an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the Improvement District whenever a person is to be added to or deleted from the listing. If the Improvement District elects to give the Escrow Agent Instructions using Electronic Means and the Escrow Agent in its discretion elects to act upon such Instructions, the Escrow Agent's understanding of such Instructions shall be deemed controlling. The Improvement District understands and agrees that the Escrow Agent cannot determine the identity

of the actual sender of such Instructions and that the Escrow Agent shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Escrow Agent have been sent by such Authorized Officer. The Improvement District shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Escrow Agent and that the Improvement District and all Authorized Officers of the College District are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the District. The Escrow Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Escrow Agent's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The Improvement District agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Escrow Agent, including without limitation the risk of the Escrow Agent acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Escrow Agent and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Improvement District; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Escrow Agent immediately upon learning of any compromise or unauthorized use of the foregoing security procedures.

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

ARTICLE III

TERMINATION OF AGREEMENT

Section 3.1 Termination of Agreement. It is the intention of the District that the proceeds of the amounts on deposit in the Escrow Fund shall be applied on the dates and at the prices shown on Schedule A, to the payment of the Refunded Bonds in accordance with their terms. The Escrow Agent agrees to apply the proceeds in the Escrow Fund to the payment of principal of and premium, if any, and interest on the Refunded Bonds as aforesaid; any moneys in the Escrow Fund that remain unclaimed for two years following payment of the Refunded Bonds in whole on the respective redemption or maturity dates shown on Schedule A shall, after payment of any amounts due the Escrow Agent, be transferred to the District in accordance with Section 2.7 hereof. Upon the completion of such transfer, if any, this Agreement shall be terminated and of no further force or effect.

ARTICLE IV

FEES OF ESCROW AGENT

Section 4.1 Fees of Escrow Agent. The Improvement District shall pay to the Escrow Agent fees and expenses as are mutually agreed upon by the Improvement District and the Escrow Agent as and for payment in full for the services of the Escrow Agent as escrow holder hereunder, through and including the final redemption or maturity dates of the Refunded Bonds as set forth herein.

It is also understood that the fees agreed upon for the services of the Escrow Agent hereunder shall be considered compensation for its ordinary services as contemplated by these instructions, but in the event that the conditions of this escrow are not promptly fulfilled or that the Escrow Agent renders any service hereunder not provided for in the foregoing instructions or that there is an assignment of any interest in the subject matter of this escrow, or modification hereof, or that any controversy arises hereunder or that the Escrow Agent is made a party to, or intervenes in, or, in good faith, interpleads in, any litigation pertaining to this escrow or the subject matter thereof, the Escrow Agent shall be reasonably compensated by the Improvement District for such extraordinary services and reimbursed for all costs, expenses, claims and liability, plus interest charged at the maximum rate permitted by law occasioned by such default, delay, controversy or litigation, including, without limitation, the fees and disbursements of legal counsel to the Escrow Agent.

Under no circumstances shall the Escrow Agent be entitled to assert a lien against the cash held in the Escrow Fund to provide security for the payment of the fees described in this Section.

ARTICLE V

MISCELLANEOUS

Section 5.1 Severability of Provisions. If any one or more of the covenants or agreements provided in this Agreement on the part of the parties hereto to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenant or agreement shall be deemed and construed to be severable from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Agreement.

Section 5.2 Execution in Counterparts. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as an original and shall constitute and be but one and the same instrument.

Section 5.3 Applicable Law. This Agreement shall be governed by the laws of the State of California applicable to contracts made and performed in said State.

Section 5.4 Notices. All notices, demands and formal actions under this Agreement shall be in writing and mailed, telegraphed or delivered to:

The Improvement District:

Santa Ana College Improvement District No. 1 of Rancho Santiago
Community College District
2323 North Broadway
Santa Ana, California 92706
Attention: Vice President, Finance and Administrative Services

The Escrow Agent: Wells Fargo Bank, National Association

Los Angeles, California 90071
Attention:

Section 5.5 Amendments. This Agreement may be modified or amended at any time by a supplemental agreement which shall become effective when the written consent of the Owners of one hundred percent (100%) in aggregate principal amount of the Refunded Bonds then unpaid as to principal shall have been filed with the Escrow Agent. This Agreement may be modified or amended at any time by a supplemental agreement, without the consent of any such Owners, but only: (i) to add to the covenants and agreements of any party, other covenants to be observed, or to surrender any right or power herein or therein reserved to the Improvement District; (ii) to cure, correct or supplement any ambiguous or defective provision contained herein; or (iii) in regard to questions arising hereunder as the parties hereto or thereto may deem necessary or desirable and which, in the opinion of counsel provided to the Escrow Agent, shall not materially adversely affect the interests of the Owners of the Refunded Bonds, and will not cause interest on the Refunded Bonds to become subject to inclusion in gross income for purposes of federal income taxation.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Improvement District has entered into this Escrow Deposit and Trust Agreement with the Escrow Agent as of the date first above written.

SANTA ANA COLLEGE
IMPROVEMENT DISTRICT NO. 1 OF
RANCHO SANTIAGO COMMUNITY
COLLEGE DISTRICT

By: _____
Vice Chancellor, Business
Operations/Fiscal Services

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Escrow Agent

By: _____
Authorized Officer

SCHEDULE A
DESCRIPTION OF THE ESCROWED SECURITIES

Exhibit A-2 from Verification Report

SCHEDULE B

DEBT SERVICE REQUIREMENTS

(Exhibits B-3 through B-6 from the Verification Report)

SCHEDULE C

The Depository Trust Company
55 Water Street
New York, New York 10041
Telecopy: (212) 855-7320

Financial Information, Inc.
1 Cragwood Road, 2nd Floor
South Plainfield, New Jersey 07083
Attention: Editor

Mergent, Inc.
585 Kingsley Park Drive
Fort Mill, South Carolina 29715
Attention: Called Bond Department

Municipal Securities Rulemaking Board
EMMA – Electronic Municipal Market Access
<http://emma.msrb.org>

SCHEDULE D

**FORM OF
NOTICE OF DEFEASANCE**

**SANTA ANA COLLEGE IMPROVEMENT DISTRICT NO. 1 OF RANCHO SANTIAGO
COMMUNITY COLLEGE DISTRICT
(Orange County, California)
GENERAL OBLIGATION BONDS, ELECTION OF 2012, 2014 SERIES A**

Notice is hereby given to the owners of certain of the above-captioned general obligation bonds (the “Bonds”) of the Santa Ana College Improvement District No. 1 of Rancho Santiago Community College District (the “Improvement District”) that moneys, together with investment earnings thereon, sufficient to provide for the payment of the principal of and interest on the designated portion of the Bonds listed below have been set aside in an Escrow Fund established under that certain Escrow Agreement, dated as of _____, 2020 (the “Escrow Agreement”), by and between the District and Wells Fargo Bank, National Association, as Escrow Agent (the “Escrow Agent”), and verified for such purpose by Causey Demgen & Moore P.C. as Verification Agent.

<u>Maturity Date (August 1)</u>	<u>Principal Amount⁽¹⁾</u>	<u>CUSIP Number^(*) (801181)</u>
--	--	---

⁽¹⁾ The Bonds will be redeemed at par on August 1, 2024.

^(*) The Escrow Agent shall not be held responsible for the selection or use of the CUSIP numbers, nor is any representation made as to their correctness. It is included solely for the convenience of the Owners of the Bonds; Bonds shall be paid by lot within each maturity.

**SANTA ANA COLLEGE IMPROVEMENT
DISTRICT NO. 1 OF RANCHO SANTIAGO
COMMUNITY COLLEGE DISTRICT**

**By: Wells Fargo Bank, National Association, as
Escrow Agent**

SCHEDULE E

**FORM OF
NOTICE OF REDEMPTION TO THE OWNERS OF**

**SANTA ANA COLLEGE IMPROVEMENT DISTRICT NO. 1 OF RANCHO SANTIAGO
COMMUNITY COLLEGE DISTRICT
(Orange County, California)
GENERAL OBLIGATION BONDS. ELECTION OF 2012, 2014 SERIES A**

Notice is hereby given to the owners of certain Santa Ana College Improvement District No. 1 of Rancho Santiago Community College District General Obligation Bonds, Election of 2012, 2014 Series A (the “Bonds”) that the Bonds, originally issued on October 30, 2014, maturing in the years and as identified below, are subject to optional redemption in accordance with that certain Resolution adopted by the Board of Trustees of the Rancho Santiago Community College District, acting as the legislative body of its Santa Ana College Improvement District No. 1, on September 22, 2014 at a redemption price of 100% of par, plus accrued or accreted interest thereon, on August 1, 2024.

<u>Maturity Date</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount⁽¹⁾</u>	<u>Interest</u> <u>Rate</u>	<u>CUSIP</u> <u>Number⁽²⁾</u> <u>(801181)</u>
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⁽¹⁾ Bonds will be redeemed at par on August 1, 2024.

⁽²⁾ The Escrow Agent shall not be held responsible for the selection or use of CUSIP numbers, nor is any representation made as to their correctness. They are included solely for the convenience of the Owners of the Bonds.

On August 1, 2024, all of the Bonds to be redeemed will become due and payable at the redemption price aforesaid and payment will be made upon presentation and surrender to the Escrow Agent for the Bonds at:

Wells Fargo Bank, National Association

From and after August 1, 2024, the principal of and interest on the Bonds called for redemption shall cease to accrue and be payable.

All Owners submitting their Bonds for redemption must also submit a form W-9. Failure to provide a completed form W-9 will result in a 28% backup withholding to the Owners of the Bonds pursuant to the Interest and Dividend Tax Compliance Act of 1993.

Dated: _____, 20__*

SANTA ANA COLLEGE IMPROVEMENT
DISTRICT NO. 1 OF RANCHO SANTIAGO
COMMUNITY COLLEGE DISTRICT

By: WELLS FARGO BANK, NATIONAL
ASSOCIATION, As Escrow Agent

* Notice must be given at least 20 but no more than 45 days prior to the redemption date.

NEW ISSUE—BOOK ENTRY ONLY

RATINGS: S&P: “__”
Moody’s: “__”
(See “RATINGS” herein.)

Interest on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended. Bond Counsel is of the opinion that interest on the Bonds is exempt from personal income taxes of the State of California (the “State”) under present State law. See “TAX MATTERS” herein regarding certain other tax considerations.

§ _____ *
SANTA ANA COLLEGE IMPROVEMENT DISTRICT NO. 1 OF
RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
(Orange County, California)
GENERAL OBLIGATION REFUNDING BONDS
2020 SERIES A-2
(Federally Taxable)

Dated: Date of Delivery

Due: August 1, as shown on inside cover.

The above-captioned bonds (the “Bonds”) offered hereunder by the Santa Ana College Improvement District No. 1 of Rancho Santiago Community College District (the “Improvement District”) are being issued to refund bonds of the Improvement District authorized at a bond election conducted within the Improvement District on November 6, 2012 (the “Election”), at which more than 55% of the voters within the Improvement District voting on the measure voted to approve the issuance by the Improvement District of \$198,000,000 aggregate principal amount of bonds, as more fully described herein under the caption “INTRODUCTION.” The proceeds of the Bonds are being used to (i) provide for the defeasance of certain maturities of the bonds issued under the Election, and (ii) pay certain costs of issuance associated therewith, as more fully described herein under the caption “PLAN OF REFUNDING.” The Bonds will be issued in denominations of \$5,000 principal amount or integral multiples thereof, and are payable as to principal amount or redemption price at the office of Wells Fargo Bank, National Association, as Paying Agent (the “Paying Agent”).

No further general obligation bonds of the Improvement District may be issued pursuant to the authorization approved by the voters at the Election. **Bonds are not a general obligation of the Rancho Santiago Community College District (the “College District”).** See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.”

The Bonds will be issued as current interest bonds, maturing on the dates and in the amounts and bearing interest at the rates shown on the inside cover hereof. Interest on the Bonds is payable commencing February 1, 2021, and semiannually thereafter on February 1 and August 1 of each year. See “THE BONDS” herein.

The Bonds are issued in fully registered form and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”). DTC will act as securities depository of the Bonds as described herein under the caption “THE BONDS – Book-Entry Only System.”

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

The Bonds are general obligations of the Improvement District only and are not obligations of the College District as a whole, of Orange County, of the State of California or of any of its other political subdivisions. The Board of Supervisors of Orange County has the power and is obligated to levy and collect *ad valorem* property taxes for each fiscal year upon the taxable property within the Improvement District in an amount at least sufficient, together with other moneys available for such purpose, to pay the principal of, and premium, if any, and interest on each Bond as the same becomes due and payable.

MATURITY SCHEDULE
(On Inside Cover)

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The Bonds will be offered when, as and if issued and received by Piper Sandler & Co. (the “Underwriter”) subject to the approval of legality by Nixon Peabody LLP, San Francisco, California, Bond Counsel, and certain other conditions. Nixon Peabody LLP is also acting as Disclosure Counsel for the issue. Certain legal matters will be passed upon for the Underwriter by its counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California. It is anticipated that the Bonds will be available through the facilities of DTC on or about September __, 2020.

PIPER SANDLER & Co.

Dated: August __, 2020.

* Preliminary, subject to change.
4843-5367-5969.3

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

MATURITY SCHEDULE

\$ _____*
**SANTA ANA COLLEGE IMPROVEMENT DISTRICT NO. 1 OF
RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
(Orange County, California)
GENERAL OBLIGATION REFUNDING BONDS
2020 SERIES A-2
(Federally Taxable)**

Base CUSIP[†]: 801181

<u>Maturity Date (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP No.[†]</u>
--	------------------------------------	---------------------------------	---------------------	-------------------------------------

* Preliminary, subject to change.

^c Yield to call at par on August 1, 20__.

[†] CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This information is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the College District or the Underwriter and are included solely for the convenience of the registered owners of the applicable Bonds. None of the Improvement District, the College District nor the Underwriter is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

No dealer, broker, salesperson or other person has been authorized by the College District or the Improvement District to provide any information or to make any representations other than as contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the College District or the Improvement District. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly described herein, are intended solely as such and are not to be construed as a representation of facts.

The information set forth herein, other than that provided by the College District or the Improvement District, has been obtained from sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the College District or the Improvement District.

The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the College District or the Improvement District since the date hereof. Although certain information set forth in this Official Statement has been provided by Orange County, Orange County has not approved this Official Statement and is not responsible for the accuracy or completeness of the statements contained in this Official Statement.

The Bonds have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), or the Securities Exchange Act of 1934, as amended (the "Exchange Act"), in reliance upon exemptions contained in Section 3(a)2 of the Securities Act and Section 3(a)12 of the Exchange Act, and have not been registered or qualified under the securities laws of any state.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, 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 THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS, BANKS OR OTHERS AT PRICES LOWER OR HIGHER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

Statements included or incorporated by reference in the following information constitute "forward looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the Exchange Act, and Section 27A of the Securities Act. Such statements are generally identifiable by the terminology used such as "plan," "project," "expect," "estimate," "budget" or other similar words. The achievement of results or other expectations contained in forward looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Actual results may differ from the Improvement District's or the College District's forecasts. The Improvement District is not obligated to issue any updates or revisions to the forward looking statements in any event.

The College District maintains a website and social media accounts. However, the information presented on such website or social media accounts is not part of this Official Statement and should not be relied upon in making investment decisions with respect to the Bonds. Various other websites referred to in this Official Statement are not incorporated herein by such references.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
Orange County, State of California

Board of Trustees

Claudia C. Alvarez, *President*
Phillip E. Yarbrough, *Vice President*
Arianna P. Barrios, *Clerk*
John R. Hanna, *Member*
Zeke Hernandez, *Member*
Lawrence R. Labrado, *Member*
Vacant, *Member*
Mariano Cuellar, *Student Trustee*

Administrators

Mr. Marvin Martinez, Chancellor
Mr. Peter J. Hardash, Vice Chancellor, Business Operations/Fiscal Services
Mr. Enrique Perez, Vice Chancellor, Educational Services
Ms. Tracie Limeburner-Green, Vice Chancellor, Human Resources
Marilyn Flores, Ph.D., Interim President, Santa Ana College
John C. Hernandez, Ph.D., President, Santiago Canyon College

SPECIAL SERVICES

Underwriter

Piper Sandler & Co.
El Segundo, California

Bond Counsel and Disclosure Counsel

Nixon Peabody LLP
San Francisco, California

Municipal Advisor

Fieldman, Rolapp & Associates, Inc.
Irvine, California

Paying Agent

Wells Fargo Bank, National Association
Los Angeles, California

TABLE OF CONTENTS

	Page
INTRODUCTION	1
General.....	1
Plan of Refunding	1
The College District and the Improvement District.....	1
College District Refunding Bond Issue.	2
Description of the Bonds.	2
Bond Owner’s Risks	3
Continuing Disclosure	4
Forward-Looking Statements.....	4
PLAN OF REFUNDING	4
ESTIMATED SOURCES AND USES OF FUNDS	5
THE BONDS	5
Authority for Issuance and Security for the Bonds.....	5
Description of the Bonds	5
Payment of the Bonds	6
Redemption.....	6
Selection of Bonds for Redemption.....	7
Notice of Redemption.....	7
Conditional Redemption	8
Partial Redemption of Bonds	8
Effect of Notice of Redemption	8
Transfer and Exchange	8
Discharge and Defeasance	8
Book-Entry Only System.....	9
Permitted Investments.....	9
DEBT SERVICE SCHEDULE.....	10
SECURITY AND SOURCES OF PAYMENT FOR THE BONDS	11
General.....	11
Assessed Valuations – Constitutional and Statutory Initiatives.....	11
Assessed Valuations of the Improvement District.....	12
Appeals of Assessed Value; Proposition 8 Reductions	15
California Senate Bill 222.....	16
Proposition 50 and Proposition 171	16
Effect of Natural Disasters on Assessed Valuations.....	17
<i>Ad Valorem</i> Property Tax Rates, Levies, Collections and Delinquencies	18
Alternative Method of Tax Apportionment – Teeter Plan	20
Tax Rates	21
Largest Taxpayers.....	22
College District and Improvement District Debt	22
TAX MATTERS.....	25
U.S. Holders.....	25
Taxation of Interest Generally	25
Recognition of Income Generally	26
Original Issue Discount.....	26
Market Discount	27
Bond Premium	28

TABLE OF CONTENTS
(continued)

	Page
Surtax on Unearned Income.....	28
Sale or Redemption of the Bonds	28
Non-U.S. Holders	28
Information Reporting and Backup Withholding	30
State Taxes.....	31
Changes in Law and Post Issuance Events	31
CONSIDERATIONS FOR ERISA AND OTHER U.S. BENEFIT PLAN INVESTORS	31
LEGAL OPINION	33
LEGALITY FOR INVESTMENT.....	33
RATINGS	33
LEGAL MATTERS.....	34
Continuing Disclosure	34
Limitation on Remedies; Amounts Held in the County Treasury Pool	34
California Senate Bill 222.....	34
Special Revenues	35
UNDERWRITING	36
NO LITIGATION.....	37
VERIFICATION.....	37
MUNICIPAL ADVISOR.....	37
OTHER INFORMATION	38
APPENDIX A – FINANCIAL AND DEMOGRAPHIC INFORMATION RELATING TO THE COLLEGE DISTRICT	A-1
APPENDIX B – FORM OF BOND COUNSEL OPINION.....	B-1
APPENDIX C – AUDITED FINANCIAL STATEMENTS OF THE COLLEGE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2019	C-1
APPENDIX D – FORM OF CONTINUING DISCLOSURE UNDERTAKING	D-1
APPENDIX E – BOOK-ENTRY ONLY SYSTEM.....	E-1
APPENDIX F – ORANGE COUNTY EDUCATIONAL INVESTMENT POOL DISCLOSURE.....	F-1
APPENDIX G – ORANGE COUNTY INVESTMENT POLICY STATEMENT	G-1

\$ _____ *

**SANTA ANA COLLEGE IMPROVEMENT DISTRICT NO. 1 OF
RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
(Orange County, California)
GENERAL OBLIGATION REFUNDING BONDS,
2020 SERIES A-2
(Federally Taxable)**

INTRODUCTION

General

The Santa Ana College Improvement District No. 1 of Rancho Santiago Community College District (the “Improvement District” or “SFID No. 1”), proposes to issue \$ _____* aggregate principal amount of Santa Ana College Improvement District No. 1 of Rancho Santiago Community College District General Obligation Refunding Bonds, 2020 Series A-2 (Federally Taxable) (the “Bonds”), pursuant to the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the “Act”), and other applicable laws and regulations of the State of California (the “State”), an authorization received from the Improvement District’s voters at an election conducted on November 6, 2012, at which more than 55% of the persons voting on the proposition voted to authorize the issuance of \$198,000,000 principal amount of general obligation bonds of the Improvement District (the “Authorization”), and a resolution adopted by the Board of Trustees of the Rancho Santiago Community College District (the “College District”), acting as the legislative body of the Improvement District (the “Board”) on July [13], 2020 (the “Resolution”). No additional general obligation bonds of the Improvement District remain to be issued under the Authorization.

Plan of Refunding

The Bonds are being issued to effect the defeasance and refunding of certain maturities of the Santa Ana College Improvement District No. 1 of Rancho Santiago Community College District General Obligation Bonds, Election of 2012, 2014 Series A (the “Prior Bonds”) issued pursuant to the Authorization. Those Prior Bonds redeemed from the proceeds of sale of the Bonds are called the “Refunded Bonds.”

Proceeds from the sale of the Bonds will be used to (i) make a deposit into the Escrow Fund established for the defeasance and refunding of the Refunded Bonds and (ii) pay related costs of issuance of the Bonds. See “PLAN OF REFUNDING.” The Improvement District will enter into an Escrow Deposit and Trust Agreement (the “Escrow Agreement”) with Wells Fargo Bank, National Association, in its capacity as Escrow Agent, under the terms of which an Escrow Fund (the “Escrow Fund”) will be established to provide for the timely payment of interest on and the redemption price of the several series of Refunded Bonds. The sufficiency of the Escrow Fund to effect the within-described refunding will be verified by a report delivered on the date of delivery of the Bonds by Causey Demgem & Moore P.C., as Verification Agent. See “VERIFICATION” herein.

The College District and the Improvement District

The College District was established in 1971. The College District encompasses approximately 193 square miles in Orange County (the “County”). The College District maintains two comprehensive community colleges, each providing collegiate level instruction across a wide spectrum of subjects. Santa Ana College, founded in 1915, is located in Santa Ana and Santiago Canyon College, founded in 1997, is located in Orange. The College District also provides comprehensive college and continuing education

programs at the Centennial Continuing Education Center, the Orange Continuing Education Center, the Santa Ana College Orange County Sheriff's Regional Training Academy, the Digital Media Center, the Orange County Regional Fire Training Center, and various other sites throughout the College District. The College District serves a resident population of over 700,000, and includes portions of Santa Ana, Orange, Anaheim, Irvine, Garden Grove, Tustin, Villa Park, Costa Mesa, and Fountain Valley.

The College District's total enrollment for fiscal year 2019-20 was _____ students (full-time and part-time), with approximately _____ California resident full-time equivalent students ("FTES") and _____ non-resident FTES. The College District projects total enrollment for fiscal year 2020-21 to be _____ students (full-time and part-time), with approximately _____ California resident FTES and _____ non-resident FTES. The College District has certain existing lease obligations as set forth in APPENDIX A and direct and overlapping bonded indebtedness as set forth under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – College District and Improvement District Debt" herein. The College District's audited financial statements for fiscal year 2018-19 are attached hereto as APPENDIX C. For further information concerning the College District, see APPENDICES A and C attached hereto.

The Improvement District encompasses approximately 35 square miles, representing approximately 18.1% of the territory of the College District. The total assessed valuation of the Improvement District for fiscal year 2018-19 was \$40,937,907,918 and for fiscal year 2019-20 is \$43,271,832,743, respectively, representing approximately 53% of the assessed valuation of the College District. The Improvement District was formed following a public hearing on July 21, 2008, pursuant to the provisions of Chapter 2 of Part 10 of Division 1 of Title 1 of the California Education Code (the "Education Code") and proceedings taken by the College District.

College District Refunding Bond Issue.

On or about the date of issuance of the Bonds, the College District intends to issue its General Obligation Refunding Bonds, 2020 Series A-1 (the "College District Refunding Bonds"), for the purposes of refunding all or a portion of its 2012 General Obligation Refunding Bonds and its 2013 General Obligation Refunding Bonds (together, the "College District Prior Bonds"). The College District Prior Bonds were issued to refund certain general obligation bonds of the College District, previously issued under an authorization received pursuant to a duly called election held within the boundaries of the College District on November 6, 2002.

The issuance of the College District Refunding Bonds is not conditioned on the issuance of the Bonds, and the issuance of the Bonds is not conditioned on the issuance of the College District Refunding Bonds. No assurance can be given that the College District Refunding Bonds will in fact be issued, or if so, the timing of such issuance. The College District Refunding Bonds are not a debt of the Improvement District, nor will they be secured by the *ad valorem* property tax levied and collected to secure the Bonds.

Description of the Bonds.

Form and Registration. The Bonds will be issued in the form of current interest bonds, in fully registered form only, and will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), who will act as securities depository for the Bonds. See "THE BONDS – Book-Entry-Only System" herein and APPENDIX E – "BOOK-ENTRY-ONLY SYSTEM" hereto. Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interests in the Bonds purchased. In the event that the book-entry-only system described herein is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Resolution.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the “Owners,” “Bondowners,” or “Holders” of the Bonds (other than under the caption “TAX MATTERS” will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds.

Denominations. The Bonds will be issued in initial denominations of \$5,000 or any integral multiple thereof.

Redemption. The Bonds are subject to redemption prior to their stated maturity as further described herein. See “THE BONDS –Redemption” herein.

Payments. The Bonds will be dated as of their initial date of delivery (the “Date of Delivery”), and interest on the Bonds will accrue from the Date of Delivery, and is payable semiannually on each February 1 and August 1 of each year (each, an “Interest Payment Date”), commencing February 1, 2021. The principal amount of the Bonds is payable at maturity or at earlier redemption upon surrender of the applicable Bond for payment. Payments of the principal of and interest on the Bonds will be made by The Bank of New York Mellon Trust Company, N.A., as the initial paying agent for the Bonds, (the “Paying Agent”) to DTC for subsequent distribution through DTC Participants (the “DTC Participants”) to the Beneficial Owners of the Bonds. “Principal” or “Principal Amount” means, as of any date of calculation, with respect to any Bond, the principal amount thereof, or with respect to capital appreciation bonds, the accreted value thereof.

Bond Owner’s Risks

The Bonds are general obligations of the Improvement District only, payable from *ad valorem* property taxes which may be levied upon all taxable property in the Improvement District, without limitation as to rate or amount (except with respect to certain personal property which is taxable at limited rates). For more complete information regarding taxation of property within the Improvement District, see “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.”

The outbreak of a new strain of coronavirus (“COVID-19”), a respiratory tract illness first identified in Wuhan, China, has spread to numerous countries across the globe, including the U.S. The College District cannot predict the extent or duration of the outbreak or what overall impact it may have on the College District’s financial condition or operations of the College District, or if there will be any impact on the assessed values of property within the Improvement District or collections or delinquencies of the *ad valorem* property tax securing the Bonds. Any financial information, including projections, forecasts and budgets presented herein do not yet account for the potential effects of COVID-19, unless specifically referenced. For further information concerning the potential effects of the COVID-19 outbreak (i) on the security and source of payment for the Bonds, see “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Appeals of Assessed Value; Proposition 8 Reductions” and “– Ad Valorem Property Taxes, Tax Rates, Levies, Collections and Delinquencies,” and (ii) on the College District’s operations and finances, see APPENDIX A – “THE COLLEGE DISTRICT – Risks Related to COVID-19.”

In addition, on June 29, 2020, the State adopted its budget for Fiscal Year 2020-21 (the “2020-21 State Budget”) which acknowledged the substantial impact of the COVID-19 pandemic and subsequent economic disruption on the State’s general fund, and corresponding impacts on funding of community college districts. See APPENDIX A – “THE COLLEGE DISTRICT – Fiscal Year 2020-21 State Budget” for additional information on the effect of COVID-19 pandemic on the State and its funding of community college districts.

Continuing Disclosure

Pursuant to that certain Continuing Disclosure Agreement (defined herein) relating to the Bonds, the Improvement District will covenant for the benefit of the Owners and Beneficial Owners of the Bonds to make available certain financial information and operating data relating to the Improvement District and to provide notices of the occurrence of certain listed events, in compliance with Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission. The specific nature of the information to be made available and of the notices of listed events is summarized under “LEGAL MATTERS – Continuing Disclosure” herein and in APPENDIX D – “FORM OF CONTINUING DISCLOSURE AGREEMENT” attached hereto.

Forward-Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “intend,” “expect,” “estimate,” “project,” “budget,” or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information regarding the College District and the Improvement District herein.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES, AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED FROM SUCH FORWARD-LOOKING STATEMENTS. THE IMPROVEMENT DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

PLAN OF REFUNDING

The net proceeds of sale of the Bonds will be used to effect an advance refunding of the Refunded Bonds and to provide for the costs of issuance of the Bonds. Until the first optional redemption dates for the Refunded Bonds, a portion of the net proceeds of the Bonds will be invested under the terms of the Escrow Agreement, as show in the table below. As provided in the Escrow Agreement, the net proceeds of the Refunding Bonds deposited into the Escrow Fund will be invested in noncallable direct obligations issued by the United States Treasury (including State and Local Government Series Obligations) or obligations which are unconditionally guaranteed by the United States of America, and permitted under Section 149(b) of the Code (defined below) and Regulations which, in the opinion of nationally recognized bond counsel, will not impair the exclusion from gross income for federal income tax purposes of interest on such Refunded Bonds. On the applicable redemption date, amounts available under the Escrow Agreement will be applied to the redemption price of the Refunded Bonds. Investments under the Escrow Agreement will be verified as sufficient to pay interest on and the redemption price of, the several series of Refunded Bonds, evidenced by a Verification Report to be provided on the date of delivery of the Bonds by Causey Demgen & Moore, P.C (the “Verification Agent”). See “VERIFICATION” herein. As a result of the application and investment of the proceeds of the Refunding Bonds as described above, and assuming the accuracy of the Underwriter’s and Verification Agent’s computations, the Refunded Bonds will be considered defeased, and the obligation of the County to levy *ad valorem* property taxes for the payment thereof will terminate.

The Improvement District currently plans to refund those Prior Bonds maturing on August 1, 2025 through August 1, 2044, inclusive. However, the particular maturity dates and Principal Amounts, or portions thereof, of the Prior Bonds to be refunded with proceeds of the Refunding Bonds are subject to market conditions at the time of sale of the Refunding Bonds and will be selected by the Improvement District at the time of sale of the Refunding Bonds. Those particular maturity dates and principal amounts, or portions thereof, of the Prior Bonds which are selected for refunding at such time are referred to herein as the “Refunded Bonds.”

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds in connection with the Bonds are as follows:

Source of Funds	
Principal Amount	
Plus Original Issue Premium	
Total Sources	_____
<hr style="border-top: 3px double black;"/>	
Uses of Funds	
Escrow Fund	
Costs of Issuance ⁽¹⁾	
Total Uses	_____
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⁽¹⁾ Costs of issuance include, but are not limited to, Underwriter’s discount, Municipal Advisor fees, printing and rating costs, fees and expenses of the Paying Agent, Verification Agent, Escrow Agent and Bond and Disclosure Counsel.

THE BONDS

Authority for Issuance and Security for the Bonds

The Bonds are general obligations of the Improvement District. The Improvement District received authorization to issue \$198,000,000 of its general obligation bonds at an election held on November 6, 2012, by more than fifty-five percent of the votes cast on the ballot proposition by eligible voters within the Improvement District. All bonds authorized at the election have been issued; the Bonds are being issued by the Improvement District under the Act and other applicable laws and regulations of the State, and pursuant to the Resolution in order to refund certain maturities of the Prior Bonds.

The Board of Supervisors of the County has the power and is obligated to levy *ad valorem* property taxes upon all property subject to taxation within the Improvement District, without limitation as to rate or amount (except certain personal property, which is taxable at limited rates), for the payment of principal of and interest on the Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.”

Description of the Bonds

The Bonds will be dated their date of delivery and will be issued in denominations of \$5,000 or integral multiples thereof. The Bonds will mature on the dates and in the amounts and bear interest at the rates per annum all as set forth on the inside cover page of this Official Statement. **The Bonds are not subject to acceleration.**

Payment of the Bonds

The Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of DTC. DTC will act as securities depository for the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Owners or registered owners shall mean Cede & Co. as aforesaid, and shall not mean the Beneficial Owners (as defined in APPENDIX E hereto) of the Bonds.

So long as Cede & Co. is the registered owner of the Bonds, principal of and interest, or premium, if any, on the Bonds are payable by wire transfer of New York Clearing House or equivalent next-day funds or by wire transfer of same day funds by the Paying Agent, to Cede & Co., as nominee for DTC. DTC is obligated, in turn, to remit such amounts to the DTC participants (“DTC Participants”) for subsequent disbursement to the Beneficial Owners. See APPENDIX E – “BOOK-ENTRY ONLY SYSTEM” herein.

The Bonds will be issued as current interest bonds with principal payable at the maturity dates of the Bonds or their earlier redemption. Interest on the Bonds shall be computed using a year of 360 days comprising twelve 30-day months. Interest on the Bonds is payable on February 1 and August 1 in each year (each, an “Interest Payment Date”), commencing on February 1, 2021, to the registered owner thereof (each, an “Owner”) as of the close of business on the fifteenth calendar day of the month preceding any Interest Payment Date (a “Record Date”). Interest on each Bond will be payable from the Interest Payment Date next preceding the date of registration thereof, unless (i) it is registered after the close of business on any Record Date and before the close of business on the immediately following Interest Payment Date, in which event interest thereon shall be payable from such following Interest Payment Date; or (ii) it is registered prior to the close of business on the first Record Date, in which event, interest shall be payable from its dated date; provided, however, that if at the time of registration of any Bond interest thereon is in default, interest thereon shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment. Payment of interest on the Bonds will be made on each Interest Payment Date by check or draft of the Paying Agent sent by first-class mail, postage prepaid, to the Owner thereof on the Record Date, or by wire transfer to any Owner of \$1,000,000 or more of such Bonds, to the account specified by such Owner in a written request delivered to the Paying Agent on or prior to the Record Date; provided however, that payments of defaulted interest shall be payable to the person in whose name such Bond is registered at the close of business on a special record date fixed therefor by the Paying Agent. Principal shall be payable in the years and amounts set forth on the inside cover page of this Official Statement.

Redemption

Optional Redemption. The Bonds maturing on or before August 1, 20__, are not subject to optional redemption prior to their respective stated maturity dates. The Bonds maturing on or after August 1, 20__, may be redeemed before maturity, at the option of the College District, from any source of available funds, in whole or in part on any date on or after August 1, 20__, at par, together with interest accrued thereon to the date of redemption, without premium.

Mandatory Sinking Fund Redemption. The Bonds maturing on August 1, 20__, are subject to mandatory sinking fund redemption prior to their stated maturity in part (by lot) on each August 1 on or after August 1, 20__, at a redemption price equal to 100% of their principal amount, together with accrued interest thereon to the date fixed for redemption, without premium, on the dates and in the aggregate principal amounts listed below:

**Mandatory Sinking
Fund Payment Date
(August 1)**

**Mandatory Sinking
Fund Payment**

\$

(1)

⁽¹⁾ Maturity.

Selection of Bonds for Redemption

Whenever provision is made for the redemption of Bonds and less than all outstanding Bonds are to be redeemed, the Paying Agent, upon written instruction from the Improvement District, shall select maturities of Bonds for redemption in such manner as the Improvement District shall direct, or in the absence of such direction, by lot. Within a maturity, the Paying Agent shall select Bonds for redemption in such manner as the Improvement District shall direct, or in the absence of such direction, by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine; *provided, however*, that the portion of any Bond to be redeemed in part shall be in the principal amount of \$5,000 or any integral multiple thereof.

Notice of Redemption

When redemption is authorized or required pursuant to the Resolution, the Paying Agent shall give notice (each, a "Redemption Notice") of the redemption of the Bonds. Such Redemption Notice shall specify: (a) the Bonds or designated portions thereof (in the case of any Bond to be redeemed in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the principal amount of such Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part. Such Redemption Notice shall further state (A) that on the specified date there shall become due and payable upon each Bond or portion thereof being redeemed the redemption price thereof, and (B) that from and after such date, interest on Bonds shall cease to accrue and be payable.

The Paying Agent shall take the following actions with respect to each such Redemption Notice: (i) at least 20 days but not more than 45 days prior to the redemption date, such Redemption Notice shall be given to the respective Owners of the Bonds designated for redemption by first-class mail, postage prepaid, at their addresses appearing on the bond register, and to the Municipal Securities Rulemaking Board (the "MSRB"); and (ii) in the event the Bonds are no longer held in book-entry form, at least 35 but not more than 45 days prior to the redemption date, such Redemption Notice shall be given by (x) (1) first-class mail, postage prepaid, (2) telephonically confirmed facsimile transmission, or (3) overnight delivery service, to each of the Securities Depositories (defined below), and (y) (i) first class mail, postage prepaid, or (ii) overnight delivery service to the MSRB.

The "Securities Depositories" shall mean DTC and, in accordance with then-current guidelines of the Securities and Exchange Commission, such other securities depositories as the College District may designate in a certificate delivered to the Paying Agent.

Neither failure to receive any Redemption Notice nor any defect in any such Redemption Notice so given shall affect the sufficiency of the proceedings for the redemption of the affected Bonds. Each check issued or other transfer of funds made by the Paying Agent for the purpose of redeeming Bonds shall bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

Conditional Redemption

Any Redemption Notice may be made conditional upon the satisfaction of certain conditions and/or the receipt of sufficient moneys to pay the redemption price of the designated Bonds and may be rescinded by the Improvement District at any time prior to the scheduled date of redemption by so notifying the Paying Agent, who shall notify the Owners of the affected Bonds and the MSRB in the event such conditions are not met or are not expected to be met and/or such funds are not received or expected to be received, in the same manner in which the Redemption Notice was originally given.

Partial Redemption of Bonds

Upon the surrender of any Bond redeemed in part only, the Paying Agent shall execute and deliver to the Owner thereof a new Bond or Bonds of like tenor and maturity and of authorized denominations equal in principal amount to the unredeemed portion of the Bond surrendered. Such partial redemption shall be valid upon payment of the amount required to be paid to such Owner, and the Improvement District shall be released and discharged thereupon from all liability to the extent of such payment.

Effect of Notice of Redemption

Notice having been given as required in the Resolution, and the moneys for redemption (including the interest to the applicable date of redemption) having been set aside in the debt service fund of the Improvement District (the "Debt Service Fund"), the Bonds to be redeemed shall become due and payable on such date of redemption.

If on such redemption date, money for the redemption of all the Bonds to be redeemed, together with interest to such redemption date, shall be held by the Paying Agent so as to be available therefor on such redemption date, and if notice of redemption thereof shall have been given, then from and after such redemption date, interest on the Bonds to be redeemed shall cease to accrue and become payable.

Transfer and Exchange

Any Bond may be exchanged for Bonds of like tenor, maturity and principal amount and transferred upon the bond registrar upon presentation and surrender of such Bond at the office of the Paying Agent, together with an assignment executed by the Owner or a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent shall complete, authenticate and deliver a new Bond or Bonds of like tenor and maturity and of any authorized denomination or denominations requested by the Owner equal to the principal amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

Discharge and Defeasance

All or any portion of the outstanding Bonds shall be paid and discharged in any one of the following ways:

(a) by paying or causing to be paid the principal of, premium, if any, and interest on all Bonds outstanding, and when the same become due and payable;

(b) by depositing with the Paying Agent, or with a duly appointed escrow agent, in trust, at or before maturity, cash which, together with the amounts then on deposit in the Debt Service Fund (and the accounts therein other than amounts that are not available to pay debt service) together with the interest to accrue thereon without the need for further investment, is fully sufficient to pay such Bonds at maturity thereof, including any premium and all interest thereon, notwithstanding that any Bonds shall not have been surrendered for payment; or

(c) by depositing with an institution which meets the requirements for acting as a successor Paying Agent pursuant to the Resolution selected by the Improvement District, in trust, lawful money or noncallable direct obligations issued by the United States Treasury (including State and Local Government Series) or obligations which are unconditionally guaranteed by the United States of America, or “prerefunded” municipal obligations rated in the highest category by Moody’s or S&P, in such amount as will, together with the interest to accrue thereon without the need for further investment, be fully sufficient to pay and discharge all Bonds outstanding at maturity thereof, including any premium and all interest thereon, for which notice has been given or provided for, notwithstanding that any Bonds shall not have been surrendered for payment;

then all obligations of the Improvement District and the Paying Agent under the Resolution with respect to the affected Bonds shall cease and terminate, except only the obligation of the Paying Agent to pay or cause to be paid to the Owners of the Bonds all sums due thereon, and the obligation of the Improvement District to pay the Paying Agent amounts owing to the Paying Agent under the Resolution.

Book-Entry Only System

The Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of DTC. DTC will act as securities depository for the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Owners or registered owners shall mean Cede & Co. as aforesaid, and shall not mean the Beneficial Owners of the Bonds. For further information regarding DTC and the book-entry system, see APPENDIX E – “BOOK-ENTRY ONLY SYSTEM” hereto.

Permitted Investments

Under State law, the College District and Improvement District are generally required to pay all moneys received from any source into the County treasury to be held on behalf of the College District and Improvement District. The proceeds from the sale of the Bonds shall be invested in accordance with the terms of the Escrow Agreement and the authorizing resolution under which the Prior Bonds were issued. Any premium or accrued interest received by the Improvement District from the proceeds of sale of the Bonds will be deposited in the Debt Service Fund in the County treasury.

All funds held by the Orange County Treasurer (the “County Treasurer”) in the Debt Service Fund are expected to be invested at the sole discretion of the County Treasurer, on behalf of the Improvement District, in investment pools of the County into which the Improvement District may lawfully invest its funds, any such investments as are authorized by Section 53601 and following of the California Government Code and the investment policy of the County, as either may be amended or supplemented from time to time. Under existing law, amounts in the Debt Service Fund are required to be invested in the County treasury and will be invested in the Orange County Educational Investment Pool. At no time shall the proceeds be withdrawn by the Improvement District for investment outside the

County treasury. See APPENDIX F – “ORANGE COUNTY EDUCATIONAL INVESTMENT POOL DISCLOSURE” and APPENDIX G – “ORANGE COUNTY INVESTMENT POLICY STATEMENT” for a description of the permitted investments under the investment policy of the County.

DEBT SERVICE SCHEDULE

The following table summarizes the debt service requirements for the Bonds of the Improvement District, assuming all general obligation bonds are outstanding and paid through their final maturity:

Year Ending (August 1)	Outstanding Bonds Debt Service⁽¹⁾	The Bonds		Total Annual Debt Service
		Annual Principal Payment	Annual Interest Payment	
2021	\$10,150,812.50			
2022	10,026,662.50			
2023	8,770,762.50			
2024	9,040,762.50			
2025	9,312,062.50			
2026	9,591,212.50			
2027	9,883,062.50			
2028	10,177,462.50			
2029	10,481,462.50			
2030	10,792,962.50			
2031	11,121,662.50			
2032	11,452,262.50			
2033	11,796,912.50			
2034	12,151,462.50			
2035	12,517,850.00			
2036	12,892,650.00			
2037	13,276,850.00			
2038	13,679,200.00			
2039	14,083,150.00			
2040	9,363,200.00			
2041	9,642,000.00			
2042	4,651,600.00			
2043	4,791,800.00			
2044	4,934,800.00			
Total	\$244,582,625.00			

⁽¹⁾ Includes the Prior Bonds.

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SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

The Bonds are general obligations of the Improvement District, and the Board of Supervisors of the County has the power and is obligated to levy and collect *ad valorem* taxes upon all property within the Improvement District subject to taxation by the County, without limitation as to rate or amount (except certain personal property which is taxable at limited rates) for payment of both principal of and interest on the Bonds. There is no remaining unissued amount of general obligation bonds of the Improvement District available under the Authorization will have been issued.

Assessed Valuations – Constitutional and Statutory Initiatives

Article XIII A of the California Constitution. Article XIII A of the California Constitution limits the amount of any *ad valorem* tax on real property, to one percent of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness or 55% of voters voting on the proposition. Article XIII A defines full cash value to mean “the county assessor’s valuation of real property as shown on the 1975-76 tax bill under “full cash value,” or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment.” The full cash value may be increased at a rate not to exceed two percent per year to account for inflation.

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

Legislation Implementing Article XIII A. Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The one percent property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the two percent annual adjustment are allocated among the various jurisdictions in the “taxing area” based upon their respective “situs.” Any such allocation made to a local agency continues as part of its allocation in future years.

All taxable property is shown at full market value on the tax rolls, with tax rates expressed as \$1 per \$100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of market value (unless noted differently) and all general tax rates reflect the \$1 per \$100 of taxable value.

On May 29, 2020, the California Secretary of State announced that a ballot initiative to amend the coverage of Proposition 13 (1978) to remove tax protections on commercial and industrial properties had qualified for the November 2, 2020, election. Proposition 13 limited increases in annual increases to property taxes on all real property. At the November 2019 election, a previous initiative authorizing a so-called split roll, with commercial and industrial properties subject to a tax based on market value, failed to

achieve the required majority. The revised initiative would require commercial and industrial properties to be taxed based on their market value, which may then be revised annually, without regard to the Proposition 13 limit of 2.0% per year. The initiative would also create a revised process under the California Constitution for distributing revenues from property taxes, including a provision that, following State and county set-asides, 60% of the remainder of such revenues would be distributed to local governments and special districts and 40% of the remainder to be distributed to school and community college districts. Neither the College District nor the Improvement District can predict the outcome of the election on the split-roll initiative nor, if it should pass, what the financial impact on the College District's revenues might be.

In addition, on April 22, 2020, a proposed ballot initiative became eligible for the November 2020 Statewide ballot ("Ballot Measure 1864"). If approved by a majority of voters casting a ballot at the November 2020 Statewide election, Ballot Measure 1864 would: (i) expand special rules that give property tax savings to homeowners that are over the age of 55, severely disabled, or whose property has been impacted by a natural disaster or contamination, when they buy a different home; (ii) narrow existing special rules for inherited properties; and (iii) broaden the scope of legal entity ownership changes that trigger reassessment of properties. Neither the College District nor the Improvement District can predict whether Ballot Measure 1864 will appear on the Statewide ballot at the November 2020 election or, if it does, whether Ballot Measure 1864 will be approved by a majority of voters casting a ballot. If approved, neither the College District nor the Improvement District can make any assurance as to what effect the implementation of Ballot Measure 1864 will have on assessed valuation of real property in the Improvement District.

Assessed Valuations of the Improvement District

The assessed valuation of property in the Improvement District is established by the Assessor of the County (the "County Assessor"), except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the full value of the property, as defined in Article XIII A of the California Constitution.

The State-reimbursed exemption currently provides a credit of \$7,000 of the full value of an owner-occupied dwelling for which application has been made to the County Assessor. The revenue estimated to be lost to local taxing agencies due to the exemption is reimbursed from State sources. Reimbursement is based upon total taxes due upon such exempt value and is not reduced by any amount for estimated or actual delinquencies.

In addition, certain classes of property such as churches, colleges, not-for-profit hospitals and charitable institutions are exempt from property taxation and do not appear on the tax rolls. No reimbursement is made by the State for such exemptions.

Economic and other factors beyond the College District's control, such as a decline in general economic conditions or a general market decline in land values, changes in supply and demand for real property in the area, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or other government regulations such as zoning, or the complete or partial destruction, or the complete or partial destruction of taxable property caused by natural or manmade disaster such as earthquake, fire or wildfire, flood, outbreaks of infectious disease (including the current COVID-19 pandemic), toxic dumping, etc., could cause a reduction in the assessed value of taxable property within the Improvement District. See "– Effect of Natural Disasters on Assessed Valuations" herein.

For fiscal year 2019-20, the Improvement District's total assessed valuation was \$43,271,832,743. Shown in the following tables is information relating to the assessed valuation of property in the Improvement District during the current fiscal year and the past four fiscal years, assessed valuation and parcels by land use in the Improvement District, assessed valuation in the Improvement District by jurisdiction, and per parcel assessed valuation of single-family homes in the Improvement District.

**SANTA ANA COLLEGE IMPROVEMENT DISTRICT NO. 1 OF
RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
Summary of Assessed Valuations**

	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
2015-16	\$31,619,986,142	\$4,173,525	\$2,904,498,126	\$34,528,657,793
2016-17	33,328,936,021	4,074,573	3,004,649,010	36,337,659,604
2017-18	35,488,206,587	4,074,573	3,015,474,135	38,507,755,295
2018-19	37,959,191,099	5,534,479	2,973,182,340	40,937,907,918
2019-20	40,072,459,491	5,534,479	3,193,838,773	43,271,832,743

Source: California Municipal Statistics, Inc.

**SANTA ANA COLLEGE IMPROVEMENT DISTRICT NO. 1 OF
RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
2019-20 Assessed Valuation and Parcels by Land Use**

	<u>2019-20 Assessed Valuation⁽¹⁾</u>	<u>% of Total</u>	<u>No. of Parcels</u>	<u>% of Total</u>
<u>Non-Residential:</u>				
Commercial/Office	\$13,454,496,337	33.58%	4,782	7.34%
Industrial	5,994,465,696	14.96	2,575	3.95
Government/Social/Institutional	422,893	0.00	170	0.26
Miscellaneous	421,868	0.00	13	0.02
Subtotal Non-Residential	\$19,449,806,794	48.54%	7,540	11.58%
<u>Residential:</u>				
Single Family Residence	\$12,843,867,990	32.05%	38,839	59.62%
Condominium/Townhouse	3,858,876,820	9.63	12,288	18.86
Mobile Homes	51,879,751	0.13	3,477	5.34
2+ Residential Units/Apartments	3,868,028,136	9.65	2,995	4.60
Subtotal Residential	\$20,622,652,697	51.46%	57,599	88.42%
Total	\$40,072,459,491	100.00%	65,139	100.00%

⁽¹⁾ Local Secured Assessed Valuation, excluding tax-exempt property.

Source: California Municipal Statistics, Inc.

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**SANTA ANA COLLEGE IMPROVEMENT DISTRICT NO. 1 OF
RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
2019-20 Assessed Valuation by Jurisdiction**

Jurisdiction	Assessed Valuation in SFID No. 1	% of SFID No. 1	Assessed Valuation of Jurisdiction	% of Jurisdiction in SFID No. 1
City of Anaheim	\$ 160,081,155	0.37%	\$48,851,452,719	0.33%
City of Costa Mesa	1,162,294,879	2.69	21,157,439,070	5.49
City of Fountain Valley	282,818,928	0.65	10,150,637,700	2.79
City of Garden Grove	4,785,130,445	11.06	17,647,291,388	27.12
City of Irvine	9,823,185,152	22.70	85,045,012,271	11.55
City of Newport Beach	2,377,959,196	5.50	60,744,806,554	3.91
City of Santa Ana	23,978,540,416	55.41	27,943,960,825	85.81
City of Tustin	77,204,557	0.18	13,658,893,858	0.57
Unincorporated Orange County	624,618,015	1.44	31,132,441,986	2.01
Total District	\$43,271,832,743	100.00%		
Orange County	\$43,271,832,743	100.00%	\$625,771,623,832	6.91%
Unified School District				
Unified School District	Assessed Valuation in SFID No. 1	% of SFID No. 1	Assessed Valuation of USD	% of Jurisdiction in SFID No. 1
Garden Grove Unified School District	\$ 8,200,851,236	18.95%	\$28,284,059,971	28.99%
Santa Ana Unified School District	35,070,981,507	81.05	\$35,070,981,507	100.00%
Total District	\$43,271,832,743	100.00%		

Source: California Municipal Statistics, Inc.

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**SANTA ANA COLLEGE IMPROVEMENT DISTRICT NO. 1 OF
RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
Per Parcel 2019-20 Assessed Valuation of Single-Family Homes**

	<u>No. of Parcels</u>	<u>2019-20 Assessed Valuation</u>	<u>Average Assessed Valuation</u>	<u>Median Assessed Valuation</u>
Single-Family Residential	38,839	\$12,843,867,990	\$330,695	\$304,811

<u>2019-20 Assessed Valuation</u>	<u>No. of Parcels⁽¹⁾</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>	<u>Total Valuation</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>
\$0 - \$49,999	989	2.546%	2.546%	\$ 37,760,773	0.294%	0.294%
\$50,000 - \$99,999	3,606	9.284	11.831	248,477,814	1.935	2.229
\$100,000 - \$149,999	1,661	4.277	16.108	211,419,701	1.646	3.875
\$150,000 - \$199,999	3,032	7.807	23.914	534,849,193	4.164	8.039
\$200,000 - \$249,999	4,757	12.248	36.162	1,075,952,073	8.377	16.416
\$250,000 - \$299,999	4,906	12.632	48.794	1,348,681,499	10.501	26.917
\$300,000 - \$349,999	3,901	10.044	58.838	1,262,402,804	9.829	36.746
\$350,000 - \$399,999	3,520	9.063	67.901	1,320,592,747	10.282	47.027
\$400,000 - \$449,999	3,193	8.221	76.122	1,353,961,518	10.542	57.569
\$450,000 - \$499,999	2,715	6.990	83.112	1,286,461,307	10.016	67.585
\$500,000 - \$549,999	1,951	5.023	88.136	1,022,299,399	7.959	75.545
\$550,000 - \$599,999	1,703	4.385	92.520	975,832,955	7.598	83.142
\$600,000 - \$649,999	1,088	2.801	95.322	677,732,046	5.277	88.419
\$650,000 - \$699,999	704	1.813	97.134	472,671,369	3.680	92.099
\$700,000 - \$749,999	374	0.963	98.097	270,220,319	2.104	94.203
\$750,000 - \$799,999	203	0.523	98.620	156,477,359	1.218	95.421
\$800,000 - \$849,999	119	0.306	98.926	97,795,029	0.761	96.183
\$850,000 - \$899,999	62	0.160	99.086	54,053,654	0.421	96.604
\$900,000 - \$949,999	43	0.111	99.197	39,638,779	0.309	96.912
\$950,000 - \$999,999	31	0.080	99.277	30,154,588	0.235	97.147
\$1,000,000 and greater	281	0.723	100.000	366,433,064	2.853	100.000
Total	38,839	100.000%		\$12,843,867,990	100.000%	

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

Appeals of Assessed Value; Proposition 8 Reductions

A property owner may appeal a county assessor’s determination of assessed value based on Proposition 8, passed by the voters in November 1978 (“Proposition 8”), or based on a challenge to the base year value of that property.

Proposition 8 requires that for each January 1 lien date, the taxable value of real property must be the lesser of its base year value, annually adjusted by the inflation factor pursuant to Article XIII A of the State Constitution, or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. Property owners may apply for a Proposition 8 reduction of their property tax assessment with the County board of equalization or assessment appeals board. In most cases, an appeal is based on the property owner’s belief that market conditions cause the property to be worth less than its current assessed value. Proposition 8 reductions may also be unilaterally applied by the county assessor.

Any reduction in the assessed value granted as a result of a Proposition 8 appeal or unilateral reassessment by the county assessor applies to the year for which the application or reassessment is made. These reductions are subject to annual review and the assessed values are adjusted back to the original

values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it becomes subject to the annual inflationary factor growth rate allowed under Article XIII A.

Appeals for reduction in the base year value of an assessment, if successful, reduce the assessment for the year in which the appeal is made and thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the new construction date or change of ownership.

In addition to the above-described taxpayer appeals, county assessors may independently reduce assessed valuations based on changes in the market value of property, or for other factors such as the complete or partial destruction of taxable property caused by natural or man-made disasters, such as earthquakes, floods, fire, wildfire, drought or other toxic contamination pursuant to relevant provisions of the State Constitution. Such reductions are subject to yearly reappraisals by the county assessor and may be adjusted back to their original values when real estate market conditions improve. Once property has regained its prior assessed value, adjusted for inflation, it once again is subject to the annual inflationary growth rate factor allowed under the State Constitution.

The COVID-19 pandemic has resulted in economic disruption that may cause a general market decline in property values, and therefore affect the assessed value of property, in the Improvement District. For more information on the impact of the COVID-19 pandemic, see APPENDIX A – “THE COLLEGE DISTRICT – Risks Related to COVID-19.”

Neither the College District nor the Improvement District can predict the changes in assessed values that might result from pending or future appeals by taxpayers. Any reduction in aggregate assessed valuation of property within the Improvement District due to appeals, as with any reduction in assessed valuation due to other causes, will result in an increase of the tax rate levied upon all property subject to taxation within the Improvement District for the payment of principal of and interest on the Bonds, when due.

California Senate Bill 222

On July 13, 2015, the Governor of the State (the “Governor”) signed Senate Bill 222 (“SB 222”) into law, effective January 1, 2016, to clarify the process of lien perfection for general obligation bonds issued by or on behalf of California school and community college districts. By clarifying that the lien created with each general obligation bond issuance is a “statutory” lien (consistent with bankruptcy statutory law and case precedent), SB 222, while it does not prevent default, should reduce the ultimate bankruptcy risk of non-recovery on local general obligation bonds, and thus potentially improve ratings, interest rates and bond cost of issuance. See “LEGAL MATTERS – Limitations on Remedies; – California Senate Bill SB 222; and – Special Revenues” herein for more information on SB 222.

Proposition 50 and Proposition 171

On June 3, 1986, the voters of the State approved Proposition 50 (“Proposition 50”). Proposition 50 amends Section 2 of Article XIII A of the State Constitution to allow owners of property that was “substantially damaged or destroyed” by a disaster, as declared by the Governor (the “Damaged Property”), to transfer their existing base year value (the “Original Base Year Value”) to a comparable replacement property within the same county which is acquired or constructed within five years after the date of the disaster. At the time of such transfer, the Damaged Property will be reassessed at its full cash value immediately prior to damage or destruction (the “Original Cash Value”); however, such property will retain its base year value notwithstanding such a transfer. Property is substantially damaged or destroyed if either the land’s or the improvements’ sustain physical damage amounting to more than 50%

of either the land or improvements full cash value immediately prior to the date of the disaster. There is no filing deadline, but the county assessor may only correct four years of assessments when the owner fails to file a claim within four years of acquiring a replacement property.

Under Proposition 50, the base year value of the replacement property (the “Replacement Base Year Value”) depends on the relation of the full cash value of the replacement property (the “Replacement Cash Value”) to the Original Cash Value:

-if the Replacement Cash Value exceeds 120% of the Original Cash Value, then the Replacement Base Year Value is calculated by combining the Original Base Year Value with such excessive Replacement Cash Value;

-if the Replacement Cash Value does not exceed 120% of the Original Cash Value, then the Replacement Base Year Value equals the Original Base Year Value;

-if the Replacement Cash Value is less than the Original Cash Value, then the Replacement Base Year Value equals the Replacement Cash Value;

The replacement property must be comparable in size, utility, and function to the Damaged Property.

On November 2, 1993, the voters of the State approved Proposition 171 (“Proposition 171”). Proposition 171 amends subdivision (e) of Section 2 of Article XIII A of the State Constitution to allow owners of Damaged Property to transfer their Original Base Year Value to a “comparable replacement property” located within another county in the State, which is acquired or newly constructed within three years after the disaster.

Inter-county transfers under Proposition 171 are more restrictive than intra-county transfers under Proposition 50. For example, Proposition 171 (a) only applies to (i) structures that are owned and occupied by property owners as their principal place of residence and (ii) land of a “reasonable size that is used as a site for a residence;” (b) explicitly does not apply to property owned by firms, partnerships, associations, corporations, companies, or legal entities of any kind; (c) only applies to replacement property located in a county that adopts an ordinance allowing Proposition 171 transfers; (d) claims must be timely filed within three years of the date of purchase or completion of new construction; and (e) only applies to comparable replacement property, which has a full cash value that is of “equal or lesser value” than the Original Cash Value.

Within the context of Proposition 171, “equal or lesser value” means that the amount of the Replacement Cash Value does not exceed either (1) 105% of the Original Cash Value when the replacement property is acquired or constructed within one year of the dated destruction, (2) 110% of the Original Cash Value when the replacement property is acquired or constructed within two years of the dated destruction, or (3) 115% of the Original Cash Value when the replacement property is acquired or constructed within three years of the dated destruction.

Effect of Natural Disasters on Assessed Valuations

As referenced under “– Assessed Valuations of the Improvement District” herein, assessed valuations are subject to change in each year, and such changes may result from a variety of factors, including natural disasters. In recent years, there have been several notable natural disasters in the State. These include drought conditions throughout the State, which led to a State-wide Drought State of Emergency issued in January, 2014, and certain executive orders issued in 2015 and 2016, aiming to reduce water usage in local communities. The drought was declared to have ended in 2017 in most of the

State due to record-level precipitation in late 2016 and early 2017. In addition, major wildfires have occurred in recent years in different regions of the State. Neither the College District nor the Improvement District sustained any property losses as a result of these recent fires. However, serious and significant property damage has resulted in other areas of the State due to fire damage. On September 21, 2018, the Governor signed a number of measures into law addressing issues related to increased wildfire risk in the State, including forest management, mutual aid for fire departments, emergency alerts and safety mandates.

On August 27, 2018, the California Natural Resources Agency released its Fourth Climate Change Assessment, which included as key findings that the frequency of drought and the amount of acres consumed by wildfire in the State would both increase in the future. This report details significant economic impact to the State as a result of these and other natural disasters. The report is publicly available at <http://www.climateassessment.ca.gov/>. The reference to this internet website is shown for convenience only; the information contained within the website may not be current, has not been reviewed by the College District or the Improvement District and is not incorporated herein by reference.

Neither the College District nor the Improvement District can predict or make any representations regarding the effects that natural disasters, such as fire or wildfire, pandemic or outbreak of infectious disease, drought or extended drought conditions, earthquakes, or other related natural or man-made conditions, have or may have on the value of taxable property within the Improvement District, or to what extent the effects said natural disasters might have on economic activity in the Improvement District or throughout the State. See the heading “– Appeals and Potential Reduction of Assessed Valuations” for more information.

Ad Valorem Property Tax Rates, Levies, Collections and Delinquencies

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1. However, upon a change in ownership of property or completion of new construction, State law permits an accelerated recognition and taxation of increases in real property assessed valuation (known as a “floating lien date”). For assessment and collection purposes, property is classified either as “secured” or “unsecured” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing State assessed property secured by a lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the “unsecured roll.”

The County levies a 1% property tax on behalf of all taxing agencies in the County. The taxes collected are allocated on the basis of a formula established by State law enacted in 1979. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of “situs” growth in assessed value (new construction, change of ownership, inflation) prorated among the jurisdictions which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county-wide or less than city-wide special and school districts. In addition, the County levies and collects additional approved property taxes and assessments on behalf of any taxing agency within the County.

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

Property taxes on the unsecured roll are currently due as of the January 1 lien date prior to the commencement of a fiscal year and become delinquent, if unpaid, on August 31. A ten percent penalty attaches to delinquent taxes on property on the unsecured roll and an additional penalty of one and one-half percent per month begins to accrue on November 1. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the Clerk of the County (the “County Clerk”) specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for recordation in the County Recorder’s office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements, bank accounts or possessory interests belonging or assessed to the taxpayer.

The County levies and collects all property taxes for property falling within its taxing boundaries.

On May 6, 2020, Governor Newsom issued Executive Order N-61-20 (“Executive Order N-61-20”), suspending penalties, costs or interest for the failure to pay taxes on property on the secured or unsecured roll, or to pay a supplemental bill, before the date and time such taxes became delinquent, and cancelling penalties, costs, and interest, through May 6, 2021. Executive Order N-61-20 applies to residential real property occupied by the taxpayer, or real property owned and operated by certain qualified small business, and requires that taxes owed on the property in question not be delinquent prior to March 4, 2020 and the taxpayer demonstrate economic hardship or that the failure to pay taxes was due to the COVID-19 pandemic.

The College District cannot predict the level of delinquent property tax payments due to the COVID-19 pandemic or the effect that Executive Order N-61-20 will have on such level of delinquencies, or whether any further action will be taken by the State with respect to property tax payment or deadlines or delinquent payment of property taxes. The College District cannot anticipate how the County will proceed with requests to cancel penalties on late property tax payments or any potential future adjustments to property tax payments related to COVID-19. The College District cannot predict whether future property tax deadlines will remain in effect, the extent of delinquencies and delayed tax collections, or the impact of any such delay or delinquencies on the College District’s financial conditions or operations. The County has adopted the Teeter Plan, according to which the County distributes to the Improvement District the amount levied on the secured and supplemental tax rolls, instead of the amount actually collected. The College District cannot confirm that the County will always maintain the Teeter Plan or will have sufficient funds available to distribute the full amount of the Improvement District’s share of property tax levies to the Improvement District. See “Tax Levies, Collections and Delinquencies – Teeter Plan and Tax Losses Reserve Fund” herein. However, State law requires the County to levy ad valorem property taxes sufficient to pay debt service on the Bonds when due. If delinquencies increase substantially as a result of the unprecedented events of the COVID-19 pandemic or other events outside the control of the College District, the County does have the authority to increase allowances for annual reserves in the tax levy to avoid fluctuating tax levies.

The following table sets forth secured tax charges and delinquencies levied in the Improvement District for fiscal years 2014-15 through 2018-19.

**SANTA ANA COLLEGE IMPROVEMENT DISTRICT NO. 1 OF
RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
Secured Tax Charges and Delinquencies**

	<u>Secured Tax Charge⁽¹⁾</u>	<u>Amount Delinquent June 30</u>	<u>% Delinquent June 30</u>
2014-15	\$6,825,841.05	\$76,308.38	1.12%
2015-16	6,342,327.92	45,256.24	0.71
2016-17	6,601,804.08	48,171.07	0.73
2017-18	6,104,790.28	38,600.29	0.63
2018-19	6,418,564.53	50,180.01	0.78

⁽¹⁾ District’s general obligation bond debt service levy. Excludes supplemental property.
Source: California Municipal Statistics, Inc.

The following table sets forth secured tax charges and delinquencies levied in the College District for fiscal years 2014-15 through 2018-19.

**RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
Secured Tax Charges and Delinquencies**

	<u>Secured Tax Charge⁽¹⁾</u>	<u>Amount Delinquent June 30</u>	<u>% Delinquent June 30</u>
2014-15	\$41,240,922.37	\$286,291.44	0.69%
2015-16	43,396,651.64	296,553.43	0.68
2016-17	45,247,098.21	313,365.89	0.69
2017-18	47,532,744.12	259,937.13	0.55
2018-19	50,267,510.54	332,962.22	0.66

⁽¹⁾ 1% General Fund apportionment. Excludes supplemental roll.
Source: California Municipal Statistics, Inc.

Alternative Method of Tax Apportionment – Teeter Plan

The Board of Supervisors of the County (the “Board of Supervisors”) has approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. Under the Teeter Plan, the County apportions secured property taxes on an accrual basis when due (irrespective of actual collections) to its local political subdivisions, including the College District and the Improvement District, for which the County acts as the tax-levying or tax-collecting agency.

The Teeter Plan is applicable to all tax levies for which the County acts as the tax-levying or tax-collecting agency, or for which the County treasury is the legal depository of the tax collections. The Teeter Plan does apply to *ad valorem* property tax levies made to support debt service on the Bonds.

The *ad valorem* property tax to be levied to pay the interest on and principal of the Bonds will be subject to the Teeter Plan, beginning in the first fiscal year of such levy. The Improvement

District will receive 100% of the *ad valorem* property taxes levied to pay the Bonds irrespective of actual delinquencies in the collection of the taxes by the County.

The Teeter Plan is to remain in effect unless the Board of Supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors receives a petition for its discontinuance joined in by a resolution adopted by at least two-thirds of the participating revenue districts in the County. In the event the Board of Supervisors is to order discontinuance of the Teeter Plan subsequent to its implementation, only those secured property taxes actually collected would be allocated to political subdivisions (including the College District and the Improvement District) for which the County acts as the tax-levying or tax-collecting agency.

Tax Rates

Representative tax rate areas (each a “TRA”) located within the Improvement District include Tax Rate Area 11-003. The table below shows the total *ad valorem* tax rates levied by all taxing entities in the TRA during the five-year period from 2015-16 through 2019-20.

**SANTA ANA COLLEGE IMPROVEMENT DISTRICT NO. 1 OF
RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT**

**Typical Tax Rates per \$100 of Assessed Valuation
TRA 11-003 / 2019-20 Assessed Valuation: \$6,890,491,376 ⁽¹⁾**

	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
General	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%
Santa Ana Unified School District	.06604	.06377	.06327	.05561	.07300
Rancho Santiago Community College District	.03063	.02999	.03013	.02875	.02818
Santa Ana College Improvement District No. 1 of Rancho Santiago Community College District	.01976	.01946	.02075	.01662	.02360
Metropolitan Water District	.00350	.00350	.00350	.00350	.00350
Total	<u>1.11993%</u>	<u>1.11672%</u>	<u>1.11765%</u>	<u>1.10448%</u>	<u>1.12828</u>

⁽¹⁾ 15.92% of the SFID’s total assessed valuation.
Source: California Municipal Statistics, Inc.

Largest Taxpayers

The twenty largest local secured taxpayers in the Improvement District and their assessed valuations for 2019-20 are shown in the following table.

**SANTA ANA COLLEGE IMPROVEMENT DISTRICT NO. 1 OF
RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
Largest 2019-20 Local Secured Taxpayers**

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2019-20 Assessed Valuation</u>	<u>% of Total⁽¹⁾</u>
1.	Irvine Office Towers 1 LLC	Commercial	\$ 402,549,757	1.00%
2.	Edwards Lifesciences LLC	Industrial	367,654,316	0.92
3.	Allergan Pharmaceuticals	Industrial	343,280,025	0.86
4.	Irvine Apartment Communities LP	Apartments	313,374,220	0.78
5.	Mainplace Shoppingtown LLC	Commercial	292,273,323	0.73
6.	The Irvine Company	Commercial	282,419,012	0.70
7.	Hancock S-REIT Irvine Corp.	Commercial	273,025,443	0.68
8.	Jacaranda Holdings LLC	Commercial	263,566,686	0.66
9.	GWGG LLC	Commercial	225,436,539	0.56
10.	Newport Gateway Office LLC	Commercial	207,030,306	0.52
11.	Boardwalk Office Associates LLC	Commercial	202,401,567	0.51
12.	HG Newport Owner LLC	Commercial	180,030,000	0.45
13.	Lakeshore Properties LLC	Commercial	174,301,259	0.43
14.	Astoria Central Park West	Residential	160,990,813	0.40
15.	RP/Essex Skyline Holdings LLC	Apartments	144,387,459	0.36
16.	BRE/OC Griffin LLC	Commercial	143,346,414	0.36
17.	First American Title Insurance Co.	Commercial	136,072,485	0.34
18.	SPUS7 Irvine Hotel Owner LP	Commercial	126,713,819	0.32
19.	WJ Newport LLC	Commercial	126,464,066	0.32
20.	Investel Harbor Resorts LLC	Commercial	124,999,244	0.31
	TOTAL		<u>\$4,490,316,753</u>	<u>11.21%</u>

⁽¹⁾ 2019-20 Local Secured Assessed Valuation: \$40,072,459,491
Source: California Municipal Statistics, Inc.

The more property (by assessed value) which is owned by a single taxpayer within the Improvement District, the greater amount of tax collections that are exposed to weaknesses in such a taxpayer's financial situation and ability or willingness to pay property taxes. Each taxpayer listed above is a name listed on the tax rolls. Neither the College District nor the Improvement District can make any representation as to whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table above.

College District and Improvement District Debt

Prior to delivery of the Bonds, the Improvement District has \$ _____ outstanding in general obligation indebtedness. Following issuance of the Bonds, there is no remaining unissued Authorization remaining for the Improvement District. See APPENDIX A for information on debt of the

College District and “INTRODUCTION – College District Refunding Bond Issue” for information about certain additional bonds being issued by the College District.

The following table is a statement of the Improvement District’s direct and estimated overlapping bonded debt as of July 1, 2020. The debt report is included for general information purposes only. Neither the College District nor the Improvement District has reviewed the debt report for completeness or accuracy or makes any representation in connection therewith.

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

Column 1 in the table names each public agency which has outstanding debt as of the date of the report and whose territory overlaps the Improvement District in whole or in part. Column 2 shows the percentage of each overlapping agency’s assessed value located within the boundaries of the Improvement District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in Column 3, which is the apportionment of each overlapping agency’s outstanding debt to taxable property in the Improvement District.

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**SANTA ANA COLLEGE IMPROVEMENT DISTRICT NO. 1 OF
RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
DIRECT AND OVERLAPPING BONDED INDEBTEDNESS**

2019-20 Assessed Valuation: \$\$43,271,832,743

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 7/1/20</u>
Metropolitan Water District	1.398%	\$ 521,454
Rancho Santiago Community College District	52.967	116,614,286
Rancho Santiago Community College District School Facilities Improvement District No. 1	100.	166,020,000⁽¹⁾
Garden Grove Unified School District	28.995	116,924,454
Santa Ana Unified School District	100.	285,682,392
Irvine Ranch Water District, I.D. Nos. 113 and 213	4.332	1,132,097
Santa Ana Unified School District Community Facilities District No. 2004-1	100.	6,865,000
City of Irvine Community Facilities District No. 2004-1	100.	17,250,000
California Statewide Communities Development Authority Community Facilities District No. 2018-3	100.	8,300,000
City 1915 Act Bonds	0.660-100.	1,788,723
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$721,098,406

<u>OVERLAPPING GENERAL FUND DEBT:</u>		
Orange County General Fund Obligations	6.915%	\$ 26,743,417
Orange County Pension Obligation Bonds	6.915	32,283,629
Orange County Board of Education Certificates of Participation	6.915	894,110
Santa Ana Unified School District Certificates of Participation	100.	62,467,085
City of Anaheim General Fund Obligations	0.328	1,720,143
City of Garden Grove General Fund Obligations	27.115	6,035,799
City of Santa Ana General Fund Obligations	85.809	25,551,775
Other City General Fund Obligations	Various	6,821,235
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		\$162,517,193
Less: City of Anaheim supported obligations		1,720,143
TOTAL NET OVERLAPPING GENERAL FUND DEBT		\$160,797,050

<u>OVERLAPPING TAX INCREMENT DEBT:</u>		
Successor Agency to Garden Grove Redevelopment Agency	40.575%	\$24,998,258
Successor Agency to Santa Ana Redevelopment Agency	89.164	61,951,147
Other Redevelopment Successor Agencies	Various	3,875,160
TOTAL OVERLAPPING TAX INCREMENT DEBT		\$90,824,565

GROSS COMBINED TOTAL DEBT	\$974,440,164 ⁽²⁾
NET COMBINED TOTAL DEBT	\$972,720,021

Ratios to 2019-20 Assessed Valuation:

Direct Debt (\$166,020,000)	0.38%
Total Direct and Overlapping Tax and Assessment Debt	1.67%
Gross Combined Total Debt	2.25%
Net Combined Total Debt	2.25%

Ratios to 2018-19 Redevelopment Incremental Valuation (\$8,843,198,240):

Total Overlapping Tax Increment Debt	1.03%
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(1) Excludes issue to be sold.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

TAX MATTERS

The following is a summary of certain anticipated United States federal income tax consequences of the purchase, ownership and disposition of the Bonds. The summary is based upon the provisions of the Code, the Treasury Regulations promulgated thereunder and the judicial and administrative rulings and decisions now in effect, all of which are subject to change. Such authorities may be repealed, revoked, or modified, possibly with retroactive effect, so as to result in United States federal income tax consequences different from those described below. The summary generally addresses Bonds held as capital assets within the meaning of Section 1221 of the Code and does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances or certain types of investors subject to special treatment under the federal income tax laws, including but not limited to financial institutions, insurance companies, dealers in securities or currencies, persons holding such Bonds as a hedge against currency risks or as a position in a “straddle,” “hedge,” “constructive sale transaction” or “conversion transaction” for tax purposes, or persons whose functional currency is not the United States dollar. It also does not deal with holders other than original purchasers that acquire Bonds at their initial issue price except where otherwise specifically noted. Potential purchasers of the Bonds should consult their own tax advisors in determining the federal, state, local, foreign and other tax consequences to them of the purchase, holding and disposition of the Bonds.

Neither the College District nor the Improvement District has sought and neither will seek any rulings from the Internal Revenue Service with respect to any matter discussed herein. No assurance can be given that the Internal Revenue Service would not assert, or that a court would not sustain, a position contrary to any of the tax characterizations and tax consequences set forth below.

U.S. Holders

As used herein, the term “U.S. Holder” means a beneficial owner of the Bonds that is (a) an individual citizen or resident of the United States for federal income tax purposes, (b) a corporation, including an entity treated as a corporation for federal income tax purposes, created or organized in or under the laws of the United States or any State thereof (including the District of Columbia), (c) an estate whose income is subject to federal income taxation regardless of its source, or (d) a trust if a court within the United States can exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust. Notwithstanding clause (d) of the preceding sentence, to the extent provided in Treasury regulations, certain trusts in existence on August 20, 1996, and treated as United States persons prior to that date that elect to continue to be treated as United States persons also will be U.S. Holders. In addition, if a partnership (or other entity or arrangement treated as a partnership for federal income tax purposes) holds Bonds, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. If a U.S. Holder is a partner in a partnership (or other entity or arrangement treated as a partnership for federal income tax purposes) that holds Bonds, the U.S. Holder is urged to consult its own tax advisor regarding the specific tax consequences of the purchase, ownership and dispositions of the Bonds.

Taxation of Interest Generally

Interest on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code and so will be fully subject to federal income taxation. Purchasers will be subject to federal income tax accounting rules affecting the timing and/or characterization of payments received with respect to such Bonds. In general, interest paid on the Bonds and recovery of any accrued original issue discount and market discount will be treated as ordinary income to a bondholder, and after adjustment for the foregoing, principal payments will be treated as a return of capital to the extent of the

U.S. Holder's adjusted tax basis in the Bonds and capital gain to the extent of any excess received over such basis.

Recognition of Income Generally

Section 451(b) of the Code provides that purchasers using an accrual method of accounting for U.S. federal income tax purposes may be required to include certain amounts in income no later than the time such amounts are reflected on certain financial statements of such purchaser. In this regard, the IRS issued proposed regulations which provide that, with the exception of certain fees, the rule in section 451(b) will generally not apply to the timing rules for original issue discount and market discount, or to the timing rules for de minimis original issue discount and market discount. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential applicability of these rules and their impact on the timing of the recognition of income related to the Bonds under the Code.

Original Issue Discount

The following summary is a general discussion of certain federal income tax consequences of the purchase, ownership and disposition of Bonds issued with original issue discount ("Discount Bonds"). A Bond will be treated as having been issued with an original issue discount if the excess of its "stated redemption price at maturity" (defined below) over its issue price (defined as the initial offering price to the public at which a substantial amount of the Bonds of the same maturity have first been sold to the public, excluding bond houses and brokers) equals or exceeds one quarter of one percent of such Bond's stated redemption price at maturity multiplied by the number of complete years to its maturity (or, in the case of an installment obligation, its weighted average maturity).

A Bond's "stated redemption price at maturity" is the total of all payments provided by the Bond that are not payments of "qualified stated interest." Generally, the term "qualified stated interest" includes stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate or certain floating rates.

In general, the amount of original issue discount includible in income by the initial holder of a Discount Bond is the sum of the "daily portions" of original issue discount with respect to such Discount Bond for each day during the taxable year in which such holder held such Bond. The daily portion of original issue discount on any Discount Bond is determined by allocating to each day in any "accrual period" a ratable portion of the original issue discount allocable to that accrual period.

An accrual period may be of any length, and may vary in length over the term of a Discount Bond, provided that each accrual period is not longer than one year and each scheduled payment of principal or interest occurs at the end of an accrual period. The amount of original issue discount allocable to each accrual period is equal to the difference between (i) the product of the Discount Bond's adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and appropriately adjusted to take into account the length of the particular accrual period) and (ii) the amount of any qualified stated interest payments allocable to such accrual period. The "adjusted issue price" of a Discount Bond at the beginning of any accrual period is the sum of the issue price of the Discount Bond plus the amount of original issue discount allocable to all prior accrual periods minus the amount of any prior payments on the Discount Bond that were not qualified stated interest payments. Under these rules, holders generally will have to include in income increasingly greater amounts of original issue discount in successive accrual periods.

Holders utilizing the accrual method of accounting may generally, upon election, include in gross income all interest (including stated interest, acquisition discount, original issue discount, de minimis

original issue discount, market discount, de minimis market discount, and unstated interest, as adjusted by any amortizable bond premium or acquisition premium) on a Bond by using the constant yield method applicable to original issue discount, subject to certain limitations and exceptions. Holders that use an accrual method of accounting may be required to include certain amounts in income no later than the time such amounts are reflected on certain financial statements of such holder as discussed under “Recognition of Income Generally” above. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential applicability of this rule and its impact on the timing of the recognition of income related to the Bonds under the Code.

Market Discount

A holder who purchases a Bond at a price which includes market discount (i.e., at a purchase price that is less than its adjusted issue price in the hands of an original owner) in excess of a prescribed de minimis amount will be required to recharacterize all or a portion of the gain as ordinary income upon receipt of each scheduled or unscheduled principal payment or upon other disposition. In particular, such holder will generally be required either (a) to allocate each such principal payment to accrued market discount not previously included in income and to recognize ordinary income to that extent and to treat any gain upon sale or other disposition of such a Bond as ordinary income to the extent of any remaining accrued market discount or (b) to elect to include such market discount in income currently as it accrues on all market discount instruments acquired by such holder 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 of the Tax Reform Act of 1986 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.

A holder of a Bond who acquires such Bond at a market discount also may be required to defer, until the maturity date of such Bond or the earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the holder paid or accrued during the taxable year on indebtedness incurred or maintained to purchase or carry a Bond in excess of the aggregate amount of interest (including original issue discount) includable in such holder’s gross income for the taxable year with respect to such Bond. The amount of such net interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the Bond for the days during the taxable year on which the holder held the Bond 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 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 bondholder elects to include such market discount in income currently as described above.

Holders that use an accrual method of accounting may be required to include certain amounts in income no later than the time such amounts are reflected on certain financial statements of such holder as discussed under “Recognition of Income Generally” above. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential applicability of this rule and its impact on the timing of the recognition of income related to the Bonds under the Code.

Bond Premium

A holder of a Bond who purchases such Bond at a cost greater than its remaining redemption amount will have amortizable bond premium. If the holder elects to amortize this premium under Section 171 of the Code (which election will apply to all Bonds held by the holder on the first day of the taxable year to which the election applies and to all Bonds thereafter acquired by the holder), such a holder must amortize the premium using constant yield principles based on the holder's yield to maturity. Amortizable bond premium is generally treated as an offset to interest income, and a reduction in basis is required for amortizable bond premium that is applied to reduce interest payments. Purchasers of Bonds who acquire such Bonds at a premium should consult with their own tax advisors with respect to federal, state and local tax consequences of owning such Bonds.

Surtax on Unearned Income

Section 1411 of the Code generally imposes a tax of 3.8% on the "net investment income" of certain individuals, trusts and estates. Among other items, net investment income generally includes gross income from interest and net gain attributable to the disposition of certain property, less certain deductions. U.S. Holders should consult their own tax advisors regarding the possible implications of this provision in their particular circumstances.

Sale or Redemption of the Bonds

A bondholder's adjusted tax basis for a Bond is the price such holder pays for the Bond plus the amount of original issue discount and market discount previously included in income and reduced on account of any payments received on such Bond other than "qualified stated interest" and any amortized bond premium. Gain or loss recognized on a sale, exchange or redemption of a Bond, measured by the difference between the amount realized and the bondholder's tax basis as so adjusted, will generally give rise to capital gain or loss if the Bond is held as a capital asset (except in the case of Bonds acquired at a market discount, in which case a portion of the gain will be characterized as interest and therefore ordinary income).

If the terms of a Bond are materially modified, in certain circumstances, a new debt obligation would be deemed "reissued," or created and exchanged for the prior obligation in a taxable transaction. Among the modifications which may be treated as material are those related to the redemption provisions and, in the case of a nonrecourse obligation, those which involve the substitution of collateral. In addition, the defeasance of a Bond under the defeasance provisions of the Resolution could result in a deemed sale or exchange of such Bond.

EACH POTENTIAL HOLDER OF BONDS SHOULD CONSULT ITS OWN TAX ADVISOR CONCERNING (1) THE TREATMENT OF GAIN OR LOSS ON SALE, REDEMPTION OR DEFEASANCE OF THE BONDS, AND (2) THE CIRCUMSTANCES IN WHICH BONDS WOULD BE DEEMED REISSUED AND THE LIKELY EFFECTS, IF ANY, OF SUCH REISSUANCE.

Non-U.S. Holders

The following is a general discussion of certain United States federal income tax consequences resulting from the beneficial ownership of Bonds by a person other than a U.S. Holder, a former United States citizen or resident, or a partnership or entity treated as a partnership for United States federal income tax purposes (a "Non-U.S. Holder").

Subject to the discussion of backup withholding and the Foreign Account Tax Compliance Act ("FATCA"), payments of principal by the Improvement District or any of its agents (acting in its capacity

as agent) to any Non-U.S. Holder will not be subject to federal withholding tax. In the case of payments of interest to any Non-U.S. Holder, however, federal withholding tax will apply unless the Non-U.S. Holder (1) does not own (actually or constructively) 10-percent or more of the voting equity interests of the Improvement District, (2) is not a controlled foreign corporation for United States tax purposes that is related to the Improvement District (directly or indirectly) through stock ownership, and (3) is not a bank receiving interest in the manner described in Section 881(c)(3)(A) of the Code. In addition, either (1) the Non-U.S. Holder must certify on the applicable IRS Form W-8 (series) (or successor form) to the Improvement District, its agents or paying agents or a broker under penalties of perjury that it is not a U.S. person and must provide its name and address, or (2) a securities clearing organization, bank or other financial institution, that holds customers' securities in the ordinary course of its trade or business and that also holds the Bonds must certify to the Improvement District or its agent under penalties of perjury that such statement on the applicable IRS Form W-8 (series) (or successor form) has been received from the Non-U.S. Holder by it or by another financial institution and must furnish the interest payor with a copy.

Interest payments may also be exempt from federal withholding tax depending on the terms of an existing Federal Income Tax Treaty, if any, in force between the U.S. and the resident country of the Non-U.S. Holder. The U.S. has entered into an income tax treaty with a limited number of countries. In addition, the terms of each treaty differ in their treatment of interest and original issue discount payments. Non-U.S. Holders are urged to consult their own tax advisor regarding the specific tax consequences of the receipt of interest payments, including original issue discount. A Non-U.S. Holder that does not qualify for exemption from withholding as described above must provide the Improvement District or its agent with documentation as to his, her, or its identity to avoid the U.S. backup withholding tax on the amount allocable to a Non-U.S. Holder. The documentation may require that the Non-U.S. Holder provide a U.S. tax identification number.

If a Non-U.S. Holder is engaged in a trade or business in the United States and interest on a Bond held by such holder is effectively connected with the conduct of such trade or business, the Non-U.S. Holder, although exempt from the withholding tax discussed above (provided that such holder timely furnishes the required certification to claim such exemption), may be subject to United States federal income tax on such interest in the same manner as if it were a U.S. Holder. In addition, if the Non-U.S. Holder is a foreign corporation, it may be subject to a branch profits tax equal to 30% (subject to a reduced rate under an applicable treaty) of its effectively connected earnings and profits for the taxable year, subject to certain adjustments. For purposes of the branch profits tax, interest on a Bond will be included in the earnings and profits of the holder if the interest is effectively connected with the conduct by the holder of a trade or business in the United States. Such a holder must provide the payor with a properly executed IRS Form W-8ECI (or successor form) to claim an exemption from United States federal withholding tax.

Generally, any capital gain realized on the sale, exchange, retirement or other disposition of a Bond by a Non-U.S. Holder will not be subject to United States federal income or withholding taxes if (1) the gain is not effectively connected with a United States trade or business of the Non-U.S. Holder, and (2) in the case of an individual, the Non-U.S. Holder is not present in the United States for 183 days or more in the taxable year of the sale, exchange, retirement or other disposition, and certain other conditions are met.

For newly issued or reissued obligations, such as the Bonds, FATCA imposes U.S. withholding tax on interest payments and, for dispositions after December 31, 2018, gross proceeds of the sale of the Bonds paid to certain foreign financial institutions (which is broadly defined for this purpose to generally include non-U.S. investment funds) and certain other non-U.S. entities if certain disclosure and due diligence requirements related to U.S. accounts or ownership are not satisfied, unless an exemption

applies. An intergovernmental agreement between the United States and an applicable non-U.S. country may modify these requirements. In any event, bondholders or beneficial owners of the Bonds shall have no recourse against the Improvement District or the College District, nor will the Improvement District or the College District be obligated to pay any additional amounts to “gross up” payments to such persons, as a result of any withholding or deduction for, or on account of, any present or future taxes, duties, assessments or government charges with respect to payments in respect of the Bonds. However, it should be noted that on December 13, 2018, the IRS issued Proposed Treasury Regulation Section 1.1473-1(a)(1) which proposes to remove gross proceeds from the definition of “withholdable payment” for this purpose.

Non-U.S. Holders should consult their own tax advisors with respect to the possible applicability of federal withholding and other taxes upon income realized in respect of the Bonds.

Information Reporting and Backup Withholding

For each calendar year in which the Bonds are outstanding, the Improvement District, its agents or paying agents or a broker is required to provide the IRS with certain information, including a holder’s name, address and taxpayer identification number (either the holder’s Social Security number or its employer identification number, as the case may be), the aggregate amount of principal and interest paid to that holder during the calendar year and the amount of tax withheld, if any. This obligation, however, does not apply with respect to certain U.S. Holders, including corporations, tax-exempt organizations, qualified pension and profit-sharing trusts, and individual retirement accounts and annuities.

If a U.S. Holder subject to the reporting requirements described above fails to supply its correct taxpayer identification number in the manner required by applicable law or under-reports its tax liability, the Improvement District, its agents or paying agents or a broker may be required to make “backup” withholding of tax on each payment of interest or principal on the Bonds. This backup withholding is not an additional tax and may be credited against the U.S. Holder’s federal income tax liability, provided that the U.S. Holder furnishes the required information to the IRS.

Under current Treasury Regulations, backup withholding and information reporting will not apply to payments of interest made by the Improvement District, its agents (in their capacity as such) or paying agents or a broker to a Non-U.S. Holder if such holder has provided the required certification that it is not a U.S. person (as set forth in the second paragraph under “—Non-U.S. Holders” above), or has otherwise established an exemption (provided that neither the Improvement District nor its agent has actual knowledge that the holder is a U.S. person or that the conditions of an exemption are not in fact satisfied).

Payments of the proceeds from the sale of a Bond to or through a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, information reporting (but not backup withholding) may apply to those payments if the broker is one of the following:

- a U.S. person;
- a controlled foreign corporation for U.S. tax purposes;
- a foreign person 50-percent or more of whose gross income from all sources for the three-year period ending with the close of its taxable year preceding the payment was effectively connected with a United States trade or business; or
- a foreign partnership with certain connections to the United States.

Payment of the proceeds from a sale of a Bond to or through the United States office of a broker is subject to information reporting and backup withholding unless the holder or beneficial owner certifies as to its taxpayer identification number or otherwise establishes an exemption from information reporting and backup withholding.

The preceding federal income tax discussion is included for general information only and may not be applicable depending upon a holder's particular situation. Holders should consult their tax advisors with respect to the tax consequences to them of the purchase, ownership and disposition of the Bonds, including the tax consequences under federal, state, local, foreign and other tax laws and the possible effects of changes in those tax laws.

State Taxes

Bond Counsel is of the opinion that interest on the Bonds is exempt from personal income taxes of the State of California under present State law. Bond counsel expresses no opinion as to other State, city, or local tax consequences arising with respect to the Bonds nor as to the taxability of the Bonds or the income therefrom under the laws of any jurisdiction other than California.

Changes in Law and Post Issuance Events

Legislative or administrative actions and court decisions, at either the federal or state level, could have an impact on the inclusion in gross income of interest on the Bonds for federal or state income tax purposes, and thus on the value or marketability of the Bonds. This could result from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or otherwise. It is not possible to predict whether any such legislative or administrative actions or court decisions will occur or have an adverse impact on the federal or state income tax treatment of holders of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the impact of any change in law or proposed change in law on the Bonds.

IN ALL EVENTS, ALL INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE BONDS.

CONSIDERATIONS FOR ERISA AND OTHER U.S. BENEFIT PLAN INVESTORS

The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain fiduciary obligations and prohibited transaction restrictions on employee pension and welfare benefit plans subject to Title I of ERISA ("ERISA Plans"). Section 4975 of the Code imposes essentially the same prohibited transaction restrictions on tax-qualified retirement plans described in Section 401(a) and 403(a) of the Code, which are exempt from tax under Section 501(a) of the Code, other than governmental and church plans as defined herein ("Qualified Retirement Plans"), and on Individual Retirement Accounts ("IRAs") described in Section 408(b) of the Code (collectively, "Tax-Favored Plans"). Certain employee benefit plans such as governmental plans (as defined in Section 3(32) of ERISA) ("Governmental Plans"), and, if no election has been made under Section 410(d) of the Code, church plans (as defined in Section 3(33) of ERISA) ("Church Plans"), are not subject to ERISA requirements. Additionally, such Governmental and Church Plans are not subject to the requirements of Section 4975 of the Code but may be subject to applicable federal, state or local law ("Similar Laws") which is, to a material extent, similar to the foregoing provisions of ERISA or the Code. Accordingly, assets of such plans may be invested in the Bonds without regard to the ERISA and Code considerations described below, subject to the provisions of Similar Laws.

In addition to the imposition of general fiduciary obligations, including those of investment prudence and diversification and the requirement that a plan's investment be made in accordance with the documents governing the plan, Section 406 of ERISA and Section 4975 of the Code prohibit a broad range of transactions involving assets of ERISA Plans and Tax-Favored Plans and entities whose underlying assets include plan assets by reason of ERISA Plans or Tax-Favored Plans investing in such entities (collectively, "Benefit Plans") and persons who have certain specified relationships to the Benefit Plans ("Parties In Interest" or "Disqualified Persons"), unless a statutory or administrative exemption is available. The definitions of "Party in Interest" and "Disqualified Person" are expansive. While other entities may be encompassed by these definitions, they include, most notably: (1) fiduciary with respect to a plan; (2) a person providing services to a plan; (3) an employer or employee organization any of whose employees or members are covered by the plan; and (4) the owner of an IRA. Certain Parties in Interest (or Disqualified Persons) that participate in a prohibited transaction may be subject to a penalty (or an excise tax) imposed pursuant to Section 502(i) of ERISA (or Section 4975 of the Code) unless a statutory or administrative exemption is available. Without an exemption an IRA owner may disqualify his or her IRA.

Certain transactions involving the purchase, holding or transfer of the Bonds might be deemed to constitute prohibited transactions under ERISA and Section 4975 of the Code if assets of the Improvement District were deemed to be assets of a Benefit Plan. Under final regulations issued by the United States Department of Labor (the "Plan Assets Regulation"), the assets of the Improvement District would be treated as plan assets of a Benefit Plan for the purposes of ERISA and Section 4975 only of the Code if the Benefit Plan acquires an "equity interest" in the Improvement District and none of the exceptions contained in the Plan Assets Regulation is applicable. An equity interest is defined under the Plan Assets Regulation as an interest in an entity other than an instrument which is treated as indebtedness under applicable local law and which has no substantial equity features. Although there is little guidance on this matter, it appears that the Bonds should be treated as debt without substantial equity features for purposes of the Plan Assets Regulation. This determination is based upon the traditional debt features of the Bonds, including the reasonable expectation of purchasers of Bonds that the Bonds will be repaid when due, traditional default remedies, as well as the absence of conversion rights, warrants and other typical equity features.

However, without regard to whether the Bonds are treated as an equity interest for such purposes, though, the acquisition or holding of Bonds by or on behalf of a Benefit Plan could be considered to give rise to a prohibited transaction if the Improvement District or the Paying Agent, or any of their respective affiliates, is or becomes a Party in Interest or a Disqualified Person with respect to such Benefit Plan.

Most notably, ERISA and the Code generally prohibit the lending of money or other extension of credit between an ERISA Plan or Tax-Favored Plan and a Party in Interest or a Disqualified Person, and the acquisition of any of the Bonds by a Benefit Plan would involve the lending of money or extension of credit by the Benefit Plan. In such a case, however, certain exemptions from the prohibited transaction rules could be applicable depending on the type and circumstances of the plan fiduciary making the decision to acquire a Bond. Included among these exemptions are: Prohibited Transaction Class Exemption ("PTCE") 96-23, regarding transactions effected by certain "in-house asset managers"; PTCE 90-1, regarding investments by insurance company pooled separate accounts; PTCE 95-60, regarding transactions effected by "insurance company general accounts"; PTCE 91-38, regarding investments by bank collective investment funds; and PTCE 84-14, regarding transactions effected by "qualified professional asset managers." Further, the statutory exemption in Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provides for an exemption for transactions involving "adequate consideration" with persons who are Parties in Interest or Disqualified Persons solely by reason of their (or their affiliate's) status as a service provider to the Benefit Plan involved and none of whom is a fiduciary with respect to the Benefit Plan assets involved (or an affiliate of such a fiduciary). There can

be no assurance that any class or other exemption will be available with respect to any particular transaction involving the Bonds, or that, if available, the exemption would cover all possible prohibited transactions.

By acquiring a Bond (or interest therein), each purchaser and transferee (and if the purchaser or transferee is a plan, its fiduciary) is deemed to represent and warrant that either (i) it is not acquiring the Bond (or interest therein) with the assets of a Benefit Plan, Governmental plan or Church plan; or (ii) the acquisition and holding of the Bond (or interest therein) will not give rise to a nonexempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or Similar Laws. A purchaser or transferee who acquires Bonds with assets of a Benefit Plan represents that such purchaser or transferee has considered the fiduciary requirements of ERISA, the Code or Similar Laws and has consulted with counsel with regard to the purchase or transfer.

Because the Improvement District, the Underwriter or any of their respective affiliates may receive certain benefits in connection with the sale of the Bonds, the purchase of the Bonds using plan assets of a Benefit Plan over which any of such parties has investment authority or provides investment advice for a direct or indirect fee may be deemed to be a violation of the prohibited transaction rules of ERISA or Section 4975 of the Code or Similar Laws for which no exemption may be available. Accordingly, any investor considering a purchase of Bonds using plan assets of a Benefit Plan should consult with its counsel if the Improvement District or the Underwriter or any of their respective affiliates has investment authority or provides investment advice for a direct or indirect fee with respect to such assets or is an employer maintaining or contributing to the Benefit Plan.

Any ERISA Plan fiduciary considering whether to purchase the Bonds on behalf of an ERISA Plan should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment and the availability of any of the exemptions referred to above. Persons responsible for investing the assets of Tax-Favored Plans that are not ERISA Plans should seek similar counsel with respect to the prohibited transaction provisions of the Code and the applicability of Similar Laws.

LEGAL OPINION

The legal opinion of Bond Counsel attesting to the validity and tax status of the Bonds will be supplied to the original purchasers of the Bonds without charge. Bond Counsel will receive compensation contingent upon the sale and delivery of the Bonds.

LEGALITY FOR INVESTMENT

Under provisions of the California Financial Code, the Bonds are legal investments for commercial banks in California to the extent that the Bonds, in the informed opinion of the investing bank, are prudent for the investment of funds of depositors. Under provisions of the California Government Code, the Bonds are eligible to secure deposits of public moneys in California.

RATINGS

S&P Global Ratings (“S&P”) and Moody’s Investors Service (“Moody’s” and, together with S&P, the “Rating Agencies”) have assigned their municipal bond ratings of “___” and “___” to the Bonds, respectively. The College District and the Improvement District have furnished to the Rating Agencies certain materials and information with respect to themselves and the Bonds, including information not included in this Official Statement, about the College District, the Improvement District and the Bonds. Generally, a rating agency bases its rating on such information and materials and on its own investigations, studies and assumptions. Such ratings reflect only the view of S&P and Moody’s,

respectively, and an explanation of the significance of such ratings may be obtained as follows: S&P, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007, tel. (212) 553 0300 and Moody's, at 7 World Trade Center at 250 Greenwich Street, New York, New York 10007, tel. (212) 553-0300. A rating may be changed, suspended, or withdrawn as a result of changes in or unavailability of information. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely if, in the judgment of the rating agencies, circumstances so warrant. The Improvement District has not undertaken any responsibility to bring to the attention of the Owners of the Bonds any proposed revision or withdrawal of a rating on the Bonds or to oppose any such proposed revision or withdrawal. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

LEGAL MATTERS

Continuing Disclosure

In accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission, the College District will enter into a Continuing Disclosure Undertaking (the "Continuing Disclosure Undertaking") in the form of APPENDIX D hereto, on or prior to the sale of the Bonds in which the Improvement District will undertake, for the benefit of the Beneficial Owners of the Bonds, to provide certain information as set forth therein. The covenants contained in the Continuing Disclosure Undertaking have been made to assist the Underwriter in complying with the Rule. See APPENDIX D – "FORM OF CONTINUING DISCLOSURE UNDERTAKING" hereto.

Limitation on Remedies; Amounts Held in the County Treasury Pool

The opinion of Bond Counsel, the proposed form of which is attached hereto as APPENDIX B, is qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditor's rights. The rights of the Owners of the Bonds are subject to certain limitations. Enforceability of the rights and remedies of the Owners of the Bonds, and the obligations incurred by the College District and the Improvement District, are limited by applicable bankruptcy, insolvency, reorganization, moratorium, and similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect, equity principles that may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose, and the limitations on remedies against college and community college districts in the State. Bankruptcy proceedings, if initiated, could subject the beneficial owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

Under Chapter 9 of the Federal Bankruptcy Code (Title 11, United States Code) (the "Bankruptcy Code"), which governs the bankruptcy proceedings for public agencies, no involuntary petitions for bankruptcy relief are permitted. While current State law precludes community college districts from voluntarily seeking bankruptcy relief under Chapter 9 of the Bankruptcy Code without the concurrence of the State, such concurrence could be granted or State law could be amended.

California Senate Bill 222

On July 13, 2015, the Governor signed Senate Bill 222 ("SB 222") into law, effective January 1, 2016. SB 222 was introduced on February 12, 2015, initially to amend Section 15251 of the California Education Code to clarify the process of lien perfection for general obligation bonds issued by or on

behalf of California school and community college districts. Subsequently, on April 15, 2015, SB 222 was amended to include an addition to the Government Code to similarly clarify the process of lien perfection for general obligation bonds issued by cities, counties, authorities and special districts.

SB 222, applicable to general obligations bonds issued after its effective date, such as the Bonds, removes the extra step between (a) the issuance of general obligation bonds by cities, counties, cities and counties, school districts, community college districts, authorities and special districts; and (b) the imposition of a lien on the future *ad valorem* property taxes that are the source of repayment of the general obligation bonds. By clarifying that the lien created with each general obligation bond issuance is a “statutory” lien (consistent with bankruptcy statutory law and case precedent), SB 222, while it does not prevent default, should reduce the ultimate bankruptcy risk of non-recovery on local general obligation bonds, and thus potentially improve ratings, interest rates and bond cost of issuance.

Special Revenues

If the Improvement District were to become a debtor in a Chapter 9 proceeding, because the Bonds are for the financing of specific capital projects and are supported by a consensual lien on *ad valorem* property taxes that are use-restricted to the repayment of the Bonds, the College District and the Improvement District believe that those taxes are “special revenues” as defined in the Bankruptcy Code, and thus there is a special revenue lien in favor of owners of the Bonds in addition to, and separate and independent of, the statutory lien created by SB 222. In comparison to other consensual pledges and liens arising by agreement (that are all made ineffective post-bankruptcy by Section 552 of the Bankruptcy Code), special revenues acquired by a municipality during a Chapter 9 case will remain subject to the lien that arose from the security agreement entered into prior to the beginning of the case, and will survive the conclusion of the Chapter 9 proceeding. In addition, the automatic stay arising upon the filing of the bankruptcy petition has historically been understood not to stay the application of special revenues to payment of the bonds secured by such special revenues. Thus, regularly scheduled payments of principal and interest to Owners of the Bonds likely would continue under 11 U.S.C. § 922(d) throughout any bankruptcy proceeding.

Based on the foregoing, if the Improvement District were to become a debtor in a Chapter 9 proceeding, the Improvement District believes that: the *ad valorem* property taxes could not be used for any other purpose other than repayment of the Bonds; the *ad valorem* property taxes should be determined to be special revenues in a Chapter 9 proceeding, and thus Owners of the Bonds would ordinarily continue to be paid post-petition; and the *ad valorem* property taxes are also protected by a statutory lien in favor of the bondholders. However, bankruptcy courts are courts of equity and as such have broad discretionary powers, and there is no binding judicial precedent dealing with the treatment in bankruptcy proceedings of *ad valorem* property tax revenues collected for the payments of bonds in California, so no assurance can be given that a bankruptcy court would not hold otherwise. If the Improvement District were to become a debtor in a proceeding under Chapter 9 of the Bankruptcy Code, the bankruptcy court could find that the automatic stay exception for special revenues does not apply, and the parties to the proceedings may thus be prohibited from taking any action to collect any amount from the Improvement District (including *ad valorem* tax revenues), or to enforce any obligation of the Improvement District, without the bankruptcy court’s permission. It is also possible that the bankruptcy court may not enforce the State law use restriction imposed on *ad valorem* property taxes.

Even if the *ad valorem* property tax revenues are determined to be “special revenues,” the Bankruptcy Code provides that special revenues can be applied to necessary operating expenses of the project or system, before they are applied to other obligations. This rule applies regardless of the provisions of the transaction documents. Thus, a bankruptcy court could determine that the Improvement District is entitled to use the *ad valorem* property tax revenues to pay necessary operating expenses of the

College District and its colleges, before the remaining revenues are paid to the owners of the Bonds. It should also be noted that it is possible – in the context of confirming a Plan of Adjustment (the “Plan”) in a Chapter 9 case where the Plan has not received the requisite consent of the holders of the Bonds – a bankruptcy court may confirm a Plan that adjusts the timing of payments on the Bonds or the interest rate or other terms of the Bonds provided that (a) the Bondholders retain their lien on the revenues subject to the statutory and/or special revenues lien, (b) the payment stream has a present value equal to the value of the revenues subject to the lien(s) and (c) the bankruptcy court finds that these and any other adjustments to the Bonds’ terms are fair and equitable.

The Resolution and the Act require the County to annually levy *ad valorem* taxes upon all property subject to taxation by the Improvement District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of principal of, premium, if any, and interest on the Bonds. The County on behalf of the Improvement District is thus expected to be in possession of the annual *ad valorem* taxes and certain funds to repay the Bonds and may invest these funds in the County’s Investment Pool, as described in APPENDIX F – “ORANGE COUNTY EDUCATIONAL INVESTMENT POOL DISCLOSURE” herein. In the event the Improvement District or the County were to file for bankruptcy relief, a bankruptcy court might hold that the Owners of the Bonds are unsecured creditors with respect to any funds received by the Improvement District or the County prior to the bankruptcy, which might include taxes that have been collected and deposited in the Debt Service Fund, where such amounts are deposited into the County Treasury Pool, and such amounts may not be available for payment of the principal and interest on the Bonds unless the Owners of the Bonds can “trace” those funds. There can be no assurance that the Owners could successfully so “trace” such taxes on deposit in the Debt Service Fund where such amounts are invested in the County Treasury Pool. Further, it is not entirely clear what procedures the Owners of the Bonds would have to follow to attempt to obtain possession of such tax revenues, or what amount of time would be required for such procedures to be completed. Under any such circumstances, there could be delays or reductions in payments on the Bonds.

UNDERWRITING

Piper Sandler & Co. (the “Underwriter”), has agreed to purchase the Bonds from the Improvement District at the purchase price of \$ _____ (being the principal amount of the Bonds, plus net original issue premium of \$ _____, and less Underwriter’s discount of \$ _____), at the rates and yields shown on the inside cover hereof.

The following paragraphs in this “Underwriting” section have been provided by the Underwriter. Neither the College District nor the Improvement District can or do make any representation as to the accuracy or the completeness thereof.

The Underwriter intends to offer the Bonds to the public at the offering prices set forth on the inside cover page of this Official Statement. The Underwriter may, however, offer and sell Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page of this Official Statement. The offering prices may be changed from time to time by the Underwriter.

Piper Sandler & Co. has entered into a distribution agreement (the “Schwab Agreement”) with Charles Schwab & Co., Inc. (“CS&Co.”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the Schwab Agreement, CS&Co. will purchase Bonds from Piper Sandler & Co. at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS&Co. sells.

NO LITIGATION

No litigation is pending or threatened concerning the validity of the Bonds. Neither the College District nor the Improvement District is aware of any litigation that is pending or threatened questioning the political existence of the College District or the Improvement District or their boundaries or contesting the Improvement District's ability to receive *ad valorem* taxes or to collect other revenues or contesting the Improvement District's ability to issue the Bonds. The College District is subject to lawsuits and claims in the ordinary course of its operations. In the opinion of the College District, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the College District or the Improvement District.

VERIFICATION

On the date of delivery of the Bonds, the firm of Causey Demgen & More P.C., a firm of certified public accountants, will deliver its report regarding the sufficiency of amounts and investments on deposit in the Escrow Fund to pay the interest on and redemption price of the Refunded Bonds, when due.

MUNICIPAL ADVISOR

Fieldman, Rolapp & Associates, Inc. (the "Municipal Advisor") is employed as Municipal Advisor to the Improvement District in connection with the issuance of the Bonds. The Municipal Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Fieldman, Rolapp & Associates, Inc., in its capacity as Municipal Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income status of the Bond, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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OTHER INFORMATION

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statements of the contents thereof. Copies of the Resolution are available upon request from the Vice Chancellor, Business Operations/Fiscal Services, Rancho Santiago Community College District, 2323 N. Broadway, Santa Ana, California 92706-1640.

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

The execution and delivery of this Official Statement has been duly authorized by the Rancho Santiago Community College District, acting as the legislative body for the Santa Ana College Improvement District No. 1 of Rancho Santiago Community College District.

SANTA ANA COLLEGE IMPROVEMENT DISTRICT
NO. 1 OF RANCHO SANTIAGO COMMUNITY
COLLEGE DISTRICT

By: _____
Chancellor of Rancho Santiago Community College
District

APPENDIX A

**FINANCIAL AND DEMOGRAPHIC INFORMATION
RELATING TO THE COLLEGE DISTRICT**

TABLE OF CONTENTS

	Page
THE COLLEGE DISTRICT.....	A-1
College District General Information	A-1
The Improvement District.....	A-2
College District Organization	A-2
Labor Relations.....	A-3
Insurance	A-4
College District Enrollment	A-6
Population	A-7
Employment.....	A-8
Principal Employers.....	A-9
College District and Improvement District Investments.....	A-9
Revenue Limits	A-10
Expenditures	A-10
Financial Statements of the College District.....	A-11
Budgets of College District.....	A-11
College District Finances.....	A-11
District Debt.....	A-15
Long-Term Obligations	A-17
Operating Leases.....	A-17
Public Agency Retirement Services.....	A-17
STRS and PERS.....	A-18
State Pension Trusts.....	A-18
Other Post-Employment Benefits	A-24
Risks Related to COVID-19	A-25
FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA.....	A-28
Major Revenues	A-28
Proposition 98.....	A-30
Fiscal Year 2020-21 State Budget	A-31
Proposition 1A	A-36
Final State Budgets	A-37
Future State Budgets.....	A-37
CONSTITUTIONAL INITIATIVES AND STATUTORY MEASURES	A-37

APPENDIX A

FINANCIAL AND DEMOGRAPHIC INFORMATION RELATING TO THE COLLEGE DISTRICT

Prospective purchasers of the Bonds should be aware that the following discussion of the financial condition of the Rancho Santiago Community College District (the "College District"), its fund balances, budgets and obligations, is intended as general information only, and no implication is made that the payment of principal of or interest on the Bonds is dependent in any way upon the College District's financial condition. The College District does not receive ad valorem tax revenues collected by Orange County (the "County") to pay debt service on the Bonds (or its other general obligation bonds) in the following tables or in its annual financial statements. Pursuant to Section 15251 of the California Education Code, all tax revenues collected for payment of debt service on the Bonds must be deposited into the debt service fund of the Santa Ana College Improvement District No. 1 of Rancho Santiago Community College District (the "Improvement District"). The Bonds are and will continue to be payable solely from ad valorem taxes levied and collected by the County within the boundaries of the Improvement District. See the body of this Official Statement under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

Any financial information, including projections, forecasts and budgets presented herein, does not account for potential effects of COVID-19, unless specifically referenced.

This Appendix A provides information concerning the operations and finances of the College District. The Bonds are general obligation bonds of the Improvement District, secured and payable from ad valorem property taxes assessed on taxable properties within the Improvement District. The Bonds are not an obligation of the County, the State of California (the "State") or any of its other political subdivisions or of the General Fund of the College District. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" in the forepart of this Official Statement.

THE COLLEGE DISTRICT

College District General Information

The College District was established in 1971. The College District encompasses approximately 193 square miles in the County. The College District maintains two comprehensive community colleges, each providing collegiate level instruction across a wide spectrum of subjects. Santa Ana College, founded in 1915, is located in Santa Ana and Santiago Canyon College, founded in 1997, is located in Orange. The College District also provides comprehensive college and continuing education programs at the Centennial Continuing Education Center, the Orange Continuing Education Center, the Santa Ana College Orange County Sheriff's Regional Training Academy, the Digital Media Center, the Orange County Regional Fire Training Center, and various other sites throughout the College District. The College District serves a resident population of over 700,000, and includes portions of Santa Ana, Orange, Anaheim, Irvine, Garden Grove, Tustin, Villa Park, Costa Mesa, and Fountain Valley.

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the College District. Additional information concerning the College District and copies of the most recent and subsequent audited financial statements of the College District may be obtained by contacting: Rancho Santiago Community College District, 2323 N. Broadway, Santa Ana, California 92706-1640, Attention: Peter Hardash, Vice Chancellor, Business Operations/Fiscal Services.

The Improvement District

On July 21, 2008, the Improvement District was established by the Board (defined below) pursuant to its Resolution 08-22 and Chapter 2 of Part 10 of Division 1 of Title 1 of the California Education Code. The Improvement District encompasses approximately 35 square miles, representing approximately 18.1% of the area of the College District.

College District Organization

The College District is governed by an eight-member Board of Trustees (the “Board”), seven members of which are elected to four-year terms on a staggered basis, with one student trustee. Elections for positions to the Board are held every two years, alternating between three and four available positions. A student trustee, who serves a one-year term, is elected by College District students. Current members of the Board, together with their offices and the dates their terms expire, are listed below.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT BOARD OF TRUSTEES

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Claudia C. Alvarez	President	December 2020
Phillip Yarbrough	Vice President	December 2022
Arianna P. Barrios	Clerk	December 2020
Zeke Hernandez	Member	December 2020
John R. Hanna	Member	December 2022
Lawrence R. Labrado	Member	December 2022
Vacant	Member	N/A
Mariano Cuellar	Student Trustee	May 2021

The Chancellor of the College District is appointed by the Board and reports to the Board. The Chancellor is responsible for management of the College District’s day-to-day operations and supervises the work of other key administrators.

Brief biographies of the Chancellor and certain key administrators follow:

Mr. Marvin Martinez, Chancellor. Mr. Martinez was appointed as Chancellor of the College District effective July 1, 2019. Immediately prior to joining the College District, Mr. Martinez served as President of East Los Angeles College, following a term as President of Los Angeles Harbor College. He has 30 years of community college experience and recently served as the Board President of the Chief Executive Officers for California Community Colleges. Mr. Martinez holds a Master of Arts in Urban Planning and a Bachelor of Arts in English from the University of California, Los Angeles.

Mr. Peter J. Hardash, Vice Chancellor, Business Operations/Fiscal Services. Mr. Hardash was appointed Vice Chancellor, Business Operations/Fiscal Services of the College District in July 2006. Prior to working with the College District, he was Vice President of Administrative Services at Pasadena City College and Vice President of Business Services at Cerritos College. He has spent 38 years in public education. Mr. Hardash holds a Master’s Degree in Business Administration from Pepperdine University and a Bachelor’s Degree in Business Administration from Loyola Marymount University.

Mr. Enrique Perez, Vice Chancellor, Educational Services. Mr. Perez has worked for the College District since 2000 and currently serves as the Vice Chancellor of Educational Services with

responsibilities that include resource development, research, workforce development, child development, and public and governmental affairs. Mr. Perez received his Bachelors in Political Science and Masters in Public Administration from the University of Southern California and his Juris Doctorate from Whittier Law School.

Ms. Tracie Green, Vice Chancellor, Human Resources. Ms. Green was appointed to the position of Vice Chancellor of Human Resources in June, 2018 with responsibilities that include labor negotiations, employee recruitment, selection, discipline, fringe benefit administration and risk management. Immediately prior to joining the College District, she served as the Director of Human Resources for Merced Community College District. Ms. Green holds a Master of Arts in Education Administration and Supervision and a Bachelor of Arts in Biological Sciences from California State University, Fresno.

Dr. Marilyn Flores, Ph.D, Interim President, Santa Ana College. [BIO TO COME].

Dr. John Hernandez, Santiago Canyon College. Dr. Hernandez was appointed President of Santiago Canyon College in July 2017. Dr. Hernandez has been in the field of student affairs for 34 years, twenty-one of those years in administration. Prior to his tenure at Santiago Canyon College, Dr. Hernandez served in the following administrative roles: Associate Vice President & Dean of Students at Cal Poly Pomona; Associate Dean for Student Development at Santa Ana College; and Assistant Dean for Students Affairs at California State University, Fullerton. Additionally, he has served as an adjunct instructor in the Student Development in Higher Education graduate program at Cal State University, Long Beach. Dr. Hernandez earned his Ph.D. in College Student Personnel Administration from the University of Maryland in College Park, a Master's Degree in Counseling with an emphasis in student development in higher education from CSU Long Beach, and a Bachelor's Degree in sociology from CSU Fullerton.

Labor Relations

As of June 30, 2020, the College District employed ___ full-time academic professionals, ___ full-time classified employees, ___ full-time child development teachers and ___ managers. In addition, the College District employs ___ part-time faculty and staff, including ___ unrepresented employees. These employees, except management and certain unrepresented employees, may be represented by four bargaining units at the employees' discretion as noted below.

The College District cannot predict the impact of any potential forthcoming requests for hazard payments for essential employees or any other additional labor costs resulting from the COVID-19 pandemic.

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**RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
Labor Relations Organizations [UPDATE]**

Labor Organization	Number of Employees	Contract Expiration Date
Faculty Association of Rancho Santiago Community College District	___ Full Time ___ Part-Time	June 30, 2019 ⁽¹⁾
California School Employees Association Chapter 579	___ Full-Time ___ Part-Time	June 30, 2019 ⁽¹⁾
Continuing Education Faculty Association	___ Part-Time	June 30, 2020
California School Employees Association, Chapter 888 (Child Development Centers Teachers)	___ Full-Time	June 30, 2019 ⁽¹⁾

⁽¹⁾ Employees continue to work under the terms of the expired contract.

Insurance

Joint Powers Authority Risk Pools. The College District participates in two joint powers agreement entities: the Alliance of Schools for Cooperative Insurance Programs (“ASCIP”) and Schools Excess Liability Fund (“SELF”) (each, a “JPA” and together, the “JPAs”).

ASCIP arranges for and provides property, liability, health benefit programs and workers’ compensation insurance for its member school districts and community college districts. The College District pays a premium commensurate with the level of coverage requested. SELF arranges for and provides a self-funded or additional insurance for excess liability for approximately 800 public educational agencies.

ASCIP is governed by an elected board consisting of regional representatives from each member district. The governing board controls the operations of its JPA independent of any influence by the College District beyond the College District’s representation on the governing boards. SELF is governed by a board of 16 elected voting members, elected alternates, and two ex-officio members. The board controls the operations of SELF, including selection of management and approval of operating budgets, independent of any influence by the members beyond their representation on the board. Each member pays an annual contribution based upon that calculated by SELF’s board of directors.

Each JPA is independently accountable for its fiscal matters. Budgets are not subject to any approval other than that of the respective governing boards. Member districts share surpluses and deficits proportionately to their participations in the JPAs.

The relationships between the College District and the JPAs are such that neither of the JPAs is a component unit of the College District for financial reporting purposes.

Self-Insurance Fund. The College District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disaster; medical claims, auto claims and cyber liability claims. During the fiscal year, the College District maintained an internal service fund (the “Self-Insurance Fund”) to account for and finance its uninsured risks of loss. The Self-Insurance Fund provides Self Insured Retention coverage for up to a maximum of \$25,000 for each general liability claim, \$10,000 for each property damage claim, \$1,500 for

auto claims and \$5,000 for cyber claims. Workers' Compensation has insured coverage with a \$150,000 Self-insured Retention. The College District participates in the JPAs to provide excess insurance coverage above the self-insured level for worker's compensation, property and liability claims, auto claims and cyber liability claims. Settled claims have never exceeded the coverage provided by the JPA.

Funding of the Self-Insurance Fund is based on estimates of the amounts needed to pay prior year claims and current year premiums. Workers' Compensation claims are charged to the respective funds which are covered by the current year policy; Property and Liability claims are paid by the General Fund.

At June 30, 2019, the College District accrued its claims liability in accordance with GASB Statement No. 10, for claims that occurred when the College District was self-insured. The amount of open claims liability is currently estimated at \$ _____.

Changes in this reported liability are shown below:

	<u>Workers'</u> <u>Compensation</u>	<u>Property and</u> <u>Liability</u>
Liability Balance, July 1, 2016	\$ 400,000	\$ -
Claims and changes in estimates	39,510	38,354
Claims payments	(39,510)	(38,354)
Liability Balance, July 1, 2017	\$ 400,000	\$ -
Claims and changes in estimates	48,759	160,473
Claims payments	(48,759)	(160,473)
Liability Balance, June 30, 2018	\$ 400,000	-
Claims and changes in estimates		
Claims payments		
Liability Balance, June 30, 2019		
Assets Available to Pay Claims at June 30, 2018	<u> </u>	<u> </u>

Source: The College District.

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College District Enrollment

The table below sets forth the enrollment for funded Full-Time Equivalent Students (“FTES”) for the College District for fiscal years 2015-16 through 2019-20.

**RANCHO SANTIAGO COMMUNITY COLLEGE STUDENTS
Full-Time Equivalent Students**

Fiscal Year	FTES⁽¹⁾	Increase (Decrease) From Prior Year
2015-16	28,901	(7)
2016-17	27,517	(1,384)
2017-18	29,379	1,862
2018-19	25,884	(3,495)
2019-20		

⁽¹⁾ Funded FTES figures include California resident (“Resident”) students. The College District receives apportionment from the State only for Resident students. Non-resident students are charged a higher fee per unit than Resident students, which income is independent and not subject to apportionment nor deduction by the State.
Source: The College District.

The College District had no unfunded FTES for fiscal year 2019-20 and expects to have no unfunded FTES for fiscal year 2020-21. In 2016-17, the College District declined by 1,384 FTES and went into stabilization. The College District fully restored FTES in 2017-18 by shifting FTES from summer 2018 and therefore shows a decline in 2018-19. The College District expects enrollment to remain flat over the next several years, with no unfunded FTES.

The table below sets forth the historical total student enrollment in the College District for the fiscal years 2015-16 through 2019-20.

**RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
Historical Enrollment**

Fiscal Year	Total Enrollment
2015-16	94,027
2016-17	92,516
2017-18	91,579
2018-19	89,818
2019-20	

Source: The College District.

Population

The populations of the City of Orange, the City of Santa Ana (collectively, the “Cities”), the County and the State during the period from 2015 through 2019 are set forth in the following table.

Population Figures⁽¹⁾ 2015 through 2019

<u>Year</u>	<u>City of Santa Ana</u>	<u>City of Orange</u>	<u>County of Orange</u>	<u>State of California</u>
2015	339,591	140,722	3,152,376	38,915,880
2016	339,997	140,761	3,172,152	39,189,035
2017	337,843	140,981	3,198,968	39,500,973
2018	339,192	141,116	3,213,275	39,740,508
2019	337,716	141,691	3,222,498	39,927,315

⁽¹⁾ As of January 1 of the respective year.
Source: California State Department of Finance.

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Employment

The following chart compares labor force, employment, civilian employment and the unemployment rate in the Cities, County and the State of California during the period from 2015 through 2019. However, the 2020-21 State Budget recognizes a significant increase in unemployment claims in the State related to the COVID-19 pandemic, as described in “ – Fiscal Year 2020-21 State Budget” herein.

LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
City of Santa Ana, City of Orange, Orange County and the State of California
Yearly Average for Years 2014 through 2018

<u>Year and Area</u>	<u>Labor Force</u>	<u>Civilian Employment</u>	<u>Civilian Unemployment</u>	<u>Unemployment Rate (%)</u>
<u>2015</u>				
City of Santa Ana	158,000	149,900	8,100	5.1
City of Orange	71,900	68,900	3,000	4.2
County of Orange	1,588,700	1,518,000	70,700	4.4
State of California	18,893,200	17,723,300	1,169,900	6.2
<u>2016</u>				
City of Santa Ana	157,400	150,800	6,500	4.1
City of Orange	72,200	69,300	2,900	4.0
County of Orange	1,598,800	1,534,100	64,700	4.0
State of California	19,044,500	18,002,800	1,041,700	5.5
<u>2017</u>				
City of Santa Ana	157,500	151,800	5,700	3.6
City of Orange	72,300	69,800	2,500	3.4
County of Orange	1,609,800	1,553,400	56,400	3.5
State of California	19,205,300	18,285,500	919,800	4.8
<u>2018</u>				
City of Santa Ana	158,900	154,200	4,700	3.0
City of Orange	73,100	70,900	2,100	2.9
County of Orange	1,625,400	1,577,900	47,500	2.9
State of California	19,398,200	18,582,800	815,400	4.2
<u>2019</u>				
City of Santa Ana				
City of Orange				
County of Orange				
State of California				

Source: State of California Employment Development Department; U.S. Department of Labor, Bureau of Labor Statistics.

Principal Employers

The following table lists the top ten employers in the City of Santa Ana.

CITY OF SANTA ANA Principal Employers 2019

<u>Employer</u>	<u>Number of Employees</u>
1. County of Orange	
2. Santa Ana Unified School District	
3. Santa Ana College	
4. First American Title Co.	
5. KPC Healthcare	
6. City of Santa Ana	
7. United States Postal Service	
8. Superior Court of CA-County of Orange	
9. Johnson & Johnson	
10. Allied Universal	

Source: City of Santa Ana.

The following table lists the top ten employers in the City of Orange.

CITY OF ORANGE Principal Employers 2019

<u>Employer</u>	<u>Number of Employees</u>
1. UCI Medical Center	
2. CHOC Children's Hospital	
3. St. Joseph Hospital of Orange	
4. CashCall Inc. – Mortgage Division	
5. Chapman University	
6. Santiago Canyon College	
7. CalOptima Health Plans	
8. American Advisors Group (AAG)	
9. City of Orange	
10. Western Dental Services, Inc.	

Source: City of Orange.

College District and Improvement District Investments

The Treasurer-Tax Collector (the "Treasurer") of the County manages, in accordance with California Government Code Section 53600 *et seq.*, funds deposited with the Treasurer by County school and community college districts, various special districts, and some cities within the State. State law generally requires that all moneys of the County, school and community college districts and certain special districts be held in the County's Treasury Pool. See "THE BONDS – Permitted Investments."

The composition and value of investments under management in the Treasury Pool vary from time to time depending on cash flow needs of the County and public agencies invested in the pool, maturity or sale of investments, purchase of new securities, and due to fluctuations in interest rates generally. See Appendix F – “ORANGE COUNTY EDUCATIONAL INVESTMENTS POOL DISCLOSURE.”

Revenue Limits

The State provides the largest percentage of the College District’s revenues, based on certain formulas. All State aid is subject to the appropriation of funds in the State’s annual budget. Decreases in State revenues may affect appropriations made by the legislature to the districts. See “FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA – Major Revenues” herein.

Funding of a community college district’s revenue limit is accomplished by a mix of (1) local property taxes, (2) State apportionments of basic aid and (3) student enrollment fees. Generally, the State apportionments amount to the difference between the community college district’s revenue limit and its local property tax revenues and student enrollment fees.

Article XIII A of the California Constitution and other legislation permit each county to levy and collect all property taxes (except for levies to support prior voter approved indebtedness), and prescribe how levies on county-wide property values were to be shared with local taxing entities within each county.

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1. For assessment and collection purposes, property is classified either as “secured” or “unsecured,” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing State assessed property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the “unsecured roll.”

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a ten percent penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared tax defaulted for non-payment on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is then subject to sale by the Treasurer. For additional details on property tax levies and collections, see “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – *Ad Valorem* Property Taxes, Tax Rates, Levies, Collections and Delinquencies” herein.

Expenditures

Funding of the above revenue limits is accomplished by a mix of local property taxes and State aid. Since the passage of Article XIII A of the California Constitution in 1978, property taxes received by the College District have been limited to the College District’s share of one percent of the full cash value collected by the County. See “FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA” and “CONSTITUTIONAL INITIATIVES AND STATUTORY MEASURES” herein.

As noted in the financial statements included and attached as APPENDIX C, the College District’s major expenditures each year are employee salaries and benefits.

Financial Statements of the College District

The College District's General Fund finances the legally authorized activities of the College District. General Fund revenues are derived from such sources as State fund apportionments, taxes, use of money and property, and aid from other governmental agencies. Certain information from the College District's financial statements follows. The College District's audited financial statements for fiscal year 2017-18 are attached hereto as APPENDIX C.

The College District's financial statements are prepared on a modified accrual basis of accounting in accordance with generally accepted accounting principles as set forth by the Governmental Accounting Standards Board.

Funds and Account Groups used by the College District are categorized as follows:

<u>Governmental Funds</u>
General Fund
Special Revenue Fund
Debt Service Funds
Internal Service Funds
Fiduciary Funds
Capital Projects Funds

The General Fund of the College District, as shown herein, is a combined fund comprised of moneys which are unrestricted and available to finance the legally authorized activities of the College District and restricted funds and moneys which are restricted to specific types of programs or purposes. General Fund revenues shown thereon are derived from such sources as taxes, aid from other government agencies, charges for current services and other revenue.

The financial statements included herein were prepared by the College District using information from the annual financial report which are prepared by the Director of Fiscal Services for the College District and audited by independent certified public accountants each year.

Budgets of College District

The fiscal year of the College District begins on the first day of July of each year and ends on the 30th day of June of the following year. On or before July 1 of each year, the College District adopts a fiscal line-item budget setting forth expenditures in priority sequence so that appropriations during the fiscal year can be adjusted if revenues do not meet projections.

The College District is required by provisions of the California Education Code to maintain a balanced budget each year, where the sum of expenditures plus the ending fund balance cannot exceed the revenues plus the carry-over fund balance from the previous year. The Chancellor of California Community Colleges (the "State Chancellor") imposes a uniform budgeting format for each community college district in the State.

College District Finances

The following pages describe the College District's audited financial results for the fiscal years 2015-16 through 2018-19 and its unaudited actuals for fiscal year 2019-20, as well as a comparison of the adopted general fund budget to audited actuals for fiscal years 2016-17 through 2018-19, and to unaudited

actuals for 2019-20, and the tentative general fund budget for fiscal year 2020-21. The College District is expected to adopt its budget for fiscal year 2020-21 on or about September __, 2020.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES
Fiscal Years 2015-16 through 2018-19, Unaudited Actuals for 2019-20

	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19	Unaudited Actuals Fiscal Year 2019-20
OPERATING REVENUES					
Tuition and fees (gross)	\$28,652,585	\$31,494,782	\$26,900,937	\$29,067,982	
Less: Scholarship discounts and allowances	(14,613,331)	(17,017,217)	(12,315,178)	(14,417,864)	
Net tuition and fees	<u>14,039,254</u>	<u>14,477,565</u>	<u>14,585,759</u>	<u>14,650,118</u>	
Grants and contracts, non-capital		91,667,796	101,004,584	95,520,217	
Other Operating Revenues	782,543	6,145,050	5,729,488	5,350,171	
TOTAL OPERATING REVENUES	<u>14,821,797</u>	<u>112,290,411</u>	<u>121,319,831</u>	<u>115,520,506</u>	
OPERATING EXPENSES					
Salaries	118,339,127	126,728,087	130,216,115	138,794,443	
Employee benefits	46,701,520	56,822,875	66,551,929	69,477,047	
Supplies, materials, and other operating expenses and services	42,040,669	60,862,544	73,060,017	76,741,728	
Transfer to agency funds					
Student financial aid	26,363,864	26,406,257	30,126,114	30,261,162	
Equipment, maintenance, and repairs	7,990,065			7,642,370	
Utilities		3,044,341	3,191,489		
Depreciation	18,511,753	18,083,453	17,812,097	17,808,084	
TOTAL OPERATING EXPENSES	<u>259,946,998</u>	<u>291,947,557</u>	<u>320,957,761</u>	<u>340,724,834</u>	
OPERATING INCOME (LOSS)	<u>(245,125,201)</u>	<u>(179,657,146)</u>	<u>(199,637,930)</u>	<u>(225,204,328)</u>	
NON-OPERATING REVENUES (EXPENSES)					
State apportionments, non-capital	86,240,268	82,863,325	75,818,550	83,596,488	
Local property taxes, levied for general purposes	63,038,387	71,909,721	85,972,908	81,420,316	
Taxes levied for other specific purposes				31,025,282	
Federal grants	34,961,432			23,535,989	
State grants	42,123,488			5,074,270	
State taxes and other revenues	23,301,212	9,860,734	7,433,052	8,352,303	
Investment income	1,654,221	1,356,918	2,354,579	7,065,808	
Interest expense on capital asset related debt	(17,652,039)	(13,689,204)	(13,245,119)	(14,380,005)	
Investment income on capital asset-related debt, net	119,317			325,526	
Transfer to/from fiduciary funds	(344,403)	578,312	(554,532)	(52,100)	
Loss on disposal of capital assets	(33,341)			(320,101)	
Other non-operating revenues	11,325,769	4,450,406	4,449,678	2,642,678	
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>244,734,311</u>	<u>157,330,212</u>	<u>162,229,116</u>	<u>228,286,454</u>	
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS AND LOSSES	<u>(390,890)</u>	<u>(22,326,934)</u>	<u>(37,408,814)</u>	<u>3,082,126</u>	
OTHER REVENUES, EXPENSES, GAINS AND LOSSES					
State apportionments, capital	3,456,437	3,257,909	2,240,057	1,325,755	
Local property taxes and revenues, capital		29,533,832	32,053,076		
Interest and investment income, capital		805,477	1,678,576		
Loss on disposal of equipment			(235,340)		
Local revenues, capital	<u>28,160,244</u>	<u>147,612</u>	<u>2,715</u>	<u>3,676,408</u>	
TOTAL OTHER REVENUES, EXPENSES, GAINS AND LOSSES	<u>31,616,681</u>	<u>33,744,830</u>	<u>35,739,084</u>	<u>5,002,163</u>	
CHANGE IN NET POSITION	<u>31,225,791</u>	<u>11,417,896</u>	<u>(1,669,730)</u>	<u>8,084,289</u>	
NET POSITION, BEGINNING OF YEAR	<u>26,320,576</u>	<u>57,546,368</u>	<u>68,964,264</u>	<u>(23,945,371)</u>	
Cumulative effect of change in accounting principles ⁽¹⁾			<u>(91,239,905)</u>		
Net position, beginning of year, after restatement ⁽¹⁾			<u>(22,275,641)</u>		
NET POSITION, END OF YEAR	<u>\$57,546,367</u>	<u>\$68,964,264</u>	<u>\$(23,945,371)</u>	<u>\$(15,861,082)</u>	

Source: The College District.

⁽¹⁾ The College District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pension*, which resulted in the restatement of the beginning net position.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
Comparison of Adopted General Fund Budgets for Fiscal Years 2017-18, 2018-19 and 2019-20,
Audited Actuals for Fiscal Years 2017-18 and 2018-19, Unaudited Actuals for Fiscal Year 2019-20 and Tentative Budget for Fiscal Year
2020-21

	2017-18 Adopted Budget	2017-18 Audited Actuals	2018-19 Adopted Budget	2018-19 Audited Actuals	2019-20 Adopted Budget	2019-20 Unaudited Actuals	2020-21 Tentative Budget
REVENUES:							
Federal	\$ 8,041,791	\$ 8,514,455	\$ 8,896,895	\$ 8,194,602	\$ 10,760,729		
State	168,570,124	139,684,141	224,475,529	209,100,455	273,341,463		
Local	90,008,886	99,949,142	102,507,893	102,991,860	104,326,958		
TOTAL REVENUES	<u>266,620,801</u>	<u>248,147,738</u>	<u>335,880,317</u>	<u>320,286,917</u>	<u>388,429,150</u>		
EXPENDITURES:							
Academic Salaries	78,673,939	79,501,818	77,813,903	83,341,068	83,164,425		
Classified Salaries	47,646,275	44,410,033	49,369,540	48,806,058	55,184,442		
Employee Benefits	63,416,065	62,073,367	66,072,591	66,855,982	73,277,717		
Supplies and Materials	4,659,201	3,245,208	5,426,110	4,014,975	4,025,029		
Other Operating Expenses & Services	69,563,038	42,334,552	130,225,236	108,612,825	164,244,733		
Capital Outlay	6,578,523	7,719,088	4,818,351	3,976,909	4,368,723		
TOTAL EXPENDITURES	<u>270,537,041</u>	<u>239,284,066</u>	<u>333,725,731</u>	<u>315,607,817</u>	<u>384,265,069</u>		
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,916,240)	8,863,672	2,154,586	4,679,100	4,164,081		
NET OTHER FINANCING SOURCES (USES)	5,000	9,143	5,000	19,820	5,000		
OTHER OUTGO	(2,710,216)	(6,485,521)	(5,063,923)	(6,638,067)	(5,745,130)		
CHANGE IN FUND BALANCE	(6,621,456)	2,387,294	(2,904,337)	(1,939,147)	(1,576,049)		
BEGINNING FUND BALANCE JULY 1	<u>\$ 38,884,499</u>	<u>\$ 38,884,499</u>	<u>\$ 41,271,793</u>	<u>\$ 41,271,793</u>	<u>\$ 39,332,646</u>		
ENDING FUND BALANCE JUNE 30	<u>\$ 32,263,043</u>	<u>\$ 41,271,793</u>	<u>\$ 38,367,456</u>	<u>\$ 39,332,646</u>	<u>\$ 37,756,597</u>		

Source: The College District.

District Debt

The College District's general obligation indebtedness as of July 1, 2020, was \$ _____, which was approximately 0. _ % of its total 2019-20 assessed valuation. No additional series of bonds may be issued by the College District as of the date hereof, except for refunding bonds. The general obligation bonds of the College District are **not** secured on a parity with the Bonds. See "INTRODUCTION – College District Refunding Bond Issue" for more information about certain potential debt issues by the College District.

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**RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
AND
SANTA ANA COLLEGE IMPROVEMENT DISTRICT NO. 1 OF RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
General Obligation Bonds - Consolidated Debt Service Schedule**

Year Ending September 1	Series B Bonds	2005 Refunding Bonds	Series C Bonds	2011 Refunding Bonds	2012 Refunding Bonds*	2013 Refunding Bonds*	SFID No. 1 2014 Series A Bonds**	SFID No. 1 2017 Series B Bonds	SFID No. 1 2019 Series C Bonds	Total Annual Debt Service
2021	\$3,367,050.00	\$7,481,475.00	–	\$233,500.00	\$6,496,750.00	\$8,224,450.00	\$2,501,462.50	\$3,087,800.00	–	\$31,392,487.50
2022	3,512,050.00	5,824,462.50	–	4,903,500.00	6,701,750.00	5,392,650.00	2,574,462.50	2,923,050.00	\$4,561,550.00	36,393,475.00
2023	3,667,050.00	2,825,962.50	–	–	6,906,750.00	14,285,850.00	2,652,962.50	3,009,050.00	4,529,150.00	37,876,775.00
2024	3,837,050.00	–	\$ 2,620,000.00	–	7,116,000.00	15,109,250.00	2,731,462.50	3,103,550.00	3,108,750.00	37,626,062.50
2025	4,007,050.00	–	–	–	8,227,250.00	17,358,000.00	2,814,712.50	3,195,800.00	3,205,750.00	38,808,562.50
2026	1,847,050.00	–	–	–	10,814,250.00	18,002,250.00	2,897,212.50	3,290,550.00	3,301,550.00	40,152,862.50
2027	1,847,050.00	–	19,150,000.00	–	11,229,750.00	–	2,983,712.50	3,392,300.00	3,403,450.00	42,006,262.50
2028	19,142,050.00	–	14,630,000.00	–	–	–	3,073,712.50	3,495,300.00	3,507,050.00	43,848,112.50
2029	19,705,681.26	–	15,255,000.00	–	–	–	3,166,712.50	3,597,300.00	3,608,450.00	45,333,143.76
2030	–	–	36,190,000.00	–	–	–	3,262,212.50	3,702,300.00	3,717,450.00	46,871,962.50
2031	–	–	31,785,000.00	–	–	–	3,359,712.50	3,814,900.00	3,828,450.00	42,788,062.50
2032	–	–	–	–	–	–	3,461,112.50	3,929,500.00	3,947,050.00	11,337,662.50
2033	–	–	–	–	–	–	3,563,012.50	4,050,700.00	4,061,650.00	11,675,362.50
2034	–	–	–	–	–	–	3,670,262.50	4,172,900.00	4,183,200.00	12,026,362.50
2035	–	–	–	–	–	–	3,779,950.00	4,296,250.00	4,308,300.00	12,384,500.00
2036	–	–	–	–	–	–	3,896,700.00	4,423,150.00	4,441,650.00	12,761,500.00
2037	–	–	–	–	–	–	4,011,950.00	4,553,300.00	4,572,800.00	13,138,050.00
2038	–	–	–	–	–	–	4,135,200.00	4,691,400.00	4,711,600.00	13,538,200.00
2039	–	–	–	–	–	–	4,255,450.00	4,832,200.00	4,852,600.00	13,940,250.00
2040	–	–	–	–	–	–	4,387,200.00	4,976,000.00	4,995,500.00	14,358,700.00
2041	–	–	–	–	–	–	4,514,800.00	5,127,200.00	–	9,642,000.00
2042	–	–	–	–	–	–	4,651,600.00	–	–	4,651,600.00
2043	–	–	–	–	–	–	4,791,800.00	–	–	4,791,800.00
2044	–	–	–	–	–	–	4,934,800.00	–	–	4,934,800.00
	<u>\$60,932,081.26</u>	<u>\$16,131,900.00</u>	<u>\$119,630,000.00</u>	<u>\$5,137,000.00</u>	<u>\$57,492,500.00</u>	<u>\$78,372,450.00</u>	<u>\$86,072,175.00</u>	<u>\$81,664,500.00</u>	<u>\$76,845,950.00</u>	<u>\$582,278,556.26</u>

*Includes the College District Prior Bonds being refunded as described under "INTRODUCTION – College District Refunding Bond Issue."

**Year ending August 1. Includes the Prior Bonds.

Long-Term Obligations

The changes in the College District’s long-term obligations during fiscal year 2018-19 consisted of the following:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance End of Year</u>	<u>Amount Due in One Year</u>
Bonds Payable					
General Obligation Bonds	\$408,639,326	\$3,828,258	\$(19,300,000)	\$393,167,584	\$20,780,000
Unamortized bond premium	32,981,391		(5,123,703)	27,857,688	
Total General Obligation Bonds	<u>441,620,717</u>	<u>3,828,258</u>	<u>(24,423,703)</u>	<u>421,025,272</u>	<u>20,780,000</u>
Other Liabilities					
Compensated absences	\$6,934,764	\$49,621		\$6,984,385	\$633,927
Load banking	5,343,524	285,090		5,628,614	
Claims liability	400,000			400,000	
Aggregate other postemployment benefits (OPEB) liability	167,278,154	19,141,758	\$46,583,304	139,836,608	
Aggregate net pension obligation	196,038,329	6,204,553		202,242,882	
Total Other Liabilities	<u>375,994,771</u>	<u>25,681,022</u>	<u>46,583,304</u>	<u>355,092,489</u>	<u>633,927</u>
Total Long-Term Obligations	<u>\$817,615,488</u>	<u>\$29,509,280</u>	<u>\$71,007,007</u>	<u>\$776,117,761</u>	<u>\$21,413,927</u>

Operating Leases

The College District has entered into various operating leases for land, building, and equipment with lease terms in excess of one year. None of these agreements contain purchase options. As of June 30, 2019, future minimum lease payments under these agreements were as follows:

<u>Fiscal Year (Ending June 30)</u>	<u>Lease Payments</u>
2020	\$70,861
2021	51,227
2022	<u>39,192</u>
Total	<u>\$161,280</u>

Source: The College District.

The College District will receive no sublease rental revenues nor pay any contingent rentals for these leases.

Public Agency Retirement Services

Plan Description

The Public Agency Retirement System (“PARS”) is a defined contribution plan qualifying under §401(a) and §501 of the Internal Revenue Code. PARS covers part-time, seasonal and temporary employees, and employees not covered by §3121(b)(7)(F) of the Internal Revenue Code. The benefit provisions and contribution requirements of plan members and the College District are established and may be amended by the PARS board of trustees.

Funding Policy

Contributions of 7.5 percent of covered compensation of eligible employees are made by the employer (1.3 percent) and employee (6.2 percent) as an alternative to social security. Total contributions, employer and employee combined, were made in the amount of \$693,457 during fiscal year 2017-18. The College District anticipates contributing \$698,792 in fiscal year 2018-19. The total amount of covered compensation was \$9,330,810 in fiscal year 2017-18. Total contributions made are 100 percent of the amount of contributions required for fiscal year 2017-18.

STRS and PERS

The College District participates in the State Teachers' Retirement System ("STRS"). This plan basically covers all full-time certificated and some classified College District employees. The College District's employer contribution to STRS was \$8,659,020 for fiscal year 2016-17, \$10,328,655 for fiscal year 2017-18, [\$12,837,781] for fiscal year 2018-19, and is estimated to be [\$_____] for fiscal year 2019-20].

The College District also participates in the State Public Employees' Retirement System ("PERS"). This plan covers all classified personnel who are employed four or more hours per day. The College District's employer contribution to PERS was \$5,827,384 for fiscal year 2016-17, \$6,773,599 for fiscal year 2017-18, [\$8,045,321] for fiscal year 2018-19, and is estimated to be [\$_____] for fiscal year 2019-20].

State Pension Trusts

The information set forth below regarding STRS and PERS has been obtained from publicly available sources and has not been independently verified by the College District, the Underwriter or the Municipal Advisor, is not guaranteed as to the accuracy or completeness of the information and is not to be construed as a representation by the College District, the Underwriter or the Municipal Advisor. Furthermore, the summary data below should not be read as current or definitive, as recent gains or losses on investments made by the retirement systems generally may have changed the unfunded actuarial accrued liabilities.

Both PERS and STRS are operated on a statewide basis. The PERS and STRS defined benefit programs are funded through a combination of investment earnings and contributions by members, employees and the State. Both PERS and STRS have substantial State unfunded actuarial liabilities. PERS may issue certain pension obligation bonds to reach funded status. Additional funding of STRS by the State and the inclusion of adjustments to such State contributions based on consumer price changes were provided for in 1979 Statutes, Chapter 282. The amounts of the pension/award benefit obligation (PERS) or actuarially accrued liability (STRS) will vary from time to time depending upon actuarial assumptions, rates of return on investments, salary scales, and levels of contribution. The College District is unable to predict what the amount of liabilities will be in the future, or the amount of the contributions which the College District may be required to make.

College District contribution rates to PERS can vary annually depending on changes in actuarial assumption and other factors, such as liability. Unlike typical defined benefit programs, prior to fiscal year 2014-15, neither the STRS employer nor the State contribution rate varied annually to make up funding shortfalls or assess credits for actuarial surpluses. As a result, in recent years, the combined employer, employee and State contributions to STRS have not been sufficient to pay actuarially required amounts. As a result, and due to significant investments losses, the unfunded actuarial liability of STRS increased significantly. The College District is unable to predict what the STRS program liabilities will be in the future.

Declines in investment earnings as a result of COVID-19 may lead to increases in College District contributions to each of these retirement systems. The College District is unable to predict the likelihood or the amount of such increases on its contributions to STRS or PERS.

In order to address STRS funding inadequacies, the 2014-15 State Budget set forth a plan of shared responsibility among the State, school districts and teachers to shore up STRS. The first year's increased contributions from all three entities were approximately \$275 million. The contributions would increase in subsequent years, reaching more than \$5 billion annually. Then Governor Brown expected that this will eliminate the unfunded liability in approximately 30 years. The 2018-19 State Budget included \$3.1 billion for state contributions to STRS, which reflects action by the STRS board to increase state contributions by 0.5% of teacher payroll. The 2019-20 State Budget included approximately \$3.3 billion for State contributions to STRS and PERS. However, the 2020-21 State Budget redirected approximately \$2.3 billion of this amount to further reduce employer contribution rates in fiscal years 2020-21 and 2021-22, reducing the STRS employer rate from 18.41% to approximately 16.15% in fiscal year 2020-21, and from 17.9% to approximately 16.02% in fiscal year 2021-22, and reducing the PERS employer rate from 22.67% to approximately 20.7% in fiscal year 2020-21, and from 24.6% to approximately 22.84% in fiscal year 2021-22. See “ – Fiscal Year 2020-21 State Budget” herein.

**STATE OF CALIFORNIA
ACTUARIAL VALUE OF STATE RETIREMENT SYSTEMS**

Name of Plan	Market Value of Assets	Actuarial Value of Assets⁽³⁾	Actuarial Obligation	Unfunded Actuarial Accrued Liability	Funded Ratio (Market Value)	Funded Ratio (Actuarial Value)
Public Employees' Retirement Fund Schools Pool (PERS) ⁽¹⁾	\$64.177 billion	—	\$99.528 billion	\$31.351 billion	68.5%	—
State Teachers' Retirement Fund Defined Benefit Program (STRS) ⁽²⁾	\$211.367 billion	\$190.451 billion	\$297.603 billion	\$107.152 billion	65.7%	64.0%

PERS Figures as of June 30, 2019. STRS Figures as of June 30, 2018.

⁽¹⁾ As of June 30, 2019, the PERS provided pension benefits to 1,296,053 active and inactive program members and 714,504 retirees, beneficiaries, and survivors.

⁽²⁾ As of June 30, 2018, the STRS Defined Benefit Program had approximately 647,653 active and inactive program members and 301,859 retirees and benefit recipients.

⁽³⁾ PERS no longer uses an actuarial value of assets and only uses the market value of assets.

Source: PERS State and Schools Actuarial Valuation, STRS Defined Benefit Program Actuarial Valuation, PERS Comprehensive Annual Financial Report 2018-19, PERS Schools Pool Valuation and Employer/Employee Contribution Rates Finance & Administration Committee April 21, 2020 Item 7d, Attachment 1 and STRS Comprehensive Annual Financial Report 2017-18.

California State Teachers' Retirement System. STRS is a defined benefit program and member benefits are determined pursuant to the Education Code and are generally determined based on a member's age, final compensation and years of credited service. As a result of the California Public Employees' Pension Reform Act of 2013 (Chapter 296, Statutes of 2012), there are two benefit structures for members that apply according to the members' first date of hire to perform STRS creditable activities. Members first hired on or before December 31, 2012 are 100% vested in retirement benefits after five years of credited service and are eligible for "normal" retirement at age 60 and for early retirement at age 55 or at age 50 with 30 years of credited service. The normal retirement benefit is 2% of final compensation (as defined in the Education Code) for each year of credited service (up to 2.4% of final compensation for members retiring after age 60), and members who retire on or after January 1, 2011

with 30 or more years of service by December 31, 2010 receive monthly bonus payments of up to \$400 per month. Members first hired on or after January 1, 2013 who retire at age 62 are eligible for a benefit equal to 2% of final compensation for each year of credited service (up to 2.4% of final compensation for members retiring after age 62). Additional benefits under both benefit structures include a 2% cost of living increase (computed on a simple, non-compounded, basis based on the initial allowance) on each September 1 following the first anniversary of the effective date of the benefit.

Prior to fiscal year 2014-15, neither the STRS employer nor the State contribution rate varied annually to make up funding shortfalls or assess credits for actuarial surpluses. As a result, the combined employer, employee and State contributions to STRS were not sufficient to pay actuarially required amounts. Assembly Bill 1469 (“A.B. 1469”), enacted in connection with the adoption of the 2014-15 State budget authorizes shared contribution increases among the program’s three contributors – STRS members, employers and the State. Defined Benefit Program contribution rate increases for all contributing parties will be incrementally phased-in over the next several years, with the first increases having taken effect July 1, 2014. The rate increases authorized by A.B. 1469 are projected to fund the STRS Defined Benefit Program fully in 32 years.

Employer contribution rates, including those of the College District, will increase through fiscal year 2020-21 as shown in the following table. Beginning fiscal year 2021-22, employer contribution rates will be set each year by the STRS board to reflect the contribution required to eliminate unfunded liabilities by June 30, 2046.

<u>Effective Date</u>	<u>Prior Rate</u>	<u>AB 1469 Increases</u>	
		<u>Increase</u>	<u>Total</u>
July 1, 2017	8.25%	6.18%	14.43%
July 1, 2018	8.25	8.03	16.28
July 1, 2019	8.25	8.85	17.10
July 1, 2020	8.25	10.15	18.40

The State contributions are set pursuant to the Education Code. As of July 1, 2019, the State will contribute 7.828% of members’ annual earnings to the defined benefit plan for fiscal year 2019-20 and 8.328% for fiscal year 2020-21. The employee contribution rate for STRS members first hired on or before December 31, 2012 to perform STRS creditable activities (i.e., STRS 2% at 60 members) is 10.25% for fiscal year 2019-20. The employee contribution rate for STRS members first hired on or after January 1, 2013 to perform STRS creditable activities (i.e., STRS 2% at 62 members) is 10.205% for fiscal year 2019-20. However, the 2020-21 State Budget redirected approximately \$2.3 billion of this amount to further reduce employer contribution rates in fiscal years 2020-21 and 2021-22, reducing the STRS employer rate from 18.41% to approximately 16.15% in fiscal year 2020-21, and from 17.9% to approximately 16.02% in fiscal year 2021-22. See “– Fiscal Year 2020-21 State Budget” herein.

The State Teachers' Retirement Board has sole authority to determine the actuarial assumptions and methods used for the valuation of the defined benefit plan. STRS actuarial consultant determines the actuarial value of the defined benefit plan’s assets by using a one-third smoothed recognition method of the difference between the actual market value of assets to the expected actuarial value of assets. Accordingly, the actuarial value of assets will not reflect the entire impact of certain investment gains or losses on an actuarial basis as of the date of the valuation or legislation enacted subsequent to the date of the valuation.

In February 2017, the State Teacher's Retirement Board voted to revise the actuarial methods and assumptions beginning with the STRS Defined Benefit Program for fiscal year 2016. The actuarial assumptions set forth in the 2016 STRS actuarial valuation use a 7.25% investment rate of return for measurements as of June 30, 2016 and an assumed 7.00% investment rate of return for measurements subsequent to June 30, 2016, 3.00% interest on member accounts, 3.50% wage growth, and 2.75% inflation. The STRS unfunded liability will vary based on actuarial assumptions, actual returns on investments and contribution rates.

The Defined Benefit Program of the California State Teachers' Retirement System, June 30, 2018 Actuarial Valuation (the "2018 STRS Actuarial Valuation") states that for fiscal year 2017-18 the funded ratio increased by 1.4% over the previous year, mainly due to the return on the Actuarial Value of Assets (8.3%) that exceeded the assumed return (7.0%). However, the funded ratio as a whole has decreased by approximately 23% over the past 10 years primarily due to a combination of returns that have, on a smoothed basis, been less than the actuarial assumption, contributions less than the actuarially calculated amount, and changes in the actuarial assumptions that have increased the Actuarial Obligation. The alternate funded ratio using the Fair Market Value of assets has increased since the last valuation. This increase is due to the greater than expected return on assets during the 2017-18 fiscal year.

California Public Employees' Retirement System. PERS is a defined benefit program and member benefits are determined pursuant to the Public Employees' Retirement Law and are generally determined based on a member's age, final compensation and years of credited service.

Member contribution rates are determined by the Public Employees' Retirement Law and depend on the respective employer's benefit formulas. Employer contribution rates are determined by periodic actuarial valuations or by statute. For fiscal year 2019-20, the employee contribution rate for classic plan members is 7.0% of monthly salary and the estimated employee contribution rate for PEPRA members is 7.0% of monthly salary. The employer contribution rate increased from 18.062% of covered payroll for fiscal year 2018-19, to 20.733% of covered payroll for fiscal year 2019-20.

At its April 17, 2013 meeting, the PERS Board of Administration approved a recommendation to change the PERS amortization and smoothing policies. Prior to this change, PERS employed an amortization and smoothing policy which spread investment returns over a 15-year period with experience gains and losses paid for over a rolling 30-year period. After this change, PERS will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period. The new amortization and smoothing policy was used for the first time in the June 30, 2014 actuarial valuations. These valuations were performed in early 2015 and set employer contribution rates for the fiscal year 2015-16.

The actuarial methods and assumptions used for determining the rates are based on those adopted by Board of Administration of PERS. At its December 21, 2016 meeting, the PERS Board of Administration approved a discount rate assumption decrease from its current rate of 7.50% to 7.00% over the next three years. For the School Pool, the discount rate was lowered for the first time to 7.375% effective with the June 30, 2017 actuarial valuation (the "2017 PERS Schools Pool Actuarial Valuation"), impacting the Schools Pool employer contribution rates beginning in fiscal year 2018-19. The discount rate was lowered further to 7.25% for the June 30, 2018 actuarial valuation, and will be lowered again to 7.00% for the June 30, 2019 actuarial valuation. Lowering the discount rate will result in increases in both the normal cost and the accrued liabilities which will result in higher required employer contributions. The College District cannot predict how these changes will affect its contribution levels.

On December 20, 2017, the PERS Board of Administration adopted new actuarial demographic assumptions to update various assumptions including mortality, retirement rates and inflation. These new

assumptions were applied beginning with the June 30, 2018 valuation for the schools pool, setting employer contribution rates for fiscal year 2019-20. As a result, the June 30, 2018 actuarial valuation assumes a reduced inflation rate of 2.625% per year and reduced payroll growth of 2.875% per year. The actuarial funding method used in the PERS Schools Pool Actuarial Valuation as of June 30, 2018 (the “2018 PERS Actuarial Valuation”) is the “Individual Entry Age Normal Cost Method.” The PERS Schools Pool Actuarial Valuation as of June 30, 2018 assumes, among other things, a 7.25% discount rate, projected 2.625% inflation per year, and projected payroll growth of 2.875% per year. The prescribed discount rate will reduce to 7.00% per year, projected 2.50% inflation per year, and projected payroll growth of 2.75% per year as of the June 30, 2019 actuarial valuation. At its February 12, 2018 meeting, the PERS Board of Administration approved a recommendation to change the PERS amortization policy once again. Prior to this change, PERS employed an amortization and smoothing policy which spread investment returns over a 30-year period with the increases or decreases in the rate spread directly over a 5-year period. After this change, PERS will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 20-year period rather than a 30-year period. The new amortization policy will be used for the first time in the June 30, 2019 actuarial valuations.

On April 17, 2019, subsequent to the release of the 2017 PERS Schools Pool Actuarial Valuation, the PERS Board adopted updated projections for future employer contribution rates of 23.6%, 24.9%, 25.7%, and 26.4% in Fiscal Years 2020-21, 2021-22, 2022-23 and 2023-24, respectively. The PERS Board did not adjust the employer contribution rate for Fiscal Year 2019-20. However, the 2020-21 State Budget reduced the PERS employer rate from 22.67% to approximately 20.7% in fiscal year 2020-21, and from 24.6% to approximately 22.84% in fiscal year 2021-22. See “ – Fiscal Year 2020-21 State Budget” herein.

On June 27, 2019, PERS released an Actuarial Circular Letter, which reflected a modified employer contribution rate of 19.7% (reduced from 20.7%) for Fiscal Year 2019-20 as a result of contributions to PERS included in the 2019-20 State Budget. See “FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA - State Assistance – 2019-20 State Budget” herein.

Both PERS and STRS are operated on a statewide basis and, based on available information, STRS and PERS both have unfunded liabilities. PERS may issue certain pension obligation bonds to reach funded status. Additional funding of STRS by the State and the inclusion of adjustments to such State contributions based on consumer price changes were provided for in 1979 Statutes, Chapter 282. The amounts of the pension/award benefit obligation (PERS) or actuarially accrued liability (STRS) will vary from time to time depending upon actuarial assumptions, rates of return on investments, salary scales, and levels of contribution.

STRS and PERS each issue separate comprehensive annual financial reports that include financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from www.calstrs.com or by written request mailed to STRS, P.O. Box 15275, Sacramento, California 95851-0275, and copies of the PERS annual financial report may be obtained from www.calpers.ca.gov or by written request mailed to the CalPERS Financial Services Division, P.O. Box 942703, Sacramento, California 94229-2703. The information presented in those reports is not incorporated by reference in this Official Statement.

The College District is unable to predict what the amount of liabilities will be in the future, or the amount of future contributions that the College District may be required to pay. See APPENDIX C — “AUDITED FINANCIAL STATEMENTS OF THE COLLEGE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2018” for additional information concerning STRS and PERS contained in the notes to said financial statements.

Pension Reform Act of 2013 (Assembly Bill 340). On September 12, 2012, Governor Brown signed AB 340, a bill that will enact the California Public Employees' Pension Reform Act of 2013 ("PEPRA") which amended various sections of the California Education and Government Codes. AB 340 (i) increases the retirement age for new State, school, and city and local agency employees depending on job function, (ii) caps the annual PERS and STRS pension benefit payouts, (iii) addresses abuses of the system, and (iv) requires State, school, and certain city and local agency employees to pay at least half of the costs of their PERS pension benefits. PEPRA will apply to all public employers except the University of California, charter cities and charter counties (except to the extent they contract with PERS.)

The provisions of AB 340 went into effect on January 1, 2013 with respect to new State, school, and city and local agency employees hired on that date and after; existing employees who are members of employee associations, including employee associations of the College District, had a five-year window to negotiate compliance with AB 340 through collective bargaining. A city, public agency or school district could require employees to pay their half of the costs of PERS pension benefits, up to 8 percent of pay for civil workers and 11 percent or 12 percent for public safety workers.

PERS has predicted that the impact of AB 340 on employers, including the College District and other employers in the STRS system, and employees will vary, based on each employer's current level of benefits. To the extent that the new formulas lower retirement benefits, employer contribution rates could decrease over time as current employees retire and employees subject to the new formulas make up a larger percentage of the workforce. This change would, in some circumstances, result in lower retirement benefits than employees currently earn. Additionally, PERS has noted that AB 340 changes may have an adverse impact on public sector recruitment in areas that have historically experienced recruitment challenges due to higher pay for similar jobs in the private sector.

With respect to STRS, for employees hired after January 1, 2013, future members will pay the greater of either (1) at least 50 percent of the cost of their retirement plan, rounded to the nearest one-quarter percent, or (2) the contribution rate paid by current members. The member contribution rate could be increased from this level through collective bargaining or may be adjusted based on other factors. Public employers will pay at least the normal cost rate, after subtracting the member's contribution. The College District is unable to predict the amount of future contributions it will make to STRS as a result of the implementation of AB 340 (being its future contributions for the normal costs of new employees), and as a result of negotiations with its employee associations, or, notwithstanding the adoption of AB 340, resulting from any legislative changes regarding STRS employer contributions that may be adopted in the future.

More information about AB 340 can be accessed through the PERS's web site at www.calpers.ca.gov and through the STRS website at www.calstrs.com. The references to these internet websites are shown for reference and convenience only; the information contained within the websites may not be current and has not been reviewed by the College District and is not incorporated herein by reference.

GASB Statement Nos. 67 and 68. On June 25, 2012, the GASB approved two new standards with respect to pension accounting and financial reporting standards for state and local governments and pension plans. The new Statement No. 67, Financial Reporting for Pension Plans ("GASB 67"), revised existing guidance for the financial reports of most pension plans. The new Statement No. 68, Accounting and Financial Reporting for Pensions ("GASB 68"), revised and established new financial reporting requirements for most governments that provide their employees with pension benefits. Major changes include: (i) the inclusion of unfunded pension liabilities on the government's balance sheet (such unfunded liabilities were previously typically included as notes to the government's financial statements);

(ii) more components of full pension costs being shown as expenses regardless of actual contribution levels; (iii) lower actuarial discount rates being required to be used for most plans for certain purposes of the financial statements, resulting in increased liabilities and pension expenses; and (iv) shorter amortization periods for unfunded liabilities being required to be used for certain purposes of the financial statements, which generally would increase expenses; and (v) the difference between expected and actual investment returns being recognized over a closed five-year smoothing period. GASB 67 became effective beginning in fiscal year 2013-14, and GASB 68 became effective beginning in fiscal year 2014-15. See APPENDIX C — “AUDITED FINANCIAL STATEMENTS OF THE COLLEGE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2019.”

Other Post-Employment Benefits

In June 2004, the GASB pronounced Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. The pronouncement requires public agency employers providing healthcare benefits to retirees to recognize and account for the costs for providing these benefits on an accrual basis and provide footnote disclosure on the progress toward funding the benefits. The implementation date for this pronouncement was staggered in three phases based upon the entity’s annual revenues, similar to the implementation for GASB Statement No. 34 and 35. GASB Statement No. 45 (“GASB 45”) became effective for the College District for fiscal year 2008-09.

In June 2015, GASB voted to approve a new standard that aimed to improve the accounting and financial reporting for OPEB by state and local governments. Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (“Statement Number 75”) requires the recognition of the entire OPEB liability, new disclosures and notes in financial reporting, supplemental information, and a more comprehensive measure of OPEB expense. These changes followed a comprehensive review of the effectiveness of preexisting standards of accounting and reporting. GASB expects that the requirements of Statement Number 75 will improve the decision-usefulness of financial information and will enhance its value for assessing accountability and inter-period equity. Statement Number 75 replaces Statement Number 45 became effective beginning in fiscal year 2017-18.

Plan Description. The College District currently provides retiree and dependent medical coverage to eligible academic and classified employees. Persons retiring with more than ten years but less than fifteen years of service are eligible to receive medical benefits on a self-pay basis. For employees whose first paid date of contract services is on or after May 31, 1986 and who subsequently qualify for the foregoing fifteen (15) year retiree service benefit, the College District will pay its portion of the insurance premium until the retiree reaches age 70. After age 70, such retirees may continue coverage at their own expense. The requirements of Plan members and the College District are established and may be amended by the College District and the College District’s bargaining units.

Funding Policy. The College District currently finances benefits on a pay-as-you-go basis for health premiums, and has established an irrevocable trust for contributions as described in the following paragraph. The College District contributes 100% of the cost of the current year premiums for eligible retired plan members and their spouses, as applicable. The College District contributed \$12,698,406 for fiscal year 2018-19, consisting of \$7,475,511 for premiums and \$5,222,895 to set aside for future liability. For fiscal year 2019-20, the College District contributed \$_____, consisting of \$_____ for premiums and \$_____ to set aside for future liability.

The College District accumulated \$_____ (cash balance as of June 30, 2019) in a special reserve fund to fund its outstanding liability with respect to its post-employment benefits, now in an

irrevocable trust. An additional transfer of \$ _____ was made on June __, 2020. The College District intends to contribute to the irrevocable trust for future contributions.

Actuarial Report. Total Compensation Systems, Inc. has prepared an actuarial valuation dated June 22, 2019 (the “2019 Actuarial Report”), covering the College District’s retiree health benefits with a valuation date of June 30, 2017 and a measurement date of June 30, 2018. Certain assumptions incorporated in the 2019 Actuarial Valuation include a 6.3% discount rate, a 2.75% inflation rate, a 2.75% annual increase for salaries, and various other assumptions. The College District had a total OPEB liability (“TOL”) of \$167,278,154 (and a net OPEB liability (“NOL”) of \$167,278,154), which the 2019 Actuarial Report describes as the excess of the TOL over the value of the plan assets) as of June 30, 2017 and a TOL of \$138,984,339 as of June 30, 2018. The 2019 Actuarial Report describes the TOL as the liability that would have accumulated if all actuarial assumptions are exactly met and the College District expensed the service cost every year for all past and current employees and retirees. Under GASB Statement 74 and Statement 75, in order for assets to count toward offsetting the TOL, the assets have to be held in an irrevocable trust that is safe from creditors and can only be used to provide OPEB benefits to eligible participants. The College District has established such an irrevocable trust which it expects will be reflected in future actuarial valuations.

According to the 2019 Actuarial Valuation, the College District’s annual OPEB expense for the fiscal year ended June 30, 2019, of \$14,034,699, which is comprised of a service cost of \$7,767,432 plus interest on the TOL of \$10,522,057, minus \$4,254,790 of recognized assumption changes. This annual expense does not include the estimated \$8,290,199 in contributions made by the College District.

Risks Related to COVID-19

Introduction. The outbreak of a new strain of coronavirus (“COVID-19”), a respiratory tract illness first identified in Wuhan, China, has spread to numerous countries across the globe, including the United States. COVID-19 has been characterized as a pandemic by the World Health Organization and has resulted in a declaration of a national emergency by the Federal Government on March 13, 2020, as a state of emergency by certain states (including by the State on March 4, 2020) and by local governments and counties. The purpose behind these declarations was to coordinate and formalize emergency actions across federal, state and local governmental agencies, and to proactively prepare for a wider spread of the virus. The outbreak has resulted in the imposition of stay-at-home orders, restrictions on gatherings and widespread temporary closings of businesses, universities and schools. Multiple states implemented state-wide school closures for the 2019-20 school year, including the State. The United States is currently restricting certain non-U.S. citizens and permanent residents from entering the country.

The spread of COVID-19 has significantly altered the behavior of businesses and people in a manner that has had substantial negative impacts on global and local economies. Stock markets in the U.S. and globally have seen significant declines attributed to COVID-19 and related stay-at-home orders, and the corresponding decreases in business activity attributable thereto. The country’s unemployment rate has risen to a level not seen since the Great Depression.

The College District’s Response to the COVID-19 Pandemic.

The College District is currently receiving guidance on responses to COVID-19 from State and County health officials which are monitoring the COVID-19 situation, in accordance with COVID-19 guidelines published by the Centers for Disease Control and Prevention. The College District closed its on-site facilities through the end of the 2019-20 school year and expects the majority of classes for the fall semester for the 2020-21 school year to be online. While the College District has halted on-site learning, it has taken numerous steps to encourage continued learning for enrolled students. The College District is

still maintaining essential services including, but not limited to, operations, communications, distance learning, payroll, accounts payable, providing meals for children, and ongoing project management. The College District has incurred additional operational costs to implement distance learning strategies, deep clean and sanitize its facilities, and purchase additional sanitation and cleaning supplies necessary to maintain sanitation of its facilities. While certain of these expenditures are expected to be reimbursed by the Federal government, the College District does not know the extent or timing of such reimbursement.

Additional costs may be borne by the College District as circumstances related to the COVID-19 pandemic fluctuate during the 2020-21 school year. These may include costs related to or associated with: (i) implementing and performing tests and screening for the virus, and monitoring staff and students for signs of illness; (ii) modifications to accommodate students or staff testing positive for the virus, including additional communications systems to exposed staff and students; (iii) obtaining an ongoing supply of personal protective equipment for students and staff (iv) addressing additional hygiene and handwashing practices, including increasing the frequency of disinfecting high-touch surfaces; (v) implementation of staggered schedules and physical distancing procedures, including utilization of campus locations such as lecture halls, gymnasiums, auditoriums, cafeterias, and outdoor spaces, for educational activities; (vi) incorporation of additional technology to implement distance learning; (vii) altering procedures for cafeterias and provision of food service, including installation of additional physical barriers for provision of food service, such as sneeze guards and partitions, and modification of cafeteria spaces to allow physical distancing; (viii) ensuring adequate air circulation, including potential modification of HVAC systems; (ix) hazard payments for essential employees or any other additional labor costs resulting from the COVID-19 pandemic, including costs of staff training and costs associated with ensuring appropriate staffing levels to meet facility cleanliness and physical distancing requirements; (x) providing services to students and staff with disabilities, or who are otherwise at higher risk of contracting COVID-19; (xi) ensuring adequate support for English-learners and social and emotional support for all students and staff; (xii) modifications to programs in career and technical education, including cleaning of specialized equipment and tools, laboratories, experiential learning, and career counseling; and (xiii) development and implementation of a plan to close physical locations once reopened, if required by circumstances related to the pandemic.

The College District cannot evaluate at this time whether, or the extent to which, any of the above considerations will affect its operations or result in increased costs, however such costs may be material. The circumstances described above are not unique to the College District and will be considerations for all community college districts in the State. The College District cannot predict the extent to which the State or Federal government will provide reimbursement or additional funding to offset any of the above expenses, or whether the extent of such funding will be sufficient, if provided.

The 2020-21 State Budget has indicated that there will be significant reductions and deferrals in State funding of community college districts throughout the State due to the COVID-19 pandemic, as further described under the caption "Fiscal Year 2020-21 State Budget" herein. The College District has the ability to rely on interfund borrowing and its existing reserves, as well as the issuance of tax and revenue anticipation notes to manage cash flow during the 2020-21 fiscal year or beyond. The College District does not expect such deferrals or delays in payment to cause a material adverse impact on its operations or finances at this time, and does not expect to experience any significant cash flow problems or issue any such notes for the 2020-21 fiscal year at this time.

The College District is currently undergoing its budget process for fiscal year 2020-21, as part of which it will determine the effect of these reductions and deferrals on its operations and finances. Community college districts may also hold reserves in their local operating accounts, and as part of its preparation of its budget for fiscal year 2020-21, the College District is in the process of evaluating its reserves for the next and future fiscal year. At this time, the College District expects its reserves to satisfy

all State requirements for fiscal year 2020-21. It expects to adopt its budget for the 2020-21 fiscal year and submit it to the Chancellor by or before October 31, 2020.

Effect of the COVID-19 Pandemic on State Funding of Community College Districts. *The GO Bonds are general obligations of the Improvement District only payable solely from ad valorem property taxes and are not payable from the general fund of the College District or from any amounts received from the State discussed below. The impacts set forth below will affect all community college districts in the State, and the effects below are not unique to the College District.*

[TO BE UPDATED ON RELEASE OF STATE BUDGET]

Significant Declines in State Revenues and 2020-21 State Budget Solutions. In the 2020-21 State Budget, the State anticipates approximately an overall 7% decline in State Revenues, which without other action, would result in an approximately \$10 billion reduction in spending from the Proposition 98 minimum guarantee set forth the 2019-20 State Budget. The 2020-21 State Budget offsets this loss in several ways, including the deferral of approximately \$12.9 billion in payments into the 2021-22 fiscal year to preserve programs for school districts and community college districts and draws of approximately \$8.8 billion in reserves from the BSA, Safety Net Reserve and PSSSA. The 2020-21 State Budget restores up to an approximate of \$11.1 billion in the event federal funds are received by October 15, 2020, with the specific amount depending on the amount of federal funding received. See “ – Fiscal Year 2020-21 State Budget” herein.

Emergency Conditions Allowance. During certain emergency conditions, State regulations provide that a community college district may be provided an “emergency conditions allowance,” calculated to approximate the same general purpose apportionment that such district would have received in absence of the emergency. Emergency conditions are defined to include epidemics, an order from a city or county board of health or the State Board of Health, or another emergency declared by the State or federal government. Districts are required to demonstrate that the occurrence of the emergency condition prevented the district from maintaining its schools during a fiscal year for a period of 175 days, or caused the district’s general purpose apportionment to be materially decreased in that year or in subsequent years. To receive the emergency conditions allowance, a district must demonstrate to the satisfaction of the Chancellor that the district made good faith efforts to avoid material decreases in general purposes apportionments. Community college districts may also seek a waiver of the 175-day requirement. Finally, the Board of Governors of the California Community Colleges (the “Board of Governors”), on March 16, 2020, granted the Chancellor temporary emergency powers to suspend or waive State regulatory requirements and local rules and regulations that present barriers to the continuity of educational services. This temporary grant is in addition to standing emergency powers the Chancellor has to hold community college districts financially harmless in the wake of campus closures.

Executive Orders and Legislation. Governor Newsom has enacted a number of executive orders and the State Legislature has also adopted legislation in response to the COVID-19 pandemic, and additional executive orders or legislation may be enacted in response to the pandemic. The College District cannot predict the nature or content of such orders, or the effect they will have, if any, on its operations or finances. In addition, certain of these executive orders have been challenged in the courts by affected plaintiffs. The College District cannot predict the outcome of any such litigation or whether any resulting change to any executive order will affect the funding of community college districts in the State, including the College District.

Federal Response to the COVID-19 Pandemic. On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”) was signed into law, which among other things, provides approximately \$14.25 billion for postsecondary education, including community college districts

in the State. The CARES Act also waives a number of federal regulatory requirements to provide institutions greater flexibility in addressing the effects of the COVID-19 outbreak. Funding from the CARES Act is based on a formula consisting of 75% of FTES receiving PELL grants and 25% of all FTES. The College District expects to receive some funding from the CARES Act pursuant to such formula.

Additional Information. Additional information with respect to events surrounding the outbreak of COVID-19 and responses thereto can be found on Federal, State and local government websites, including but not limited to the CDC (<https://www.cdc.gov/coronavirus/2019-nCoV/index.html>), the Governor’s office (<http://www.gov.ca.gov>), the California Department of Public Health (<http://covid19.ca.gov/>), and the Office of the Chancellor of California Community Colleges (<https://www.cccco.edu/About-Us/Chancellors-Office/Divisions/Communications-and-Marketing/Novel-Coronavirus>). *The Improvement District has not incorporated by reference the information on such websites into this official statement and does not assume any responsibility for the accuracy of the information on such websites.*

FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA

Major Revenues

General. On September 29, 2006, the Governor signed into law Senate Bill No. 361 (“SB 361”) which established the formulas for allocating general-purpose apportionments to California community college districts beginning fiscal year 2006-07. SB 361 required the Board of Governors of the California Community Colleges (the “Board of Governors”) to develop criteria and standards in accordance with prescribed Statewide minimum requirements. In establishing these minimum requirements, the Board of Governors was required to acknowledge community college districts’ need to receive an annual allocation based on the number of colleges and comprehensive centers in each respective district, plus funding based on the number of credit and noncredit FTES in each district.

SB 361 specified that, commencing with the 2006-07 fiscal year, the marginal amount of credit revenue allocated per credit FTES would not be less than \$4,367, noncredit instruction would be funded at a uniform rate of \$2,626 per FTES, and career development and college preparation would be funded at a rate of \$3,092 per FTES, each subject to cost of living adjustments in the budget act in subsequent fiscal years.

The major local revenue source is local property taxes that are collected from within district boundaries. Student enrollment fees from the local community college district generally account for the remainder of local revenues for the district. Property taxes and student enrollment fees are applied towards fulfilling the district’s financial needs. State aid is subject to the appropriation of funds in the State’s annual budget. Decreases in State revenues may affect appropriations made by the State Legislature to community college districts in the State, including the College District. The sum of the property taxes, student enrollment fees, and State aid generally comprise a district’s revenue limit. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Assessed Valuations – Constitutional and Statutory Initiatives” in the forepart of this Official Statement for additional information regarding Article XIII A of the State Constitution, assessed valuations and *ad valorem* property taxes.

A small part of each community college district’s budget is from local sources other than property taxes and student enrollment fees, such as interest income, donations and sales of property. Every community college district receives the same amount of lottery funds per pupil from the State. The

initiative authorizing the lottery does require the funds to be used for instructional materials, and prohibits their use for capital purposes.

Student Centered Funding Formula. In connection with the 2018-19 State Budget, beginning in fiscal year 2018-19, the State began implementation of the Student Centered Funding Formula (the “SCFF”) included in State Assembly Bill 1809 (“A.B. 1809”). The SCFF establishes a new three-pronged structure for addressing the unique funding challenges facing community college districts within the State. Under the SCFF, community college districts receive: (a) a base allocation structured on the total number of enrolled students, (b) a supplemental allocation, which is determined based on the number of financially-restricted enrolled students (calculated by the number of students receiving Pell Grants, California College Promise Grants or certain fee waivers, with the potential for duplicate funding for students receiving more than one of the qualifying grants or waivers), and (c) a student success allocation, which is structured based on the number of certificates and degrees awarded to students, the number of transfers to four-year universities/colleges, and the amount of students who earn a living wage in their region within a year of college completion. The student success allocation also analyzes the number of financially-restricted students who complete degree or certificate programs to determine eligibility for additional funding.

As originally designed, the new formula was to be implemented in three phases, which began in fiscal year 2018-19 and over the next three fiscal years was to reduce the base allocation from 70% of funding to 60%. However, in connection with the enactment of the 2019-20 State Budget, a base allocation of 70% was maintained, with 20% provided by the supplemental allocation and 10% provided by the student success allocation. In addition, minimum funding levels for FTES are set for each of these periods. See “– College District Enrollment” above for the College District’s enrollment of full time equivalent students for the current and prior fiscal years.

Additionally, A.B. 1809 established “hold-harmless” provisions for community college districts. Such provisions ensure that in fiscal years 2018-19 through 2021-22, college districts will not receive less total apportionment funding under the new SCFF than they received in fiscal year 2017-18 when adjusted for cost-of-living. In fiscal year 2022-2023 and subsequent fiscal years, certain adjustments will be subject to appropriation in the State Budget for such fiscal year.

The SCFF, the funding levels therein, the hold harmless provisions and other provisions thereof may be subject to future adjustment through the state budget process in future fiscal years or other supplemental legislation. As described under the heading “– Fiscal Year 2020-21 State Budget,” the SCFF hold harmless provisions have been extended for an additional two years.

Budget Procedures. On or before September 15 of each calendar year, the respective board of trustees for each community college district is required under Section 58305 of the California Code of Regulations, Title V, to adopt a balanced budget. Each September, every State agency, including the Chancellor’s Office of the California Community Colleges (the “Chancellor’s Office”), submits to the Department of Finance (“DOF”) proposals for changes in the State budget. These proposals are submitted in the form of Budget Change Proposals (“BCPs”), involving analyses of needs, proposed solutions and expected outcomes. Thereafter, the DOF makes recommendations to the Governor, and by January 10 a proposed State budget is presented by the Governor to the State Legislature. The Governor’s proposed State budget is then analyzed and discussed in committees, and hearings begin in the State Assembly and Senate. In May, based on the debate, analysis and changes in the economic forecasts, the Governor issues a revised budget with changes he or she supports. The law requires the State Legislature to submit its approved budget by June 15. State law requires the Governor to announce his or her line item reductions and sign the State budget by June 30.

In response to growing concern for accountability the statewide Board of Governors and the Chancellor's Office have, through enabling legislation (AB 2910, Chapter 1486, Statutes of 1986), established expectations for sound district fiscal management and a process for monitoring and evaluating the financial condition to ensure the financial health of California's community college districts. In accordance with statutory and regulatory provisions, the Chancellor has been given the responsibility to identify districts at risk and, when necessary, the authority to intervene to bring about improvement in their financial condition. To stabilize a district's financial condition, the Chancellor may, as a last resort, seek an appropriation for an emergency apportionment.

The monitoring and evaluation process is designed to provide early detection and amelioration that will stabilize the financial condition of the district before an emergency apportionment is necessary. This is accomplished by (1) assessing the financial condition of districts through the use of various information sources, and (2) taking appropriate and timely follow-up action to bring about improvement in a district's financial condition, as needed. A variety of instruments and sources of information are used to provide a composite of each district's financial condition, including quarterly financial status reports, annual financial and budget reports, attendance reports, annual district audit reports, district input and other financial records. In assessing each district's financial condition, the Chancellor will pay special attention to each district's general fund balance, spending pattern, and FTES patterns. Those districts with greater financial difficulty will receive follow-up visits from the Chancellor's Office where financial solutions to the district's problems will be addressed and implemented.

Proposition 98

General. In 1988, California voters approved Proposition 98, a combined initiative, constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" ("Proposition 98"). Proposition 98 changed State funding of public education below the university level, and the operation of the State's Appropriations Limit, primarily by guaranteeing State funding for K-12 school districts and community college districts (collectively, "K-14").

Under Proposition 98 (as modified by Proposition 111, which was enacted on June 5, 1990), K-14 districts were guaranteed the greater of (a) in general, a fixed percent of the State's General Fund revenues ("Test 1"), (b) the amount appropriated to K-14 schools in the prior year, adjusted for changes in the cost-of-living (measured as in Article XIII B by reference to State per capita personal income) and enrollment ("Test 2"), or (c) a third test, which would replace Test 2 in any year when the percentage growth in per capita State General Fund revenues from the prior year plus one-half of one percent is less than the percentage growth in State per capita personal income ("Test 3"). Under Test 3, schools would receive the amount appropriated in the prior year adjusted for changes in enrollment and per capita State General Fund revenues, plus an additional small adjustment factor. If Test 3 was used in any year, the difference between Test 3 and Test 2 would become a "credit" to schools which would be the basis of payments in future years when per capita State General Fund revenue growth exceeds per capita personal income growth. Legislation adopted prior to the end of the 1988-89 fiscal year, implementing Proposition 98, determined the K-14 districts' funding guarantee under Test 1 to be 40.3% of the State General Fund tax revenues, based on 1986-87 appropriations. However, that percentage has been adjusted to 35% to account for a subsequent redirection of local property taxes whereby a greater proportion of education funding now comes from local property taxes.

Proposition 98 permits the State Legislature by a two-thirds vote of both houses, with the Governor's concurrence, to suspend the K-14 districts' minimum funding formula for a one-year period. In 1989, the State Legislature and the Governor last utilized this provision to avoid having 40.3% of revenues generated by a special supplemental sales tax enacted for earthquake relief go to K-14 districts.

Proposition 98 also contains provisions transferring certain State tax revenues in excess of the Article XIII B limit to K-14 districts.

Application of Proposition 98. The application of Proposition 98 and other statutory regulations became increasingly difficult to predict accurately in recent years. One major reason is that Proposition 98 minimum funding levels under Test 1 and Test 2 are dependent on State General Fund revenues. In past fiscal years, the State made actual allocations to K-14 districts based on an assumption of State General Fund revenues at a level above that which was ultimately realized. In such years, the State has considered the amounts appropriated above the minimum as a loan to K-14 districts, and has deducted the value of these loans from future years' estimated Proposition 98 minimum funding levels. The State determined that there were loans to K-14 districts of \$1.3 billion during fiscal year 1990-91, \$1.1 billion during fiscal year 1991-92, \$1.3 billion during fiscal year 1992-93 and \$787 million during fiscal year 1993-94. These loans have been combined with the K-14 1992-93 loans into one loan totaling \$1.760 billion. The State proposed that repayment of this loan would be from future years' Proposition 98 entitlements, and would be conditioned on maintaining current funding levels per pupil for K-12 schools.

See “ – Fiscal Year 2020-21 State Budget” below for discussion of the recent declines in State revenues and corresponding effect on Proposition 98 funding. State Assistance

The principal funding formulas and revenue sources for school and community college districts are derived from the budget of the State. **The following information concerning the State's budgets has been obtained from publicly available information which the College District believes to be reliable; however, the State has not entered into any contractual commitment with the College District, the County, the Underwriter, Bond Counsel, Disclosure Counsel, nor the owners of the Bonds to provide State budget information to the College District or the owners of the Bonds. Although they believe the State sources of information listed above are reliable, neither the College District, the County, Bond Counsel, Disclosure Counsel nor the Underwriter assumes any responsibility for the accuracy of the State budget information set forth or referred to herein or incorporated by reference herein. Additional information regarding State budgets is available at various State-maintained websites including www.dof.ca.gov.** This website is not incorporated herein by reference and none of the College District, the Improvement District nor the Underwriter makes any representation as to the accuracy of the information provided therein.

Fiscal Year 2020-21 State Budget

Introduction. On June 29, 2020, Governor Gavin Newsom signed the fiscal year 2020-21 budget (the “2020-21 State Budget”). In January, the State was projecting a budget surplus of \$5.6 billion, however by May, the State confronted a budget deficit of \$54.3 billion—a four-month swing of \$60 billion primarily caused by the impacts of the COVID-19 pandemic. The 2020-21 State Budget closes the \$54.3 billion gap in fiscal year 2020-21 and significantly reduces the State's ongoing structural deficit. Despite the global economic crisis caused by the COVID-19 pandemic, the State asserts in the 2020-21 State Budget that its prudent fiscal management, including its structurally balanced budgets and record reserves, puts it in a better position to contend with these challenges.

The 2020-21 State Budget takes steps to reduce spending commitments and address long-term structural deficits, but deficits remain and asserts that further actions will be needed, especially if the federal government does not act. The 2020-21 State Budget recognizes that the COVID-19 pandemic has impacted every sector of the State's economy and has caused record high unemployment—almost 1 in 5 Californians who were employed in February were out of work in May—and asserts that further action from the federal government is needed, given the magnitude of the crisis. The 2020-21 State Budget

forecast that personal income is projected to decline by 9 percent in 2020 with the peak unemployment rate reaching 24.5 percent in the second quarter of 2020.

The 2020-21 State Budget projects State general fund revenues in the amount of \$137.6 billion in fiscal year 2019-20 and \$137.7 billion in fiscal year 2020-21. This represents a decline of over \$22.8 billion for the two years when compared to projections released in the Governor's January Proposed 2020-21 State Budget. This revenue drop, combined with increased costs in health and human services programs and the added costs to address COVID-19, leads to a projected budget deficit of approximately \$54 billion before the changes proposed in the 2020-21 State Budget. State general fund expenditures for fiscal year 2020-21 are expected to be \$133.9 billion (a decrease of approximately \$13 billion from fiscal year 2019-20 general fund expenditures), of which \$48.1 billion (35.9%) is allocated to K-12 education and \$15.8 billion (11.8%) is allocated to higher education. The 2020-21 State Budget projects that the State will end fiscal year 2019-20 with a reserve balance of approximately \$14.9 billion (comprised of an approximate balance of -\$1.2 billion in the SFEU and an approximate balance of \$16.1 billion in the Budget Stabilization Account (the "BSA" or "Rainy Day Fund"), and that the State will end fiscal year 2020-21 with an approximately \$10.9 billion reserve balance (comprised of approximately \$2.6 billion in the SFEU and approximately \$8.3 billion in the BSA). The 2020-21 State Budget reduces (but does not eliminate) the structural deficit over the next several years, by sustaining the January 1, 2022 suspension of several ongoing programmatic expansions that were made in the State's 2019-20 Budget. Despite these measures, the 2020-21 State Budget forecasts an operating deficit of \$8.7 billion in 2021-22, after accounting for reserves.

The 2020-21 State Budget includes (i) drawing down \$8.8 billion in reserves, comprised of \$7.8 billion from the BSA, \$450 million from the Safety Net Reserve, and all of the funds in the Public School System Stabilization Account; (ii) \$11.1 billion in reductions and deferrals that will be restored if at least \$14 billion in federal funds are received by October 15, 2020. If the State receives a lesser amount in federal funds, the reductions and deferrals will be partially restored. The trigger includes \$6.6 billion in deferred spending on schools, approximately \$970 million in funding for the University of California and the California State University, \$2.8 billion for state employee compensation, \$150 million for courts, and funding for child support administration, teacher training, moderate-income housing, and infrastructure to support infill housing. The trigger would also fund an additional \$250 million for county programs to backfill revenue losses; (iii) reliance on \$10.1 billion in federal funds that provide General Fund relief, including \$8.1 billion already received. This includes the enhanced Federal Medical Assistance Percentage ("FMAP"), a portion of the State's Coronavirus Relief Fund allocation and funds provided for childcare programs; (iv) temporary suspension of the use of net operating losses for medium and large businesses and temporary limits to \$5 million the amount of business incentive credits a taxpayer can use in any given tax year. These short-term limitations will generate \$4.4 billion in new revenues in the 2020-21 fiscal year; (v) reliance on \$9.3 billion in special fund borrowing and transfers, as well as other deferrals for K-14 schools. (Approximately \$900 million in additional special fund borrowing is associated with the reductions to employee compensation and is contained in the trigger); (vi) \$10.6 billion of solutions, including cancelling multiple program expansions and anticipating increased government efficiencies.

As described in the 2020-21 State Budget, under temporary federal funding to support the State's response to the COVID-19 pandemic the State expects to receive over \$72 billion in assistance to State programs with unemployment insurance representing about \$52 billion of this total. In addition, over \$142 billion in direct assistance is expected to be provided to individuals and families, small businesses, hospitals and providers, including rural and community clinics, higher education institutions and college students, local housing authorities, airports, farmers, and local governments. The 2020-21 State Budget proposes to strategically use \$9.5 billion in federal funding from the CARES Act funds as follows: (1) \$2.6 billion for State offsets for vulnerable populations and public safety; (2) \$550 million for housing for

homeless individuals and families; (3) \$4.5 billion for K-14 learning loss mitigation; (4) \$1.3 billion for county homelessness, public health, public safety and other services; and (5) \$500 million for city homelessness, public health, public safety and other services.

Higher Education. Higher Education includes the California Community Colleges (“CCCs”), the California State University (“CSU”), the University of California (“UC”), the Student Aid Commission, and several other entities. The 2020-21 State Budget includes total funding of \$19.4 billion General Fund and local property tax for all Higher Education entities in fiscal year 2020-21.

Community College Flexibilities. To assist CCCs in their recovery from the impacts of the COVID-19 recession and provide additional near-term certainty, the 2020-21 State Budget enacts statutory changes to:

- Exempt direct COVID-19-related expenses incurred by districts from the 50 Percent Law. This excludes revenue declines.
- Provide a hardship exemption for districts unable to meet their financial obligations due to the deferrals enacted in the 2020-21 State Budget.
- Extend the Student-Centered Funding Formula “hold harmless” provisions for an additional two years, and authorize the use of past-year data sources that have not been impacted by the COVID-19 pandemic for the calculation of the Student-Centered Funding Formula for 2020-21.
- Encourage and expedite the development of short-term career technical education courses to address the impacts of the COVID-19 pandemic.

Other Significant Adjustments.

- Staff for Working Group on Community College Athlete Compensation - An increase of \$700,000 one-time non-Proposition 98 General Fund for the Chancellor’s Office to contract with an external organization to staff a working group on a community college athlete's use of the athlete's name, image, and likeness for compensation, pursuant to Chapter 383, Statutes of 2019 (SB 206).
- 2019-20 Deferrals - A deferral of approximately \$330.1 million Proposition 98 General Fund of community college apportionments from fiscal year 2019-20 to fiscal year 2020-21.
- 2020-21 Deferrals - A deferral of approximately \$662.1 million Proposition 98 General Fund of community college apportionments from fiscal year 2020-21 to fiscal year 2021-22.
- 2020-21 Deferrals Subject to Control Section 8.28 - As a result of the COVID-19 Recession and absent the receipt of additional federal funds to assist the state with the fiscal crisis, reductions are necessary to balance the State budget. To the extent the federal government provides sufficient federal funds by October 15, 2020, which are eligible for purposes identified below, funds will be appropriated for the 2020-21 fiscal year as follows:

- A deferral of approximately \$791.1 million Proposition 98 General Fund of community college apportionments from fiscal year 2020-21 to fiscal year 2021-22.
- COVID-19 Response Block Grant for CCCs – A one-time increase of approximately \$120.2 million, which is comprised of approximately \$54 million from the CARES Act and approximately \$66.3 million Proposition 98 General Fund, for a COVID-19 Response Block Grant for the CCCs to support student learning and mitigate learning loss related to the COVID-19 pandemic.
- Dreamer Resource Liaisons - An increase of \$5.8 million Proposition 98 General Fund to fund Dreamer Resource Liaisons and student support services, for immigrant students including undocumented students in community colleges, pursuant to Chapter 788, Statutes of 2019 (AB 1645). These services provide an opportunity to address disparities and advance economic justice by supporting educational attainment, career pathways and economic mobility for students who may face barriers related to their immigration status.
- Legal Services - An increase of \$10 million ongoing Proposition 98 General Fund to provide legal services to immigrant students, faculty, and staff on community college campuses.
- Calbright College - A decrease of \$5 million ongoing Proposition 98 General Fund for Calbright College, and a decrease of \$40 million one-time Proposition 98 General Fund provided to Calbright College that is redirected to offset apportionments costs for fiscal year 2020-21.
- Revised PERS/STRS Contributions - As referenced in the K-12 Education Chapter, to provide local educational agencies and community college districts with increased fiscal relief, the 2020-21 State Budget redirects \$2.3 billion appropriated in the 2019 Budget Act to STRS and PERS for long-term unfunded liabilities to further reduce employer contribution rates in fiscal year 2020-21 and fiscal year 2021-22.
- CCC Facilities - An increase of general obligation bond funding of \$223.1 million, including \$28.4 million to start 25 new capital outlay projects and \$194.7 million for the construction phase of 15 projects anticipated to complete design by spring 2021. This allocation represents the next installment of the \$2 billion available to CCCs under Proposition 51.
- Local Property Tax Adjustment - A decrease of \$60.9 million Proposition 98 General Fund as a result of increased offsetting local property tax revenues.
- Food Pantries - The 2020-21 State Budget enacts statutory changes to support food pantries within available Student Equity and Achievement Program funding.

California Student Aid Commission. The California Student Aid Commission, which administers the State's financial aid programs, the largest of which is the Cal Grant, supports over 410,000 financial aid awards to students accessing higher education. The 2020-21 State Budget reflects a sustained commitment to financial aid programs to provide the least-resourced students access to higher education.

Significant Adjustments:

- Cal Grant Program Adjustment - A decrease of approximately \$149 million in fiscal year 2019-20 and approximately \$63.3 million in fiscal year 2020-21 to reflect revised estimates of the number of new and renewal Cal Grant awardees in fiscal years 2019-20 and 2020-21.
- Temporary Assistance for Needy Families (TANF) Adjustment - A decrease of \$600 million in federal TANF reimbursements in fiscal year 2019-20 which increases General Fund support for the Cal Grant program by an equal amount.
- Grant Delivery System - An increase of \$5.3 million one-time General Fund to fund the third year and final year of project development costs for the Grant Delivery System Modernization Project.
- Cal Grant B Service Incentive Grant - A reappropriation of \$7.5 million one-time General Fund from the 2019 Budget Act and a redirection of the Program's \$7.5 million funding in fiscal year 2020-21 to support the Disaster Relief Emergency Student Financial Aid Program, which will provide emergency financial aid to students at the University of California, California State University, and California Community Colleges.
- Contingent General Fund Reduction - As a result of the COVID-19 recession and absent the receipt of additional federal funds to assist the State with the fiscal crisis, reductions are necessary to balance the State budget. To the extent the federal government provides sufficient federal funds by October 15, 2020, which are eligible for purposes identified below, funds will be appropriated for fiscal year 2020-21 as follows:
 - A decrease of \$88.4 million one-time General Fund for the Golden State Teacher Grant program, established in the 2019 Budget Act.

LAO Overview of 2020-21 State Budget.

[TO BE INCORPORATED WHEN AVAILABLE]

Additional Information. The Improvement District cannot predict how State income or State education funding will vary over the term of the Bonds, and the Improvement District takes no responsibility for informing owners of the Bonds as to actions the State Legislature or Governor may take affecting the current year's budget after its adoption. Information about the State budget and State spending for education is regularly available at various State-maintained websites. The complete text of proposed and adopted budgets may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget" or www.ebudget.ca.gov. An impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found at the website of the State Treasurer, www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the Improvement District, and the Improvement District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

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. Proposition 1A was generally superseded by the passage of an initiative supporting another 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 Proposition 22 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 fiscal year 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 fiscal year 2009-10 State budget of \$1.7 billion in local property tax revenues from local redevelopment agencies. Redevelopment agencies, through the California Redevelopment Association (“CRA”) are actively engaged in litigation to block the transfer of payments and recoup certain payments already made under certain legislation passed in July 2009 that is beyond the reach of Proposition 22, known as “ABX4 26.” Because Proposition 22 reduces the State’s authority to use or reallocate certain revenue sources, fees and taxes for State General Fund purposes, the State will have to take other actions to balance its budget, such as reducing State spending or increasing State taxes, and school and college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State General Fund.

On December 30, 2011, the California Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos*, finding ABx1 26, a trailer bill to the 2011-12 State Budget, to be constitutional. As a result, all redevelopment agencies in California were dissolved as of February 1, 2012, and all net tax increment revenues, after payment of redevelopment bonds debt service and administrative costs, will be distributed to cities, counties, special districts and K-14 school districts. The Court also found that ABx1 27, a companion bill to ABx1 26, violated the California Constitution, as amended by Proposition 22. ABx1 27 would have permitted redevelopment agencies to continue operations provided their establishing cities or counties agreed to make specified payments to K-14 school districts and county offices of education, totaling \$1.7 billion statewide. The College District is unable to predict what affect the implementation of ABx1 26 will have on the College District’s future receipt of tax increment revenues.

Proposition 1A

Proposition 1A (“Proposition 1A”), proposed by the State Legislature in connection with the 2004-05 Budget Act and approved by the voters in November 2004, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change

the allocation of local sales tax revenues, subject to certain exceptions. See “CONSTITUTIONAL INITIATIVES AND STATUTORY MEASURES – *Proposition 1A*” below for more information.

Final State Budgets

Under State law, the State Legislature is required to adopt its budget by June 15 of each year for the upcoming fiscal year, with approval by the Governor to occur on June 30. The State Legislature failed to pass a State budget for fiscal year 2008-09 until September 23, 2008. Accordingly, many State payments were held until the 2008-09 State budget was adopted, including those scheduled to be made to school and community college districts under Proposition 98 and receipt of State categorical funds by the College District was delayed until the State budget was in fact adopted. The events leading to the inability of the State Legislature to pass a budget in a timely fashion are not unique, and the College District cannot predict what circumstances may cause a similar failure in future years. In each year where the State budget lags adoption of the College District’s budget, it will be necessary for the College District’s staff to review the consequences of the changes, if any, at the State level from the proposals in the May Revision for that year, and determine whether the College District’s budget will have to be revised.

The State has in past years experienced budgetary difficulties and has balanced its budget by requiring local political subdivisions to fund certain costs theretofore borne by the State. Further State actions taken to address its budgetary difficulties could have the effect of reducing the College District’s support indirectly, and the College District is unable to predict the nature, extent or effect of such reductions.

Future State Budgets

The College District cannot predict what actions will be taken in the future by the State Legislature and the Governor to address any future budget deficits and cash management practices. Future State budgets will be affected by national and State economic conditions over which the College District has no control, and other factors over which the College District will have no control, including by the COVID-19 pandemic. The College District cannot predict whether the State will continue to encounter budgetary difficulties in future fiscal years. The College District also cannot predict the impact future State Budgets will have on the College District’s finances and operations or what actions the State Legislature and the Governor may take to respond to changing State revenues and expenditures. In the event current or future State Budgets decrease the College District’s revenues or increase required expenditures by the College District from the levels assumed by the College District, the College District will be required to generate additional revenues, curtail programs or services, or use its reserve funds to ensure a balanced budget.

CONSTITUTIONAL INITIATIVES AND STATUTORY MEASURES

Article XIII A of the California Constitution. On June 16, 1978, California voters approved Proposition 13, which added Article XIII A to the California Constitution (“Article XIII A”). See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Assessed Valuations – Constitutional and Statutory Initiatives” in the forepart of this Official Statement for additional information regarding Article XIII A.

Proposition 26. On November 2, 2010, California voters approved Proposition 26 as an amendment to Section 3 of Article XIII A (and Section 1 of Article XIII C) of the State Constitution that requires a two-thirds vote in the State Legislature to pass certain State fees, levies, charges and tax revenue allocations that under the State’s previous rules could be enacted by a simple majority vote.

Certain local fees must also be approved by two-thirds of voters. Proposition 26 expanded the scope and definition of a State or local tax to include many payments previously considered to be fees or charges, so that more proposals would require approval by two-thirds of the State Legislature or by local voters.

Article XIII B of the California Constitution. Under Article XIII B of the California State Constitution state and local government entities have an annual “appropriations limit” and are not permitted to spend certain moneys which are called “appropriations subject to limitation” (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the “appropriations limit.” Article XIII B does not affect the appropriations of moneys which are excluded from the definition of “appropriations subject to limitation,” including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the “appropriations limit” is to be based on certain 1978-79 expenditures, and is to be adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIII B, if these entities’ revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years. The College District’s fiscal year 2017-18 appropriations limit is \$264,469.343.

Unitary Property. AB 454 (Chapter 921, Statutes of 1986) provides that revenues derived from most utility property assessed by the State Board of Equalization (“Unitary Property”), commencing with the 1988-89 fiscal year, will be allocated as follows: (1) each jurisdiction will receive up to 102% of its prior year State-assessed revenue; and (2) if county-wide revenues generated from Unitary Property are less than the previous year’s revenues or greater than 102% of the previous year’s revenues, each jurisdiction will share the burden of the shortfall or excess revenues by a specified formula. This provision applies to all Unitary Property except railroads, whose valuation will continue to be allocated to individual tax rate areas.

The provisions of AB 454 do not constitute an elimination of the assessment of any State-assessed properties nor a revision of the methods of assessing utilities by the State Board of Equalization. Generally, AB 454 allows valuation growth or decline of Unitary Property to be shared by all jurisdictions in a county.

California Lottery. In the November 1984 general election, the voters of the State approved a constitutional amendment establishing a California State Lottery (the “State Lottery”), the net revenues (revenues less expenses and prizes) of which shall be used to supplement other moneys allocated to public education. The legislation further requires that the funds shall be used for the education of pupils and students and cannot be used for the acquisition of real property, the construction of facilities or the financing of research.

Allocation of State Lottery net revenues is based upon the average daily attendance or full-time equivalent students at each school and community college district; however, the exact allocation formula may vary from year to year. At this time, the amount of additional revenues that may be generated by the State Lottery in any given year cannot be predicted.

Proposition 46. On June 3, 1986, California voters approved Proposition 46, which added an additional exemption to the 1% tax limitation imposed by Article XIII A. Under this amendment to Article XIII A, local governments and school and community college districts may increase the property tax rate above 1% for the period necessary to retire new, general obligation bonds, if two-thirds of those voting in a local election approve the issuance of such bonds and the money raised through the sale of the bonds is used exclusively to purchase or improve real property.

Proposition 39. On November 7, 2000, California voters approved Proposition 39, called the “Smaller Classes, Safer Schools and Financial Accountability Act” (the “Smaller Classes Act”) which amends Section 1 of Article XIII A, Section 18 of Article XVI of the California Constitution and Section 47614 of the California Education Code and allows an alternative means of seeking voter approval for bonded indebtedness by 55 percent of the vote, rather than the two-thirds majority required under Section 18 of Article XVI of the Constitution. The 55 percent voter requirement applies only if the bond measure submitted to the voters includes, among other items: (1) a restriction that the proceeds of the bonds may be used for “the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities,” (2) a list of projects to be funded and a certification that the school district board has evaluated “safety, class size reduction, and information technology needs in developing that list” and (3) that annual, independent performance and financial audits will be conducted regarding the expenditure and use of the bond proceeds.

Section 1(b)(3) of Article XIII A has been added to exempt the one percent *ad valorem* tax limitation that Section 1(a) of Article XIII A of the Constitution levies, to pay bonds approved by 55 percent of the voters voting on the measure, subject to the restrictions explained above.

The State Legislature enacted AB 1908, Chapter 44, which became effective upon passage of Proposition 39 and amends various sections of the Education Code. Under amendments to Section 15268 and 15270 of the Education Code, the following limits on *ad valorem* taxes apply in any single election: (1) for a school district, indebtedness shall not exceed \$30 per \$100,000 of taxable property, (2) for a unified school district, indebtedness shall not exceed \$60 per \$100,000 of taxable property, and (3) for a community college district, indebtedness shall not exceed \$25 per \$100,000 of taxable property. Finally, AB 1908 requires that a citizens’ oversight committee must be appointed who will review the use of the bond funds and inform the public about their proper usage.

Proposition 30 and Proposition 55. The passage of the Governor’s November Tax Initiative (“Proposition 30”) on November 6, 2012, resulted in an increase in the State sales tax by a quarter-cent for four years and, for seven years, and raises taxes on individuals after their first \$250,000 in income and on couples after their first \$500,000 in earnings. These increased tax rates affect approximately one percent of California personal income tax filers and will be in effect until the conclusion of the 2018 tax year. The State Office of Legislative Analyst (the “LAO”) estimates that, as a result of Proposition 30, additional state tax revenues of about \$6 billion annually from fiscal years 2012-13 through 2016-17 will be received by the State with lesser amounts of additional revenue available in fiscal years 2017-18, and 2018-19. Proposition 30 also places into the State Constitution certain requirements related to the transfer of certain State program responsibilities to local governments, mostly counties, including incarcerating certain adult offenders, supervising parolees, and providing substance abuse treatment services.

Proposition 30 also provided additional tax revenues aimed at balancing the State’s budget through fiscal year 2018-19, providing several billion dollars annually through fiscal year 2018-19 available for purposes including funding existing State programs, ending K-14 education payment delays, and paying other State debts. Future actions of the State Legislature and the Governor will determine the use of these funds. According to the LAO, future revenues raised by Proposition 30 could be subject to multibillion-dollar swings, above or below the revenues projections, due to the majority of the additional revenue coming from the personal income tax rate increases on upper-income taxpayers. These fluctuations in incomes of upper-income taxpayers will impact potential State revenue and could complicate State budgeting in future years. After the tax increases expire, the loss of the associated tax revenues could create additional budget pressure in subsequent years.

On November 8, 2016, voters approved the California Children’s Education and Health Care Protection Act of 2016, also known as Proposition 55 (“Proposition 55”), which extends the temporary tax increases created by Proposition 30 from the 2016 tax year through the 2030 tax year. The College District cannot predict the effect the loss of the revenues generated from such temporary tax increases will have on total State revenues and the effect on the Proposition 98 formula for funding schools.

Proposition 51. At the November 8, 2016, election, voters in the State approved the California Public School Facility Bonds Initiative, (“Proposition 51”). Proposition 51 authorizes the sale and issuance of \$9 billion in general obligation bonds to fund the construction and modernization of school facilities for both community colleges and K-12 schools within the state.

Specifically, the \$9 billion will be stored between a State School Facilities Fund and a California Community College Capital Outlay Bond Fund. The funds can then be used to allocate bond revenue in the following manner:

- \$3 billion for construction of new K-12 school district facilities;
- Another \$3 billion for the modernization of K-12 public school sites, which includes repairs to outdated facilities to increase earthquake and fire safety, removing asbestos, technology upgrades and other health and safety improvements;
- \$500 million for various charter school facilities;
- \$500 million for career technical education facilities;
- \$2 billion for California community college facility construction and modernization.

The State issues general obligation bonds for facility projects. Typically, K-12 schools can submit proposals for such projects to the State Office of Public School Construction for both modernization and new construction. If the project is approved, the school district will receive State grant funding and in turn the school district must contribute local funding to such projects. If sufficient local funding is unavailable, the school district may potentially receive the full project cost via State grant funding. Career technical education and charter school facilities face a similar approval process. Community college districts, on the other hand, must submit requests for facility projects to the Chancellor of the community college system. Selected projects are eventually approved and funded as part of the annual State budget. A scoring system is used to determine the State and local contributions for these community college sites.

The impact that Proposition 51 will have on school and community college district behavior is unclear. Some districts may spend less local funds given the greater support of State funding. However, districts may decide to spend more local funds by proposing an increased number of facility projects with the knowledge that additional State funding could be available. It is also possible that districts may make no changes to their number of proposals for construction and modernization projects.

The College District was approved for funding under Proposition 51 for its \$40.9 million Russell Hall Replacement Project.

Article XIIC and XIID of the California Constitution. On November 5, 1996, an initiative to amend the California Constitution known as the “Right to Vote on Taxes Act” (“Proposition 218”) was approved by a majority of California voters. Proposition 218 added Articles XIIC and XIID to the State Constitution and requires majority voter approval for the imposition, extension or increase of general taxes and 2/3 voter approval for the imposition, extension or increase of special taxes by a local

government, which is defined in Proposition 218 to include counties. Proposition 218 also provides that any general tax imposed, extended or increased without voter approval by any local government on or after January 1, 1995, and prior to November 6, 1996 shall continue to be imposed only if approved by a majority vote in an election held within two years following November 6, 1996. All local taxes and benefit assessments which may be imposed by public agencies will be defined as “general taxes” (defined as those used for general governmental purposes) or “special taxes” (defined as taxes for a specific purpose even if the revenues flow through the local government’s general fund) both of which would require a popular vote. New general taxes require a majority vote and new special taxes require a two-thirds vote. Proposition 218 also extends the initiative power to reducing or repealing local taxes, assessments, fees and charges, regardless of the date such taxes, assessments or fees or charges were imposed, and lowers the number of signatures necessary for the process. In addition, Proposition 218 limits the application of assessments, fees and charges and requires them to be submitted to property owners for approval or rejection, after notice and public hearing.

The College District and the Improvement District have no power to impose taxes except property taxes associated with a general obligation bond election, following approval by 55% or 2/3 of the Improvement District’s voters voting on a bond measure, depending upon the Article of the Constitution under which it is passed. Under previous law, the College District and the Improvement District could apply provisions of the Landscape and Lighting Act of 1972 to create an assessment district for specified purposes, based on the absence of a majority protest. Proposition 218 significantly reduces the ability of the College District and the Improvement District to create such special assessment districts. Any assessments, fees or charges levied or imposed by any assessment district created by the College District and the Improvement District will become subject to the election requirements of Proposition 218 as described above, a more elaborate notice and balloting process and other requirements.

Proposition 218 also expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed, and reduces the number of signatures required for the initiative process. This extension of the initiative power to some extent constitutionalizes the March 6, 1995 State Supreme Court decision in *Rossi v. Brown*, which upheld an initiative that repealed a local tax and held that the State Constitution does not preclude the repeal, including the prospective repeal, of a tax ordinance by an initiative, as contrasted with the State constitutional prohibition on referendum powers regarding statutes and ordinances which impose a tax. Generally, the initiative process enables California voters to enact legislation upon obtaining requisite voter approval at a general election. Proposition 218 extends the authority stated in *Rossi v. Brown* by expanding the initiative power to include reducing or repealing assessments, fees and charges, which had previously been considered administrative rather than legislative matters and therefore beyond the initiative power. This extension of the initiative power is not limited by the terms of Proposition 218 to fees imposed after November 6, 1996 and absent other legal authority could result in retroactive reduction in any existing taxes, assessments or fees and charges. Such legal authority could include the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution.

Proposition 218 has no effect upon the College District’s and the Improvement District’s ability to pursue approval of a general obligation bond issue or a Mello-Roos Community Facilities District bond issue in the future, both of which are already subject to a 2/3 vote, although certain procedures and burdens of proof may be altered slightly. The College District is unable to predict the nature of any future challenges to Proposition 218 or the extent to which, if any, Proposition 218 may be held to be unconstitutional.

Proposition 1A. Proposition 1A (SCA 4), proposed by the State Legislature in connection with the 2004-05 Budget Act and approved by the voters in November 2004, provides that the State may not

reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the State Legislature. Proposition 1A provides, however, that the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses of the State Legislature and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the Vehicle License Fee rate from 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State to suspend State mandates affecting cities, counties and special districts, schools or community colleges, excepting mandates relating to employee rights, in any year that the State does not fully reimburse local governments for their costs of compliance with such mandates.

Future Initiatives. Article XIII A, Article XIII B, Article XIII C, Article XIII D and Propositions 98, 39 and 1A 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 the Improvement District's and College District's revenues or their ability to expend revenues.

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APPENDIX B

FORM OF BOND COUNSEL OPINION

_____, 2020

Board of Trustees
Rancho Santiago Community College District
2323 North Broadway
Santa Ana, California 92706

Re: \$ _____ Santa Ana College Improvement District No. 1 of Rancho Santiago Community College District General Obligation Refunding Bonds, 2020 Series A-2 (Federally Taxable)

We have acted as bond counsel for the Santa Ana College Improvement District No. 1 of Rancho Santiago Community College District (the "Improvement District"), Orange County, State of California, in connection with the issuance of \$ _____ aggregate principal amount of the Santa Ana College Improvement District No. 1 of Rancho Santiago Community College District General Obligation Refunding Bonds, 2020 Series A-2 (Federally Taxable) (the "Bonds"). The Bonds are issued pursuant to Articles 9 and 11, Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, as amended, and the resolution adopted by the Board of Trustees of the Rancho Santiago Community College District (the "College District") acting as the legislative body of the Improvement District on July __, 2020 (the "Resolution"). Capitalized terms used herein and not otherwise defined shall be the meanings ascribed to them in the Resolution.

As Bond Counsel, we have examined copies, certified to us as being true and complete copies, of the proceedings of the College District and the Improvement District for the authorization and issuance of the Bonds. In this connection, we have also examined such certificates of public officials and officers of the College District and the Improvement District as we have considered necessary for the purposes of this opinion. We have, with your approval, assumed that all items submitted to us as originals are authentic and that all items submitted as copies conform to the originals.

On the basis of such examination, our reliance upon the assumptions contained herein and our consideration of those questions of law we considered relevant, and subject to the limitations and qualifications in this opinion, we are of the opinion that:

1. The Bonds have been duly authorized and issued and constitute legally valid and binding obligations of the Improvement District, enforceable in accordance with their terms and the terms of the Resolution.
2. The Bonds are payable solely from and are secured by a pledge of *ad valorem* taxes which may be levied without limitation as to rate or amount upon all taxable real property in the Improvement District, and which, under the laws now in force with respect to the Bonds, may be levied within the limit prescribed by law upon all taxable personal property in the Improvement District, and from other available funds as set forth in the Resolution.
3. The Resolution has been duly authorized by the College District acting on behalf of the Improvement District and constitutes the legally valid and binding obligation of the

Improvement District, enforceable in accordance with its terms. The Bonds, assuming due authentication by the Paying Agent, are entitled to the benefits of the Resolution.

4. Interest on the Bonds is exempt from personal income taxes of the State of California under present State law.

The opinions set forth in paragraphs 1, 2, and 3 above (i) assume that the Paying Agent has duly authenticated the Bonds and (ii) are subject to (a) applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally (including, without limitation, fraudulent conveyance laws), (b) the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and (c) the limitations on legal remedies against government entities in the State of California.

Except as stated in paragraph 4 above, we express no opinion as to any other federal, state or local tax consequences of the ownership or disposition of the Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other counsel.

No opinion is expressed herein on the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds. This opinion is expressly limited to the matters set forth above and we render no opinion, whether by implication or otherwise, as to any other matters.

Our opinions are limited to matters of California law and applicable federal law, and we assume no responsibility as to the applicability of laws of other jurisdictions. We call attention to the fact that the opinions expressed herein and the exclusion of interest on the Bonds from gross income for federal income tax purposes may be affected by actions taken or omitted or events occurring or failing to occur after the date hereof. We have not undertaken to determine, or inform any person, whether any such actions are taken, omitted, occur or fail to occur.

Respectfully submitted,

APPENDIX C
AUDITED FINANCIAL STATEMENTS
OF THE COLLEGE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2019

APPENDIX D

FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (this “Disclosure Undertaking”) is executed and delivered by Rancho Santiago Community College District (the “College District”), as of September __, 2020, in connection with the issuance of \$_____ aggregate principal amount of the Santa Ana College Improvement District No. 1 of Rancho Santiago Community College District’s General Obligation Refunding Bonds, 2020 Series A-2 (Federally Taxable) (the “Bonds”). The Bonds are being issued pursuant to a Resolution adopted by the Board of Trustees of the College District on July [13], 2020 (the “Resolution”). Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Resolution.

In consideration of the issuance of the Bonds and the purchase of such Bonds by the Underwriter described below, the College District hereby covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Undertaking. This Disclosure Undertaking is being executed and delivered by the College District for the benefit of the Bondholders and in order to assist Piper Sandler & Co. (the “Underwriter”) in complying with Rule 15c2-12(b)(5) (the “Rule”) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

SECTION 2. Additional Definitions. In addition to the above definitions and the definitions set forth in the Resolution, the following capitalized terms shall have the following meanings:

“Annual Report” means any Annual Report provided by the College District pursuant to, and as described in, Sections 4 and 5 of this Disclosure Undertaking.

“Bondholder” or “Holder” means any holder of the Bonds or any beneficial owner of the Bonds so long as they are immobilized with DTC.

“Commission” means the Securities and Exchange Commission.

“Dissemination Agent” means [Cooperative Strategies, LLC], and any alternate or successor dissemination agent, designated in writing by the Chancellor or Vice Chancellor (or otherwise by the College District), which Dissemination Agent has evidenced its acceptance in writing.

“Financial Obligation” means (a) a debt obligation; (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) the guarantee of a debt obligation or any such derivative instrument; provided, that “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Listed Event” means any of the events listed in Section 6 of this Disclosure Undertaking.

“MSRB” means the Municipal Securities Rulemaking Board, through its Electronic Municipal Market Access (“EMMA”) website located at <http://emma.msrb.org>, or any other entity designated or authorized by the Commission.

SECTION 3. CUSIP Numbers and Final Official Statement. The CUSIP Numbers for the Bonds have been assigned. The Final Official Statement relating to the Bonds is dated August __, 2020 (the “Final Official Statement”).

SECTION 4. Provision of Annual Reports.

(a) The Improvement District shall, or shall cause the Dissemination Agent (if other than the Improvement District), not later than 240 days after the end of the College District’s fiscal year (currently ending June 30), commencing with the report for the fiscal year ending June 30, 2020, to provide to the MSRB, in a format prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 5 of this Disclosure Undertaking. As of the date of this Certificate, the format prescribed by the MSRB is the Electronic Municipal Market Access system. Information regarding requirement for submissions to EMMA is available at <http://emma.msrb.org>.

The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 5 of this Disclosure Undertaking; provided that the audited financial statements of the College District may be submitted, when and if available, separately from the balance of the relevant Annual Report. If the College District does not have audited financial statements available when it submits the relevant Annual Report, the Improvement District shall submit unaudited financial statements, as described in Section 5(a) below.

(b) Not later than 15 Business Days prior to the filing date required in paragraph (a) above for providing the Annual Report to the MSRB, the Improvement District shall provide the Annual Report to the Dissemination Agent (if other than the College District). If the Improvement District is unable to provide to the MSRB an Annual Report by the date required in paragraph (a) above, the Improvement District shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent (if other than the College District) shall:

(i) determine each year prior to the date for providing the Annual Report the format for filing with the MSRB; and

(ii) file a report with the Improvement District certifying that the Annual Report has been provided pursuant to this Disclosure Undertaking, stating the date it was provided to the MSRB.

SECTION 5. Content of Annual Report. The College District’s Annual Report shall contain or incorporate by reference the following:

(a) Financial information including the general purpose financial statements of the College District for the preceding fiscal year, prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. If audited financial information is not available by the time the Annual Report is required to be filed pursuant to Section 4(a) hereof, the financial information included in the Annual Report may be unaudited, and the College District will provide audited financial information to the MSRB as soon as practical after it has been made available to the College District.

(b) Operating data, including the following information (to the extent not included in the audited financial statements described in paragraph (a) above):

(i) Outstanding indebtedness and lease obligations of the College District for the preceding fiscal year;

- fiscal year; (ii) General fund budget and actual results of the College District for the preceding
- fiscal year; (iii) Enrollment, or equivalent information, in the College District for the preceding
- assessment roll; and (iv) Assessed valuations in the Improvement District as of the most recent equalized
- (v) Largest local secured taxpayers in the Improvement District as of the most recent equalized assessment roll.

(c) Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the College District, the Improvement District, or related public entities, which have been submitted to the MSRB or to the Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Improvement District shall clearly identify each other document so incorporated by reference.

SECTION 6. Reporting of Significant Events.

(a) The Improvement District agrees to provide or cause to be provided to the MSRB notice of the occurrence of any of the following events with respect to the Bonds not later than ten (10) Business Days after the occurrence of the event:

- (i) Principal and interest payment delinquencies;
- (ii) Unscheduled draws on any debt service reserves reflecting financial difficulties;
- (iii) Unscheduled draws on any credit enhancements reflecting financial difficulties;
- (iv) Substitution of credit or liquidity providers, or their failure to perform;
- (v) Adverse tax opinions with respect to the tax status of the Bonds, or the issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701-TEB);
- (vi) Tender offers;
- (vii) Defeasances;
- (viii) Rating changes;
- (ix) Bankruptcy, insolvency, receivership or similar event of the “obligated person” (within the meaning of the Rule); or
- (x) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the College District, any of which reflect financial difficulties.

For purposes of item (ix) above, the described event shall be deemed to occur when any of the following shall occur: the appointment of a receiver, fiscal agent or similar officer for the College District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state

or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the College District or the Improvement District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or other governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority have supervision or jurisdiction over substantially all of the assets or business of the College District or the Improvement District.

(b) The Improvement District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, not later than ten (10) business days after the occurrence of the event:

(i) Unless described in paragraph 6(a)(v) hereof, other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

(ii) Modifications to rights of Owners;

(iii) Optional, unscheduled or contingent Bond calls;

(iv) Release, substitution or sale of property securing repayment of the Bonds;

(v) Non-payment related defaults;

(vi) The consummation of a merger, consolidation, or acquisition involving an “obligated person” or the sale of all or substantially all of the assets of the College District or the Improvement District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

(vii) Appointment of a successor or additional Paying Agent or the change of name of a Paying Agent, if material; or

(viii) Incurrence of a Financial Obligation of the College District or the Improvement District, if material, or an agreement to covenants, events of default, remedies, priority rights or other similar terms of a Financial Obligation of the College District or the Improvement District, any of which affect the Owners, if material; or

(c) The Improvement District shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 4 hereof, as provided in Section 4(b) hereof.

(d) Whenever the Improvement District obtains knowledge of the occurrence of a Listed Event described in Section 6(a) hereof, or determines that knowledge of a Listed Event described in Section 6(b) hereof would be material under applicable federal securities laws, the Improvement District shall within ten (10) business days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(vii) or (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

SECTION 7. Termination of Reporting Obligation. The College District's obligations under this Disclosure Undertaking shall terminate when the Improvement District is no longer an obligated person with respect to the Bonds, as provided in the Rule, upon the defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 8. Dissemination Agent. The Chancellor or Vice Chancellor, Business Operations/Fiscal Services, may, from time to time, appoint or engage an alternate or successor Dissemination Agent to assist in carrying out the Improvement District's obligations under this Disclosure Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is no other designated Dissemination Agent in place, the College District shall act as the Dissemination Agent.

The Dissemination Agent, if other than the College District, shall be paid compensation for its services provided hereunder, and reimbursement for its costs and expenses. The Dissemination Agent shall not be responsible for the form or content of any document provided by the College District hereunder.

SECTION 9. Amendment. Notwithstanding any other provision of this Disclosure Undertaking, the Improvement District may amend this Disclosure Undertaking under the following conditions, provided no amendment to this Disclosure Undertaking shall be made that affects the rights, duties or obligations of the Dissemination Agent without its written consent:

(a) The amendment may be made only in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the obligated person, or type of business conducted;

(b) This Disclosure Undertaking, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment does not materially impair the interests of Holders, as determined either by parties unaffiliated with the College District or the Improvement District or another obligated person (such as the Bond Counsel) or by the written approval of the Bondholders; provided, that the Annual Report containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

SECTION 10. Additional Information. If the Improvement District chooses to include any information from any document or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Undertaking, the Improvement District shall have no obligation under this Disclosure Undertaking to update such information or to include it in any future disclosure or notice of occurrence of a Designated Material Event.

Nothing in this Disclosure Undertaking shall be deemed to prevent the Improvement District from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Designated Material Event, in addition to that which is required by this Disclosure Undertaking.

SECTION 11. Default. The Improvement District shall give notice to the MSRB of any failure to provide the Annual Report when the same is due hereunder, which notice shall be given prior to July 1

of that year. In the event of a failure of the Improvement District to comply with any provision of this Disclosure Undertaking, any Bondholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Improvement District to comply with its obligations under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Undertaking in the event of any failure of the Improvement District to comply with this Disclosure Undertaking shall be an action to compel performance.

SECTION 12. Beneficiaries. This Disclosure Undertaking shall inure solely to the benefit of the Improvement District, the Dissemination Agent, the Underwriter and Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. Record Keeping. The Improvement District shall maintain records of all Annual Reports and notices of Listed Events including the content of such disclosure, the names of the entities with whom the such disclosure were filed and the date of filing such disclosure.

SECTION 14. Governing Law. This Disclosure Undertaking shall be governed by the laws of the State of California, applicable to contracts made and performed in such State of California.

IN WITNESS WHEREOF, Santa Ana College Improvement District No. 1 of Rancho Santiago Community College District has executed this Continuing Disclosure Undertaking as of the date first set forth herein.

SANTA ANA COLLEGE IMPROVEMENT DISTRICT
NO. 1 OF RANCHO SANTIAGO COMMUNITY
COLLEGE DISTRICT

By: _____
Chancellor

EXHIBIT A

NOTICE TO THE MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Rancho Santiago Community College District, acting as the legislative body for Santa Ana College Improvement District No. 1 of Rancho Santiago Community College District

Name of Issue: \$_____ Santa Ana College Improvement District No. 1 of Rancho Santiago Community College District General Obligation Refunding Bonds, 2020 Series A-2 (Federally Taxable)

Date of Issuance: September __, 2020

NOTICE IS HEREBY GIVEN that the above-named Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 4(a) of the Disclosure Undertaking dated September __, 2020. The Issuer anticipates that the Annual Report will be filed by _____.

Dated: _____

[ISSUER/DISSEMINATION AGENT]

By: _____

APPENDIX E

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix E concerning DTC and DTC's book-entry system has been obtained from sources that the College District believes to be reliable, but the College District takes no responsibility for the accuracy or completeness thereof. The College District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedure" of DTC to be followed in dealing with DTC Participants are on file with DTC.

General

The Depository Trust Company ("DTC") will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *The foregoing internet address is included for reference only, and the information on this internet site is not incorporated by reference herein.*

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect

Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 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 College District (or the Paying Agent on behalf thereof) 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 Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the College District or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the College District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the College District or the Paying Agent, disbursement of such payments to Direct

Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the College District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, certificates for the Bonds are required to be printed and delivered in such principal amount or amounts, in authorized denominations, and registered in whatever name or names DTC shall designate.

The College District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). Discontinuance of use of the system of book-entry transfers through DTC may require the approval of DTC Participants under DTC's operational arrangements. In that event, printed certificates for the Bonds will be printed and delivered in such principal amount or amounts, in authorized denominations, and registered in whatever name or names DTC shall designate.

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

Discontinuation of Book-Entry Only System; Payment to Beneficial Owners

In the event that the book-entry system described above is no longer used with respect to the Bonds, the following provisions will govern the payment, transfer and exchange of the Bonds.

The principal of the Bonds and any premium and interest upon the redemption thereof prior to maturity will be payable in lawful money of the United States of America upon presentation and surrender of the Bonds at the office of the Paying Agent, initially located in Los Angeles, California. Interest on the Bonds will be paid by the Paying Agent by check or draft mailed to the person whose name appears on the registration books of the Paying Agent as the registered owner, and to that person's address appearing on the registration books as of the close of business on the Record Date. At the written request of any registered owner of at least \$1,000,000 in aggregate principal, payments shall be wired to a bank and account number on file with the Paying Agent as of the Record Date.

Any Bond may be exchanged for a Bond of any authorized denomination upon presentation and surrender at the office of the Paying Agent, initially located in Los Angeles, California, together with a request for exchange signed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred only on the Bond registration books upon presentation and surrender of the Bond at such office of the Paying Agent together with an assignment executed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent shall complete, authenticate and deliver a new Bond or Bonds of any authorized denomination or denominations requested by the owner equal in the aggregate to the unmaturing principal amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

Neither the College District nor the Paying Agent will be required to exchange or transfer any Bond during the period from the Record Date through the next Interest Payment Date.

APPENDIX F

ORANGE COUNTY EDUCATIONAL INVESTMENT POOL DISCLOSURE

The following information concerning the Investment Pool (defined herein) has been provided by the Treasurer of Orange County (the “County”) and has not been confirmed or verified by either the College District or the Underwriter. Further, neither the College District, Improvement District nor the Underwriter make any representation as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date.

The County Board of Supervisors (the “Board”) approved the current County Investment Policy Statement (the “Investment Policy”) on December 18, 2018 (see Appendix G – ORANGE COUNTY INVESTMENT POLICY STATEMENT” or ocgov.com/ocinvestments). (This reference is for convenience of reference only and not considered to be incorporated as part of this Official Statement.) The Investment Policy applies to all funds managed by the County Treasurer as delegated by the Board including the Orange County Investment Pool, the Orange County Educational Investment Pool, the John Wayne Airport Investment Fund and various other small non-Pooled investment funds. The primary goal is to invest public funds in a manner which will provide the maximum security of principal invested with secondary emphasis on providing adequate liquidity to Pool Participants and lastly to achieve a market rate of return within the parameters of prudent risk management while conforming to all applicable statutes and resolutions governing the investment of public funds. The main investing objectives, in order of priority are: Safety, Liquidity and Yield.

Pursuant to California Government Code Section (CGC) 27130-27137, the Board of Supervisors has established a Treasury Oversight Committee (TOC) that monitors and reviews the Investment Policy Statement annually and causes an annual audit to be conducted to determine if the Treasurer is in compliance with CGC 27130-17137 and which includes, limited tests of compliance with laws and regulations. The TOC consists of the County Executive Officer, the elected County Auditor-Controller, the elected County Superintendent of Schools, or their respective designees and four public members. In addition, the Auditor-Controller Internal Audit Division and the Internal Audit Department perform regular reviews and audits as required by CGC 26920(a) and (b) and as required by a TOC Directive. These reports, when issued, are available online in the Treasurer’s Monthly Investment Report at ocgov.com/ocinvestments (This reference is for convenience of reference only and not considered to be incorporated as part of this Official Statement).

The College District’s funds held by the County Treasurer are invested in the Orange County Educational Investment Pool (the “Pool”) which pools all of the College District’s funds. As of June 30, 2019, the balance of the College District’s funds was \$325,630,178.72 or 5.85% of the Pool. The pool is invested 96% in securities rated in the two highest rating categories. As of June 30, 2019, the Pool has a weighted average maturity of 310 days and the year-to-date net yield is 2.03%.

The following represents the composition of the Pool as of June 30, 2019:

<u>Type of Investment</u>	<u>Market Value (In thousands)</u>	<u>% of Pool</u>
U.S. Government Agencies	\$ 3,501,409	62.57%
U.S. Treasuries	1,411,699	25.22%
Municipal Debt	296,037	5.29%
Medium-Term Notes	222,564	3.98%
Money Market Mutual Funds	131,024	2.34%
Local Agency Investment Fund	33,425	0.60%
Total	<u>\$ 5,596,158</u>	<u>100.00%</u>

Neither the College District nor the Underwriter has made an independent investigation of the investments in the Pools and has made no assessment of the current County Investment Policy. The value of the various investments in the Pools will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the County Treasurer, after a review by the Committee and approval by the Board may change the County Investment Policy at any time. Therefore, there can be no assurance that the values of the various investments in the Pools will not vary significantly from the values described therein.

APPENDIX G

ORANGE COUNTY INVESTMENT POLICY STATEMENT