

NEW ISSUE—BOOK ENTRY ONLY

Ratings: S&P: “A”
See “RATINGS” herein

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals. Interest on the Bonds may affect the federal alternative minimum tax imposed on certain corporations. Bond Counsel is also of the opinion that interest on the Bonds is exempt from present State of California personal income taxes. For a more complete description of such opinions of Bond Counsel, see “TAX MATTERS” herein.



\$26,000,000*
CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY
Revenue Bonds
(Crystal Springs Uplands School Project)
Series 2025

<u>Dated</u>	<u>Due</u> <u>June 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP</u> [^]
Date of Delivery	2030*	\$18,000,000*	—%	—%	—	—
Date of Delivery	2040*	\$8,000,000*	—%	—%	—	—

The California Enterprise Development Authority (the “**Issuer**”) intends to issue its Revenue Bonds (Crystal Springs Uplands School Project) Series 2025 in the principal amount of \$26,000,000* (the “**Bonds**”) pursuant to an Indenture of Trust dated as of October 1, 2025 (as amended, restated, supplemented, and otherwise modified from time to time, the “**Indenture**”) between the Issuer and Wilmington Trust, National Association, as trustee (with its successors and assigns, the “**Trustee**”). The proceeds of the Bonds will be loaned by the Issuer to Crystal Springs Uplands School, a California nonprofit public benefit corporation (with its permitted successors and assigns, the “**Borrower**”) pursuant to a Loan Agreement dated as of October 1, 2025 (as amended, restated, supplemented, and otherwise modified from time to time, the “**Loan Agreement**”) and applied, together with other available funds, to finance the Project described herein, to pay capitalized interest, and to pay certain costs of issuance of the Bonds, as more fully described herein. For more information, see “**PLAN OF FINANCE**” herein.

The Bonds will be payable from the monies held for the payment thereof by the Trustee under the Indenture, including payments to be made by the Borrower under the Loan Agreement. Interest is payable on June 1 and December 1 of each year, commencing December 1, 2025.

The Bonds will be issued as fully registered bonds in book-entry form in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“**DTC**”), which will act as securities depository for the Bonds. Purchases of beneficial interests in the Bonds will be made in book-entry form and purchasers will not receive physical certificates representing the ownership interest in the Bonds purchased by them. The Bonds will be issued in denominations of \$5,000 and integral multiples thereof. See “**THE BONDS – Book-Entry-Only System**” herein. The Bonds are subject to optional, special optional, extraordinary optional, and mandatory redemption, and purchase in lieu of redemption, as described herein under “**THE BONDS**.”

THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE ISSUER AS PROVIDED IN THE GOVERNMENT CODE OF THE STATE OF CALIFORNIA, PAYABLE SOLELY FROM AND SECURED BY THE PLEDGE OF THE TRUST ESTATE UNDER THE INDENTURE. THE BONDS DO NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF (EXCEPT THE ISSUER AS SET FORTH IN THE INDENTURE). NONE OF THE ISSUER, ITS MEMBERS, THE STATE OF CALIFORNIA, OR ANY OF ITS POLITICAL SUBDIVISIONS SHALL BE DIRECTLY, INDIRECTLY, CONTINGENTLY OR MORALLY OBLIGATED TO USE ANY OTHER MONEYS OR ASSETS TO PAY ALL OR ANY PORTION OF THE DEBT SERVICE DUE ON THE BONDS, TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATEVER THEREFOR OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE BONDS ARE NOT A PLEDGE OF THE FAITH AND CREDIT OF THE ISSUER, ITS MEMBERS, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS, NOR DO THEY CONSTITUTE INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION. THE ISSUER HAS NO TAXING POWER. THE ISSUER SHALL NOT BE LIABLE FOR PAYMENT OF THE PRINCIPAL OF, PREMIUM OR INTEREST ON, THE BONDS OR ANY OTHER COSTS, EXPENSES, LOSSES, DAMAGES, CLAIMS, OR ACTIONS OF ANY CONCEIVABLE KIND ON ANY CONCEIVABLE THEORY, UNDER OR BY REASON OF OR IN CONNECTION WITH THE INDENTURE, THE BONDS OR ANY OTHER DOCUMENTS, EXCEPT ONLY TO THE EXTENT AMOUNTS ARE RECEIVED FOR THE PAYMENT THEREOF FROM THE BORROWER UNDER THE LOAN AGREEMENT. NONE OF THE ISSUER, ITS MEMBERS, ANY PERSON EXECUTING THE BONDS OR ANY OFFICIAL DIRECTOR, MEMBER, OFFICER, AGENT, OR EMPLOYEE OF THE STATE OF CALIFORNIA, THE ISSUER, ANY PUBLIC AGENCY THEREOF OR ANY MEMBER THEREOF IS LIABLE PERSONALLY ON THE BONDS OR IN RESPECT OF ANY UNDERTAKINGS BY THE ISSUER UNDER THE LOAN AGREEMENT OR THE INDENTURE, OR SUBJECT TO ANY PERSONAL LIABILITY OR ACCOUNTABILITY BY REASON OF THE ISSUANCE OF THE BONDS.

For more complete information with respect to the security for and sources of payment of the Bonds and certain risks with respect thereto, see “**SOURCES OF PAYMENT AND SECURITY FOR THE BONDS**” and “**CERTAIN BONDHOLDERS’ RISKS**” herein.

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 including the Appendices attached hereto to obtain information essential to making an informed investment decision.

The Bonds are offered when, as and if issued by the Issuer and received by the Underwriter, subject to receipt of the legal opinion of Kutak Rock LLP, Bond Counsel to the Issuer. Certain legal matters will be passed upon for the Issuer by its counsel, Kutak Rock LLP; for the Borrower by its counsel, Kutak Rock LLP; and for the Underwriter by its counsel, Polsinelli. The Bonds in definitive form are expected to be available for delivery through the facilities of The Depository Trust Company on or about _____, 2025.

STIFEL

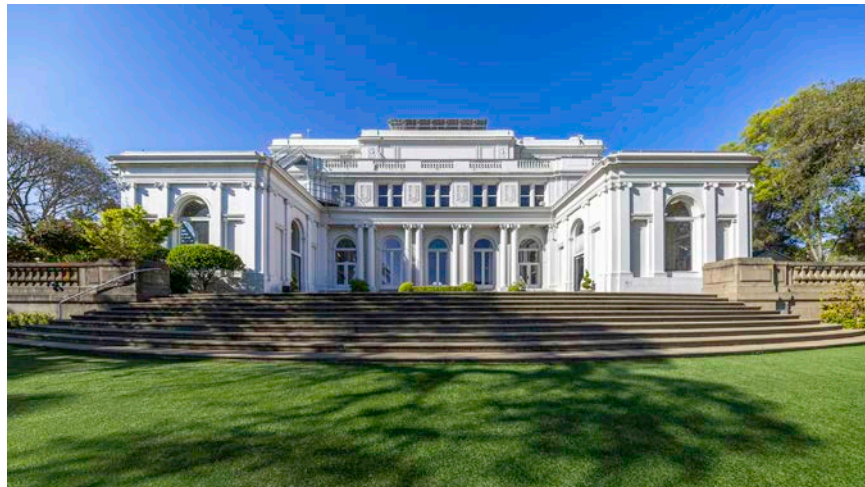
_____, 2025

* Preliminary, subject to change

[^] CUSIP is a registered trademark of the American Bankers Association (the “**ABA**”). CUSIP data is provided by CUSIP Global Services, which is managed on behalf of the ABA by FactSet Research Systems Inc. See the additional information and limitations regarding CUSIP numbers on the inside front cover pages of this Official Statement.



Exterior front view of the Mansion at Crystal's Upper School Campus in Hillsborough, California



Exterior rear view of the Mansion at Crystal's Upper School Campus in Hillsborough, California



Interior view of Mansion



Interior view of Mansion ballroom ceiling

No dealer, broker, salesperson, or other person has been authorized by the Issuer or the Borrower to give any information or to make any representations with respect to the Bonds, other than those contained in this Official Statement. Such other information or representations, if given or made, must not be relied upon as having been authorized by the Issuer or the Borrower. 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 any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale. The information and expressions of opinion herein are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in any of the information set forth herein since the date hereof or the dates of the information contained herein.

The information with respect to the Issuer set forth herein under the captions “**THE ISSUER**” and “**LITIGATION—The Issuer**” has been furnished by the Issuer. The Issuer does not warrant the accuracy of the statements contained herein relating to the Borrower or the Project nor does it directly or indirectly guarantee, endorse or warrant (1) the creditworthiness or credit standing of the Borrower, (2) the sufficiency of the security for the Bonds or (3) the value or investment quality of the Bonds. The Issuer makes no representations or warranties whatsoever with respect to any information contained herein except for the information relating to it under the captions “**THE ISSUER**” and “**LITIGATION—The Issuer**.” The information set forth in **Appendix D** has been furnished by DTC. All other information set forth herein has been obtained from the Borrower and other sources (other than the Issuer) that are believed to be reliable. The adequacy, accuracy or completeness of such information is not guaranteed by, and is not to be construed as a representation of, the Issuer or the Underwriter. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement, nor any sale made hereunder, shall under any circumstances create any implication that there has been no change in the affairs of the Issuer, the Borrower, or DTC since the date hereof.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

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 as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

If and when included in this Official Statement, the words “expects,” “forecasts,” “projects,” “intends,” “anticipates,” “estimates,” “assumes” and analogous expressions are intended to identify forward-looking statements and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. Such forward-looking statements speak only as of the date of this Official Statement. The Issuer, the Borrower, and the Underwriter disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

The Bonds have not been and will not be registered under the Securities Act of 1933, as amended (the “**Securities Act**”), and are being issued in reliance on exemptions under the Securities Act. The Bonds are not exempt in every jurisdiction in the United States; some jurisdictions’ securities laws may require a filing and a fee to secure the Bonds’ exemption from registration. The Indenture has not been qualified

under the Trust Indenture Act of 1939, as amended (the “**Trust Indenture Act**”), in reliance upon an exemption contained in the Trust Indenture Act.

THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH THE APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE BORROWER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The CUSIP numbers in this Official Statement have been assigned by an organization not affiliated with the Issuer, the Borrower, or the Trustee, and such parties are not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of Bondholders and none of the Issuer, the Borrower, or the Underwriter makes any representation with respect to such CUSIP numbers or undertakes any responsibility for the accuracy thereof now or at any time in the future. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including but not limited to the refunding or defeasance of such issue or the use of secondary market financial products. None of the Issuer, the Borrower or the Trustee has agreed to, nor is there any duty or obligation to, update this Official Statement to reflect any change or correction in the CUSIP numbers printed on the inside cover hereof.

CAUTIONARY STATEMENTS REGARDING FORWARD- LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute projections or estimates of future events, generally known as “forward-looking statements.” Such statements generally are identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget,” “may,” “believe,” “will,” “project,” “intend,” “anticipate,” “continue” or other similar words. Such forward-looking statements include, among others, certain statements in **Appendix A** to this Official Statement and certain statements under the captions “**PLAN OF FINANCE**” and “**CERTAIN BONDHOLDERS’ RISKS**” in the forepart of this Official Statement. 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 by such forward-looking statements. Neither the Borrower nor any other party plans to issue any updates or revisions to those forward-looking statements if or when their expectations, or events, conditions, or circumstances upon which such statements are based occur.

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\$26,000,000*
CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY
REVENUE BONDS
(CRYSTAL SPRINGS UPLANDS SCHOOL PROJECT)
SERIES 2025

INTRODUCTION

Purpose

This Official Statement, including the cover page and appendices attached hereto, sets forth certain information in connection with the issuance by the California Enterprise Development Authority (the “**Issuer**”) of its \$26,000,000* Revenue Bonds (Crystal Springs Uplands School Project) Series 2025 (the “**Bonds**”) pursuant to an Indenture of Trust dated as of October 1, 2025 (as amended, restated, supplemented, and otherwise modified from time to time, the “**Indenture**”) between the Issuer and Wilmington Trust, National Association, as trustee (with its successors and assigns, the “**Trustee**”). The proceeds of the Bonds will be loaned to Crystal Springs Uplands School, a California nonprofit public benefit corporation (with its permitted successors and assigns, the “**Borrower**”) pursuant to a Loan Agreement dated as of October 1, 2025 (as amended, restated, supplemented, and otherwise modified from time to time, the “**Loan Agreement**”) between the Issuer and the Borrower.

Sources of Payment and Security for the Bonds

The Bonds and the interest thereon are special, limited obligations of the Issuer, payable by the Issuer solely from certain payments to be made by the Borrower pursuant to the Loan Agreement (except any moneys required to be deposited in the Rebate Fund) and certain other funds held by the Trustee pursuant to the Indenture, and not from any other fund or source of funds of the Issuer.

The Bonds are secured by, among other things, the Loan Agreement as described herein. The Loan Agreement requires the Borrower to make payments thereunder in amounts sufficient to pay when due the principal and redemption price of and interest on the Bonds and such payments are a general obligation of the Borrower. The Borrower’s obligations under the Loan Agreement are secured: (i) by a security interest in the Shared Collateral (hereinafter defined) on a parity basis with certain of the Borrower’s other outstanding secured indebtedness described herein and (ii) by a first priority security interest in one of the Borrower’s campuses as described herein. The Borrower is not restricted by the Loan Agreement from incurring additional indebtedness but is restricted in the amount of additional indebtedness it can incur pursuant to the Existing Debt (hereinafter defined). Such additional indebtedness, if issued, may be either unsecured or secured by certain property of the Borrower, and may be entitled to payment prior to payment on the Bonds that is not otherwise encumbered by liens on the Borrower’s property in favor of the Trustee or the Existing Lender (hereinafter defined). There can be no assurance that the limitations imposed on the Borrower by the Existing Debt will not be waived by the Existing Lender or eliminated if the Existing Debt is refinanced. See “**SOURCES OF PAYMENT AND SECURITY FOR THE BONDS.**”

* Preliminary, subject to change

Use of Proceeds

The proceeds of the Bonds will be loaned to the Borrower and applied, together with other available funds, (a) to finance and, at the option of the Borrower, reimburse the Borrower for, costs of the Project described herein, (b) to pay capitalized interest, and (c) to pay costs of issuance of the Bonds. See “**PLAN OF FINANCE**” and “**ESTIMATED SOURCES AND USES OF FUNDS.**”

THE ISSUER

The Issuer is a joint exercise of powers authority organized and operating under the provisions of Article 1 through Article 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, as amended (the “**Act**”) and a Joint Exercise of Powers Agreement, dated June 1, 2006 (the “**Joint Powers Agreement**”), among the cities of Eureka, Lancaster and Selma and other public agencies who have and may subsequently become associate members of the Issuer and is authorized by the Act to issue bonds, notes or other evidences of indebtedness, or certificates of participation in leases or other agreements, or enter into loan agreements to, among other things, finance or refinance facilities owned and/or leased and operating by organizations described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “**Code**”).

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

Neither the Issuer nor its independent contractors has furnished, reviewed, investigated or verified the information contained in this Official Statement other than the information contained in this section and in the section entitled “**LITIGATION – The Issuer.**” The Issuer does not and will not in the future monitor the financial condition of the Borrower or otherwise monitor payment of the Bonds or compliance with the documents relating thereto.

THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE ISSUER AS PROVIDED IN THE ACT, PAYABLE SOLELY FROM AND SECURED BY THE PLEDGE OF THE TRUST ESTATE UNDER THE INDENTURE. THE BONDS DO NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF (EXCEPT THE ISSUER AS SET FORTH IN THE INDENTURE). NONE OF THE ISSUER, ITS MEMBERS, THE STATE OF CALIFORNIA, OR ANY OF ITS POLITICAL SUBDIVISIONS SHALL BE DIRECTLY, INDIRECTLY, CONTINGENTLY OR MORALLY OBLIGATED TO USE ANY MONEYS OR ASSETS TO PAY ALL OR ANY PORTION OF THE DEBT SERVICE DUE ON THE BONDS, TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATEVER THEREFOR OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE BONDS ARE NOT A PLEDGE OF THE FAITH AND CREDIT OF THE ISSUER, ITS MEMBERS, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS, NOR DO THEY CONSTITUTE INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION. THE ISSUER HAS NO TAXING POWER. THE ISSUER SHALL NOT BE LIABLE FOR PAYMENT OF THE PRINCIPAL OF, PREMIUM OR INTEREST ON, THE BONDS OR ANY OTHER COSTS, EXPENSES, LOSSES, DAMAGES, CLAIMS OR ACTION OF ANY CONCEIVABLE KIND OF ANY CONCEIVABLE THEORY, UNDER OR BY REASON OR IN CONNECTION WITH THE INDENTURE, THE BONDS OR ANY OTHER DOCUMENTS, EXCEPT ONLY TO THE EXTENT AMOUNTS ARE RECEIVED FOR THE PAYMENT THEREOF FROM THE BORROWER UNDER THE LOAN AGREEMENT. NO PERSON EXECUTING THE BONDS OR ANY OFFICIAL, DIRECTOR, MEMBER, OFFICER, AGENT OR EMPLOYEE OF THE ISSUER, ITS MEMBERS,

THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS LIABLE PERSONALLY ON THE BONDS OR IN RESPECT OF ANY UNDERTAKINGS BY THE ISSUER UNDER THE LOAN AGREEMENT OR THE INDENTURE OR IS SUBJECT TO ANY PERSONAL LIABILITY OR ACCOUNTABILITY BY REASON OF THE ISSUANCE OF THE BONDS.

THE BORROWER

The Borrower is a non-profit, independent, sixth through twelfth grade, day school, with two campuses located on the San Francisco peninsula. The Borrower is an organization described in Section 501(c)(3) of the Code and exempt from federal corporate income tax under Section 501(a) of the Code. For information about the Borrower, see **Appendix A** and **Appendix B**.

PLAN OF FINANCE

The proceeds of the Bonds are expected to be used, together with other available funds, (a) to finance and, at the option of the Borrower, reimburse the Borrower for costs of the Project, (b) to pay capitalized interest, and (c) to pay certain expenses incurred in connection with the issuance of the Bonds.

The Project

The Project includes the acquisition, construction, improvement, and equipping of certain educational facilities of the Borrower, including, but not limited to, seismic strengthening, enhancements to fire sprinklers and fire safety systems, creation of enlarged classrooms and adjacent departmental hubs, enhanced acoustics, lighting and technology, installation of a new elevator and other improvements at the Borrower's Upper School Campus (sometimes referred to herein as the "**Hillsborough Campus**"), located at 400 Uplands Drive, Hillsborough, California 94010 and enhancements to classrooms and other facilities at the Borrower's Middle School Campus (sometimes referred to herein as the "**Belmont Campus**"), located at 10 Davis Drive, Belmont, California 94002 (the "**Project**"). For more information about the Project, see **Appendix A - "STRATEGIC PLAN AND THE PROJECT – Mansion Project."**

ESTIMATED SOURCES AND USES OF FUNDS

The table below sets forth the estimated sources and uses of the proceeds of the Bonds.

SOURCES OF FUNDS

Principal Amount of Bonds	\$ _____
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[Plus][Minus] [Net] Original Issue [Premium][Discount]	_____
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TOTAL SOURCES	\$ _____
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USES OF FUNDS

Project Costs	\$ _____
---------------	----------

Costs of Issuance ⁽¹⁾	_____
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TOTAL USES	\$ _____
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(1) Includes Issuer fee, underwriter's discount, legal fees, Trustee's fee, rating agency fees, printing expenses and other miscellaneous costs and expenses related to the issuance and sale of the Bonds.

THE BONDS

Description of the Bonds

The Bonds will be dated the date of delivery and bear interest and mature as set forth on the cover page of this Official Statement. Interest on the Bonds is payable on June 1 and December 1 of each year, commencing December 1, 2025 (each, an “**Interest Payment Date**”). Each Bond shall bear interest from the date of initial issuance of the Bonds. Interest on the Bonds shall be computed on the basis of a 360-day year of twelve 30-day months.

The Bonds are issued only as fully registered bonds without coupons. The Bonds will be issued in the denominations of \$5,000 and integral multiples thereof (“**Authorized Denominations**”). Subject to the provisions relating to the book-entry only system with respect to the Bonds described under the heading “**Book-Entry-Only System**” below, principal of any Bond and any premium upon redemption shall be paid by check in lawful money of the United States of America upon presentation and surrender of such Bond at the Corporate Trust Office of the Trustee.

Interest is payable on each Interest Payment Date to the person whose name appears on the Bond Register as the Holder thereof as of the close of business on the fifteenth calendar day (whether or not a Business Day) of the month immediately preceding such Interest Payment Date (the “**Regular Record Date**”), such interest to be paid by check of the Trustee mailed on the Interest Payment Date by first-class mail to the Holder at the address of such Holder as it appears on the Bond Register; provided however, that payment of interest will be made by wire transfer in immediately available funds to an account at a financial institution in the United States of America to any Holder of Bonds in the aggregate principal amount of \$1,000,000 or more who shall furnish written wire instructions to the Trustee before the applicable Regular Record Date; provided, further however, for so long as the Bonds are held in the book-entry system of the Securities Depository, payment shall be subject to the provisions relating to the book-entry only system with respect to the Bonds described under the heading “**Book-Entry-Only System**” below. Any such written request shall remain in effect until rescinded in writing by the Holder. Principal of and interest and premium, if any, on the Bonds shall be payable in lawful money of the United States of America.

Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Bondholder on such Regular Record Date and shall be paid to the person in whose name the Bond is registered at the close of business on a Special Record Date for the payment of such defaulted interest. The Special Record Date shall be fixed by the Trustee, notice thereof being given to the Bondholders not less than ten (10) days prior to such Special Record Date.

Redemption Prior to Maturity*

Optional Redemption. The Bonds maturing on June 1, 2040* will be subject to redemption prior to their scheduled maturity, on or after June 1, 2035*, at the option of the Borrower, as a whole or in part on any date, from funds derived by the Borrower from any source, at a Redemption Price of 100% of the principal amount thereof to be redeemed, together with interest accrued thereon to the redemption date.

Special Optional Redemption. The Bonds maturing on June 1, 2040* are subject to special optional redemption on any date on or after June 1, 2030*, at the option of the Borrower, from Campaign Receipts deposited into the Optional Redemption Account of the Bond Fund (provided that any such

* Preliminary, subject to change

redemption must be in Authorized Denominations), at a Redemption Price of 100% of the principal amount thereof to be redeemed, together with interest accrued thereon to the redemption date. Such special optional redemption shall be exercised upon the deposit by the Borrower of Campaign Receipts into the Optional Redemption Account at least thirty (30) days prior to the date fixed for redemption.

Purchase in Lieu of Redemption. When the Bonds are subject to optional redemption as described under the subheading “Optional Redemption” above, at the option of the Borrower, such Bonds may be purchased in lieu of redemption from moneys paid by or on behalf of the Borrower on the applicable redemption date at a purchase price equal to the applicable redemption price established for such optional redemption, including redemption premium, if any, and such Bonds shall be purchased, and not redeemed, with moneys deposited for such purchase. The purchase of Bonds by or on behalf of the Borrower pursuant to this subsection or advance or use of any moneys to effectuate such purpose shall not be deemed to be a redemption of such Bonds or any portion thereof, and such purchase shall not operate to extinguish or discharge the indebtedness evidenced by such Bonds.

Extraordinary Optional Redemption from Insurance and Condemnation Proceeds. The Bonds are subject to redemption prior to their stated maturity, at the option of the Borrower as a whole or in part on any date from moneys required to be transferred from the Insurance and Condemnation Proceeds Fund to the Special Redemption Account, at a Redemption Price of 100% of the principal amount thereof to be redeemed, together with interest accrued thereon to the redemption date. See **Appendix C – “INDENTURE – Insurance and Condemnation Proceeds Fund” and “LOAN AGREEMENT – Insurance – Insurance and Condemnation Proceeds”** for a summary of the provisions governing funding, establishment, and application of the Insurance and Condemnation Proceeds Fund.

Mandatory Redemption Upon Determination of Taxability. The Bonds are also subject to mandatory redemption prior to their stated maturity, as a whole, on any Business Day not more than sixty (60) days after the Trustee receives notice of a Determination of Taxability with respect to such Bonds, at a Redemption Price of 100% of the principal amount thereof to be redeemed, together with interest accrued thereon to the redemption date. “**Determination of Taxability**” means interest on the Bonds, or any of them, is determined not to be excludable from taxable gross income of the Holder thereof by a final administrative determination of the Internal Revenue Service or final judicial decision of a court of competent jurisdiction in a proceeding of which the Borrower received a notice. A determination or decision will not be considered final for this purpose until the conclusion of any appellate review, if sought.

Notice of Redemption. Notice of redemption is required to be given by the Trustee to the respective Holders of any Bonds designated for redemption at their addresses appearing on the Bond Register. Each notice of redemption shall state the date of such notice, the redemption date (which redemption date shall not be less than forty (40) days or such shorter period after notice of redemption shall have been delivered to the Trustee by the Borrower pursuant to the Loan Agreement), the Redemption Price (including any premium), the place or places of redemption (including the name and appropriate address or addresses of the Trustee), the CUSIP number, if any, of the maturity and, if less than all of any series of Bonds are to be redeemed, the series and the distinctive certificate numbers of the Bonds to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said Bonds the Redemption Price thereof or of said specified portion of the principal amount thereof in the case of a Bond to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered at the address or addresses of the Trustee specified in the redemption notice.

Any notice of redemption shall be given by Electronic Means or mailed by first-class mail, postage prepaid, to Bondholders not less than forty (40) days prior to the date fixed for redemption. Neither failure to receive any notice nor any defect in such notice so given shall affect the sufficiency of the proceedings for the redemption of such Bonds. Failure by the Trustee to give notice pursuant to this Section, or the insufficiency of any such notice, shall not affect the sufficiency of the proceedings for redemption of Bonds for which notice was properly given.

Any notice of redemption given under the Indenture, other than a special optional redemption from Campaign Receipts described above under the heading “Special Optional Redemption,” may be rescinded upon Written Request of the Borrower, at any time up to and including the fifth Business Day prior to the date fixed for redemption. The Trustee shall give notice of such rescission in the same manner as for notices of redemption.

Partial Redemption of Bonds; Selection of Bonds. Upon surrender of any Bond redeemed in part only, the Issuer shall execute, and the Trustee shall authenticate and deliver to the Holder thereof, at the expense of the Borrower, a new Bond or Bonds of the same series and of Authorized Denominations equal in aggregate principal amount to the unredeemed portion of the Bond surrendered bearing the same interest rate and maturity date. Whenever provision is made in the Indenture for the redemption of less than all of a series of the Bonds, the Borrower shall select the maturities of the Bonds of such series to be redeemed and the Trustee shall select the Bonds within each specified series and maturity to be redeemed or such given portion thereof not previously called for redemption by lot in any manner which the Trustee in its sole discretion shall deem appropriate.

Effect of Redemption. Moneys for payment of the Redemption Price of, together with interest accrued to the redemption date on, the Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption shall become due and payable at the Redemption Price specified in such notice and interest accrued thereon to the redemption date, interest on the Bonds so called for redemption shall cease to accrue from and after the redemption date, said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Indenture, and the Holders of said Bonds shall have no rights in respect thereof except to receive payment of said Redemption Price and accrued interest to the redemption date.

Acceleration

In addition to the foregoing redemption provisions, the Trustee may declare all of the Bonds due and payable at par prior to maturity during the continuance of an Event of Default under the Indenture, which could include an Event of Default arising with respect to the Existing Debt. See “**SOURCES OF PAYMENT AND SECURITY FOR THE BONDS,**” “**CERTAIN BONDHOLDERS’ RISKS – Existing Debt and Additional Debt**” and **Appendix C – “INDENTURE – Events of Default and Remedies.”**

Book-Entry-Only System

The Bonds will be registered in the name of Cede & Co., as nominee for DTC. Purchases of beneficial interests in the Bonds will be made only in book-entry form. Purchasers of beneficial interests in the Bonds (the “**Beneficial Owners**”) will not receive physical delivery of certificates representing their interest in the Bonds. Interest on the Bonds, together with principal of the Bonds, will be paid by the Trustee directly to DTC, so long as DTC or its nominee is the registered owner of the Bonds. The final disbursement of such payments to Beneficial Owners of the Bonds will be the responsibility of DTC’s Direct Participants and Indirect Participants, all as defined and more fully described herein. See **Appendix D.**

Registration, Transfer and Exchange

The Trustee has been appointed bond registrar for the Bonds and as such will maintain the books of the Issuer for the registration or ownership of each Bonds. Subject to the provisions relating to the Book-Entry-Only System described above, any Bonds may be transferred upon presentation and surrender thereof at the Corporate Trust Office of the Trustee, together with a written instrument of transfer duly executed by the Holder or its duly authorized representative in form satisfactory to the Trustee, and Bonds may be exchanged at the Corporate Trust Office of the Trustee for a like aggregate principal amount of Bonds of the same series bearing a like interest rate and maturity date of other Authorized Denominations. Exchanges and transfers will be without expense to the Holder except for applicable taxes or other governmental charges, if any. The Trustee will not be required to make an exchange or transfer of any Bonds during the period established by the Trustee for selection of Bonds of the same series for redemption or as to any Bond of the same series that has been selected for redemption.

DEBT SERVICE REQUIREMENTS

The following table sets forth, for each fiscal year of the Borrower ending June 30, the amounts required to be made available in such year by the Borrower for the payment of the principal of and interest on the Bonds and the Existing Loan described herein.

Fiscal Year Ending June 30,	Bonds		Existing Loan*		Total Annual Debt Service
	Principal	Interest	Principal	Interest	
2026		\$ _____	\$900,863	918,253	\$ _____
2027			932,225	886,891	
2028			962,321	856,794	
2029			998,179	820,937	
2030			1,032,929	786,187	
2031			1,068,888	750,228	
2032			1,104,136	714,980	
2033			1,144,537	674,579	
2034			1,184,381	634,734	
2035			1,225,613	593,503	
2036			1,266,769	552,347	
2037			1,312,380	506,736	
2038			1,358,068	461,048	
2039			1,405,346	413,770	
2040			1,453,276	365,830	
2041			1,504,862	314,253	
2042			1,557,251	261,865	
2043			1,611,463	207,653	
2044			1,667,163	151,953	
2045			1,725,601	93,514	
2046			1,785,675	33,441	
Total	\$ _____	\$ _____	\$27,201,924	\$10,999,507	\$ _____

* Existing Loan debt service payments due July 1 are shown as part of the previous fiscal year ending June 30.

SOURCES OF PAYMENT AND SECURITY FOR THE BONDS

Sources of Payment Generally

The Bonds and the interest thereon are special, limited obligations of the Issuer payable solely from and secured by (i) the rights and interests of the Issuer under the Loan Agreement, as amended from time to time, except the Issuer's Retained Rights; (ii) the Revenues and all rights and interests of the Issuer in the Revenues, subject to Permitted Encumbrances, except the Issuer's Retained Rights; (iii) all Funds created in the Indenture (other than the Rebate Fund); provided that moneys or obligations deposited with or paid to the Trustee for the payment or redemption of the Bonds that are no longer deemed to be Outstanding under the Indenture shall be pledged solely for the payment of such Bonds; and further subject to the rights of other parties to receive payments from such Funds pursuant to the terms thereof; and (iv) and any and all other interests in real or personal property of every name and nature from time to time by delivery or by writing of any kind specifically mortgaged, pledged or hypothecated, as and for additional security under the Indenture by the Issuer or by anyone on its behalf or with its written consent in favor of the Trustee, which is authorized to receive any and all such property at any and all times and to hold and apply the same, subject to the terms of the Indenture, including the Hillsborough Deed of Trust and the Security Agreement. The property described in clauses (i) through (iv) above and pledged pursuant to the Indenture is referred to herein as the **"Trust Estate."**

Existing Debt; Security for the Bonds and the Existing Debt

No reserve fund will be established in connection with the issuance of the Bonds.

Existing Debt. The Borrower is obligated on an existing tax-exempt loan (the **"Existing Loan"**) in favor of a commercial bank (with its successors and assigns, the **"Existing Lender"**), which as of September 1, 2025 was outstanding in the principal amount of \$27,056,873. The Borrower also has a line of credit with the Existing Lender with an available amount of \$2,500,000 and no outstanding balance as of the date of this Official Statement (the **"Line of Credit"** and together with the Existing Loan, the **"Existing Debt"**). See **"FINANCIAL MATTERS - Outstanding Indebtedness"** in **Appendix A** and **Appendix B** for more detail on the terms of the Existing Debt. In the documents relating to the Existing Debt (as amended, restated, supplemented, and otherwise modified from time to time, the **"Existing Debt Documents"**), the Borrower makes various affirmative and negative covenants, representations, and warranties, and may in the future agree to add additional affirmative and negative covenants, representations, and warranties (collectively, the **"Existing Debt Covenants"**), all of which are solely for the benefit of the Existing Lender, and which are in addition to and generally more restrictive than the covenants in the Borrower Documents. Currently, these Existing Debt Covenants include a requirement to maintain a minimum debt service coverage ratio and a minimum amount of liquidity, and restrictions on the Borrower's ability to incur additional indebtedness or to have liens on its assets. The Existing Lender may waive, or agree with the Borrower to amend or modify, the Existing Debt Covenants and may agree with the Borrower to add other covenants, representations, and warranties, all in the Existing Lender's sole discretion and without notice to or consent from the Trustee or any Holders or Beneficial Owners of the Bonds. See **"CERTAIN BONDHOLDERS' RISKS – Existing Debt and Additional Debt."**

Shared Collateral.

The Existing Debt is secured by all of the personal property assets of the Borrower, including tuition revenues, cash, investments, and proceeds of all of the foregoing (collectively, the **"Shared Collateral"**) pursuant to a Security Agreement given by the Borrower in favor of the Existing Lender.

Concurrently with the issuance of the Bonds, with the consent of the Existing Lender, the Borrower will grant to the Trustee a lien on the Shared Collateral pursuant to the Security Agreement dated as of October 1, 2025 (as amended, restated, supplemented, and otherwise modified from time to time, the “**Security Agreement**”), which Shared Collateral will secure the Bonds on a parity basis with the Existing Debt. The Trustee, the Existing Lender, and the Borrower will enter into the Intercreditor Agreement dated as of October 1, 2025 (as amended, restated, supplemented, and otherwise modified from time to time, the “**Intercreditor Agreement**”) to set forth the Trustee’s and the Existing Lender’s respective rights and interests in the Shared Collateral. Among other things, the Intercreditor Agreement will provide that upon the occurrence and during the continuance of an event of default with respect to the Bonds or the Existing Debt (collectively, the “**Parity Obligations**”), all recoveries of Shared Collateral realized from the enforcement of the documents securing the Parity Obligations shall be shared pro rata between the Trustee (for the benefit of the Bonds) and the Existing Lender, based upon the amount of each Parity Obligation then due and unpaid to the total of the Parity Obligations. The enforceability and effectiveness of the pledge of the Shared Collateral may be limited by, among other things, federal bankruptcy and state insolvency laws, and the California Uniform Commercial Code, and the value of the security interests in the Shared Collateral could be diluted by additional liens constituting Permitted Liens. See “**CERTAIN BONDHOLDERS’ RISKS – Enforceability of the Lien on Shared Collateral.**” See **Appendix C.**

Real Property Collateral – Hillsborough Campus

The Existing Lender currently has the benefit of a negative pledge (the “**Existing Hillsborough Negative Pledge**”) on the Borrower’s Hillsborough Campus (further described in **Appendix A**), on which campus the Project is located.

Concurrently with the issuance of the Bonds, the Existing Lender has agreed to release the Existing Hillsborough Negative Pledge and the Borrower will grant to the Trustee a first priority lien, subject to Permitted Encumbrances, on the Hillsborough Campus pursuant to the Construction Deed of Trust with Assignment of Leases and Rents, Security Agreement, and Financing Statement, dated as of October 1, 2025 (as amended, restated, supplemented, or otherwise modified from time to time, the “**Hillsborough Deed of Trust**”) by the Borrower, as trustor, in favor of Chicago Title Company as trustee thereunder (the “**Title Company**”), for the benefit of the Trustee (the property pledged pursuant to the Hillsborough Deed of Trust is referred to herein as the “**Hillsborough Deed of Trust Property**”). See **Appendix C.**

An ATLA lender’s policy of title insurance will be delivered in connection with the issuance of the Bonds in an insured amount not less than the aggregate principal amount of the Bonds, insuring the lien of the Hillsborough Deed of Trust held by the Trustee, subject to Permitted Encumbrances, issued by the Title Company.

Based on valuation resources including valuations for insurance purposes and an August 2024 historical property valuation report prepared by a third-party appraiser, the Borrower estimates that the Hillsborough Campus, prior to completing the Project, has a fair market value in excess of \$100 million.

Concurrently with the issuance of the Bonds, the Borrower will grant to the Existing Lender a lien on the Hillsborough Campus, subordinate to the Trustee’s lien, pursuant to the Subordinate Deed of Trust with Assignment of Leases and Rents, Security Agreement, and Financing Statement, dated as of October 1, 2025 (as amended, restated, supplemented, or otherwise modified from time to time, the “**Subordinate Hillsborough Deed of Trust**”), in favor of the Title Company as trustee thereunder, for the benefit of the Existing Lender. The Trustee and the Existing Lender will also enter into the Subordination Agreement dated as of October 1, 2025 (as amended, restated, supplemented, and

otherwise modified from time to time, the “**Subordination Agreement**”) to set forth their respective rights and interests in the Hillsborough Campus. See **Appendix C**.

Belmont Campus

The Existing Loan is further secured by a deed of trust (as amended, restated, supplemented, and otherwise modified from time to time, the “**Existing Lender Belmont Deed of Trust**”) on the Borrower’s Belmont Campus (further described in **Appendix A**). The City of Belmont also has a deed of trust (the “**City of Belmont Deed of Trust**” and together with the Existing Lender Belmont Deed of Trust, the “**Existing Belmont Deeds of Trust**”) on the Belmont Campus, which is subordinated to the Existing Belmont Deed of Trust only for so long as the Existing Loan is outstanding. The Borrower is also party to a Development Agreement with the City of Belmont in connection with the development of the Middle School subject to certain terms and conditions. The City of Belmont and the Borrower also entered into a Public Service Fee Agreement and Covenant Running with the Land to require the periodic payment of a public service fee to the City of Belmont by the Borrower. The Borrower’s obligation to pay the public service fee is secured by the City of Belmont Deed of Trust.

The Borrower is not granting to the Trustee any lien on the Belmont Campus and the Belmont Campus will not secure the Borrower’s obligations with respect to the Bonds. In the event of any proceeding for enforcement under the Borrower Documents, the beneficial owners of the Bonds will have no recourse against the assets comprising the Belmont Campus that are pledged under the Existing Belmont Deeds of Trust.

Limited Covenants

Under the Loan Agreement, the Borrower may dispose of its property or assets without restriction, subject to the provisions of the Loan Agreement governing the Borrower merging with or consolidating into another entity or selling or conveying all or substantially all of its assets to another entity. See **Appendix C**.

The ability of the Borrower to incur Indebtedness, and the amount and terms of such Indebtedness, is not limited by the Loan Agreement, but is limited by the Existing Debt Documents.

Under the Loan Agreement, the Security Agreement, and the Hillsborough Deed of Trust, the Borrower covenants that it will not directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Shared Collateral or the Hillsborough Deed of Trust Property, other than Permitted Encumbrances. See **Appendix C**.

As described herein, the Borrower’s ability to dispose of its assets, incur Indebtedness, and grant liens, is limited by the Existing Debt Documents.

CERTAIN BONDHOLDERS’ RISKS

The following is intended only as a summary of certain risk factors attendant to an investment in the Bonds and is not intended to be exhaustive. In order to identify risk factors and make informed investment decisions, potential investors should be thoroughly familiar with the entire Official Statement (including each Appendix) in order to make a judgment as to whether the Bonds are an appropriate investment. For additional information regarding the Borrower, see **Appendix A** and **Appendix B**.

Purchasers of the Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States of America), property or casualty

insurance companies, banks or other financial institutions or certain recipients of Social Security benefits are advised to consult their tax advisors as to the tax consequences of purchasing or holding the Bonds. See “**TAX MATTERS**” herein.

Limited Obligations

THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE ISSUER AS PROVIDED IN THE ACT, PAYABLE SOLELY FROM AND SECURED BY THE PLEDGE OF THE TRUST ESTATE UNDER THE INDENTURE. THE BONDS DO NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF (EXCEPT THE ISSUER AS SET FORTH IN THE INDENTURE). NONE OF THE ISSUER, ITS MEMBERS, THE STATE OF CALIFORNIA, OR ANY OF ITS POLITICAL SUBDIVISIONS SHALL BE DIRECTLY, INDIRECTLY, CONTINGENTLY OR MORALLY OBLIGATED TO USE ANY OTHER MONEYS OR ASSETS TO PAY ALL OR ANY PORTION OF THE DEBT SERVICE DUE ON THE BONDS, TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATEVER THEREFOR OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE BONDS ARE NOT A PLEDGE OF THE FAITH AND CREDIT OF THE ISSUER, ITS MEMBERS, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS, NOR DO THEY CONSTITUTE INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION. THE ISSUER HAS NO TAXING POWER. THE ISSUER SHALL NOT BE LIABLE FOR PAYMENT OF THE PRINCIPAL OF, PREMIUM OR INTEREST ON, THE BONDS OR ANY OTHER COSTS, EXPENSES, LOSSES, DAMAGES, CLAIMS, OR ACTS OF ANY CONCEIVABLE KIND ON ANY CONCEIVABLE THEORY, UNDER OR BY REASON OF OR IN CONNECTION WITH THE INDENTURE, THE BONDS OR ANY OTHER DOCUMENTS, EXCEPT ONLY TO THE EXTENT AMOUNTS ARE RECEIVED FOR THE PAYMENT THEREOF FROM THE BORROWER UNDER THE LOAN AGREEMENT. NONE OF THE ISSUER, ITS MEMBERS, ANY PERSON EXECUTING THE BONDS OR ANY OFFICIAL DIRECTOR, MEMBER, OFFICER, AGENT, OR EMPLOYEE OF THE STATE, THE ISSUER, ANY PUBLIC AGENCY THEREOF OR ANY MEMBER THEREOF IS LIABLE PERSONALLY ON THE BONDS OR IN RESPECT OF ANY UNDERTAKINGS BY THE ISSUER UNDER THE LOAN AGREEMENT OR THE INDENTURE OR SUBJECT TO ANY PERSONAL LIABILITY OR ACCOUNTABILITY BY REASON OF THE ISSUANCE OF THE BONDS.

Payment of Debt Service

The Bonds are limited obligations of the Issuer and are payable by the Issuer solely from payments to be made by the Borrower pursuant to the Loan Agreement and from certain funds held by the Trustee under the Indenture. No representation or assurance can be given that the Borrower will realize revenues in amounts sufficient to make such payments under the Loan Agreement. The realization of future revenues is dependent upon, among other things, the demand for the Borrower’s educational services, the ability of the Borrower to provide the required educational services, management capabilities, economic trends and events, the Borrower’s ability to control expenses, competition, costs, legislation, governmental regulation and developments affecting the federal or state tax-exempt status of non-profit organizations and future changes in other conditions that are unpredictable. Unanticipated events and circumstances may occur that cause variations from the Borrower’s expectations. The risk factors discussed below should be considered in evaluating the ability of the Borrower to make such payments in a timely manner.

Amendments of the Indenture and Loan Agreement

Under certain circumstances provided in the Indenture and the Borrower Documents, such documents may be amended or supplemented without the consent of any Bondholders. Certain other amendments to such documents may be made with the consent of only the holders of a series of Bonds or of only the holders of a majority in aggregate principal amount of outstanding Bonds. Such amendments and supplements may adversely affect the security or interests of the owners of the Bonds. See **Appendix C**.

Existing Debt and Additional Debt

As described above, the Borrower is subject to the Existing Debt Covenants, which are solely for the benefit of the Existing Lender and the Existing Debt. The Existing Debt Covenants may be waived or amended by the Existing Lender without the consent of, or any notice to, the Trustee or any Holders or Beneficial Owners of the Bonds and the Trustee and the Holders and Beneficial Owners of the Bonds will have no rights or obligations as a result of the Existing Debt Covenants, or any amendments thereto or waivers thereof. The breach of a provision of any of the Existing Debt Documents could result in the declaration of an event of default under the Existing Debt Documents and, in certain circumstances, could result in an Event of Default under the Borrower Documents, which could result in acceleration of the Bonds. Upon the occurrence of an event of default under any Existing Debt Document, the outstanding amount due under any Existing Debt Document could also be declared immediately due and payable. The acceleration of amounts under the Existing Debt Documents would likely have a material adverse effect on the Borrower's financial condition.

As described above, the Existing Debt is further secured by the Belmont Campus, and the Trustee has no lien on the assets pledged under Existing Belmont Deeds of Trust. As such, in the event of any proceeding for enforcement under the Indenture or the Borrower Documents, the beneficial owners of the Bonds will have no recourse to such assets.

Subject to compliance with the restrictions in the Loan Agreement, the Security Agreement, and the Hillsborough Deed of Trust as to Permitted Encumbrances, the Borrower may issue or incur additional indebtedness secured by liens on its property, in some circumstances senior to the liens granted to secure the Bonds if such liens constitute Permitted Encumbrances. In the event of any proceeding for enforcement under the Indenture or the Borrower Documents, the beneficial owners of the Bonds will either have no recourse to such collateral if it doesn't also secure the Bonds or could be effectively subordinated to the other creditor as to such collateral. Currently, the Existing Debt Documents significantly restrict the incurrence of any such additional indebtedness or granting of any such liens, but the Existing Lender could agree to modify those provisions, consent to such additional indebtedness and liens, or the Existing Loans could be refinanced without the same restrictions.

The Borrower's incurrence of additional secured or unsecured Indebtedness could adversely affect the investment security of the Bonds. See "**SOURCES OF PAYMENT AND SECURITY FOR THE BONDS**" and **Appendix C**.

Enforceability of the Lien on Shared Collateral

The Loan Agreement provides that the Borrower shall make payments to the Trustee sufficient to pay the Bonds and the interest thereon as the same become due. The obligation to make such payments is secured by, among other things, the security interest in the Shared Collateral, which is granted to the Trustee under the Security Agreement on a parity basis with the Existing Debt as set forth in the Intercreditor Agreement.

The effectiveness of the security interests in the Shared Collateral may be limited by a number of factors, including (i) the absence of an express provision permitting assignment of receivables owed to the Borrower under its contracts, and present or future prohibitions against assignment contained in any applicable statutes, regulations, or contracts; (ii) statutory liens; (iii) rights arising in favor of the United States of America or any agency thereof; (iv) constructive trusts, equitable or other rights impressed or conferred by a federal or state court in the exercise of its equitable jurisdiction; (vi) federal bankruptcy laws or state insolvency laws that may affect the enforceability of the security interest in Shared Collateral earned by the Borrower within 90 days preceding, or in certain circumstances with respect to related entities, within one year preceding, and after, effectual institution of bankruptcy proceedings by or against the Borrower; (vii) rights of third parties in Shared Collateral converted to cash and not in the possession of the Trustee; and (viii) claims that might arise if appropriate financing or continuation statements are not filed or other documents are not executed in accordance with the California Uniform Commercial Code as from time to time in effect.

Limitations on Real Property Value and on Remedies under the Loan Agreement and Hillsborough Deed of Trust

Real Estate Valuations. Real estate valuations are estimates of value and not an assurance of what any particular property would bring on sale and are based on numerous assumptions and subject to customary limitations. Potential investors should not assume that the value of the Hillsborough Campus set forth above under the heading “**SOURCES OF PAYMENT AND SECURITY FOR THE BONDS – Existing Debt; Security for the Bonds and the Existing Debt – Real Property Collateral – Hillsborough Campus**” represents a reliable estimate of what the Hillsborough Campus would bring in liquidation following an Event of Default.

Maintenance of Value. Real estate values can fluctuate over time. There can be no assurance that should the Borrower default in making the payments due under the Loan Agreement, the Hillsborough Deed of Trust Property could be foreclosed upon and sold for the amounts owed with respect to the Bonds.

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

Foreclosure. There are two methods of foreclosing on a deed of trust or mortgage under California law, by nonjudicial sale and by judicial sale. Foreclosure under a deed of trust may be accomplished by a nonjudicial trustee’s sale under the power of sale provision in the deed of trust. Prior to such sale, the trustee must record a notice of default and election to sell and send a copy to the trustor,

to any person who has recorded a request for a copy of the notice of default and notice of sale, to any successor in interest of the trustor and to certain other parties discernable from the real property records. The trustee then must wait for the lapse of at least three months after the recording of the notice of default and election to sell before establishing the trustee's proposed sale date and giving a notice of sale (in a form mandated by California statutes). The notice of sale must be posted in a public place and published once a week for three consecutive calendar weeks, with the first such publication preceding the trustee's sale by at least 20 days. Such notice of sale must be posted on the property and sent, at least 20 days prior to the trustee's sale, to the trustor, to each person who has requested a copy, to any successor in interest of the trustor, to the beneficiary of any junior deed of trust and to certain other parties discernable from the real property records. In addition, the notice of sale must be recorded with the county recorder at least 14 days prior to the date of sale. The trustor, any successor in interest of the trustor in the trust property, or any person having a junior lien or encumbrance of record may, during the statutory reinstatement period, which extends to five days prior to the sale date, cure any monetary default by paying any delinquent installments of the debt then due under the terms of the deed of trust and certain other obligations secured thereby (exclusive of principal due by virtue of acceleration upon default) plus costs and expenses actually incurred in enforcing the obligation and certain statutorily limited attorneys' and trustees' fees. Following a nonjudicial sale, neither the trustor nor any junior lienholder has any right of redemption, and the beneficiary may not ordinarily obtain a deficiency judgment against the trustor.

Should foreclosure under a deed of trust be sought in the form of a judicial foreclosure, it is generally subject to most of the delays and expenses of other lawsuits, and may require several years to complete. The primary advantage of a judicial foreclosure is that the beneficiary is entitled, subject to other limitations, to obtain a deficiency judgment against the trustor to the extent that the amount of the debt is in excess of the fair market value of the property. Following a judicial foreclosure sale, the trustor or its successors in interest may redeem the property for a period of one year (or a period of only three months if the proceeds of sale are sufficient to satisfy the debt, plus interest and costs). In addition, in order to assure collection of any rents assigned as additional collateral under the Hillsborough Deed of Trust, a receiver for the Hillsborough Campus may be appointed by a court.

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

If the Hillsborough Deed of Trust Property, or any portion thereof, is damaged or destroyed, or taken in a condemnation proceeding, the proceeds of insurance or any condemnation award therefor must be applied as provided in the Loan Agreement and the Hillsborough Deed of Trust to restore or rebuild the Hillsborough Campus or to redeem Bonds. There can be no assurance that the amount of revenues available to restore or rebuild the Hillsborough Campus, or any portion thereof, or to redeem Bonds will be sufficient for that purpose, or that any remaining portion of the Hillsborough Deed of Trust Property, together with the Borrower's other property, will generate revenues sufficient to pay the expenses of the Borrower, debt service on the Bonds, and any other then-outstanding debt of the Borrower.

If Belmont Campus, or any portion thereof, is damaged or destroyed, or taken in a condemnation proceeding, the proceeds of insurance or any condemnation award therefor must be applied as provided in the Existing Debt Documents and it is possible that none of such proceeds or awards would be available to pay debt service on the Bonds or other expenses of the Borrower.

Seismic. The Borrower's property is located in a seismically active region of California. The occurrence of severe seismic activity could result in substantial damage to the Borrower's property, which could adversely affect the ability of the Borrower to operate or make payments due under the Loan Agreement and could adversely affect the value of the Borrower's property. The Borrower is not obligated by the Loan Agreement or the Hillsborough Deed of Trust to maintain earthquake insurance on any portion of its property and there can be no assurance that the Borrower will obtain such coverage in the future.

Flood. The Borrower is not obligated by the Borrower Documents to maintain flood insurance on any portion of its property, and there can be no assurance that the Borrower will obtain such coverage in the future. The Hillsborough Deed of Trust property is not located in a special flood hazard area as designated by the Federal Emergency Management Agency.

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

Priority of Deed of Trust Liens

The liens created under the Hillsborough Deed of Trust are subject to Permitted Encumbrances and are subordinate to liens for general property taxes, special taxes and assessments. Additional special taxes or assessments taking priority over the liens created by the Hillsborough Deed of Trust may be imposed on the property secured thereby in the future. The Borrower covenants in the Loan Agreement that, except as specifically provided in the Loan Agreement or the Hillsborough Deed of Trust, it shall not create, assume, incur or suffer to be created, assumed or incurred any Liens on the Hillsborough Deed of Trust Property or the Share Collateral other than Permitted Encumbrances. A lien on property of the Borrower created by the Hillsborough Deed of Trust and the proceeds thereof could terminate and be immediately extinguished upon a foreclosure sale of such property or the enforcement by the holder of a lien on such property that is prior to the lien of the Hillsborough Deed of Trust, whether such lien constitutes a statutory lien (such as liens for enforcement of tax and environmental laws) or is a Permitted Encumbrance when created. Further, the existence of any liens for special taxes or assessments could have an adverse effect on the treatment of holders of the Bonds in any bankruptcy or similar proceeding involving the Borrower. See “— **Bankruptcy**” below.

The Borrower's property comprising the Belmont Campus is pledged to the Existing Lender as security for the Existing Loan and, on a subordinate basis, to the City of Belmont, and the Borrower is not granting any liens to the Trustee with respect to that property. As such, the Trustee and the owners of the Bonds have no right to consent or object to, waive, or otherwise direct or participate in remedies that the Existing Lender may exercise upon a default with respect to Existing Debt or that the City of Belmont may exercise upon a default under the City of Belmont Deed of Trust. The Existing Lender and the City of Belmont may have different goals and/or motivations as compared to the Trustee and the owners of the Bonds, and may not direct remedies with respect to the property subject to the Existing Belmont Deeds of Trust or act in a manner that will result in any proceeds being available for the owners of the Bonds.

In connection with issuing the Bonds, the Title Company will be irrevocably committed to issue an ALTA loan policy of title insurance with respect to the Hillsborough Deed of Trust Property and will issue such policy promptly after recording the Hillsborough Deed of Trust. The policy provides protection against title defects affecting the priority of the Hillsborough Deed of Trust that encumbers the Hillsborough Campus. Recovery under a loan policy of title insurance is dependent on a number of

factors including the amount of insurance purchased relative to the value of the property, the nature of the title defect, the presence of a payment default under the secured obligations, and other terms and conditions of the policy. No assurance can be given that any particular set of circumstances will give rise to recovery under the policy and the policy does not protect against the Borrower's failure to make payments with respect to the Bonds, so the owners of the Bonds should not rely on title insurance as a material source of recovery if the Trustee is unable to realize value from the property secured by the Hillsborough Deed of Trust when exercising remedies thereunder.

Bankruptcy

The rights and remedies of the Beneficial Owners of the Bonds are subject to various provisions of the Federal Bankruptcy Code (the "**Bankruptcy Code**"). If the Borrower were to file a petition for relief (or if a petition were filed against the Borrower as a debtor) under the Bankruptcy Code, 11 U.S.C. §§ 101 et seq., as amended, or other similar laws that protect creditors, the filing could operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against the property of the debtor. If the bankruptcy court so ordered, the debtor's property and revenues could be used for the benefit of the debtor despite the claims of its creditors (including the Holders of the Bonds).

In a bankruptcy proceeding, the debtor could file a plan for the adjustment of its debts which modifies the rights of creditors generally or the rights of any class of creditors, secured or unsecured (including the Holders of the Bonds). The plan, when confirmed by the court, binds all creditors who had notice or knowledge of the plan and discharges all claims against the debtor provided for in the plan. No plan may be confirmed unless, among other conditions, the plan is in the best interest of creditors, is feasible and has been accepted by each class of claims impaired thereunder. Each class of claims has accepted the plan if at least two thirds in dollar amount and more than one half in number of the allowed claims of the class that are voted with respect to the plan are cast in its favor. Even if the plan is not so accepted, it may be confirmed if the court finds that the plan is fair and equitable with respect to each class of non-accepting creditors impaired thereunder and does not discriminate unfairly.

Other Limitations on Enforceability of Remedies

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

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

Possible Redemption and Acceleration

The Bonds are subject to redemption or acceleration upon the occurrence of certain events more particularly described under “**THE BONDS – Redemption Prior to Maturity**” and “**– Acceleration**” herein. Rights of redemption include, under certain circumstances, the right of optional redemption in whole or in part by the Borrower without premium. Bondholders are subject to these rights of redemption and acceleration and Bondholders will be unable to continue to hold their Bonds in the event of redemption or acceleration. Redemption or acceleration prior to maturity may be at par or at a redemption price that results in the realization of less than the anticipated yield to maturity.

Tax-Exempt/Nonprofit Status

In recent years, the activities of tax-exempt organizations have been subjected to increasing scrutiny by federal, state, and local legislative and administrative agencies (including the United States Congress, the Internal Revenue Service (the “**IRS**”), and local taxing authorities). Various proposals either have been considered previously or are presently being considered at the federal, state, and local level which could restrict the definition of tax-exempt status, impose new restrictions on the activities of tax-exempt corporations and/or tax or otherwise burden the activities of such corporations (including proposals to broaden or strengthen federal tax provisions respecting unrelated business income of nonprofit, tax-exempt corporations). There can be no assurance that future changes in the laws, rules, regulations, interpretations, and policies relating to the definition, activities and/or taxation of tax-exempt corporations will not have material adverse effects on the future operations of the Borrower.

Compliance with current and future regulations and rulings of the IRS could adversely affect the ability of the Borrower to charge and collect revenues, finance or incur indebtedness on a tax-exempt basis or otherwise generate revenues necessary to provide for payment of the Bonds. Although the Borrower has covenanted to maintain its tax-exempt status, loss of tax-exempt status by the Borrower would likely have a significant adverse effect on the Borrower and could result in the inclusion of interest on the Bonds in gross income for federal income tax purposes retroactive to their date of issue. The loss by the Borrower of federal tax exemption could trigger a challenge to its State income tax exemption. Such event could be adverse and material.

In recent years, the IRS and state, county and local taxing authorities have been undertaking audits and reviews of the operations of tax-exempt organizations with respect to their exempt activities and the generation of unrelated business taxable income (“**UBTI**”). To the extent the Borrower does not properly account for and report UBTI, if any, an investigation or audit could lead to a challenge which could result in taxes, interest and penalties with respect to unreported UBTI and in some cases could ultimately affect the tax-exempt status of the Borrower, as well as the exclusion from gross income for federal income tax purposes of the interest on the Bonds.

Covenant to Maintain Tax-Exempt Status of the Bonds and Limitations with respect to Tax-Exempt Bonds

The tax-exempt status of interest on the Bonds is based on the continued compliance by the Issuer and the Borrower with certain covenants contained in the Loan Agreement, the Tax Regulatory Agreement, and certain other documents executed by the Issuer and the Borrower. These covenants are aimed at satisfying applicable requirements of the Code, and relate generally to use by the Borrower of proceeds of the Bonds, maintenance of the status of the Borrower as an organization meeting the requirements of Section 501(c)(3) of the Code, arbitrage limitations, rebate of certain excess investment earnings to the federal government and restrictions on the amount of issuance costs financed with the

proceeds of the Bonds. Failure to comply with such covenants could cause interest on the Bonds to become subject to federal income taxation retroactive to the date of issuance of the Bonds.

The Code places certain limitations on the ability of educational institutions to finance certain projects, invest bond proceeds and advance refund prior tax-exempt bond issues. These limitations may increase the interest costs and restrict the use of tax-exempt bonds for future borrowing by the Borrower.

Bond Ratings

S&P Global Ratings (“S&P”) has assigned a credit rating to the Bonds. The rating of the Bonds is not a recommendation to purchase, hold or sell the Bonds, and the rating does not comment on the market price or suitability of the Bonds for a particular investor. The rating of the Bonds may not remain for any given period of time and may be lowered or withdrawn depending on, among other things, the rating agency’s assessment of the Borrower’s financial strength. A downward revision or withdrawal of any such rating may have a substantial adverse effect on the market price for, and marketability of, the Bonds in secondary market trading.

Secondary Market for the Bonds

There can be no guarantee there will be a secondary market for the Bonds or, if a secondary market exists, that the Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular bond issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

The financial condition of the Borrower as well as the market for the Bonds could be affected by a variety of factors, some of which are beyond the Borrower’s control. There can be no assurance that an adverse event will not occur that might affect the market price of and the market for the Bonds. If a significant event should occur in the affairs of the Borrower, the market for and the market value of the Bonds could be adversely affected.

The Borrower will enter into the Continuing Disclosure Agreement described below. Any failure in the future to comply with the Continuing Disclosure Agreement and the related Rule 15c2-12 (defined below) may adversely affect the liquidity of the affected Bonds and their market price, if any, in the secondary market.

Investments; Philanthropy

The Borrower has significant investment holdings. Market fluctuations have affected and may in the future affect the value of those investments and those fluctuations have been and may in the future be material. For a discussion of the Borrower’s investments, see **Appendix A — “FINANCIAL MATTERS – Investments and Endowment.”**

Philanthropic opportunities at the Borrower include capital campaign initiatives, annual fundraising to support current-year operations, and planned giving from bequests and estate gifts. The Borrower has in the past demonstrated an ability to raise the funds from a variety of benefactors necessary, in combination with revenues generated from other sources, to finance its operations and to provide the funds to construct, renovate and improve its facilities, as necessary. There can be no assurance, however, that these efforts will continue to be successful. Such efforts may be affected

adversely by a number of factors, including changes in general economic conditions and changes in federal and state tax laws affecting the deductibility of charitable contributions.

Cybersecurity Risks

The Borrower's business operations rely upon secure information technology systems for data capture, processing, storage and reporting. Increased global information technology security requirements, vulnerabilities, threats and a rise in sophisticated and targeted cybercrime pose a risk to the security of the Borrower's systems, its information networks, and to the confidentiality, availability, and integrity of its data. The Borrower's information technology systems, and those of its third-party providers or partners, could become subject to employee error or malfeasance, cyber-attacks by common hackers, criminal groups or nation-state organizations or social activist (hacktivist) organizations, geopolitical events, natural disasters, failures or impairments of telecommunications networks or other catastrophic events. Network, system, application and data breaches could result in operational disruptions or information misappropriation including, but not limited to, interruption to systems availability, denial of access to and misuse of applications required by the Borrower's partners to conduct business with the Borrower. Theft of intellectual property or trade secrets, and inappropriate disclosure of confidential company, employee, customer or vendor information, could stem from such incidents.

Among the Borrower's top security threats are malware, phishing, and ransomware. Despite the Borrower's efforts to address cybersecurity risks, there can be no assurance that a system or network failure, or security breach, will not occur. This could lead to system interruption, operational disruptions, the disclosure, modification or destruction of proprietary and/or highly sensitive or personal and other key information, which could have an adverse effect on the Borrower's reputation, financial results, and results of operations. The costs of remedying any such damage or protecting against future attacks could be material. Further, cybersecurity breaches could expose the Borrower to material litigation and other legal risks, which could cause the Borrower to incur material costs related to such legal claims or proceedings.

Within the last five years, the Borrower has not experienced attacks on its computer operating systems that resulted in a breach of its cybersecurity systems that are in place. The Borrower carries commercial insurance including cybersecurity coverage. See **Appendix A – "INSURANCE POLICIES."**

Factors Generally Affecting Private Educational Borrowers

In competing for students, the Borrower must maintain a positive reputation within the local community. Certain factors such as the quality of teachers, quality of academic and other programs, quality of extra-curricular activities and the absence (or presence) of litigation can contribute to the reputation of any school. Negative changes to the reputation of the Borrower could impact future enrollment and result in the inability of the Borrower to generate sufficient revenues to meet its obligations under the Loan Agreement. The Borrower's reputation in the educational community and its financial results may be affected by events, developments, and conditions relating generally to, among other things, the ability of the Borrower to (a) conduct educational activities of the types and quality required to maintain its reputation; (b) generate sufficient revenues, while controlling expenses, to adequately fund the costs of these activities; (c) attract faculty, staff, and management necessary to conduct these activities; (d) attract a quality student body; and (e) build and maintain the facilities necessary to conduct these activities.

Success in these areas depends upon the ability of the Borrower and its management to respond to challenges affecting the environment for private educational institutions, including, among others:

1. Volatility and disruptions in the global financial markets that may impact investment returns and reduce investment income distributable from the endowment for operations and affect the ability of donors to contribute resources to support the Borrower's operations and capital needs;
2. Liquidity constraints arising from any continuing or future credit crisis impacting the Borrower's ability to fund its commitments for operating and capital expenses;
3. Inability to control increases in operating costs, including salaries, wages and fringe benefits, supplies and other expenses, given an inability to obtain corresponding increases in tuitions, donations or other revenues;
4. Suspension or revocation of or failure to renew a license or accreditation necessary to the Borrower's operations or any portion thereof;
5. Developments in the regional, national, and global economies, such as protracted recessions, variations in economic growth, changes in monetary policy and the related impact on the Borrower's investment portfolio, increased demand for financial aid, and increased interest rates and the associated impact on future debt service;
6. Legislation and regulation by governmental authorities, including developments affecting the tax-exempt status of educational institutions such as the Borrower;
7. Establishment of mandatory wage, rent or price controls; increases in the limitations on the availability of insurance;
8. Changes in management affecting the Borrower's operations;
9. The ability to recruit and retain faculty in light of, among other factors, the high regional cost of living;
10. Claims respecting unauthorized behavior involving employees, administration, or students; future claims for accidents or other torts at the Borrower's facilities and the extent of insurance coverage for such claims;
11. Unionization, employee strikes, or other adverse labor actions that could result in an increase in expenditures without a corresponding increase in revenue;
12. Competition from other educational institutions, including other private schools and schools in area school districts, including charter schools;
13. The ability of the Borrower to attract and retain students who can pay the Borrower's tuition and fees as they exist from time to time; decreases in the number of students seeking to attend the school at optimum levels for each grade level;
14. Increased costs associated with technological advances; and
15. The ability of the Borrower's graduates to gain acceptance to reputable colleges and universities, or to secure other desirable post-secondary outcomes, given changing economic, legislative, regulatory, and cultural conditions, including but not limited to "test optional" and other admissions policies at colleges and universities.

All of these factors are unpredictable and are affected by numerous circumstances both within and outside the control of the Borrower, including the competitive appeal and perceived quality of the Borrower's curriculum; the ability and energy of its faculty and administration; and the benevolence of its supporters. There can be no assurance that revenues of the Borrower will not decrease or that the

revenues available to the Borrower from its operations and development efforts will be available in amounts sufficient to make the required debt service payments on the Bonds. Regulatory and other changes resulting from the factors mentioned above, among others, or the occurrence of other unanticipated events could have a material adverse effect on the Borrower's financial condition or results of its operations.

Construction Risks

Construction projects are subject to a variety of risks, including but not limited to delays in issuance of required building permits or other necessary approvals or permits, including environmental approvals, strikes, shortages of qualified contractors or materials and labor, and adverse weather conditions. Such events could delay occupancy of major construction projects. Cost overruns may occur due to change orders, delays in construction schedules, scarcity of building materials and labor and other factors. Cost overruns could cause project costs to exceed estimates and require more funds than originally allocated or require the Borrower to borrow additional funds to complete projects.

For more information about the Project, including the expected Project costs and the guaranteed maximum price construction contract, see **Appendix A – “STRATEGIC PLAN AND THE PROJECT – Mansion Project.”**

Environmental Risks

The Borrower and its facilities are subject to a wide variety of federal, state and local environmental and occupational health and safety laws and regulations and there are risks relating to liabilities for environmental hazards with respect to the ownership of, as well as the development and construction on, any real property, including the Project. These laws and regulations include, but are not limited to: (i) air and water quality control requirements; (ii) waste management requirements; (iii) specific regulatory requirements applicable to asbestos, polychlorinated biphenyls and radioactive substances; (iv) requirements for providing notice to employees and members of the public about hazardous material handled by or located at the Borrower's facilities; and (v) other requirements. There are significant practical, financial and legal risks associated with compliance with such laws and regulations, which costs and liabilities could exceed the value of a project. For example, if hazardous substances are found to be located on property, owners of such property may be held liable for costs and other liabilities related to the removal or remediation of such substances. The cost of addressing environmental risks, including complying with CEQA, clean-up of hazardous materials, and toxic substance regulations, could negatively affect the Borrower's operations or financial condition. Such risks may result in damage to individuals, property or the environment; may interrupt operations and/or increase their cost; may result in legal liability, damages, injunctions or fines; may result in investigations, administrative proceedings, civil litigation, criminal prosecution, penalties or other governmental agency actions; and may not be covered by insurance.

Miscellaneous

The occurrence of a public health emergency or crisis, including a widespread outbreak of an infectious disease or contagious virus, such as COVID-19, may materially impact the Borrower's financial condition and operations, in ways that cannot be predicted. In such events, responses at the school, state, local and national levels can differ, and schools can be closed for various periods of time, either as mandated by governmental authorities or because families choose to keep their children at home.

Natural Disasters and Climate Risks

The Borrower's campus is located in a seismically active region of California. The occurrence of severe seismic activity or other natural disasters, such as floods, droughts, tornadoes, wildfires, landslides and severe storms and environmental and other impacts of climate change, including rising sea levels (any of which could damage the Borrower's or facilities), may occur in the future and have significant disruptive and negative impacts and may directly or indirectly adversely impact the Borrower's finances, facilities and operations. Extreme weather, drought and shifting climate patterns may intensify the challenges associated with many of the other risks facing the Borrower and its assets and operations, resulting in severe business disruptions, prolonged power outages or property damage. The Borrower currently maintains earthquake insurance, but is not obligated to continue to do so by the Borrower Documents and there can be no assurance that the Borrower will maintain such coverage in the future or will be able to obtain such coverage at all or at reasonable rates.

Major wildfires have occurred in recent years in different regions of the State. The State Governor has previously signed a number of measures into law intended to address a variety of issues related to mitigating the risk of wildfires, including forest management, mutual aid for fire departments, emergency alerts, and other safety mandates. The Borrower can make no representation regarding the effects that future wildfires may have on its operations or financing, or to what extent any such wildfires could cause disruptions to economic activity in the vicinity of its campus.

The Borrower carries commercial insurance coverage for certain purposes, and is also self-insured for certain claims and liabilities, all as described in **Appendix A – "INSURANCE POLICIES"**. The provision for losses and expenses are based on estimates of the liabilities and related expenses resulting from asserted and unasserted claims. No assurance can be given by the Borrower that it has, or will have, sufficient reserves to cover actual liabilities and related expenses resulting from asserted and unasserted claims. No assurance can be given that the Borrower will maintain coverage amounts currently in place in the future, that the coverage will be sufficient to cover all judgments rendered against the Borrower or settlements of any such claims in excess of the basic self-insurance protection, or that any commercial coverages will be available at a reasonable cost in the future. See **Appendix A – "INSURANCE POLICIES."**

The paragraphs above discuss only certain risks to holders of the Bonds. They are not intended to be a complete enumeration of the risks involved in purchasing and holding the Bonds.

TAX MATTERS

General Matters

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals. The opinion described in the preceding sentence assumes the accuracy of certain representations and compliance by the Issuer and the Borrower with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Bonds. Failure to comply with such requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Issuer and the Borrower have covenanted to comply (or cause compliance, as applicable) with such requirements. Interest on the Bonds may affect the federal alternative minimum tax imposed on certain corporations. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Bonds.

The accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the owners of the Bonds. The extent of these other tax consequences will depend on such owners' particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences.

Purchasers of the Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States of America), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Bonds.

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

A copy of the anticipated form of opinion of Bond Counsel is attached hereto as **Appendix E**.

Original Issue Discount

The Bonds that have an original yield above their respective interest rates, as shown on the cover of this Official Statement (collectively, the “**Discount Bonds**”), are being sold at an original issue discount. The difference between the initial public offering prices of such Discount Bonds and their stated amounts to be paid at maturity (excluding “qualified stated interest” within the meaning of Section 1.1273-1 of the regulations promulgated under the Code) constitutes original issue discount treated in the same manner for federal income tax purposes as interest, as described above.

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

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

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

Original Issue Premium

The Bonds that have an original yield below their respective interest rates, as shown on the cover of this Official Statement (collectively, the “**Premium Bonds**”), are being sold at a premium. An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond’s term using constant yield principles, based on the purchaser’s yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, generally by amortizing the premium to the call date, based on the purchaser’s yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period, and the purchaser’s basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser’s basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

Backup Withholding

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments to any owner of the Bonds that fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of interest on the Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Changes in Federal and State Tax Law

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

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

RATINGS

S&P has assigned a rating of “A” (stable outlook) to the Bonds. This rating reflects only the views of S&P. The Borrower has furnished S&P with certain materials and information not included in this Official Statement. Prospective purchasers of the Bonds should contact S&P to obtain an explanation of the significance of its rating.

No assurance may be given that the S&P rating will remain in effect for any given period of time. S&P may lower, suspend or withdraw its rating. The Underwriter has undertaken no responsibility either to bring to the attention of the Bondholders any proposed revision, suspension, or withdrawal of a rating of the Bonds or to oppose any such proposed revision, suspension, or withdrawal. Any downward revision, suspension, or withdrawal of a rating could have an adverse effect on the market price of the Bonds. Such ratings should not be taken as a recommendation to buy or hold the Bonds.

LITIGATION

The Issuer

To the Issuer’s knowledge, as of the date of this Official Statement there is not pending or threatened, any litigation restraining or enjoining the issuance or delivery of the Bonds or questioning or affecting the validity of the Bonds or the proceedings or authority under which they are to be issued or which in any manner questions the right of the Issuer to enter into the Indenture or the Loan Agreement or to secure the Bonds in the manner provided therein.

The Borrower

There is not now pending (as to which the Borrower has received service of process), nor, to the knowledge of the Borrower, threatened any litigation against the Borrower seeking to restrain or enjoin the issuance or delivery of the Bonds or questioning or challenging the creation, organization or existence of the Borrower, the title of any of the present members or other officers of the Borrower, the validity of the Bonds or the proceedings or authority under which they are to be issued, or the Indenture or any Borrower Document. There is no litigation pending (as to which the Borrower has received service of process) or, to the knowledge of the Borrower, threatened against the Borrower that in any manner questions the right of the Borrower to enter into the Indenture or any Borrower Document or to take any other action provided in the Indenture, any Borrower Document, or the resolutions of the Borrower.

From time to time, the Borrower, the Project, and the proposed issuance of the Bonds may be involved in or subject to claims, litigation or other proceedings. Although the Borrower believes these potential claims would be without merit and intends to defend any such claims vigorously, if any of the plaintiffs were to prevail on such claims by a final, non-appealable judgment, it could have a material adverse effect on the Borrower, its ability to complete the Project in a timely manner or at all, or on an investment in the Bonds. See **Appendix A**.

In the course of the operation of its property, the Borrower may be subject to claims as result of any accidents or other incidents that may occur in connection with its property. Risks associated with legal liability are often difficult to assess or quantify and their existence and magnitude may not be known for significant periods of time. While the Borrower maintains insurance (including self-insurance) that it

believes is appropriate for purposes of the operation of its property, the amount of insurance coverage (or with respect to self-insured claims, the amount of reserves) may not cover, or be sufficient to cover, individually or in the aggregate, any pending, threatened or potential future claims involving, or related to, its property, or the operation thereof.

Any future claims or proceedings may require or cause the Borrower to expend substantial time and resources and the Borrower's property, business, financial condition, operating results, cash flows, liquidity, and prospects could be materially adversely affected.

LEGAL MATTERS

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Kutak Rock LLP, Bond Counsel. A complete copy of the proposed form of Bond Counsel's opinion is set forth in **Appendix E**. Certain legal matters will be passed upon for the Issuer by its counsel, Kutak Rock LLP; for the Borrower by its counsel, Kutak Rock LLP; and for the Underwriter by its counsel, Polsinelli.

CONTINUING DISCLOSURE

The Issuer

Because the Bonds are limited obligations of the Issuer, payable solely from the revenues and other assets pledged under the Indenture, the Issuer has determined that no financial or operating data concerning the Issuer is material to an evaluation of the offering of the Bonds or to any decision to purchase, hold or sell the Bonds and the Issuer will not provide any such information. The Issuer shall have no liability to the holders of the Bonds or any other person with respect to Rule 15c2-12 of the Securities and Exchange Commission ("**Rule 15c2-12**").

The Borrower

At the time of issuance of the Bonds, the Borrower will execute and deliver the Continuing Disclosure Agreement (as amended, restated, supplemented, and otherwise modified from time to time, the "**Continuing Disclosure Agreement**") for the benefit of the Bondholders with the Trustee, as dissemination agent (with its successors and assigns, the "**Dissemination Agent**"), under which the Borrower has agreed to provide certain annual financial information and operating data relating to the Borrower for each of its fiscal years (each, an "**Annual Report**"), commencing with the fiscal year ending June 30, 2025, and notices of certain enumerated events regarding the Borrower to the Municipal Securities Rule Making Board (with its successors and assigns, the "**MSRB**") as required by Rule 15c2-12, in an electronic form specified by MSRB. The form of Continuing Disclosure Agreement is attached as **Appendix F**. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12.

In the past five years, the Borrower has not been obligated under any continuing disclosure agreements or undertakings under Rule 15c2-12.

FINANCIAL STATEMENTS

The financial statements of the Borrower as of and for the year ended June 30, 2024 (With Comparative Totals for 2023), as of and for the year ended June 30, 2023 (With Comparative Totals for 2022), as of and for the year ended June 30, 2022 (With Comparative Totals for 2021) and as of and for the year ended June 30, 2021 (With Comparative Totals for 2020) included in **Appendix B** have been audited by Hood & Strong, LLP, independent auditors, as stated in their respective reports appearing herein. Hood & Strong LLP, the Borrower's independent auditors, has not been engaged to perform and has not performed, since the date of the respective reports included herein, any procedures on the financial statements addressed in such reports. Hood & Strong LLP also has not performed any procedures relating to this Official Statement.

UNDERWRITING

Subject to the terms and conditions set forth in a bond purchase agreement among Stifel, Nicolaus & Company, Incorporated (the “**Underwriter**”), the Issuer, and the Borrower, the Underwriter will agree to purchase the Bonds at an aggregate purchase price of \$_____, representing the aggregate principal amount of the Bonds of \$_____, less an Underwriter's discount of \$[____], [plus][minus] [net] original issue [premium][discount] of \$_____. The expenses associated with the issuance of the Bonds are being paid by the Borrower from proceeds of the Bonds. The right of the Underwriter to receive compensation in connection with the Bonds is contingent upon the actual sale and delivery of the Bonds. The Underwriter will initially offer the Bonds for sale at the respective prices or yields set forth on the cover page of this Official Statement. Such prices or yields may subsequently change in connection with the marketing of the Bonds. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower than the initial public offering price or prices set forth in this Official Statement. The Underwriter reserves the right to join with dealers and other investment banking firms in offering the Bonds for sale.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Under certain circumstances, the Underwriter and its affiliates may have certain creditor and/or other rights against the Issuer and the Borrower and their affiliates in connection with such activities. In the various course of their various business activities, the Underwriter and its affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the Issuer and the Borrower (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Issuer and the Borrower. The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities, and instruments.

MISCELLANEOUS

Registration or qualification of the offer and sale of the Bonds (as distinguished from registration of the ownership of the Bonds) is not required under the Securities Act or the Act. The Issuer assumes no responsibility for the qualification or registration of the Bonds for sale under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred.

Copies of any of the documents referenced or summarized herein will be available following the date of issuance of the Bonds, upon delivery of a written request, and the payment of reasonable copying, mailing and handling charges, to the Trustee. The references, excerpts, and summaries of all documents, referenced herein do not purport to be complete statements of the provisions of such documents and reference is directed to all such documents for full and complete statements of all matters of fact relating to the Bonds, the security for and the repayment of the Bonds, and the rights and obligations of the holders thereof. Insofar as any statements are made in this Official Statement involving matters of opinion, whether or not expressly so stated, they are made merely as such and not as representations of fact.

Appendices A, B, C, D, E, F and G attached to this Official Statement are hereby expressly incorporated herein as a part hereof. This Official Statement has been duly approved by the Borrower, and the Borrower has authorized its distribution in connection with the underwriting of the Bonds.

The Issuer has not participated in the preparation of this Official Statement and makes no representation with respect to the accuracy or completeness of any of the material contained in this Official Statement other than in the sections entitled “**THE ISSUER**” and “**LITIGATION—The Issuer.**” The Issuer is not responsible for providing any purchaser of the Bonds with any information relating to the Bonds or any of the parties or transactions referred to in this Official Statement or for the accuracy or completeness of any such information obtained by any purchaser. Except as otherwise stated herein, neither the Issuer nor the Underwriter makes any representations or warranties whatsoever with respect to the information contained herein. The agreements of the Issuer with the holders of the Bonds are fully set forth in the Indenture, and neither any advertisement of the Bonds nor this Official Statement is to be construed as constituting an agreement with the purchasers of the Bonds.

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error in the printing of such numbers shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for any Bonds.

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The preparation of this Official Statement and its distribution have been authorized by the Borrower and the Issuer; provided that neither approval nor authorization of distribution of this Official Statement by the Issuer shall be construed as a representation that the Issuer has reviewed or approved the accuracy or completeness of this Official Statement other than the information under the captions “**THE ISSUER**” and “**LITIGATION – THE ISSUER.**” This Official Statement is not to be construed as an agreement or contract between the Issuer or the Borrower and any purchaser, owner, or holder of any Bond.

CRYSTAL SPRINGS UPLANDS SCHOOL

By: _____
Authorized Officer

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APPENDIX A
CERTAIN INFORMATION CONCERNING
CRYSTAL SPRINGS UPLANDS SCHOOL

Crystal Springs Uplands School

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INTRODUCTION

Crystal Springs Uplands School (“Crystal” or the “School”) is an independent, coeducational, college preparatory day school serving students in grades six through 12. For the 2025-26 academic year, Crystal opened the academic year with an enrollment of 569 students. Founded in 1952, the Upper School is located on a 10-acre suburban campus on the San Francisco Peninsula in Hillsborough, California and the Middle School is located in Belmont, California. The School aims to equip students with a passion for lifelong learning by encouraging individual leadership, cooperative interaction, intellectual risk-taking, and a respect for one's self and for the view of others. Crystal believes that students learn best in an environment that promotes learning within a community of mutual trust, caring and respect.

The School’s senior leaders believe the key defining characteristics of Crystal are as follows:

Academic Excellence. Crystal has built a collaborative community of students and faculty, balancing a curriculum that challenges students with a nurturing, close-knit environment that gives students the confidence and resources to succeed in their academic journey. The quality of the School’s educational program is evidenced by the outcomes and recognition of its students and graduates. The School’s past four graduating classes have each included nine or more students recognized as National Merit Finalists. The three postsecondary institutions most frequently attended by Crystal graduates of the past five graduating classes are Stanford University, University of California, Berkeley, and Boston University.

The strength of the School’s academic program and the outcomes achieved by Crystal graduates have fostered significant demand for enrollment from prospective students and families. Over the past five application cycles, Crystal has accepted 21.4% of applicants, and 65.2% of accepted students chose to matriculate at the School, demonstrating that Crystal is the school of choice for the majority of accepted students. For the upcoming 2025-26 academic year, the School opened the academic year with an enrollment of 569 students, in line with its recent history at its effective enrollment capacity. Of note for the current school year, only two graduating Crystal 8th graders elected not to attend Crystal’s Upper School – a record high level of 8th to 9th grade student retention.

Sound Financial Stewardship. The School maintained total net assets of \$106.6 million as of June 30, 2024, an increase of 38.6%, or \$29.7 million, over total net assets of \$76.9 million as of June 30, 2020. Of the School’s total net assets, \$61.2 million, or 57.4%, were unrestricted as of June 30, 2024. Material to Crystal’s financial success has been the School’s consistent and strong philanthropic support. Over the past five audited fiscal years, the School raised over \$49.3 million in philanthropic contributions. Over the same period, Crystal’s endowment grew by 28.8% to \$35.6 million as of June 30, 2024.

For the recently completed fiscal year ended June 30, 2025, the School’s internally prepared preliminary results demonstrate favorable performance to budget and reflect an operating surplus. See “FINANCIAL MATTERS – Administration’s Discussion of Financial Performance” for a more detailed discussion of unaudited results for the fiscal year ended June 30, 2025.

The Project and the Capital Campaign. The Project encompasses a comprehensive upgrade to the Mansion, the hallmark facility on Crystal's Hillsborough campus that became the School's permanent home in 1955. Originally constructed as a residence for the Crocker family in 1917, the Project includes: significant seismic upgrades including new foundations, added steel to strengthen capacity and reinforce connections, and strategically placed concrete shear walls; a fire sprinkler system; accessibility and inclusivity improvements such as an elevator and accessible restrooms; a new electric HVAC system to improve ventilation, reliability, and energy efficiency; new classroom and lab space (including a dedicated physics lab/classroom and a modernized robotics lab); and improvements to student gathering spaces such as the ballroom and library.

Crystal engaged Truebeck Construction as general contractor and EHDD as architect for the Project. The School also engaged Pacific Union Development Company (PUDCO) as owner's representative for the Project and The Cumming Group serves as construction manager. All permits are in place for construction, the School signed a guaranteed maximum price construction contract in October 2024, and construction began in June 2025. The School anticipates completing the Project by July 31, 2026 at a total cost of \$49.5 million, of which \$35.2 million is part of the GMP construction contract described herein and the remainder encompasses soft costs, insurance, temporary facilities, furniture, fixtures, equipment, and contingencies.

The School's current capital campaign has raised approximately \$45.3 million towards a target of \$50.0 million (the goal was increased in 2024 from the original goal of \$40 million given strong campaign progress). Of that amount, \$41.4 million of donor pledges have been documented; the remainder represents verbal pledges, real property, private unrealized stock, and Fund a Need funds from the School's 2019 gala. Of the \$45.3 million raised to-date, the School has collected \$25.8 million in cash. A total of \$4.3 million of the collected cash has been spent on project-related costs, with \$12.9 million of campaign receipts earmarked for the Project on hand as of June 30, 2025 and \$8.6 million allocated to the School's endowment.

HISTORY AND MISSION

Crystal Springs School for Girls was founded by Aylett and MJ Cotton and other San Francisco Peninsula families in 1952 in order to improve educational opportunities for girls on the San Francisco Peninsula. The School opened in fall 1953 at the Congregational Church in San Mateo, California. Originally, Crystal had four teachers with 16 students in grades seven through nine.

History of the Hillsborough Campus

In search of an appropriate permanent home, the Board of Trustees finally settled on the Uplands Mansion and property in 1956. The Uplands Mansion was originally designed in the style of a neo-classical Renaissance palazzo by renowned San Francisco architect Willis Polk for Charles Templeton Crocker, grandson of the railroad magnate Charles Crocker. The mansion's interior was replete with European fixtures including handmade marble fireplaces and mantelpieces, all originating from a singular 16th century Italian castle.

The move to the current 10-acre property in Hillsborough occurred in the fall of 1956. In 1957, the first students graduated from the Upper School.

In 1965, an \$850,000 capital campaign raised the funds for the addition of the Uplands Building at the Hillsborough campus, which provided a dedicated space for the Middle School.

The Board of Trustees decided to admit boys in the fall of 1977 to the Uplands School for Boys, a separate program. The School raised \$1.4 million in 1977 for a gymnasium and dance studio. In 1985, the School became a fully coeducational campus, and the School was officially renamed Crystal Springs Uplands School. In 1987, the School raised \$2.2 million for the Theater Building with 435 seats and art studios.

Crystal Springs Uplands School launched the “Crystal 2000” Campaign in 1992, which provided for major renovations, including the addition of a second story to the Uplands Building, construction of the Student Commons and technology enhancements. In 1997, Crystal began its Bold Steps Campaign for a new gymnasium and support for the Mind/Body/Wellness program. With approximately \$15.4 million in funding from the Bold Steps Campaign, the gymnasium and fitness center were finished.

In 2006, the School used proceeds from its Foundation for the Future Campaign to complete a \$1.7 million renovation to science labs. Further proceeds from this campaign were used in 2009 to complete the \$800,000 artificial turf field. The Foundation for the Future Campaign also added \$10.2 million to the School’s endowment.

History of the Belmont Campus

After nearly a decade of planning, collaboration, and dedicated effort, Crystal completed its state-of-the-art Middle School facility in 2017. The Middle School is located in Belmont, California, approximately 3.5 miles (linear distance) and 6.0 miles (driving distance) from the Upper School in Hillsborough, California. See “GEOGRAPHIC AREA AND FACILITIES.”

After acquiring the Middle School property, Crystal constructed a 48,000 square-foot, two-story project that encapsulates a series of structures organized along a formal axis that links outdoor activity space with indoor academic and social functions. The site’s main structure, the Academic Center, houses two floors of classrooms that flank the Great Hall and outdoor terrace. Flexible classroom space transitions between traditional and group teaching configurations, while dedicated social space for each grade level provides a place for students to gather and study.

Philosophy and Mission

Crystal Springs Uplands School’s philosophy is to create an environment in which young people who are curious about themselves and the world around them will thrive. Crystal strives to build an inclusive community where risk-taking, both intellectual and personal, is an everyday occurrence, offering encouragement and support for those who challenge themselves.

The School defines its mission as follows:

“Through transformative teaching and meaningful connections, we empower kind, curious learners to thrive together.”

In addition to its mission, the School subscribes to the following core values: Celebrate Scholarship, Seek Growth Challenges, Foster Kindness and Inclusion, Strive for Balance, Engage with Enthusiasm, and Lead with Humility.

GOVERNANCE

Crystal Springs Uplands School is governed by an independent Board of Trustees (the “Board”), a self-perpetuating governing board comprised of 25 members. New trustees are elected at the annual meeting and serve an initial term of three years, after which trustees may be elected for an additional two terms. In addition, Kristi Cotton Spence is a named lifetime trustee.

The Board has the power to elect officers, manage the School, approve the budget, appoint the Head of School and receive gifts, as described by the Board’s By-Laws. Each May, the Board holds its annual meeting. The Board has five scheduled meetings throughout the academic year. Additional meetings may be called by the President of the Board or two members from the Executive Committee.

Current members and officers of the Board of Trustees, their Crystal graduating class (if applicable), the graduation class of their children (if applicable), and their years of initial election and current term expiration are as follows:

Board of Trustees

2025-26

<u>Board Member</u>	<u>Year of Initial Election</u>	<u>Year Current Term Ends</u>
Cristal Waldrop, <i>Board Chair</i> , P ’22, ’25	2018	2026
Julie Lee, <i>Vice President</i> , P ’25, ’27, ’28	2022	2028
Nicole Alston P ’28, <i>Secretary</i>	2022	2028
Tiersa Aldridge P ’19, ’21, ’23	2023	2032
Jennifer Chung P ’29	2023	2029
Ryan Clark P ’28	2025	2028
Andrew Davis	2020	2029
Matthew Ebbel ’97	2022	2025
Mina Fisher ’95, P ’29	2024	2027
Jeffrey Grimes ’11	2023	2032
Jennifer Johnson ’82, P ’11, ’19	<i>Trustee Emerita</i>	
Kevin Laws, P ’24, ’26	2020	2026
Ana Gonzalez Leyva ’07	2020	2029
I-Han Liang P’22	2024	2027
Peter Meier, P ’25, ’28	2020	2028
Sascha Mornell P ’22, ’25, ’30	2024	2030
Julie Ottoboni Veit P ’26, ’28	2023	2027
Meena Satyavolu Rangachary, P ’27	2022	2027
Kelly Sortino, <i>Ex Officio</i>	<i>Ex Officio</i>	
Mon Siriwatwechakul P ’27, ’30	2022	2030
Kristi Spence ’59	<i>Lifetime Trustee</i>	
Steve Spinner P’27	2022	2027
Hans Tung P ’26, ’30	2020	2029
John Warren P ’29	2024	2029
Stacia Wells P ’27, ’27	2023	2027
Kayoko Wong ’97, P ’28, ’31	2023	2031
Yilan Zhao P ’28, ’30	2025	2030

Source: Crystal internal records.

The Board's 2025-26 standing committees and committee chair assignments are as follows:

2025-26 Committee Chair Assignments

<u>Committees</u>	<u>Chair / Co-Chairs</u>
Advancement	Julie Lee
Compensation	Julie Lee
Facilities	Meena Satyavolu Rangachary
Finance	Kevin Laws
Investment	Matthew Ebbel
Risk Management and Audit	Peter Meier
Trustees	Nicole Alston

Source: Crystal internal records

ADMINISTRATION

The Board of Trustees delegates to the Head of School responsibility for the administration of the School's programs, operations, and facilities. The Head of School is assisted by a team of School administrators, including the following members of the senior leadership team.

Kelly Sortino, *Head of School*, joined Crystal in 2009 as the Director of College Counseling and was the Head of Upper School from 2012-2019 before being named Crystal's seventh Head of School in 2019 following an extensive international search. Prior to joining Crystal, Ms. Sortino was an English teacher, an admissions officer at Princeton, a consultant at Boston Consulting Group, and an intern at Google. She has served on several not-for-profit boards and advisory committees, including Peninsula Bridge, The Carey School, Charles Armstrong School, and the diSiac Dance Company Alumni Board. Ms. Sortino holds an M.B.A. and M.A.Ed from Stanford University, where she was a Jack Kent Cooke Scholar, and an A.B. in art history and certificate in teacher preparation from Princeton University, where she graduated summa cum laude and Phi Beta Kappa.

Betsy Berman, *Assistant Head for Advancement and Strategy*, joined the Crystal community in 2011, overseeing the work of the Development, Admission, and Communications teams. In her time at Crystal, Ms. Berman has served on the Head of School Search Committee, the Mission Review Task Force, the One Crystal Task Force, and has worked closely with all Board committees in furtherance of meeting strategic goals and priorities. With over 30 years of Advancement experience at preK-12, 6-12, K-8, co-ed, and single-sex schools, Ms. Berman believes in the value of independent school education, and works diligently for mission-appropriate students to be supported academically, emotionally, and financially throughout their time at Crystal. As a volunteer, Ms. Berman served on the Charles Armstrong School's Board of Trustees as a member of its Governance, Campaign, and Executive Committees and was also a member of its Head of School Search Committee. Ms. Berman has served as a Board Member at The Carey School in San Mateo and Pied Piper Players in Burlingame, and is currently serving as a strategic fundraising advisor for Peninsula Bridge. She is a graduate of DePauw University with a B.A. in psychology.

Brian Talbott, *Chief Financial and Operating Officer*, has served as Crystal's CFOO since July 2024. His responsibilities include oversight of the finance, operations, facilities, human resources, capital projects, and risk management areas. Mr. Talbott comes to Crystal after working for over 20 years at Stanford University, primarily in the Athletics Department. While at Stanford, he held several positions within the Athletics Department including Deputy Athletics Director & Chief Financial Officer. In this role he oversaw finance, human resources, facilities and operations, capital projects, and all non-varsity activities for Stanford Athletics. He also worked in various capacities in the private sector prior to his

tenure at Stanford. Mr. Talbott earned his B.A. in mathematical economics from Pomona College in Claremont, California, and his M.B.A. from the Kellogg School of Management at Northwestern University in Evanston, Illinois.

Peter Antupit, *Chief Information Officer*, joined Crystal in 2012 as Director Technology and currently serves as Chief Information Officer (CIO). As CIO, Mr. Antupit continues his focus on simplifying and streamlining the technology experience for faculty, administrative staff, students, and families. He began his career at The Landmark School, a residential school for dyslexic students located in Manchester, Massachusetts. During his seven-year tenure at Landmark, Mr. Antupit taught math, language arts, woodshop, and computer science. He pursued an Ed.M. from The Harvard Graduate School of Education, with a concentration in Technology in Education (TIE). After completing his graduate studies, Mr. Antupit became the Director of Technology at Nashoba Brooks School in Concord, Massachusetts, where he served as a mentor and leader to students, faculty, and staff for 15 years. In addition to his work at Crystal, Mr. Antupit has been a faculty member of the ATLIS Leadership Institute (formerly known as ECATD) program since its inception in 2016.

Lou Kim, *Associate Head for Institutional Programs and Initiatives*, joined Crystal in 2021 as Chief of Staff, managing administrative and strategic priorities for the School. In 2023, she transitioned into her role of Associate Head for Institutional Programs and Initiatives, overseeing Crystal's strategic plan, institutional research, and 6-12 co-curricular programs (Athletics, Experiential Education, Fine Arts productions, Crystal FIRST). She also co-leads the DEI Leadership Team, is a 9th grade advisor and team co-lead, and mentors an Upper School student affinity space and an Upper School club. Ms. Kim started her career in education in 2010 as a middle school English teacher in Connecticut. She transitioned to the Bay Area in 2016, as Assistant Principal and then Principal at Aspire Golden State Preparatory Academy, a 6-12 charter school in Oakland. Outside of her work in schools, Ms. Kim serves on the Friends of the Foster City Library Board, overseeing their newsletter and their fundraising program. She has a B.S. in English and environmental studies from Tufts University and an M.A. in educational leadership from Columbia University's Teachers College.

Jess Dang, *Head of Middle School*, has served as the Head of the Middle School since 2022. Her responsibilities include oversight of the academic and co-curricular programs at the Middle School and management of the teaching faculty and Middle School administrative teams who guide the student experience. Ms. Dang came to Crystal after working for fourteen years at the Julia Morgan School for Girls, beginning there as a teacher then moving into administration, eventually serving as the Associate Head of School. Previously, she began her teaching career on the east coast at Dwight-Englewood School. She is a graduate of Brown University with a B.A. in English literature, and she holds a M.A. in educational leadership from the Bay Area Teacher Training Institute.

Jennifer Carleton, *Head of Upper School*, was named Head of Upper School at Crystal in July 2025. Her responsibilities include overseeing all aspects of the academic and co-curricular experience for students in grades 9-12 and the teachers and administrators at the Upper School. She collaborates with the Head of the Middle School on practices, policies, and procedures for all students and colleagues in grades 6-12. Before becoming the Head of Upper School, Ms. Carleton served the Crystal community for 16 years in the College Counseling Office. In this role, she supported over 1,000 Crystal alumni and their families as they pursued higher education. Ms. Carleton has also worked in the field of education for over 20 years, including as an undergraduate admission officer at Georgetown University in Washington, D.C. Ms. Carleton earned her B.A. in Sociology from Bates College in Lewiston, Maine.

Angela Birts, Ed.D., *Chief Culture and Inclusion Officer*, returned to Crystal in July 2025 after previously serving as the School's interim Chief Culture and Inclusion Officer in 2018. Dr. Birts brings extensive experience as an educator, diversity consultant, and leader dedicated to advancing equity and creating inclusive environments. Her career spans both independent and public schools, including six years (2012–

2018) as the Director of Diversity and Inclusion at Menlo School in Atherton, California. Since 2018, Dr. Birts has served as a continuing lecturer at John R. Lewis College, University of California, Santa Cruz, where she teaches courses on social justice. Dr. Birts earned her B.A. in English and Communications from Lake Forest College and her M.A. in Education Policy, Organization, and Leadership Studies from Stanford University. In 2017, she became the first African American to earn an Education Doctorate from San José State University, where she was recognized with both the Education Doctorate Leadership Program Award and the Phyllis H. Lindstrom Award for leadership excellence.

CURRICULUM

Crystal Springs Uplands School offers a flexible curriculum that is designed to facilitate profound, transformative learning. Crystal's educational setting is designed to blend dynamic and evolving classes with supportive and inspiring teachers to provide a well-rounded education that fosters academic rigor and personal development. The School believes that students learn best in an environment that challenges them to solve problems using the skills they have learned.

The School is divided into two divisions: the Middle School, grades six through eight, and the Upper School, grades nine through 12.

Academics

Crystal Springs Uplands School's curriculum encompasses the fine arts, English, foreign languages, history, mathematics and sciences. At Crystal, students also participate in a senior project and the mind/body program. Students begin this program in Middle School and build upon the foundation through Upper School.

English. The goal of the English Department at Crystal is to develop independent readers, writers, and thinkers. Students read texts that are ancient, contemporary, canonical and multi-cultural. Through these texts, teachers help students to develop writing and analytical skills. Engagement in class discussion is a requirement of all Crystal English students and a significant component of the English curriculum. Students also develop skills in vocabulary and etymology, grammar and usage and oral presentation. In the Middle School, students focus on vocabulary and grammar, and they begin to learn the writing process. In the ninth grade, students take a yearlong English course that helps them learn to articulate ideas and find their own voice in writing. In grades 10 through 12, students take a fall core English course and a spring seminar that is more thematically focused. Courses are also offered in creative writing and graphic novels.

World Languages. The World Language Department's philosophy is to expose students to a language and culture they have never before experienced. Beginning in grade six, students are required to take French, Spanish, or Mandarin throughout Middle School. In the Middle School, Crystal students focus on listening, reading, writing and speaking. Additionally, students are exposed to the sounds of native speakers in the language lab. Two consecutive years of the same language must be taken in Upper School. Honors courses are offered in French and Spanish language and culture, literature, and cinema, as well as in Mandarin language and contemporary Chinese culture.

History. The History Department strives for students to understand their own society and culture within the context of their studies and to develop research and writing skills. In the Middle School, students study the origins of modern civilization and U.S. history. At the Upper School, students study more focused topics and are required to do additional reading, writing and analysis of historical documents. Students must take World History in grade nine, U.S. History and one additional full credit history course. Crystal offers several Honors history courses.

Mathematics. The Mathematics Department at Crystal provides a sequential program that responds to students' developmental levels. The School encourages students to see mathematics as a connected whole rather than a series of unrelated topics. Students learn to problem solve and to think quantitatively, spatially and logically. In the Middle School, students strengthen their problem-solving, arithmetic and algebraic skills. Students are also introduced to other topics, such as geometry, statistics and computer programming. In the Upper School, the Mathematics Department offers advanced and basic courses, so that students may appropriately challenge themselves with longer problems and more advanced mathematical concepts. Students are required to take Math I through Math III. Honors courses are offered in AB, BC, and multivariate Calculus.

Science. The goal of the Crystal science curriculum is to expose students to a base of expert knowledge and instill in them a love of science. In the Middle School, students study Earth, Life and Physical Sciences. Through these courses, Crystal students learn laboratory and organizational skills. In the Upper School, courses are offered in Biology, Chemistry, Physics, Engineering and Astronomy. Students frequently use technology in science courses and many of the courses are math-intensive. In order to graduate, students must take three years of science.

Fine Arts. Crystal Springs Uplands School believes in the importance of providing students with a progressive and experiential visual and performing arts curriculum that offers exploration as well as depth and breadth. Middle School students rotate through all of the fine arts core classes and choose two fine arts electives. Core rotation courses include art, drama, music and movement. Electives are offered for groups concentrating more specifically within these areas. In the Upper School, students are required to take two fine arts courses to graduate. Upper School students at Crystal are offered a wide variety of art electives, including several honors courses.

Computer and Data Science. Crystal's Computer and Data Science Department recognizes that fostering the responsible, effective, and ethical use of technology is paramount in the rapidly evolving digital world. The department gives students the tools to magnify meaningful connections, while recognizing and reducing any related detachments. Faculty strive to cultivate effective problem-solvers and lifelong learners who will contribute positively to society embracing the philosophy of being familiar with the unfamiliar and encouraging interdisciplinary exploration to empower students who are not only proficient data scientists but also conscientious stewards of technology.

Senior Project. At Crystal, seniors have an opportunity to pursue an interest in greater depth and to demonstrate their understanding of this topic through the required senior project. Seniors must prepare a fully researched and polished presentation on a topic that they have undertaken during the second semester of their senior year as a six-week independent study. Students select a mentor from the faculty or staff to work with them on their project. At the end of their senior year, each student presents their project to a panel of faculty, parents, and peers.

Mind/Body. Crystal believes that interscholastic athletics and physical education should be an integral part of the School's commitment to developing the student as a whole person. The Mind/Body Program at Crystal is an interdisciplinary, comprehensive field of study that is designed to introduce all students to a fitness and wellness curriculum. In the Middle School, students take a lecture-based class that meets one trimester per grade to discuss topics, such as teen health and substance abuse. Upper School students may take lecture-based classes that meet one time per week for the academic year, including Anatomy and Exercise Physiology.

Athletics

As stated above, Crystal believes that interscholastic athletics should be an integral part of the School's commitment to developing the student as a whole person. Athletes learn life skills such as teamwork, commitment, communication, discipline, sportsmanship and perseverance.

The Middle School athletic program encourages all students to play a competitive sport. The School offers a broad range of teams with varying degrees of competitiveness and ability levels. The primary emphasis is on skill development and teamwork.

In Upper School athletics, the competitive level increases along with the time commitment and ability levels. The Crystal coaches and staff are committed to instilling the following values in Crystal athletes: the love of the contest, the graceful acceptance of defeat, the thrill of victory and the pride that comes from representing the School.

Crystal Springs Uplands School offers a wide variety of sports for Upper School students. Crystal participates in the West Bay Athletic League, comprised of teams located throughout the San Francisco Peninsula. Crystal's Upper School athletic offerings are displayed in the table below.

Upper School Athletic Offerings					
Fall		Winter		Spring	
<u>Boys</u>	<u>Girls</u>	<u>Boys</u>	<u>Girls</u>	<u>Boys</u>	<u>Girls</u>
Football	Volleyball	Basketball	Basketball	Beach	Beach
Cross Country	Cross Country	Soccer	Soccer	Golf	Golf
Sailing	Tennis	Squash	Squash	Baseball	Softball
	Sailing			Track	Track
				Tennis	Lacrosse
				Swimming	Swimming
				Volleyball	Volleyball

Source: Crystal internal records

Community Service

Crystal's Service Learning program is a significant part of the School's identity. The School believes that community service is imperative for engendering kindness, intelligence, compassion, and drive in its students. Recently, Crystal students have hosted a fentanyl awareness event, participated in the Young Changemakers Series, built garden boxes for the Middle School, and partnered with Samaritan House and LifeMoves.

Service extends beyond this formal service learning opportunity. Various service-oriented student clubs organize regular opportunities for students to make a difference in the community.

FACULTY AND STAFF

For the 2024-25 academic year, the School's faculty consisted of 48 full-time and 21 part-time teachers. Seventy-five percent of full-time Crystal Springs Uplands School faculty hold advanced degrees, as do two thirds of the School's part-time faculty. The following table depicts the School's full-time and part-time employee composition for the most recently completed five academic years.

Faculty and Staff Composition

<u>Faculty</u>	<u>2020-21</u>	<u>2021-22</u>	<u># Employed</u> <u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>
Full time headcount:	50	52	52	48	48
Part time headcount:	22	15	14	21	21
Total Faculty	72	67	66	69	69

Source: Crystal internal records

In order to maintain its strong reputation, the School is committed to fostering a community of creative and dedicated teachers and coaches. Therefore, Crystal provides its teachers and coaches with competitive compensation and numerous professional development opportunities. The School believes its faculty members should be able to live full and healthy lives in the San Francisco Bay Area and benchmarks its salaries to its peer schools. Additionally, Crystal provides a professional development program and grant and membership opportunities to its faculty members. The School's median faculty salaries have averaged 190% of the National Association of Independent Schools (NAIS) median salaries over the past four years of available data, while averaging 107% of the mean peer salaries of the cohort of schools against which Crystal compares itself. The table below lists the median salaries of Crystal, the peer benchmark of competitor schools, and NAIS members for the 2020-21 through the most recently completed academic years.

Median Faculty Salaries

	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>
Median Crystal Faculty Salary	\$ 103,760	\$ 115,990	\$ 118,550	\$ 124,392	\$ 127,872
Average Benchmark Salary	n/a	105,772	110,087	117,837	123,176
<i>Crystal Salary as % of Benchmark</i>	<i>n/a</i>	<i>110%</i>	<i>108%</i>	<i>106%</i>	<i>104%</i>
NAIS Median Salary	59,617	60,000	63,103	65,368	n/a
<i>Crystal Salary as % of NAIS Median</i>	<i>190%</i>	<i>190%</i>	<i>188%</i>	<i>190%</i>	<i>n/a</i>

Sources: National Association of Independent Schools Member Schools Facts at a Glance report and Crystal internal records

Crystal retains a highly experienced faculty cohort. Nearly 75% of the School's faculty hold over ten years of teaching experience. The table below displays the teaching experience of the School's faculty, broken into five-year increments.

2024-25 Faculty Teaching Experience

<u>Years of Teaching Experience</u>	<u># of Faculty</u>
0-5 years	7
6-10 years	11
11-15 years	18
16-20 years	10
21+ years	23
Total	69

Source: Crystal internal records

STUDENT ENROLLMENT

The School's admissions process is highly competitive, with low acceptance and high matriculation rates. Over the past six application cycles, Cystal has accepted 21% of applicants, and 66% of accepted students chose to matriculate at the School, demonstrating that Crystal is the school of choice for the majority of accepted students.

The following table shows the number of applications, acceptances, and matriculants for the past five completed and current academic years:

Applications, Acceptances, and Matriculants

Academic Year	Applications	Acceptances	Acceptance Rate (%)	Matriculants	Matriculation Rate (%)	Total Enrollment
2020-21	710	173	24.4%	112	64.7%	584
2021-22	713	133	18.7%	89	66.9%	572
2022-23	740	160	21.6%	104	65.0%	569
2023-24	749	155	20.7%	96	61.9%	567
2024-25	755	164	21.7%	111	67.7%	570
2025-26	694	125	18.0%	86	68.8%	569

Source: Crystal internal records

The School's percentage of enrolled students of color has increased from 67.6% in 2020-21 to 73.5% in 2024-25. The following table shows the breakdown of students of color for the past five completed and current academic years.

Breakdown of Students of Color

Year	Asian American	African American	Latino / Hispanic	Middle Eastern	Multi- Ethnic	Other	Total	% of Total Students
2020-21	204	14	32	6	136	3	395	67.6%
2021-22	201	13	29	5	132	6	386	67.5%
2022-23	201	12	34	3	136	9	395	69.4%
2023-24	218	9	34	5	129	16	411	72.5%
2024-25	223	9	34	4	130	19	419	73.5%
2025-26	241	7	33	6	130	17	434	76.3%

Source: Crystal internal records

The table below shows the number and percentage of students who have withdrawn on an annual basis for the past six admission cycles.

Five-Year History of Attrition Trends

Academic Year	Students Eligible for Re-Enrollment	Number of Students Departing	% of Students Eligible for Re-Enrollment
2020-21	485	16	3.3%
2021-22	496	14	2.8%
2022-23	486	23	4.7%
2023-24	484	11	2.3%
2024-25	472	17	3.6%
2025-26	486	6	1.2%

Source: Crystal internal records

COLLEGE TESTING AND PLACEMENT

The College Counseling Office (“CCO”) at Crystal provides expertise, experience, and enthusiasm to support Crystal students on their college path. The CCO helps all students develop individually tailored and targeted sets of collegiate options at which the office believes they will thrive intellectually and personally, helping students prepare applications that present their life story in an authentic manner. Through this guidance, Crystal empowers students to own their collegiate choice as the independent, adult decision that it is. The School believes that deciding what college to attend is the beginning of a journey, not the end; therefore, Crystal supports a college application process that focuses on self-reflection, self-discovery, and personal growth.

During their first semester, juniors and their parents attend college night where they receive a handbook about the following year. In the second semester, the college counselors meet at least once with each junior and his or her parents to discuss college plans. There are also junior class meetings during the spring to discuss researching colleges, campus visits and writing essays for college. All sophomores and juniors take the Preliminary Scholastic Aptitude Test (“PSAT”). Additionally, juniors generally take the Scholastic Aptitude Test (“SAT”) in the spring or summer.

Seniors meet in College Quest, a classroom setting once a week, where the college counselors help them with the logistics of obtaining and completing their college applications, completing essays, college interviews and financial aid. Seniors are also expected to meet with the college counselors individually to discuss their college application process.

The College Counseling Office keeps its information current by meeting with the forty to fifty college representatives who visit campus each fall, attending national conferences, visiting college campuses and attending local information sessions hosted by various colleges, in addition to using information available to all that is published and found on the internet.

Crystal participates in the Advanced Placement (AP) Program, a cooperative educational endeavor between secondary schools and colleges and universities. High school students take college-level AP courses, culminating in an opportunity to demonstrate what they have learned by taking an AP Exam. Some colleges and universities may choose to grant credit, placement, or both to students who score well. Scoring is based on a 1 to 5 point system, with a score of 3 indicating “qualified,” 4 indicating “well qualified,” and 5 indicating “very well qualified.”

In 2024, Crystal students took a total of 196 AP Exams. The following table sets forth the number of AP Exams taken by Crystal Springs Uplands School students, as well as the percent of scores of 3 or higher, for the classes of 2020 through 2024.

Advanced Placement Examinations

	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>
Number of exams taken	179	191	190	224	196
Number of scores “3” or higher	174	181	178	205	176
Percent of scores “3” or higher	97%	95%	94%	92%	90%
Number of scores “5”	91	69	69	77	65
Percent of scores “5”	51%	36%	36%	34%	33%

Source: Crystal internal records

For the classes of 2020 through 2024, SAT scores for Crystal students have averaged 141% of the national mean. The following table shows the mean SAT scores for Crystal students compared to the national mean scores for these classes.

SAT Scores

	<u>Class of 2020</u>	<u>Class of 2021</u>	<u>Class of 2022</u>	<u>Class of 2023</u>	<u>Class of 2024</u>
Crystal Mean	1457	1478	1489	1472	1452
National Mean	1051	1060	1050	1028	1024
% of National Mean	139%	139%	142%	143%	142%

Source: The College Board Total Group Profile Report and Crystal internal records

For the classes of 2020 through 2024, ACT scores for Crystal students have averaged 163% of the national mean. The following table shows the mean ACT scores for Crystal students compared to the national mean scores for these classes.

Average ACT Scores

	<u>Class of 2020</u>	<u>Class of 2021</u>	<u>Class of 2022</u>	<u>Class of 2023</u>	<u>Class of 2024</u>
Crystal Average ACT	33	33	33	33	33
National Average	21	20	20	20	19
% of National Average	157%	165%	165%	165%	174%

Source: American College Testing and Crystal internal records

Crystal Springs Uplands School graduates are routinely admitted to some of the most highly selective institutions of higher education in the United States. The following table indicates those colleges and universities attended by ten or more Crystal graduates from the classes of 2020 through 2024.

College and University Matriculation (Class of '20 through Class of '24)

<u>Institution</u>	<u>Number Matriculated</u>	<u>Institution</u>	<u>Number Matriculated</u>
Stanford University	23	The University of Chicago	13
University of California, Berkeley	20	University of Michigan, Ann Arbor	12
Boston University	16	Brown University	11
Washington University in St. Louis	15	Cornell University	11
Tufts University	13	New York University	11

Source: Crystal internal records

A significant proportion of Crystal's graduating classes are regularly recognized by the National Merit Scholarship Corporation as Finalists. The School's graduating classes for the years 2021 through 2024 have each produced nine or more National Merit Finalists, an achievement earned by less than one percent of eligible contenders.

TUITION & FINANCIAL AID

The following table shows the School's tuition rates for the academic years 2020-21 through 2025-26.

Crystal Tuition

<u>Academic Year</u>	<u>Tuition</u>
2020-21	\$ 52,200
2021-22	54,445
2022-23	56,620
2023-24	60,850
2024-25	63,300
2025-26	66,450

Source: Crystal internal records

The following table shows the 2025-26 academic year tuition rates for Crystal Springs Uplands School and the academic year 2025-26 tuition rates of other San Francisco Bay Area cohort schools.

Comparative 2025-26 Tuition (Grade 12)

<u>School</u>	<u>Tuition</u>
The Branson School	\$ 65,525
San Francisco University High School	64,850
Crystal Springs Uplands School	66,450
Menlo School	64,718
The Nueva School	62,560
Castilleja School	62,400
Lick-Wilmerding High School	62,250

Note: Tuition at Crystal includes student lunches, snacks, and student trips/travel (including international travel). Several cohort institutions charge separate fees, in addition to tuition, for similar services, programs, or student experiences.

Source: Crystal internal records and publicly available data for cohort institutions

As opposed to many competitor schools, Crystal operates using an all-inclusive tuition model. The School's tuition includes food service, athletic and club fees, IT fees, parent association fees, and other similar charges levied by competing institutions in addition to tuition. The School believes that this pricing model fosters increased participation in School programs and extracurricular activities.

Approximately 22% of Crystal students receive financial aid. In the most recently completed 2024-25 academic year, the School awarded approximately \$5.3 million in tuition grants to support 126 students, with an average grant of approximately \$42,000. The following table shows the grants awarded to students by the School (to the nearest thousand) during academic years 2020-21 through 2025-26.

Financial Aid Assistance

<u>Year</u>	<u>Recipients</u>	<u>% of Student Body Receiving Aid</u>	<u>% of Tuition Revenue</u>	<u>Average Grant</u>	<u>Total Grants</u>
2020-21	126	21.6%	17.1%	\$ 41,000	\$5.2 million
2021-22	115	20.1%	15.7%	43,000	\$4.9 million
2022-23	127	22.3%	16.3%	41,000	\$5.3 million
2023-24	128	22.6%	16.0%	43,000	\$5.5 million
2024-25	126	22.1%	15.1%	42,000	\$5.4 million
2025-26	128	22.5%	14.9%	44,000	\$5.6 million

Source: Crystal internal records

FINANCIAL MATTERS

The following summaries and discussions of financial matters should be read in conjunction with the School's audited financial statements, which have been audited by Hood & Strong LLP, the School's independent auditor. Crystal Springs Uplands School operates on a fiscal year ending June 30. The financial statements of the School have been prepared on an accrual basis in accordance with the U.S. Generally Accepted Accounting Principles (U.S. GAAP) for educational institutions.

The table on the following page summarizes the Unrestricted Statement of Activities, referred to as "Without Donor Restrictions (Unrestricted)" for the fiscal years ended June 30, 2020, 2021, 2022, 2023, and 2024. The information presented in these tables has been extracted from the School's audited financial statements for the respective years.

Statement of Activities – Without Donor Restrictions (Unrestricted)

(Fiscal Year Ended June 30)

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Revenue and Support					
Tuition and fees	\$ 27,782,478	\$ 30,544,933	\$ 31,124,557	\$ 32,195,127	\$ 34,588,211
Less tuition assistance	(4,307,487)	(5,235,940)	(4,888,291)	(5,254,265)	(5,521,669)
Less tuition remission	-	-	-	-	(212,975)
Net tuition and fees	<u>23,474,991</u>	<u>25,308,993</u>	<u>26,236,266</u>	<u>26,940,862</u>	<u>28,853,567</u>
Contributions	3,006,784	3,060,951	3,258,071	3,071,485	3,034,547
Investment income (loss), net	341,642	2,130,067	(1,451,612)	1,434,482	2,532,059
Auxiliary and summer programs	81,049	58,428	58,478	97,090	103,046
Other income	41,564	70,923	158,678	151,341	89,111
ERC and EANS funds	-	572,410	92,707	2,043,767	-
Net assets released from restriction	<u>2,971,917</u>	<u>2,065,348</u>	<u>1,699,613</u>	<u>4,776,834</u>	<u>1,673,276</u>
Total revenue and support	<u>29,917,947</u>	<u>33,267,120</u>	<u>30,052,201</u>	<u>38,515,861</u>	<u>36,285,606</u>
Expenses:					
Academic	22,531,867	22,916,980	23,895,872	25,535,370	27,836,229
General and administration	4,164,187	4,383,351	5,796,268	5,494,715	5,110,678
Development	<u>1,352,927</u>	<u>1,544,749</u>	<u>1,857,623</u>	<u>2,179,700</u>	<u>2,134,152</u>
Total expenses	<u>28,048,981</u>	<u>28,845,080</u>	<u>31,549,763</u>	<u>33,209,785</u>	<u>35,081,059</u>
Change in net assets	1,868,966	4,422,040	(1,497,562)	5,306,076	1,204,547
Net assets, beginning of year	<u>49,850,811</u>	<u>51,719,777</u>	<u>56,141,817</u>	<u>54,644,255</u>	<u>59,950,331</u>
Net assets, end of year	<u>\$ 51,719,777</u>	<u>\$ 56,141,817</u>	<u>\$ 54,644,255</u>	<u>\$ 59,950,331</u>	<u>\$ 61,154,878</u>

Source: Crystal audited financial statements for the fiscal years ended June 30, 2020 through 2024

The following table depicts Crystal Springs Uplands School's total net asset position, classified by the level of restriction, for the past five audited fiscal years.

Total Net Assets					
As of June 30,					
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Without Donor Restriction	\$ 51,719,777	\$ 56,141,817	\$ 54,644,255	\$ 59,950,331	\$ 61,154,878
<u>With Donor Restriction</u>					
Time / Purpose Restriction	6,718,169	13,415,089	14,648,969	15,717,155	23,897,633
Restricted in Perpetuity	<u>18,486,103</u>	<u>19,168,103</u>	<u>20,331,525</u>	<u>21,315,018</u>	<u>21,551,544</u>
Total With Donor Restriction	<u>25,204,272</u>	<u>32,583,192</u>	<u>34,980,494</u>	<u>37,032,173</u>	<u>45,449,177</u>
Total Net Assets	<u>\$ 76,924,049</u>	<u>\$ 88,725,009</u>	<u>\$ 89,624,749</u>	<u>\$ 96,982,504</u>	<u>\$ 106,604,055</u>

Source: Crystal audited financial statements for the fiscal years ended June 30, 2020 through June 30, 2024

Administration's Discussion of Financial Performance

Financial Operating Performance. The School has achieved GAAP-based surpluses in four of the past five audited fiscal years, inclusive of three years directly impacted by the onset and continuation of the COVID-19 pandemic. The fiscal year ending June 30, 2022, the only year in which the School did not record a GAAP-based surplus, is primarily attributable to unrealized losses on the School's investment portfolio driven by investment market performance.

The School's philanthropic culture and prudent budget management have been primary drivers of surplus operating budget results (excluding changes in the value of the School's investment portfolio). The School budgets conservatively and regularly enrolls a higher number of students than budgeted. Additionally, the School's annual fund – an annual fundraising effort designed to support current-year operations – has exceeded \$3.0 million in each of the past five audited fiscal years and preliminary year-end results for 2024-25 suggest an Annual Fund that exceeded \$4.2 million.

For the recently completed fiscal year ended June 30, 2025, the School's preliminary year-end numbers suggest an operating surplus of over \$2.0 million. These results are driven by strong fundraising support, enrollment exceeding budgeted levels, cost savings from certain vacant positions (the School budgets for full staffing for the entirety of the year), and interest earnings on deposits and investments that yielded higher than budget.

Balance Sheet and Liquidity Growth. The School maintained total net assets of \$106.6 million as of June 30, 2024, an increase of 38.6%, or \$29.7 million, over total net assets of \$76.9 million as of June 30, 2020. Of the School's total net assets, \$61.2 million, or 57.4%, were unrestricted as of June 30, 2024. Over the past five audited fiscal years, the School raised over \$49.3 million in philanthropic contributions, which have contributed significantly to the School's total net asset position.

As of June 30, 2024 the School maintained investment assets totaling \$51.1 million, of which \$35.6 million comprised the School's endowment fund. Investments outside of the endowment fund include general reserves of the School and invested operating working capital designed to maximize interest earnings. As of June 30, 2025 the School's unaudited preliminary balance sheet reflects a total investment balance of \$60.1 million and an endowment balance of \$40.0 million.

Investments and Endowment

The School has adopted investment and spending policies for endowment assets that aim to ultimately provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The School expects its endowment funds, over time, to achieve returns at least equal to the rate of inflation plus spending over the investment horizon in order to preserve the real purchasing power of invested assets. Crystal's spending policy allows for annual endowment expenditures equal to 4% of the fund value at the beginning of the fiscal year. To mitigate the impact of investment market volatility, actual payouts are based on a formula that includes the prior year's payout, the rate of inflation, target payout rate, and the beginning-of-year fund value. Any changes to the School's endowment spending policy must be approved by the Board of Trustees.

Performance reports generated by the School's investment portfolio manager must be compiled at least quarterly and communicated to the Investment Committee for review. The portfolio manager is regularly reviewed regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the School's desired investment results. Crystal benchmarks its portfolio manager's performance against a balance of the MSCI World (Global Equities) and Bloomberg U.S. Aggregate Float Adjusted (Fixed Income) indices.

Investment Portfolio Recorded Value

(as of June 30, 2024)

Equities	\$ 31,442,108
Mutual funds	7,319,464
Treasury bills	15,987,730
Total fair value investments	<u>54,749,302</u>
Private equities at cost	<u>398,966</u>
Total	\$ 51,148,268

Source: Crystal audited financial statements for the fiscal year ended June 30, 2024

As of June 30, 2025 the School's unaudited preliminary balance sheet reflects a total investment balance of \$60.1 million.

The table below depicts the value of School's endowment by level of donor restriction over the past five audited fiscal years.

Endowment Market Value by Level of Restriction

(as of June 30,)

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
<u>Without Donor Restriction</u>	\$ 5,908,049	\$ 7,658,205	\$ 5,823,052	\$ 6,354,525	\$ 7,225,591
<u>With Donor Restriction</u>					
Time and purpose restriction	3,243,341	7,487,075	2,851,951	4,295,851	6,819,515
Restricted in perpetuity	<u>18,486,103</u>	<u>19,168,103</u>	<u>20,331,525</u>	<u>21,315,018</u>	<u>21,551,544</u>
Total	\$ 27,637,493	\$ 34,313,383	\$ 29,006,528	\$ 31,965,394	\$ 35,596,650

Source: Audited financial statements for fiscal years ended June 30, 2020 through June 30, 2024

As of June 30, 2025 the School's unaudited preliminary balance sheet reflects a total endowment balance of \$40.0 million.

Outstanding Indebtedness

The School is obligated on an outstanding tax-exempt loan (the “Existing Loan”) held by a financial institution (the “Existing Lender”) described in the front part of this Official Statement under the heading “SOURCES OF PAYMENT AND SECURITY FOR THE BONDS – Existing Debt and Security for the Bonds and the Existing Debt” and on a line of credit (the “Line of Credit”) with the Existing Lender. The Existing Loan and the Line of Credit are secured by substantially all assets of the School other than the Hillsborough Campus as described in the front part of this Official Statement. The proceeds of the Existing Loan were used for the construction of Crystal’s Middle School campus in Belmont, California.

The Existing Loan matures on July 1, 2046, bearing annual interest at 3.38% per annum. Interest only payments were made beginning July 1, 2016 through and including July 1, 2019 at the annual interest rate of 3.38%. Principal and interest repayment began August 1, 2019 and is on the basis of 30-year amortization based on the outstanding principal amount.

The Line of Credit was originally obtained in 2011 for short-term working capital and has been renewed annually since then. It has a maximum commitment amount of \$2,500,000 and a current expiration date is May 28, 2026; it bears interest at a variable rate. As of June 30, 2025 and the date of this Official Statement, there was no outstanding balance under the line of credit.

The Existing Debt Documents contain the Existing Debt Covenants as described in more detail in the front part of this Official Statement. As of June 30, 2024 and the date of this Official Statement, the School was in compliance with the Existing Debt Documents. Scheduled maturities of the Existing Loan follow.

Future Maturities of Long-Term Debt

<u>FYE June 30,</u>	<u>Principal Due</u>
2025	\$ 865,259
2026	898,170
2027	930,410
2028	964,860
2029	992,773
Thereafter	23,493,367
Total	<u>\$ 28,144,839</u>

Source: Crystal internal records

ADVANCEMENT

The Advancement Office at Crystal Springs Uplands School is responsible for all fundraising, alumni activities, constituent relations and donor communications.

Capital Campaign

The School’s current capital campaign, referred to among the Crystal community as the *Thrive Together Campaign*, has raised approximately \$45.3 million towards a target of \$50.0 million (the goal was increased in 2024 from the original goal of \$40 million given strong campaign progress). Of that amount, \$41.4 million of donor pledges have been documented; the remainder represents verbal pledges, real property, private unrealized stock, and Fund a Need funds from the School’s 2019 gala. Of the \$45.3 million raised to-date, the School has collected \$25.8 million in cash. A total of \$4.3 million of the collected cash has been spent on project-related costs, with \$12.9 million of campaign receipts earmarked for the Project on hand as of June 30, 2025 and \$8.6 million allocated to the School’s endowment.

Annual Fund and Total Giving

Giving to the Annual Fund has exceeded \$3.0 million in each of the last six years. The following table shows unrestricted annual giving for the 2019-20 through the 2024-25 academic years.

	Annual Fund Giving					
	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Alumni	\$ 51,383	\$ 102,380	\$ 91,273	\$ 62,066	\$ 52,053	\$ 91,885
Current parents	1,813,756	2,002,307	2,101,194	1,475,114	1,661,661	1,725,323
Foundations	98,548	202,354	65,394	1,110,191	564,068	694,760
Events	62,290	66,100	34,590	84,014	5,550	--
Other	1,090,360	853,183	915,980	431,991	741,375	1,746,417
Total	\$ 3,116,336	\$ 3,226,324	\$ 3,208,430	\$ 3,163,376	\$ 3,024,706	\$ 4,258,385

Source: Crystal internal records

For the 2024-25 year, the School did not host a fundraising event. Instead the School moved to a “one ask” model, consolidating fundraising efforts towards the Annual Fund. The results for 2024-25 yielded the largest Annual Fund in the School’s history, and the first time that the Annual Fund has raised over \$4.0 million. Donors to the Annual Fund in the “Other” category include current and former grandparents, alumni, corporations, faculty/staff, former parents, former Board members, and friends of the School.

The following table demonstrates the total philanthropic giving by category for the six most recently completed academic years.

	Total Philanthropic Support – All Gifts					
	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Annual fund	\$ 3,116,636	\$ 3,226,324	\$ 3,208,430	\$ 3,163,376	\$ 3,024,706	\$ 4,258,785
Gala	1,529,983	1,398,950	1,120,602	943,371	818,619	35,500
Capital campaign	260,648	5,975,150	8,808,300	3,418,050	6,892,620	11,173,950
Endowment	107,987	31,500	-	163,543	136,525	7,800
Bequests	-	-	185,457	-	-	52,000
Other	93,129	348,250	1,237,279	30,000	87,769	124,996
Total	\$ 5,108,083	\$ 10,980,174	\$ 14,560,068	\$ 7,718,340	\$ 10,960,239	\$15,653,031

Source: Crystal internal records

STRATEGIC PLAN AND THE PROJECT

Crystal Springs Uplands School 2030 Strategic Plan

The Crystal 2030 Vision and Strategic Plan celebrates the School’s current position and sets forth a declaration of intent for its position at the end of the decade. In connection with the strategic plan, the School’s administration and Board of Trustees have adopted the following statement of vision:

“In order to prepare our students to flourish in a complex and changing world, Crystal will center scholarship, enhance our definition of excellence, and prioritize balance and belonging.

By strengthening our program, optimizing student enrollment, and revitalizing our Upper School campus, the Crystal of 2030 will be One Crystal supporting Middle and Upper School Students and PAC (“Professional Adult Community”) as they thrive together.”

The Crystal 2030 Strategic Plan establishes four strategic objectives: Clarity, Care, Community, and Continuity, outlined further below.

Clarity. The School seeks to clarify Crystal’s 6-12 academic, co-curricular, and cultural practices in order to affirm its commitment to scholarship, enhance internal alignment, and ensure peer-school differentiation.

Care. Crystal aims to prioritize the physical and mental health of its students and PAC in order to improve well-being and celebrate multiple pathways of success.

Community. Crystal intends to elevate its diversity, equity, and inclusion efforts to the forefront of everyday School life in order to improve feelings of belonging and inclusion among PAC, students, and families.

Continuity. Crystal seeks to safeguard and steward its crucial human, physical, and financial resources in order to sustain and evolve the School for future generations of kind, curious learners.

Mansion Project

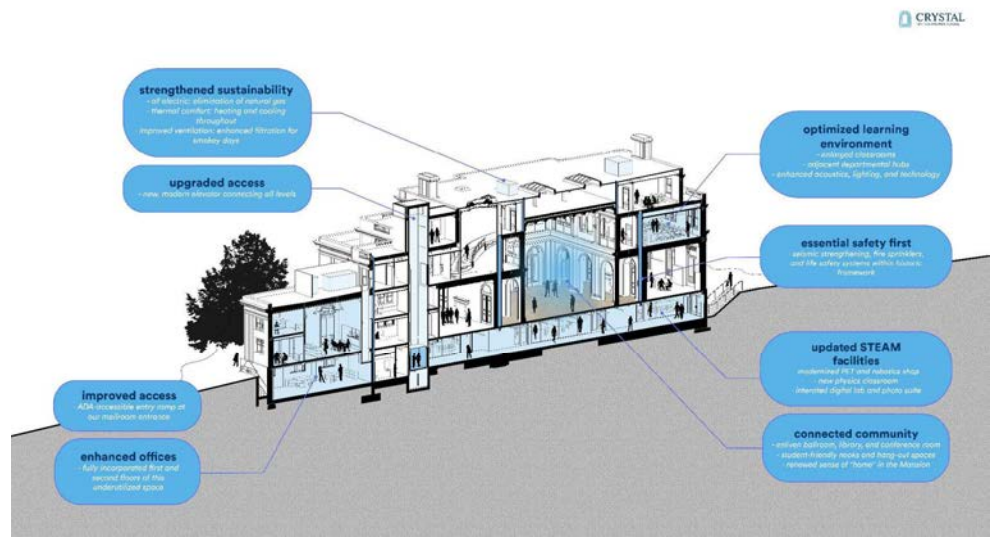
The historic Uplands Mansion was completed in 1917, originally constructed as a home for Charles Templeton Crocker (the son of Charles F. Crocker, the president of Crocker Bank and the grandson of Charles Crocker, one of the founders of the Central Pacific Railroad). The home remained in the Crocker family until it was purchased by Crystal Springs School for Girls in 1955. Since that time the Uplands Mansion has served as the centerpiece of the School, housing student classrooms, offices, the Upper School library, labs, meeting rooms, and student gathering space.

Given the age of the Mansion and its importance to the School, Crystal has been preparing for significant improvements to the Mansion as part of its strategic plan, and these improvements comprise the Project to be financed with proceeds of the Bonds, as follows:

- Comprehensive seismic upgrades, including new foundations, strategically placed concrete shear walls, and additional steel members to strengthen capacity and reinforce connections.
- Fire sprinklers throughout the building.
- Addition of an elevator, accessible entrance ramp, accessible restrooms, and program spaces to improve access and inclusivity.
- New, electric HVAC system to improve thermal comfort, energy efficiency, and provide improved use of the Mansion during extreme heat and in the event of excessive smoke days.
- Reconfigurations of the existing floor plan to provide learning spaces of adequate size, shape, and layout to be equipped with the technology for current and future student and faculty use. Specific spaces will be a dedicated physics lab/classroom as well as a modernized robotics workshop.

Crystal has engaged Truebeck Construction as general contractor and EHDD as architect for the Project. The School also engaged Pacific Union Development Company (PUDCO) as owner’s representative for the project and The Cumming Group serves as construction manager. All permits for construction are in place, the School signed a guaranteed maximum price construction contract (the “GMP Construction Contract”) in October 2024, and construction began in June 2025. The School anticipates completing the Project by July 31, 2026 at a total cost of \$49.5 million, of which \$35.2 million is part of the GMP Construction Contract and the remainder encompasses soft costs, insurance, temporary facilities, furniture, fixtures, equipment, and contingencies.

A cross-sectional rendering of the Mansion Project follows.



GEOGRAPHIC AREA AND FACILITIES

Crystal’s Upper School in Hillsborough, California and Middle School in Belmont, California are each within reasonable commuting distance of both San Francisco and Palo Alto. The School’s historic Upper School occupies the Uplands Mansion, an opulent neo-classical Renaissance palazzo designed by renowned San Francisco architect Willis Polk. Crystal’s Middle School opened in 2017, providing state-of-the art academic, athletic, and social facilities to Crystal students.

The table below depicts the School’s campus facilities, their years of construction and most recent renovation, square footage, and principal uses.

Campus Facilities				
Campus Locations	Year of Construction	Most Recent Significant Renovation	Square Footage	Principal Use
Upper School				
400 Uplands Drive Hillsborough, CA 94010				
Gryphon Center	2002	N/A	38,263	Athletics and offices
The Mansion Building	1913	1994	36,000	Academics and administration
The Uplands Building	1962	2011	18,045	Academics, offices and dining
Arts Building	1987	2011	17,955	Arts
Head of School House	1991	2004	3,000	Residence and meetings
Middle School				
10 Davis Drive Belmont, CA 94002				
Academic Building	2017	n/a		Academics
Gymnasium	2017	n/a		Athletic
Multipurpose building	2017	n/a		Miscellaneous

Source: Crystal internal records

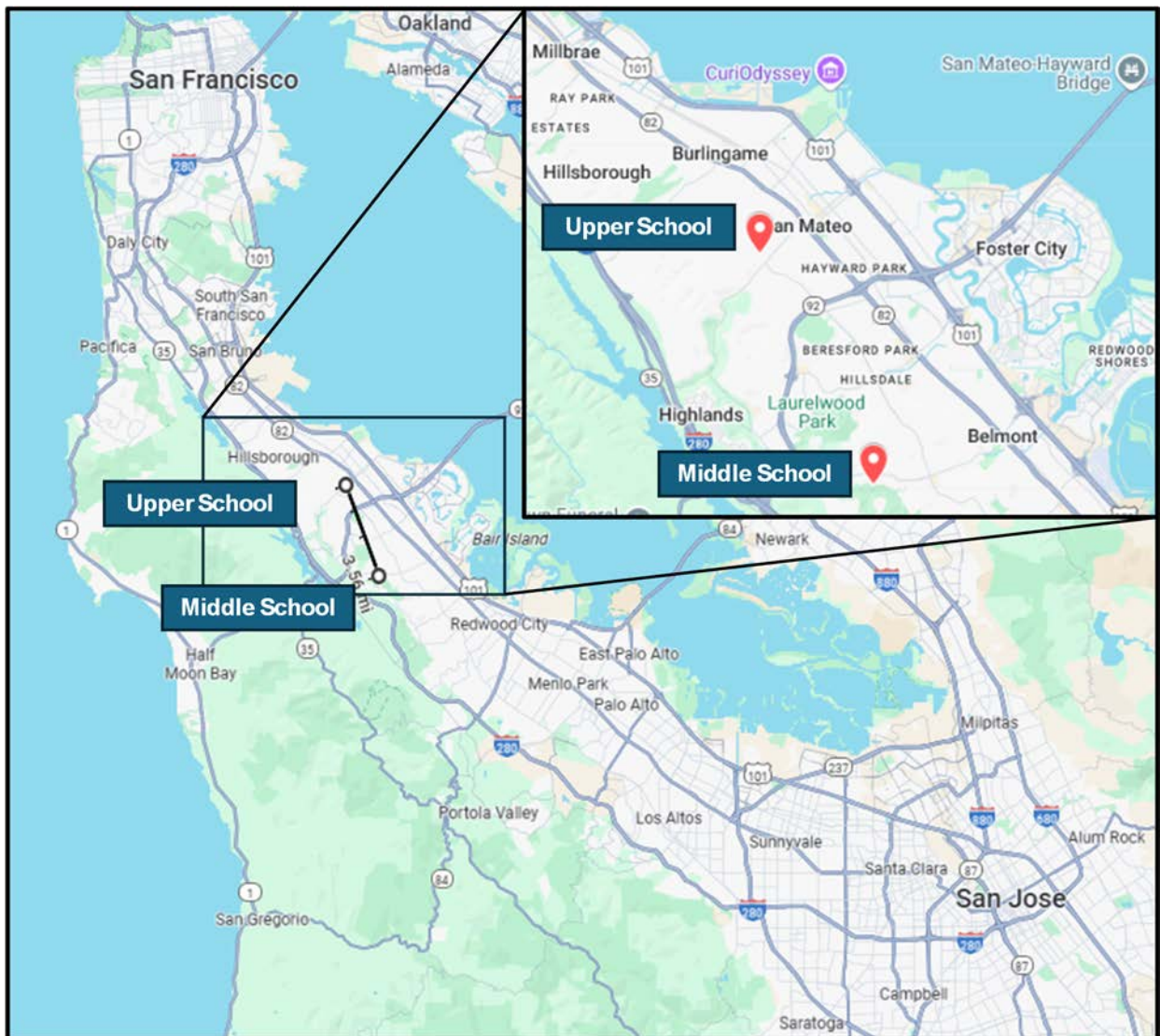
The following table details the School's liens on real property for each of its campus locations:

Liens on Campus Real Estate

<u>Campus Location</u>	<u>Security Interest</u>	<u>In Favor of</u>	<u>Obligation(s) Secured</u>
Upper School Campus	First Deed of Trust	Series 2025 Trustee	Series 2025 Bonds
Upper School Campus	Second Deed of Trust	Existing Lender	Existing Debt
Middle School Campus	First Deed of Trust	Existing Lender	Existing Debt
Middle School Campus	Second Deed of Trust	City of Belmont, CA	Development Agreement

Source: Crystal internal records

The map below details the location of the Upper School campus in Hillsborough, California and the Middle School campus in Belmont, California (approximately 3.5 miles apart by linear distance) and their relative location within the greater San Francisco Bay Area.



Source: Google Maps

ACCREDITATION AND AFFILIATIONS

Crystal Springs Uplands School is accredited by the California Association of Independent Schools (CAIS) and is a member of the California Independent School Business Officers Association (Cal-ISBOA), the National Association of Independent Schools (NAIS), and the National Business Officers Association (NBOA).

RETIREMENT PLANS

The School sponsors a defined contribution retirement plan to provide retirement benefits for participating employees. The plan covers all full-time employees who have met certain requirements of the plan. The School is required to contribute, at a minimum, an amount equal to 5% of participants' annual compensation to the plan. The School made retirement plan contributions of \$1,121,409 for the fiscal year ended June 30, 2024.

The School has 457(b) and 457(f) deferred compensation plans which provide eligible employees with the opportunity to defer a portion of their compensation and the School to make contributions for certain employees. For the 457(b) plan, deferrals are made at the discretion of the participants, subject to certain limitations. For the 457(f) plan, the contributions are made by the School on behalf of key employees based on their employment agreement. There were no deferrals or employer contributions reflected in the School's audited Statement of Financial Position as of June 30, 2024.

INSURANCE POLICIES

The School carries standard industry insurance policies, including but not limited to auto, commercial fire, crime, general liability, umbrella, Directors & Officers liability, employment practice liability, trustee and fiduciary liability, property, earthquake, business interruption, cyber, and workers compensation.

LITIGATION

Crystal Springs Uplands School is not aware of any litigation pending or threatened wherein any unfavorable decision would adversely affect its ability to operate nor is it aware of any litigation that would have a material adverse impact on the financial condition of the School.

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APPENDIX B
AUDITED FINANCIAL STATEMENTS OF CRYSTAL SPRINGS UPLANDS SCHOOL
FOR THE FISCAL YEARS DESCRIBED HEREIN

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Hood & Strong

Advisory, Tax
and Assurance

Crystal Springs Uplands School

June 30, 2024

Independent Auditors' Report and
Financial Statements

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Crystal Springs Uplands School

Independent Auditors' Report and Financial Statements

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Statement of Cash Flows	7
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Independent Auditors' Report

THE BOARD OF TRUSTEES
CRYSTAL SPRINGS UPLANDS SCHOOL
Hillsborough, California

Opinion

We have audited the financial statements of **CRYSTAL SPRINGS UPLANDS SCHOOL (the School)**, which comprise the statement of financial position as of June 30, 2024, the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the School as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for one year from the date of this report.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

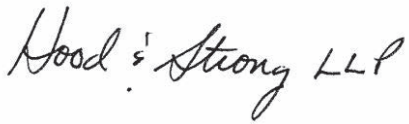
In performing an audit in accordance with GAAS, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the School's June 30, 2023 financial statements, and we expressed an unmodified opinion on those statements in our report dated November 16, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Hood & Strong LLP". The signature is written in a cursive, flowing style.

San Francisco, California
November 14, 2024

Crystal Springs Uplands School

Statement of Financial Position

<i>June 30, 2024 (with comparative totals for 2023)</i>	2024	2023
Assets		
Cash and cash equivalents	\$ 16,731,230	\$ 15,469,982
Tuition receivable, net	16,258,840	15,165,838
Contributions receivable, net	6,098,354	4,643,050
Prepaid expenses and other assets	724,168	602,018
Investments	55,148,268	48,926,763
School facilities, net	73,294,580	72,769,408
Total assets	\$ 168,255,440	\$ 157,577,059
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 1,412,152	\$ 1,343,953
Accrued liabilities	1,901,334	1,777,919
Deferred tuition	30,556,290	28,871,306
Bonds payable, net	27,781,609	28,601,377
Total liabilities	61,651,385	60,594,555
Net Assets:		
Without donor restrictions	61,154,878	59,950,331
With donor restrictions	45,449,177	37,032,173
Total net assets	106,604,055	96,982,504
Total liabilities and net assets	\$ 168,255,440	\$ 157,577,059

See accompanying notes to the financial statements.

Crystal Springs Uplands School

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2024 (with comparative totals for 2023)

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue and Support:				
Tuition and fees	\$ 34,588,211		\$ 34,588,211	\$ 32,195,127
Less tuition assistance	(5,521,669)		(5,521,669)	(5,063,172)
Less tuition remission	(212,975)		(212,975)	(191,093)
Net tuition and fees	28,853,567		28,853,567	26,940,862
Contributions	3,034,547	\$ 5,843,049	8,877,596	6,804,055
Special events, net of expenses		574,986	574,986	580,805
Investment income, net	2,532,059	3,672,245	6,204,304	3,949,620
Auxiliary and summer programs	103,046		103,046	97,090
Other income	89,111		89,111	151,341
ERC and EANS funds			-	2,043,767
Net assets released from restrictions	1,673,276	(1,673,276)	-	-
Total revenue and support	36,285,606	8,417,004	44,702,610	40,567,540
Expenses:				
Academic	27,836,229		27,836,229	25,535,370
General and administration	5,110,678		5,110,678	5,494,715
Development	2,134,152		2,134,152	2,179,700
Total expenses	35,081,059	-	35,081,059	33,209,785
Change in Net Assets	1,204,547	8,417,004	9,621,551	7,357,755
Net Assets, beginning of year	59,950,331	37,032,173	96,982,504	89,624,749
Net Assets, end of year	\$ 61,154,878	\$ 45,449,177	\$ 106,604,055	\$ 96,982,504

See accompanying notes to the financial statements.

Crystal Springs Uplands School

Statement of Functional Expenses

Year Ended June 30, 2024 (with comparative totals for 2023)

	2024				2023 Total
	Academic	General and Administration	Development	Total	
Salaries	\$ 12,392,099	\$ 3,278,399	\$ 806,156	\$ 16,476,654	\$ 15,533,290
Payroll taxes and benefits	3,294,649	870,618	270,265	4,435,532	4,000,042
Total salaries and benefits	15,686,748	4,149,017	1,076,421	20,912,186	19,533,332
Non-salary related expenses:					
Professional services	574,711	258,941	451,343	1,284,995	1,667,281
Instructional supplies and activities	1,561,964			1,561,964	1,636,401
Student transportation	1,144,373			1,144,373	969,636
Food and hospitality	1,704,939	54,067	203,786	1,962,792	1,675,735
Professional development and recruitment	535,437	107,666	17,924	661,027	351,253
Office expenses	4,377	54,974	129,029	188,380	354,246
Advertising and marketing	21,944	14,184	46,472	82,600	73,375
Insurance	180,923	63,933	14,011	258,867	247,328
Occupancy	2,380,192	129,456	116,001	2,625,649	2,653,822
Interest expense	931,471	49,025		980,496	1,006,073
Memberships, licenses and subscriptions	414,977	80,962	34,229	530,168	174,004
Other expenses	56,411	9,623	44,936	110,970	173,424
Total expenses before depreciation, amortization	25,198,467	4,971,848	2,134,152	32,304,467	30,515,910
Depreciation and amortization	2,637,762	138,830		2,776,592	2,693,875
Total expenses before special events	27,836,229	5,110,678	2,134,152	35,081,059	33,209,785
Special event expenses			316,838	316,838	383,973
Total expenses	\$ 27,836,229	\$ 5,110,678	\$ 2,450,990	\$ 35,397,897	\$ 33,593,758

See accompanying notes to the financial statements.

Crystal Springs Uplands School

Statement of Cash Flows

<i>Year Ended June 30, 2024 (with comparative totals for 2023)</i>	2024	2023
Cash Flows from Operating Activities:		
Change in net assets	\$ 9,621,551	\$ 7,357,755
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,776,592	2,693,875
Realized and unrealized investment gain	(4,126,761)	(2,864,001)
Gain on disposal of asset		(23,174)
Allowance for doubtful accounts and discount on pledges	195,034	8,720
Contributions restricted for long-term use	(4,564,303)	(2,353,521)
Changes in operating assets and liabilities:		
Tuition receivable	(1,093,002)	(1,518,288)
Prepaid expenses and other assets	(122,150)	65,083
Accounts payable	83,797	(506,915)
Accrued liabilities	123,415	121,228
Deferred tuition	1,684,984	1,861,777
Net cash provided by operating activities	4,579,157	4,843,539
Cash Flows from Investing Activities:		
Purchase of school facilities	(3,300,852)	(4,612,059)
Proceeds from sale of asset		23,174
Sales of investments	31,933,301	9,538,795
Purchases of investments	(34,028,045)	(25,395,268)
Net cash used in investing activities	(5,395,596)	(20,445,358)
Cash Flows from Financing Activities:		
Contributions collected for long-term use	2,913,965	3,060,491
Payments on bonds payable	(836,278)	(810,759)
Net cash provided by financing activities	2,077,687	2,249,732
Net Change in Cash and Cash Equivalents	1,261,248	(13,352,087)
Cash and Cash Equivalents, beginning of year	15,469,982	28,822,069
Cash and Cash Equivalents, end of year	\$ 16,731,230	\$ 15,469,982
Supplemental Disclosure of Cash Flows Information:		
Interest paid	\$ 982,838	\$ 1,008,357
Non-cash:		
School facilities included in accounts payable and accrued liabilities	\$ 286,045	\$ 301,643
Donated stock		\$ 55,313

See accompanying notes to the financial statements.

Crystal Springs Uplands School

Notes to the Financial Statements

Note 1 - Nature of Organization and Summary of Significant Accounting Policies:

Crystal Springs Uplands School (the School) is an independent school that was founded in 1952 with campuses located in Hillsborough and Belmont, California. The School provides a quality college preparatory education to students in grades six through twelve.

Significant accounting policies include the following:

Basis of Presentation

The financial statements are prepared on an accrual basis of accounting in conformity with United States generally accepted accounting principles (U.S. GAAP).

The School reports information regarding its financial position and activities according to two classes of net assets: those without donor restrictions and those with donor restrictions.

Description of Net Assets

Net Assets Without Donor Restrictions – net assets that are not subject to donor-imposed stipulations. These net assets are intended for use of management and the Board of Trustees for educational programs, school scholarships, maintenance, and general operations. The Board of Trustees has designated \$7,225,591 as Funds Functioning as Endowment (FFE), \$9,795,706 for the Facilities Reserve Fund, \$4,702,815 for the Operating Reserve Fund and \$151,947 for various initiatives of the School at June 30, 2024. The Board of Trustees, subject to the approval of two-thirds of the members of the full Board of Trustees, may elect to withdraw any amount of the FFE in addition to the annual appropriation of earnings.

Net Assets With Donor Restrictions – the portion of net assets of which use by the School is limited by donor-imposed stipulations that either expire by passage of time, can be fulfilled and removed by actions of the School, or invested in perpetuity.

Crystal Springs Uplands School

Notes to the Financial Statements

Revenue Recognition

- *Tuition* is recognized within the fiscal year in which educational services are provided (performance obligation) based on the tuition contract. Financial aid, in the form of scholarships, reduces the published price of tuition for students receiving such aid. As such, financial aid is referred to as a tuition assistance. Tuition remission represents a reduction in tuition for the children of School personnel. Tuition assistance and tuition remission represent the difference between the stated charge for tuition (transaction price) and fees and the amount that is billed to the student and/or third parties making payments on behalf of the student. Tuition amounts received or billed for the 2024 – 2025 school year as of June 30, 2024 in the amount of \$30,556,290 are recorded as deferred revenue tuition, a contract liability. Deferred tuition as of June 30, 2023 of \$28,871,306 was recognized as revenue during the year ended June 30, 2024.
- *Auxiliary revenue* is recognized during the applicable school year and exists to furnish goods or services to students, faculty, staff, or incidentally to the general public (performance obligation). Fees charged for auxiliary services are priced to offset the cost of the goods or services provided. The distinguishing characteristic of auxiliary services is that they are managed as an essentially self-supporting activity. Revenues and expenses from auxiliary enterprises are reported as changes in net assets without donor restrictions.
- *Special events* revenue is recorded at fair value when the event is held and contributions to the annual fundraiser are recognized at fair value when received.
- *Contributions and pledges* are recognized at their fair value when received or unconditionally pledged. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted contributions are reported as increases in net assets with restrictions depending upon the nature of the restrictions. When a restriction expires, net assets with restrictions are reclassified to net assets without donor restrictions.

Contributions of assets other than cash are recorded at fair value. Contributions receivable represent amounts committed by donors that have not been received by the School. Conditional promises, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend are substantially met. The School had no conditional contributions as of June 30, 2024.

The School uses the credit loss allowance method to account for uncollectible tuition and contributions based on historical experience and an evaluation of the outstanding receivables at the end of the year. For tuition receivables, the School performs an additional step to evaluate current forecasts of future economic conditions.

As of June 30, 2024, the credit loss allowance for tuition receivable was \$30,000.

Crystal Springs Uplands School

Notes to the Financial Statements

Contributions receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using the United States Prime Rate as applicable to the month in which those promises were made. The discount is amortized in future periods and recorded as additional contribution revenue in accordance with the donor's restrictions, if any.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the School considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

Investments in equities and mutual funds are valued at estimated fair value based on quoted market prices when available, or market prices available from recognized broker dealers with realized and unrealized gains and losses reflected in the Statement of Activities and Changes in Net Assets. Other investments are recorded at the lower of their cost or fair value.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The School classifies its financial assets and liabilities measured at fair value on a recurring basis based on a fair value hierarchy with three levels of inputs. Level 1 values are based on unadjusted quoted prices in active markets for identical securities. Level 2 values are based on significant observable market inputs, such as quoted prices for similar securities and quoted prices in inactive markets. Level 3 values are based on significant unobservable inputs that reflect the School's determination of assumptions that market participants might reasonably use in valuing the securities. The valuation levels are not necessarily an indication of the risk or liquidity associated with the assets and liabilities measured at fair value.

Bond Issuance Costs

Bond issuance costs are being amortized over the life of the bonds using the straight-line method, which approximates the effective yield method of amortization and are included as a reduction of bonds payable in the Statement of Financial Position.

School Facilities

School facilities are stated at cost, or if donated, at estimated fair market value at the date of donation. Depreciation has been provided on the straight-line method over the estimated useful lives of the assets, generally 3 to 50 years.

Crystal Springs Uplands School

Notes to the Financial Statements

Income Taxes

The School is a tax-exempt organization under Internal Revenue Service Code Section 501(c)(3) and the California Revenue and Taxation Code.

Management evaluated the School's tax positions and concluded that the School had maintained its tax-exempt status and had taken no uncertain tax positions that required adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements.

Allocation of Functional Expenses

The costs of providing academic and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Expenses, such as payroll and benefits, have been allocated among academic, general and administration, and development based upon the employees' estimated time spent by function. Facility related costs such as depreciation, interest and maintenance have been allocated based on estimated square footage used by various departments.

Use of Estimates

The preparation of financial statements in conformity with U.S GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain activities in the 2023 financial statements have been reclassified for comparative purposes to conform with the presentation in the 2024 financial statements. These reclassifications had no impact on the School's financial position or changes in net assets.

Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2023 from which the summarized information was derived.

Crystal Springs Uplands School

Notes to the Financial Statements

Subsequent Events

The School evaluated subsequent events from June 30, 2024 through November 14, 2024, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements, except as described in Note 4.

Note 2 - Contributions Receivable:

The School launched a major gifts initiative during the year ended June 30, 2022 which continued through June 30, 2024, to raise funds for facility upgrades to the Hillsborough Campus and the endowments for financial aid and faculty compensation.

Contributions receivable, net of allowance for uncollectible pledges and unamortized discounts, at June 30, 2024, the majority of which relate to the facility upgrades campaign, were as follows:

Receivable in less than one year	\$ 2,448,955
Receivable in one to five years	4,136,600
	6,585,555
Less discounts to net present value	(467,664)
Less allowance for doubtful pledges	(19,537)
Total	\$ 6,098,354

Contributions to be received after one year are discounted at rates ranging from 3.25% to 8.50%.

Crystal Springs Uplands School

Notes to the Financial Statements

Note 3 - Investments:

Investments consisted of the following at June 30, 2024:

	Recorded Value	Cost Basis	Cumulative Unrealized Appreciation (Depreciation)
Fair value investments:			
Equities	\$ 31,442,108	\$ 20,835,147	\$ 10,606,961
Mutual funds	7,319,464	8,199,596	(880,132)
Treasury bills	15,987,730	15,777,047	210,683
Total fair value investments	54,749,302	44,811,790	9,937,512
Private equities at cost	398,966	398,966	-
Total	\$ 55,148,268	\$ 45,210,756	\$ 9,937,512

All fair value investments are measured at Level 1 in the fair value hierarchy.

Investment income, net included the following for the year ended June 30, 2024:

Realized gain	\$ 155,934
Unrealized gain	3,970,827
Investment management fees	(97,184)
Investment and dividend income	2,174,727
Total	\$ 6,204,304

Crystal Springs Uplands School

Notes to the Financial Statements

Note 4 - School Facilities:

School facilities consisted of the following at June 30, 2024:

Land	\$ 14,092,081
Building and improvements	82,153,562
Furniture, fixtures, vehicles and equipment	4,389,076
Technology	2,099,368
Construction in progress	4,954,883
	107,688,970
Less: accumulated depreciation	(34,394,390)
	\$ 73,294,580

Depreciation expense amounted to \$2,760,082 for the year ended June 30, 2024.

Construction in progress of \$4,954,883 includes planning and preparation related to the master plan implementation at the Hillsborough campus. As of June 30, 2024, the School had outstanding contract commitments totaling approximately \$725,080. The project began during the fiscal year 2022 and is part of the school's Thrive Together Capital Campaign.

In November 2024, the School signed a construction contract with a guaranteed maximum price (GMP) of \$35,243,763. The total project budget of \$49,555,000 includes the GMP, soft costs, contingencies, and non-GMP items.

Note 5 - Bond Payable and Line of Credit:

On July 1, 2016, the School issued a bond payable up to \$32,000,000 for the construction of its Middle School campus. The bond matures on July 1, 2046, bearing annual interest at 3.38% per annum. Interest only payments were made beginning July 1, 2016 through and including July 1, 2019 at the annual interest rate of 3.38%. Principal and interest repayment began August 1, 2019 and is on the basis of 30-year amortization based on the outstanding principal amount. Bonds payable at June 30, 2024, consisted of the following:

Bond payable	\$ 28,144,839
Less unamortized debt issuance costs	(363,230)
Net	\$ 27,781,609

Crystal Springs Uplands School

Notes to the Financial Statements

Debt issuance costs amortization expense amounted to \$16,510 for the year ended June 30, 2024.

The bond agreement contains covenants, which require, among other things, that the School maintain certain financial ratios. As of June 30, 2024 the School was in compliance with the bond agreements and covenants. Certain of the school facilities and tuition revenues and receivables are pledged as collateral for the bond.

Scheduled maturities of the bond are as follows:

Year Ending	
June 30:	
2025	\$ 865,259
2026	898,170
2027	930,410
2028	964,860
2029	992,773
Thereafter	23,493,367
Total	\$ 28,144,839

On January 28, 2011, the School secured a line of credit up to \$500,000 for short-term working capital. The line of credit has been renewed each year from the original loan date. The current agreement has a maturity date of May 28, 2025 and borrowing capacity of up to \$2,500,000 with a variable interest rate based on the Prime Rate index, which was 8.5% per annum at June 30, 2024. The agreement includes collateral of all inventory, accounts, equipment and general intangibles. As of June 20, 2024 the line of credit did not have an outstanding balance.

Note 6 - Retirement Plans:

The School sponsors a defined contribution retirement plan to provide retirement benefits for participating employees. The plan covers all full-time employees who have met certain requirements of the plan. The School is required to contribute, at a minimum, an amount equal to 5% of participants' annual compensation to the plan. The School made retirement plan contributions of \$1,121,409 for the fiscal year ended June 30, 2024.

Crystal Springs Uplands School

Notes to the Financial Statements

Deferred Compensation Plans

The School has a 457(b) and 457(f) deferred compensation plans which provide eligible employees with the opportunity to defer a portion of their compensation and the School to make contributions for certain employees. For the 457(b) plan, deferrals are made at the discretion of the participants, subject to certain limitations. For the 457(f) plan, the contributions are made by the School on behalf of key employees based on their employment agreement. There were no deferrals or employer contributions reflected in the Statement of Financial Position as of June 30, 2024.

Note 7 - Net Assets With Donor Restrictions:

Net assets with donor restrictions are summarized below:

Net assets with time and purpose donor restrictions	\$ 23,897,633
Net assets with donor restrictions in perpetuity	21,551,544
	<hr/>
	\$ 45,449,177

Net assets with time and purpose donor restrictions consisted of the following at June 30, 2024:

Capital campaign	\$ 11,295,909
Academic programs	2,944,929
Accumulations of endowment earnings	6,819,515
Other programs and activities	2,837,280
	<hr/>
	\$ 23,897,633

Net assets with donor restrictions that are restricted to investment in perpetuity, the income of which is expendable to support the following:

Academic programs and activities	\$ 12,570,330
Scholarship funds	8,981,214
	<hr/>
	\$ 21,551,544

Crystal Springs Uplands School

Notes to the Financial Statements

Net assets were released from restrictions by incurring expenses or satisfying the donor-imposed restrictions indicated below during the year ended June 30, 2024:

Academic programs and activities	\$ 1,097,403
Capital campaigns	10,000
Gala programs	565,873
	<hr/>
	\$ 1,673,276

Note 8 - Concentrations of Risk:

The School has identified its financial instruments which are potentially subject to risk as cash, receivables, and investments.

At June 30, 2024, the School held cash deposits in excess of federally insured limits. The operating accounts at Silicon Valley Bank include a nightly sweep/DDA account process that mitigates the concentration risk of federally insured limits. The majority of investments are diversified in order to limit the concentration of market risk.

Accounts receivable are unsecured and concentrated in the San Francisco Bay Area. However, concentrations of risk with respect to these receivables are limited due to the number of students. Two individual donors pledged approximately 47 % of the total pledge receivable balance as of June 30, 2024.

The Board of Trustee's gifts to the School make up a significant portion of the School's contribution revenue. As of June 30, 2024, approximately 40% of pledges receivable were due from Trustees and Trustees gifted approximately 33% of contributions revenue during the year.

Note 9 - Related Parties:

The School receives contributions from the School's Family Association. The purpose of the Association is to sponsor the annual fund-raising event for the benefit of the School. The School received \$573,986 from the annual fundraising event during the year ended June 30, 2024.

Crystal Springs Uplands School

Notes to the Financial Statements

Note 10 - Endowment Funds:

The School's endowments consist of individual funds, all established to generate general operating support to the School. Its endowment includes donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. These Board-designated funds can only be spent by resolution of the Board of Trustees. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of the School has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the School classifies as net assets with restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with perpetual donor restrictions is classified in net assets with time and purpose donor restrictions until those amounts are appropriated for expenditure by the School in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the School considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the School and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the School, (7) the investment policies of the School.

Return Objectives and Risk Parameters

The School has adopted investment and spending policies for endowment assets that will ultimately provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the School must hold in perpetuity as well as board-designated funds.

The School expects its endowment funds, over time, to achieve returns at least equal to the rate of inflation plus spending over the investment horizon in order to preserve the real purchasing power of invested assets. Actual returns in any given year may vary from this amount.

Crystal Springs Uplands School

Notes to the Financial Statements

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the School relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The School targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The School is reinvesting all interest and gains associated with its endowments. Accordingly, over the long term, the School expects the current spending policy to allow its endowment to grow at an average of at least the rate of inflation. This is consistent with the School's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

The School budgets a portion of the endowment investment income to help fund the operations of the School. The School's policy allows for annual transfers equal to 4% of the fund value at the beginning of the fiscal year. To mitigate the impact of investment market volatility, actual payout shall be based on a formula that includes prior year's payout, inflation rate, target payout rate, and the beginning of the year fund value. Any changes to the School's spending policy will be approved by the Board of Trustees during their annual review.

Endowment balances by net asset classification were as follows as of June 30, 2024:

	Without Donor Restrictions	With Donor Restrictions		Total
		Time and Purpose	Perpetuity	
Donor restricted		\$ 6,819,515	\$ 21,551,544	\$ 28,371,059
Board designated:				
Earnings available for general use	\$ 7,225,591			7,225,591
Total Funds	\$ 7,225,591	\$ 6,819,515	\$ 21,551,544	\$ 35,596,650

Crystal Springs Uplands School

Notes to the Financial Statements

Endowment activity by net asset classifications were as follows for the year ended June 30, 2024:

	Without Donor Restrictions	With Donor Restrictions		Total
		Time and Purpose	Perpetuity	
Endowment Net Assets, beginning of year	\$ 6,354,525	\$ 4,295,851	\$ 21,315,018	\$ 31,965,394
Investment Return				
Income	209,785	607,791		817,576
Net appreciation (realized and unrealized)	1,003,212	2,906,516		3,909,728
Total Investment Return	1,212,997	3,514,307	-	4,727,304
Contributions			236,526	236,526
Appropriation of endowment assets for expenditure	(341,931)	(990,643)		(1,332,574)
Endowment Net Assets, end of year	\$ 7,225,591	\$ 6,819,515	\$ 21,551,544	\$ 35,596,650

Crystal Springs Uplands School

Notes to the Financial Statements

Note 11 - Availability of Financial Assets and Liquidity:

The following reflected the School's financial assets as of the Statement of Financial Position date, reduced by amounts not available for general use within one year of that date because of donor-imposed restrictions or internal designations:

Financial assets at year-end:	
Cash and cash equivalents	\$ 16,731,230
Tuition receivable, net	16,258,840
Contributions receivable, net	6,098,354
Investments	55,148,268
<hr/>	
Total financial assets	94,236,692
<hr/>	
Less amounts not available to be used within one year:	
Net assets with donor restrictions	(45,449,177)
Board-designated net assets	(21,876,059)
Add net assets with purpose restrictions to be met within one year	1,430,220
<hr/>	
Total amounts not available to be used within one year	(65,895,016)
<hr/>	
Financial assets available to meet general expenditures within one year	\$ 28,341,676
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The School's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$8,502,863). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts. None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the date of financial statements. The Board of Trustees can undesignate the Board-designated funds and make them available for general operations.

CRYSTAL SPRINGS UPLANDS SCHOOL

JUNE 30, 2023

INDEPENDENT AUDITORS' REPORT AND
FINANCIAL STATEMENTS

Crystal Springs Uplands School

Independent Auditors' Report and Financial Statements

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A Century Strong

Independent Auditors' Report

THE BOARD OF TRUSTEES
CRYSTAL SPRINGS UPLANDS SCHOOL
Hillsborough, California

Opinion

We have audited the financial statements of **CRYSTAL SPRINGS UPLANDS SCHOOL (the School)**, which comprise the statement of financial position as of June 30, 2023, the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the School as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for one year from the date of this report.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the School's June 30, 2022 financial statements, and we expressed an unmodified opinion on those statements in our report dated November 16, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hood & Strong LLP

San Francisco, California
November 16, 2023

Crystal Springs Uplands School

Statement of Financial Position

<i>June 30, 2023 (with comparative totals for 2022)</i>	2023	2022
Assets		
Cash and cash equivalents	\$ 15,469,982	\$ 28,822,069
Tuition receivable, net	15,165,838	13,647,550
Contributions receivable, net	4,643,050	5,415,053
Prepaid expenses and other assets	602,018	667,101
Investments	48,926,763	30,150,976
School facilities, net	72,769,408	70,533,071
Total assets	\$ 157,577,059	\$ 149,235,820
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 1,343,953	\$ 1,549,225
Accrued liabilities	1,777,919	1,656,691
Deferred tuition	28,871,306	27,009,529
Bonds payable, net	28,601,377	29,395,626
Total liabilities	60,594,555	59,611,071
Net Assets:		
Without donor restrictions	59,950,331	54,644,255
With donor restrictions	37,032,173	34,980,494
Total net assets	96,982,504	89,624,749
Total liabilities and net assets	\$ 157,577,059	\$ 149,235,820

See accompanying notes to the financial statements.

Crystal Springs Uplands School

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2023 (with comparative totals for 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue and Support:				
Tuition and fees	\$ 32,195,127		\$ 32,195,127	\$ 31,124,557
Less tuition assistance	(5,254,265)		(5,254,265)	(4,888,291)
Net tuition and fees	26,940,862		26,940,862	26,236,266
Contributions	3,071,485	\$ 3,732,570	6,804,055	10,274,632
Special events, net of expenses		580,805	580,805	988,757
Investment income (loss), net	1,434,482	2,515,138	3,949,620	(5,360,015)
Auxiliary and summer programs	97,090		97,090	58,478
Other income	151,341		151,341	158,678
ERC and EANS funds	2,043,767		2,043,767	92,707
Net assets released from restrictions	4,776,834	(4,776,834)	-	-
Total revenue and support	38,515,861	2,051,679	40,567,540	32,449,503
Expenses:				
Academic	25,535,370		25,535,370	23,895,872
General and administration	5,494,715		5,494,715	5,796,268
Development	2,179,700		2,179,700	1,857,623
Total expenses	33,209,785	-	33,209,785	31,549,763
Change in Net Assets	5,306,076	2,051,679	7,357,755	899,740
Net Assets, beginning of year	54,644,255	34,980,494	89,624,749	88,725,009
Net Assets, end of year	\$ 59,950,331	\$ 37,032,173	\$ 96,982,504	\$ 89,624,749

See accompanying notes to the financial statements.

Crystal Springs Uplands School

Statement of Functional Expenses

Year Ended June 30, 2023 (with comparative totals for 2022)

	2023				2022 Total
	Academic	General and Administration	Development	Total	
Salaries	\$ 11,208,115	\$ 3,662,279	\$ 662,896	\$ 15,533,290	\$ 14,162,520
Payroll taxes and benefits	2,909,349	895,066	195,627	4,000,042	3,722,109
Total salaries and benefits	14,117,464	4,557,345	858,523	19,533,332	17,884,629
Non-salary related expenses:					
Professional services	807,820	305,992	553,469	1,667,281	1,356,387
Instructional supplies and activities	1,636,401			1,636,401	2,027,608
Student transportation	969,636			969,636	847,812
Food and hospitality	1,546,739		128,996	1,675,735	1,564,028
Professional development and recruitment	255,814	83,471	11,968	351,253	216,473
Office expenses	2,003	53,785	298,458	354,246	188,544
Advertising and marketing	6,847	6,786	59,742	73,375	56,055
Insurance	171,533	62,297	13,498	247,328	221,890
Occupancy	2,342,807	184,676	126,339	2,653,822	2,246,012
Interest expense	955,769	50,304		1,006,073	1,033,413
Dues and memberships	149,750	17,767	6,487	174,004	173,481
Contributions				-	1,000,000
Other expenses	13,606	37,598	122,220	173,424	58,884
Total expenses before depreciation, amortization	22,976,189	5,360,021	2,179,700	30,515,910	28,875,216
Depreciation and amortization	2,559,181	134,694		2,693,875	2,674,547
Total expenses before special events	25,535,370	5,494,715	2,179,700	33,209,785	31,549,763
Special event expenses			383,973	383,973	176,968
Total expenses	\$ 25,535,370	\$ 5,494,715	\$ 2,563,673	\$ 33,593,758	\$ 31,726,731

See accompanying notes to the financial statements.

Crystal Springs Uplands School

Statement of Cash Flows

<i>Year Ended June 30, 2023 (with comparative totals for 2022)</i>	2023	2022
Cash Flows from Operating Activities:		
Change in net assets	\$ 7,357,755	\$ 899,740
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,693,875	2,674,547
Net realized and unrealized investment (gain) loss	(2,864,001)	6,150,640
Gain on disposal of asset	(23,174)	(10,250)
Allowance for doubtful accounts and discount on pledges	8,720	220,498
Contributions restricted for long-term use	(2,352,521)	(4,570,500)
Changes in operating assets and liabilities:		
Tuition receivable	(1,518,288)	(12,605,659)
Prepaid expenses and other assets	65,083	616,253
Accounts payable	(506,915)	351,553
Accrued liabilities	121,228	(181,063)
Deferred tuition	1,861,777	12,563,835
Net cash provided by operating activities	4,843,539	6,109,594
Cash Flows from Investing Activities:		
Purchase of school facilities	(4,612,059)	(1,354,304)
Proceeds from sale of asset	23,174	10,250
Sales of investments	9,538,795	60,772
Purchases of investments	(25,395,268)	(1,595,186)
Net cash used in investing activities	(20,445,358)	(2,878,468)
Cash Flows from Financing Activities:		
Contributions collected for long-term use	3,060,491	903,136
Payments on bonds payable	(810,759)	(783,496)
Net cash provided by financing activities	2,249,732	119,640
Net Change in Cash and Cash Equivalents	(13,352,087)	3,350,766
Cash and Cash Equivalents, beginning of year	28,822,069	25,471,303
Cash and Cash Equivalents, end of year	\$ 15,469,982	\$ 28,822,069
Supplemental Disclosure of Cash Flows Information:		
Interest paid	\$ 1,008,357	\$ 1,035,620
Non-cash:		
Construction in progress included in accounts payable	\$ 301,643	\$ 348,583
Donated Stock	\$ 55,313	

See accompanying notes to the financial statements.

Crystal Springs Uplands School

Notes to the Financial Statements

Note 1 - Nature of Organization and Summary of Significant Accounting Policies:

Crystal Springs Uplands School (the School) is an independent school that was founded in 1952 with campuses located in Hillsborough and Belmont, California. The School provides a quality college preparatory education to students in grades six through twelve.

Significant accounting policies include the following:

a. Basis of Presentation

The financial statements are prepared on an accrual basis of accounting in conformity with United States generally accepted accounting principles (U.S. GAAP).

The School reports information regarding its financial position and activities according to two classes of net assets: those without donor restrictions and those with donor restrictions.

Description of Net Assets

Net Assets Without Donor Restrictions – net assets that are not subject to donor-imposed stipulations. These net assets are intended for use of management and the Board of Trustees for educational programs, school scholarships, maintenance, and general operations. The Board of Trustees has designated \$6,354,525 as Funds Functioning as Endowment (FFE), \$8,171,286 for the Facilities Reserve Fund, \$4,662,571 for the Operating Reserve Fund and \$151,947 for various initiatives of the School at June 30, 2023. The Board of Trustees, subject to the approval of two-thirds of the members of the full Board of Trustees, may elect to withdraw any amount of the FFE in addition to the annual appropriation of earnings.

Net Assets With Donor Restrictions – the portion of net assets of which use by the School is limited by donor-imposed stipulations that either expire by passage of time, can be fulfilled and removed by actions of the School, or invested in perpetuity.

b. Revenue Recognition

- *Tuition* is recognized within the fiscal year in which educational services are provided (performance obligation) based on the tuition contract. Financial aid, in the form of scholarships, reduces the published price of tuition for students receiving such aid. As such, financial aid is referred to as a tuition assistance and represents the difference between the stated charge for tuition (transaction price) and fees and the amount that is billed to the student and/or third parties making payments on behalf of the student. Tuition amounts received or billed for the 2023 – 2024 school year as of June 30, 2023 in the amount of \$28,871,306 are recorded as deferred revenue tuition, a contract liability. Deferred tuition as of June 30, 2022 of \$27,009,529 was recognized as revenue during the year ended June 30, 2023.

Crystal Springs Uplands School

Notes to the Financial Statements

- *Auxiliary revenue* is recognized during the applicable school year and exists to furnish goods or services to students, faculty, staff, or incidentally to the general public (performance obligation). Fees charged for auxiliary services are priced to offset the cost of the goods or services provided. The distinguishing characteristic of auxiliary services is that they are managed as an essentially self-supporting activity. Revenues and expenses from auxiliary enterprises are reported as changes in net assets without donor restrictions.
- *Special events* revenue is recorded at fair value when the event is held and contributions to the annual fundraiser are recognized at fair value when received.
- *Contributions and pledges* are recognized at their fair value when received or unconditionally pledged. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted contributions are reported as increases in net assets with restrictions depending upon the nature of the restrictions. When a restriction expires, net assets with restrictions are reclassified to net assets without donor restrictions.

Contributions of assets other than cash are recorded at fair value. Contributions receivable represent amounts committed by donors that have not been received by the School. Conditional promises, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend are substantially met. The School had no conditional contributions as of June 30, 2023.

The School uses the allowance method to account for uncollectible tuition and contributions based on historical experience and an evaluation of the outstanding receivables at the end of the year.

As of June 30, 2023, allowance for doubtful tuition receivable was \$30,000.

Contributions receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using the United States Prime Rate as applicable to the month in which those promises were made. The discount is amortized in future periods and recorded as additional contribution revenue in accordance with the donor's restrictions, if any.

c. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the School considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Crystal Springs Uplands School

Notes to the Financial Statements

d. Investments

Investments in equities and mutual funds are valued at estimated fair value based on quoted market prices when available, or market prices available from recognized broker dealers with realized and unrealized gains and losses reflected in the Statement of Activities and Changes in Net Assets.

e. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The School classifies its financial assets and liabilities measured at fair value on a recurring basis based on a fair value hierarchy with three levels of inputs. Level 1 values are based on unadjusted quoted prices in active markets for identical securities. Level 2 values are based on significant observable market inputs, such as quoted prices for similar securities and quoted prices in inactive markets. Level 3 values are based on significant unobservable inputs that reflect the School's determination of assumptions that market participants might reasonably use in valuing the securities. The valuation levels are not necessarily an indication of the risk or liquidity associated with the assets and liabilities measured at fair value.

f. Bond Issuance Costs

Bond issuance costs are being amortized over the life of the bonds using the straight-line method, which approximates the effective yield method of amortization and are included as a reduction of bonds payable in the accompanying Statement of Financial Position.

g. School Facilities

School facilities are stated at cost, or if donated, at estimated fair market value at the date of donation. Depreciation has been provided on the straight-line method over the estimated useful lives of the assets, generally 3 to 50 years.

h. Income Taxes

The School is a tax-exempt organization under Internal Revenue Service Code Section 501(c)(3) and the California Revenue and Taxation Code.

Management evaluated the School's tax positions and concluded that the School had maintained its tax-exempt status and had taken no uncertain tax positions that required adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements.

Crystal Springs Uplands School

Notes to the Financial Statements

i. Allocation of Functional Expenses

The costs of providing academic and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Expenses, such as payroll and benefits, have been allocated among academic, general and administration, and development based upon the employees' estimated time spent by function. Facility related costs such as depreciation, interest and maintenance have been allocated based on estimated square footage used by various departments.

j. Use of Estimates

The preparation of financial statements in conformity with U.S GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

k. Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2022 from which the summarized information was derived.

l. Subsequent Events

The School evaluated subsequent events from June 30, 2023 through November 16, 2023, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

Note 2 - Contributions Receivable:

The School launched a major gifts initiative during the year ended June 30, 2022, which continued through June 30, 2023, to raise funds for facility upgrades to the Hillsborough Campus and the endowments for financial aid and faculty compensation.

Crystal Springs Uplands School

Notes to the Financial Statements

Contributions receivable, net of allowance for uncollectible pledges and unamortized discounts, at June 30, 2023, the majority of which relate to the facility upgrades campaign, were as follows:

Receivable in less than one year	\$ 1,604,417
Receivable in one to five years	3,330,800
	4,935,217
Less discounts to net present value	(275,747)
Less allowance for doubtful pledges	(16,420)
Total	\$ 4,643,050

Contributions to be received after one year are discounted at rates ranging from 3.25% to 7%.

Note 3 - Investments:

Investments consisted of the following at June 30, 2023:

	Fair Value	Cost Basis	Cumulative Unrealized Appreciation (Depreciation)
Equities	\$ 26,099,542	\$ 19,263,273	\$ 6,836,269
Mutual funds	7,642,391	8,646,808	(1,004,417)
Treasury bills	15,184,830	15,046,178	138,652
Total	\$ 48,926,763	\$ 42,956,259	\$ 5,970,504

All investments are measured at Level 1 in the fair value hierarchy.

Investment income, net included the following for the year ended June 30, 2023:

Realized gain	\$ 41,845
Unrealized gain	2,822,156
Investment management fees	(68,909)
Investment and dividend income	1,154,528
Total	\$ 3,949,620

Crystal Springs Uplands School

Notes to the Financial Statements

Note 4 - School Facilities:

School facilities consisted of the following at June 30, 2023:

Land	\$ 14,092,081
Building and improvements	81,859,727
Furniture, fixtures, vehicles and equipment	4,132,226
Technology	2,426,947
Construction in progress	2,298,767
	104,809,748
Less: accumulated depreciation	(32,040,340)
	<u>\$ 72,769,408</u>

Depreciation expense amounted to \$2,677,365 for the year ended June 30, 2023.

Construction in progress of \$2,298,767 includes planning and preparation related to the master plan implementation at the Hillsborough campus. As of June 30, 2023, the School had outstanding contract commitments totaling approximately \$1,645,680. The project began during the fiscal year 2022 and is part of the school's Thrive Together Capital Campaign.

Note 5 - Bond Payable:

On July 1, 2016, the School issued a bond payable up to \$32,000,000 for the construction of its Middle School campus. The bond matures on July 1, 2046, bearing annual interest at 3.38% per annum. Interest is to be paid only, beginning July 1, 2016 through and including July 1, 2019 at the annual interest rate of 3.38%. Principal and interest repayment began August 1, 2019 and is on the basis of 30-year amortization based on the outstanding principal amount. Bonds payable at June 30, 2023, consisted of the following:

Bond payable	\$ 28,981,117
Less unamortized debt issuance costs	(379,740)
Net	<u>\$ 28,601,377</u>

The bond agreement contains covenants, which require, among other things, that the School maintain certain financial ratios. As of June 30, 2023 the School was in compliance with the bond agreements and covenants. Certain of the School's buildings and land are pledged as collateral for the bond.

Crystal Springs Uplands School

Notes to the Financial Statements

Scheduled maturities of the bond are as follows:

Year Ending	
June 30:	
2024	\$ 837,827
2025	868,111
2026	889,510
2027	929,606
2028	964,860
Thereafter	24,491,203
Total	<u>\$ 28,981,117</u>

Note 6 - Retirement Plans:

The School sponsors a defined contribution retirement plan to provide retirement benefits for participating employees. The plan covers all full-time employees who have met certain requirements of the plan. The School is required to contribute, at a minimum, an amount equal to 5% of participants' annual compensation to the plan. The School made retirement plan contributions of \$1,009,125 for the fiscal year ended June 30, 2023.

Deferred Compensation Plans

The School has a 457(b) and 457(f) deferred compensation plans which provide eligible employees with the opportunity to defer a portion of their compensation and the School to make contributions for certain employees. For the 457(b) plan, deferrals are made at the discretion of the participants, subject to certain limitations. For the 457(f) plan, the contributions are made by the School on behalf of key employees based on their employment agreement. There were no deferrals or employer contributions reflected in the accompanying Statement of Financial Position as of June 30, 2023.

Note 7 - Net Assets with Donor Restrictions:

Net assets with donor restrictions are summarized below:

Net assets with time and purpose donor restrictions	\$ 15,717,155
Net assets with donor restrictions in perpetuity	21,315,018
	<u>\$ 37,032,173</u>

Crystal Springs Uplands School

Notes to the Financial Statements

Net assets with time and purpose donor restrictions consisted of the following at June 30, 2023:

Capital campaign	\$ 5,790,655
Academic programs	2,898,657
Accumulations of endowment earnings	4,295,852
Other programs and activities	2,731,991
	<hr/>
	\$ 15,717,155

Net assets with donor restrictions that are restricted to investment in perpetuity, the income of which is expendable to support the following:

Academic programs and activities	\$ 12,436,305
Scholarship funds	8,878,713
	<hr/>
	\$ 21,315,018

Net assets were released from restrictions by incurring expenses or satisfying the donor-imposed restrictions indicated below during the year ended June 30, 2023:

Academic programs and activities	\$ 1,434,588
Capital Campaigns	2,897,017
Gala programs	445,229
	<hr/>
	\$ 4,776,834

Note 8 - Concentrations of Risk:

The School has identified its financial instruments which are potentially subject to risk as cash, accounts receivable, and investments.

At June 30, 2023, the School held cash deposits in excess of federally insured limits. The majority of investments are diversified in order to limit the concentration of market risk.

Accounts receivable are unsecured and concentrated in the San Francisco Bay Area. However, concentrations of risk with respect to these receivables are limited due to the number of students. One individual donor pledged approximately 57% of the total pledge receivable balance as of June 30, 2023.

Crystal Springs Uplands School

Notes to the Financial Statements

The Board of Trustee's gifts to the School make up a significant portion of the School's contribution revenue. As of June 30, 2023, approximately 64% of pledges receivable were due from Trustees and Trustees gifted approximately 18% of contributions revenue during the year.

Note 9 - Related Parties:

The School receives contributions from the School's Family Association. The purpose of the Association is to sponsor the annual auction fund-raising event for the benefit of the School. The School received \$529,683 from the annual fundraising event during the year ended June 30, 2023.

Note 10 - Endowment Funds:

The School's endowments consist of individual funds, all established to generate general operating support to the School. Its endowment includes donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. These Board-designated funds can only be spent by resolution of the Board of Trustees. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of the School has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the School classifies as net assets with restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with perpetual donor restrictions is classified in net assets with time and purpose donor restrictions until those amounts are appropriated for expenditure by the School in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the School considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the School and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the School, (7) the investment policies of the School.

Crystal Springs Uplands School

Notes to the Financial Statements

Return Objectives and Risk Parameters

The School has adopted investment and spending policies for endowment assets that will ultimately provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the School must hold in perpetuity as well as board-designated funds.

The School expects its endowment funds, over time, to achieve returns at least equal to the rate of inflation plus spending over the investment horizon in order to preserve the real purchasing power of invested assets. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the School relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The School targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The School is reinvesting all interest and gains associated with its endowments. Accordingly, over the long term, the School expects the current spending policy to allow its endowment to grow at an average of at least the rate of inflation. This is consistent with the School's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

The School budgets a portion of the endowment investment income to help fund the operations of the School. The School's policy allows for annual transfers equal to 5% of the fund value at the beginning of the fiscal year. To mitigate the impact of investment market volatility, actual payout shall be based on a formula that includes prior year's payout, inflation rate, target payout rate, and the beginning of the year fund value. Any changes to the School's spending policy will be approved by the Board of Trustees during their annual review.

Crystal Springs Uplands School

Notes to the Financial Statements

Endowment balances by net asset classification were as follows as of June 30, 2023:

	Without Donor Restrictions	<u>With Donor Restrictions</u>		Total
		Time and Purpose	Perpetuity	
Donor restricted		\$ 4,295,851	\$ 21,315,018	\$ 25,610,869
Board designated:				
Earnings available				
for general use	\$ 6,354,525			6,354,525
Total Funds	\$ 6,354,525	\$ 4,295,851	\$ 21,315,018	\$ 31,965,394

Endowment activity by net asset classifications were as follows for the year ended June 30, 2023:

	Without Donor Restrictions	<u>With Donor Restrictions</u>		Total
		Time and Purpose	Perpetuity	
Endowment Net Assets, beginning of year	\$ 5,823,052	\$ 2,851,951	\$ 20,331,525	\$ 29,006,528
Investment Return:				
Income	177,367	481,869		659,236
Net appreciation (realized and unrealized)	707,699	1,922,671		2,630,370
Total Investment Return	885,066	2,404,540		3,289,606
Contributions			983,493	983,493
Appropriation of endowment assets for expenditure	(353,593)	(960,640)		(1,314,233)
Endowment Net Assets, end of year	\$ 6,354,525	\$ 4,295,851	\$ 21,315,018	\$ 31,965,394

Crystal Springs Uplands School

Notes to the Financial Statements

Note 11 - Availability of Financial Assets and Liquidity:

The following reflected the School's financial assets as of the Statement of Financial Position date, reduced by amounts not available for general use within one year of that date because of donor-imposed restrictions or internal designations:

Financial assets at year-end:	
Cash and cash equivalents	\$ 15,469,982
Tuition receivable, net	15,165,838
Contributions receivable	4,643,050
Investments	48,926,763
<hr/>	
Total financial assets	84,205,633
<hr/>	
Less amounts not available to be used within one year:	
Net assets with donor restrictions	(37,032,173)
Board-designated net assets	(19,340,329)
Add net assets with purpose restrictions to be met within one year	1,354,654
<hr/>	
Total amounts not available to be used within one year	(55,017,848)
<hr/>	
Financial assets available to meet general expenditures within one year	\$ 29,187,785
<hr/>	

The School's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$7,211,000). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts. None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the date of financial statements. The Board of Trustees can undesignate the Board-designated funds and make them available for general operations.

Crystal Springs Uplands School

Notes to the Financial Statements

Note 12 - COVID-19 and Employee Retention Credit (ERC):

On March 11, 2020, the World Health Organization publicly characterized COVID-19 as a pandemic. Many federal, state, and local governmental agencies declared states of emergency and issued a variety of recommendations impacting the School's ability to deliver its mission on campus. This resulted in operational changes such as purchasing tools and software to facilitate teaching remotely, modifying the facility to promote social distancing and safe workplace practices when hybrid learning is possible, and moving admissions and fundraising events to an on-line format. The School is well positioned to manage operations and comply with all necessary health and safety requirements as they evolve.

During the year ended June 30, 2023, the School applied for the ERC program which provided a federal refundable tax credit for qualified wages and healthcare paid to employees during the COVID-19 pandemic. The School received a tax credit of 2,043,767 during the year ended June 30, 2023.

CRYSTAL SPRINGS UPLANDS SCHOOL

JUNE 30, 2022

INDEPENDENT AUDITORS' REPORT AND
FINANCIAL STATEMENTS

Crystal Springs Uplands School

Independent Auditors' Report and Financial Statements

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A Century Strong

Independent Auditors' Report

THE BOARD OF TRUSTEES
CRYSTAL SPRINGS UPLANDS SCHOOL
Hillsborough, California

Opinion

We have audited the financial statements of **CRYSTAL SPRINGS UPLANDS SCHOOL (the School)**, which comprise the statement of financial position as of June 30, 2022, the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the School as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for one year from the date of this report.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the School's June 30, 2021 financial statements, and we expressed an unmodified opinion on those statements in our report dated November 10, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hood & Strong LLP

San Francisco, California
November 16, 2022

Crystal Springs Uplands School

Statement of Financial Position

<i>June 30, 2022 (with comparative totals for 2021)</i>	2022	2021
Assets		
Cash and cash equivalents	\$ 28,822,069	\$ 25,471,303
Tuition receivable, net	13,647,550	1,041,891
Contributions receivable, net	5,415,053	1,968,187
Prepaid expenses and other assets	667,101	1,283,354
Investments	30,150,976	34,767,202
School facilities, net	70,533,071	71,488,221
Total assets	\$ 149,235,820	\$ 136,020,158
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 1,549,225	\$ 849,089
Accrued liabilities	1,656,691	1,837,754
Deferred tuition	27,009,529	14,445,694
Bonds payable, net	29,395,626	30,162,612
Total liabilities	59,611,071	47,295,149
Net Assets:		
Without donor restrictions	54,644,255	56,141,817
With donor restrictions	34,980,494	32,583,192
Total net assets	89,624,749	88,725,009
Total liabilities and net assets	\$ 149,235,820	\$ 136,020,158

See accompanying notes to the financial statements.

Crystal Springs Uplands School

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2022 (with comparative totals for 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue and Support:				
Tuition and fees	\$ 31,124,557		\$ 31,124,557	\$ 30,544,933
Less tuition assistance	(4,888,291)		(4,888,291)	(5,235,940)
Net tuition and fees	26,236,266		26,236,266	25,308,993
Contributions	3,258,071	\$ 7,016,561	10,274,632	5,818,480
Special events, net of expenses		988,757	988,757	1,379,415
Investment (loss) income, net	(1,451,612)	(3,908,403)	(5,360,015)	7,435,538
Auxiliary and summer programs	58,478		58,478	58,428
Other income	158,678		158,678	72,776
EANS funding	92,707		92,707	572,410
Net assets released from restrictions	1,699,613	(1,699,613)	-	-
Total revenue and support	30,052,201	2,397,302	32,449,503	40,646,040
Expenses:				
Academic	23,895,872		23,895,872	22,916,980
General and administration	5,796,268		5,796,268	4,383,351
Development	1,857,623		1,857,623	1,544,749
Total expenses	31,549,763	-	31,549,763	28,845,080
Change in Net Assets	(1,497,562)	2,397,302	899,740	11,800,960
Net Assets, beginning of year	56,141,817	32,583,192	88,725,009	76,924,049
Net Assets, end of year	\$ 54,644,255	\$ 34,980,494	\$ 89,624,749	\$ 88,725,009

See accompanying notes to the financial statements.

Crystal Springs Uplands School

Statement of Functional Expenses

Year Ended June 30, 2022 (with comparative totals for 2021)

	2022				2021
	Academic	General and Administration	Development	Total	Total
Salaries	\$ 10,389,673	\$ 3,049,432	\$ 723,415	\$ 14,162,520	\$ 13,946,588
Payroll taxes and benefits	2,728,297	785,712	208,100	3,722,109	3,716,591
Total salaries and benefits	13,117,970	3,835,144	931,515	17,884,629	17,663,179
Non-salary related expenses:					
Professional services	464,567	373,840	517,980	1,356,387	805,354
Instructional supplies and activities	2,027,608			2,027,608	2,093,591
Student transportation	847,812			847,812	453,067
Food and hospitality	1,446,953		117,075	1,564,028	1,049,671
Professional development and recruitment	161,185	45,792	9,496	216,473	238,077
Office expenses	3,758	65,396	119,390	188,544	95,594
Advertising and marketing	8,844	3,139	44,072	56,055	19,184
Insurance	152,713	57,959	11,218	221,890	202,854
Occupancy	1,989,751	161,625	94,636	2,246,012	2,259,572
Interest expense	981,742	51,671		1,033,413	1,059,845
Dues and memberships	143,692	19,328	10,461	173,481	124,703
Contributions		1,000,000		1,000,000	-
Other expenses	8,457	48,647	1,780	58,884	23,288
Total expenses before depreciation, amortization	21,355,052	5,662,541	1,857,623	28,875,216	26,087,979
Depreciation and amortization	2,540,820	133,727		2,674,547	2,757,101
Total expenses before special events	23,895,872	5,796,268	1,857,623	31,549,763	28,845,080
Special event expenses			176,968	176,968	94,945
Total expenses	\$ 23,895,872	\$ 5,796,268	\$ 2,034,591	\$ 31,726,731	\$ 28,940,025

See accompanying notes to the financial statements.

Crystal Springs Uplands School

Statement of Cash Flows

<i>Year Ended June 30, 2022 (with comparative totals for 2021)</i>	2022	2021
Cash Flows from Operating Activities:		
Change in net assets	\$ 899,740	\$ 11,800,960
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,674,547	2,757,101
Net realized and unrealized investment loss (gain)	6,150,640	(6,781,760)
Gain on disposal of asset	(10,250)	(2,850)
Allowance for doubtful accounts and discount on pledges	220,498	42,297
Contributions restricted for long-term use	(4,570,500)	(1,900,054)
Changes in operating assets and liabilities:		
Tuition receivable	(12,605,659)	3,111,915
Prepaid expenses and other assets	616,253	(700,778)
Accounts payable	351,553	145,847
Accrued liabilities	(181,063)	(365,556)
Deferred tuition	12,563,835	298,473
Net cash provided by operating activities	6,109,594	8,405,595
Cash Flows from Investing Activities:		
Purchase of school facilities	(1,354,304)	(894,481)
Proceeds from sale of asset	10,250	2,850
Sales of investments	60,772	5,660,443
Purchases of investments	(1,595,186)	(6,566,199)
Net cash used in investing activities	(2,878,468)	(1,797,387)
Cash Flows from Financing Activities:		
Contributions collected for long-term use	903,136	1,524,007
Payments on bonds payable	(783,496)	(757,138)
Net cash provided by financing activities	119,640	766,869
Net Change in Cash and Cash Equivalents	3,350,766	7,375,077
Cash and Cash Equivalents, beginning of year	25,471,303	18,096,226
Cash and Cash Equivalents, end of year	\$ 28,822,069	\$ 25,471,303

Supplemental Disclosure of Cash Flows Information:

Interest paid	\$ 1,035,620	\$ 1,061,977
Non-cash:		
Construction in progress included in accounts payable	\$ 348,583	\$ 7,900

See accompanying notes to the financial statements.

Crystal Springs Uplands School

Notes to Financial Statements

Note 1 - Nature of Organization and Summary of Significant Accounting Policies:

Crystal Springs Uplands School (the School) is an independent school that was founded in 1952 with campuses located in Hillsborough and Belmont, California. The School provides a quality college preparatory education to students in grades six through twelve.

Significant accounting policies include the following:

a. Basis of Presentation

The financial statements are prepared on an accrual basis of accounting in conformity with United States generally accepted accounting principles (U.S. GAAP).

The School reports information regarding its financial position and activities according to two classes of net assets: those without donor restrictions and those with donor restrictions.

Description of Net Assets

Net Assets Without Donor Restrictions – net assets that are not subject to donor-imposed stipulations. These net assets are intended for use of management and the Board of Trustees for educational programs, school scholarships, maintenance, and general operations. The Board of Trustees has designated \$5,823,052 as Funds Functioning as Endowment (FFE), \$6,360,548 for the Facilities Reserve Fund, \$4,035,480 for the Operating Reserve Fund and \$151,947 for various initiatives of the School at June 30, 2022. The Board of Trustees, subject to the approval of two-thirds of the members of the full Board of Trustees, may elect to withdraw any amount of the FFE in addition to the annual appropriation of earnings.

Net Assets With Donor Restrictions – the portion of net assets of which use by the School is limited by donor-imposed stipulations that either expire by passage of time, can be fulfilled and removed by actions of the School, or invested in perpetuity.

b. Revenue Recognition

- *Tuition* is recognized within the fiscal year in which educational services are provided (performance obligation) based on the tuition contract. Financial aid, in the form of scholarships, reduces the published price of tuition for students receiving such aid. As such, financial aid is referred to as a tuition assistance and represents the difference between the stated charge for tuition (transaction price) and fees and the amount that is billed to the student and/or third parties making payments on behalf of the student. Tuition amounts received or billed for the 2022 – 2023 school year as of June 30, 2022 in the amount of \$27,009,529 are recorded as deferred revenue tuition, a contract liability. Deferred tuition as of June 30, 2021 of \$14,445,694 was recognized as revenue during the year ended June 30, 2022.

Crystal Springs Uplands School

Notes to Financial Statements

- *Auxiliary revenue* is recognized during the applicable school year and exists to furnish goods or services to students, faculty, staff, or incidentally to the general public (performance obligation). Fees charged for auxiliary services are priced to offset the cost of the goods or services provided. The distinguishing characteristic of auxiliary services is that they are managed as an essentially self-supporting activity. Revenues and expenses from auxiliary enterprises are reported as changes in net assets without donor restrictions.
- *Special events* revenue is recorded at fair value when the event is held and contributions to the annual fundraiser are recognized at fair value when received.
- *Contributions and pledges* are recognized at their fair value when received or unconditionally pledged. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted contributions are reported as increases in net assets with restrictions depending upon the nature of the restrictions. When a restriction expires, net assets with restrictions are reclassified to net assets without donor restrictions.

Contributions of assets other than cash are recorded at fair value. Contributions receivable represent amounts committed by donors that have not been received by the School. Conditional promises, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend are substantially met. The School had no conditional contributions as of June 30, 2022.

The School uses the allowance method to account for uncollectible tuition and contributions based on historical experience and an evaluation of the outstanding receivables at the end of the year.

As of June 30, 2022, allowance for doubtful tuition receivable was \$30,000.

Contributions receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using the United States Prime Rate as applicable to the month in which those promises were made. The discount is amortized in future periods and recorded as additional contribution revenue in accordance with the donor's restrictions, if any.

c. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the School considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Crystal Springs Uplands School

Notes to Financial Statements

d. Investments

Investments in equities and mutual funds are valued at estimated fair value based on quoted market prices when available, or market prices available from recognized broker dealers with realized and unrealized gains and losses reflected in the Statement of Activities and Changes in Net Assets.

e. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The School classifies its financial assets and liabilities measured at fair value on a recurring basis based on a fair value hierarchy with three levels of inputs. Level 1 values are based on unadjusted quoted prices in active markets for identical securities. Level 2 values are based on significant observable market inputs, such as quoted prices for similar securities and quoted prices in inactive markets. Level 3 values are based on significant unobservable inputs that reflect the School's determination of assumptions that market participants might reasonably use in valuing the securities. The valuation levels are not necessarily an indication of the risk or liquidity associated with the assets and liabilities measured at fair value.

f. Bond Issuance Costs

Bond issuance costs are being amortized over the life of the bonds using the straight-line method, which approximates the effective yield method of amortization and are included as a reduction of bonds payable in the accompanying Statement of Financial Position.

g. School Facilities

School facilities are stated at cost, or if donated, at estimated fair market value at the date of donation. Depreciation has been provided on the straight-line method over the estimated useful lives of the assets, generally 3 to 50 years.

h. Income Taxes

The School is a tax-exempt organization under Internal Revenue Service Code Section 501(c)(3) and the California tax code.

Management evaluated the School's tax positions and concluded that the School had maintained its tax-exempt status and had taken no uncertain tax positions that required adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements.

Crystal Springs Uplands School

Notes to Financial Statements

i. Allocation of Functional Expenses

The costs of providing academic and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Expenses, such as payroll and benefits, have been allocated among academic, general and administration, and development based upon the employees' estimated time spent by function. Facility related costs such as depreciation, interest and maintenance have been allocated based on estimated square footage used by various departments.

j. Use of Estimates

The preparation of financial statements in conformity with U.S GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

k. Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2021 from which the summarized information was derived.

l. Subsequent Events

The School evaluated subsequent events from June 30, 2022 through November 16, 2022, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

Note 2 - Contributions Receivable:

The School ended the Building Brilliance capital campaign with the completion of the new campus in Belmont, California. In addition, the School launched a major gifts initiative during the year ended June 30, 2021 to raise funds for facility upgrades to the Hillsborough Campus and financial aid and faculty compensation endowments.

Crystal Springs Uplands School

Notes to Financial Statements

Contributions receivable, net of allowance for uncollectible pledges and unamortized discounts, at June 30, 2022, the majority of which relate to the facility upgrades campaign, were as follows:

Receivable in less than one year	\$ 1,894,000
Receivable in one to five years	3,804,500
	5,698,500
Less discounts to net present value	(275,747)
Less allowance for doubtful pledges	(7,700)
Total	\$ 5,415,053

Contributions to be received after one year are discounted at rates ranging from 3.25% to 5.25%.

Note 3 - Investments:

Investments consisted of the following at June 30, 2022:

	Fair Value	Cost Basis	Cumulative Unrealized Appreciation (Depreciation)
Equities	\$ 22,526,717	\$ 18,565,815	\$ 3,960,902
Mutual Funds	7,624,259	8,435,241	(810,982)
Total	\$ 30,150,976	\$ 27,001,056	\$ 3,149,920

All investments are measured at Level 1 in the fair value hierarchy.

Investment income, net included the following for the year ended June 30, 2022:

Realized gain	\$ 3,116
Unrealized loss	(6,153,756)
Investment management fees	(54,633)
Investment and dividend income	845,258
Total	\$ (5,360,015)

Crystal Springs Uplands School

Notes to Financial Statements

Note 4 - School Facilities:

School facilities consisted of the following at June 30, 2022:

Land	\$ 14,092,081
Building and improvements	78,331,664
Furniture, fixtures, vehicles and equipment	3,772,310
Technology	2,426,947
Construction in progress	1,316,626
	<hr/>
	99,939,628
Less: accumulated depreciation	(29,406,557)
	<hr/>
	\$ 70,533,071

Depreciation expense amounted to \$2,658,037 for the year ended June 30, 2022.

The School engaged a contractor to install a turf field on the Hillsborough Campus with a contract amount of \$1,954,216. The project began during the year ended June 30, 2022 and is expected to be completed by November 2022.

Note 5 - Bond Payable:

On July 1, 2016, the School issued a bond payable up to \$32,000,000 for the construction of its Middle School campus. The bond matures on July 1, 2046, bearing annual interest at 3.38% per annum. Interest is to be paid only, beginning July 1, 2016 through and including July 1, 2019 at the annual interest rate of 3.38%. Principal and interest repayment began August 1, 2019 and is on the basis of 30-year amortization based on the outstanding principal amount.

Bonds payable at June 30, 2022, consisted of the following:

Bond payable	\$ 29,791,876
Less: unamortized debt issuance costs	(396,250)
	<hr/>
Net	\$ 29,395,626

The bond agreement contains covenants, which require, among other things, that the School maintain certain financial ratios. As of June 30, 2022 the School was in compliance with the bond agreements and covenants. Certain of the School's buildings and land are pledged as collateral for the bond.

Crystal Springs Uplands School

Notes to Financial Statements

Scheduled maturities of the bond are as follows:

Year ending	
June 30:	
2023	\$ 810,620
2024	837,827
2025	868,111
2026	889,510
2027	929,606
Thereafter	25,456,202
Total	<u>\$ 29,791,876</u>

Note 6 - Retirement Plans:

The School sponsors a defined contribution retirement plan to provide retirement benefits for participating employees. The plan covers all full-time employees who have met certain requirements of the plan. The School is required to contribute, at a minimum, an amount equal to 5% of participants' annual compensation to the plan. The School made retirement plan contributions of \$895,669 for the fiscal year ended June 30, 2022.

Deferred Compensation Plans

The School has a 457(b) and 457(f) deferred compensation plans which provide eligible employees with the opportunity to defer a portion of their compensation and the School to make contributions for certain employees. For the 457(b) plan, deferrals are made at the discretion of the participants, subject to certain limitations. For the 457(f) plan, the contributions are made by the School on behalf of key employees based on their employment agreement. There were no deferrals or employer contributions reflected in the accompanying Statement of Financial Position as of June 30, 2022.

Note 7 - Net Assets with Donor Restrictions:

Net assets with donor restrictions are summarized below:

Net assets with time and purpose donor restrictions	\$ 14,648,969
Net assets with donor restrictions in perpetuity	20,331,525
	<u>\$ 34,980,494</u>

Crystal Springs Uplands School

Notes to Financial Statements

Net assets with time and purpose donor restrictions consisted of the following at June 30, 2022:

Capital campaign	\$ 6,006,622
Academic programs	3,293,007
Accumulations of endowment earnings	2,851,952
Other programs and activities	2,497,388
	<hr/>
	\$ 14,648,969

Net assets with donor restrictions that are restricted to investment in perpetuity, the income of which is expendable to support the following:

Academic programs and activities	\$ 12,272,812
Scholarship funds	8,058,713
	<hr/>
	\$ 20,331,525

Net assets were released from restrictions by incurring expenses or satisfying the donor-imposed restrictions indicated below:

Academic programs and activities	\$ 1,315,163
Capital Campaigns	155,327
Gala programs	229,123
	<hr/>
	\$ 1,699,613

Note 8 - Concentrations of Risk:

The School has defined its financial instruments which are potentially subject to risk as cash, accounts receivable and investments.

At June 30, 2022, the School held cash deposits in excess of federally insured limits. The majority of investments are diversified in order to limit the concentration of market risk.

Accounts receivable are unsecured and concentrated in the San Francisco Bay Area. However, concentrations of risk with respect to these receivables are limited due to the number of students. Two individual donors pledged approximately 61% and 14% of the total pledge receivable balance as of June 30, 2022.

Crystal Springs Uplands School

Notes to Financial Statements

The Board of Trustee's gifts to the School make up a significant portion of the School's contribution revenue. As of June 30, 2022, approximately 76% of pledges receivable were due from Trustees and Trustees gifted approximately 39% of contributions revenue during the year.

Note 9 - Related Parties:

The School receives contributions from the School's Parents' Association. The purpose of the Association is to sponsor the annual auction fund-raising event for the benefit of the School. The School received \$967,274 from the auction fundraising event during the year ended June 30, 2022.

Note 10 - Endowment Funds:

The School's endowments consist of individual funds, all established to generate general operating support to the School. Its endowment includes donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. These Board-designated funds can only be spent by resolution of the Board of Trustees. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of the School has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the School classifies as net assets with restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with perpetual donor restrictions is classified in net assets with time and purpose donor restrictions until those amounts are appropriated for expenditure by the School in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the School considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the School and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the School, (7) the investment policies of the School.

Crystal Springs Uplands School

Notes to Financial Statements

Return Objectives and Risk Parameters

The School has adopted investment and spending policies for endowment assets that will ultimately provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the School must hold in perpetuity as well as board-designated funds.

The School expects its endowment funds, over time, to achieve returns at least equal to the rate of inflation plus spending over the investment horizon in order to preserve the real purchasing power of invested assets. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the School relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The School targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The School is reinvesting all interest and gains associated with its endowments. Accordingly, over the long term, the School expects the current spending policy to allow its endowment to grow at an average of at least the rate of inflation. This is consistent with the School's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

The School budgets a portion of the endowment investment income to help fund the operations of the School. The School's policy allows for annual transfers equal to 5% of the fund value at the beginning of the fiscal year. To mitigate the impact of investment market volatility, actual payout shall be based on a formula that includes prior year's payout, inflation rate, target payout rate, and the beginning of the year fund value. Any changes to the School's spending policy will be approved by the Board of Trustees during their annual review.

Crystal Springs Uplands School

Notes to Financial Statements

Endowment balances by net asset classification were as follows as of June 30, 2022:

	Without Donor Restrictions	<u>With Donor Restrictions</u>		Total
		Time and Purpose	Perpetuity	
Donor restricted		\$ 2,851,951	\$ 20,331,525	\$ 23,183,476
Board-designated:				
Earnings available				
for general use	\$ 5,823,052			5,823,052
Total Funds	\$ 5,823,052	\$ 2,851,951	\$ 20,331,525	\$ 29,006,528

Endowment activity by net asset classifications were as follows for the year ended June 30, 2022:

	Without Donor Restrictions	<u>With Donor Restrictions</u>		Total
		Time and Purpose	Perpetuity	
Endowment Net Assets, beginning of year	\$ 7,658,205	\$ 7,487,075	\$ 19,168,103	\$ 34,313,383
Investment Return:				
Income	203,620	514,292		717,912
Net appreciation (realized and unrealized)	(1,681,119)	(4,246,073)		(5,927,192)
Total Investment Return	(1,477,499)	(3,731,781)		(5,209,280)
Contributions			1,163,422	1,163,422
Appropriation of endowment assets for expenditure	(357,654)	(903,343)		(1,260,997)
Endowment Net Assets, end of year	\$ 5,823,052	\$ 2,851,951	\$ 20,331,525	\$ 29,006,528

Crystal Springs Uplands School

Notes to Financial Statements

Note 11 - Availability of Financial Assets and Liquidity:

The following reflected the School's financial assets as of the Statement of Financial Position date, reduced by amounts not available for general use within one year of that date because of donor-imposed restrictions or internal designations:

Financial assets at year-end:	
Cash and cash equivalents	\$ 28,822,069
Tuition receivable, net	13,647,550
Contributions receivable	5,415,053
Investments	30,150,976
<hr/>	
Total financial assets	78,035,648
<hr/>	
Less amounts not available to be used within one year:	
Net assets with donor restrictions	(34,980,494)
Board-designated net assets	(16,371,027)
Add net assets with purpose restrictions to be met within one year	1,386,495
<hr/>	
Total amounts not available to be used within one year	(49,965,026)
<hr/>	
Financial assets available to meet general expenditures within one year	\$ 28,070,622
<hr/>	

The School's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$7,211,000). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts. None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the date of financial statements. The Board of Trustees can undesignate the Board-designated funds and make them available for general operations.

Note 12 - COVID-19 and Emergency Assistance to Non-Public Schools (EANS) Funds:

On March 11, 2020, the World Health Organization publicly characterized COVID-19 as a pandemic. Many federal, state, and local governmental agencies declared states of emergency and issued a variety of recommendations impacting the School's ability to deliver its mission on campus. This resulted in operational changes such as purchasing tools and software to facilitate teaching remotely, modifying the facility to promote social distancing and safe workplace practices when hybrid learning is possible, and moving admissions and fundraising events to an on-line format. The School is well positioned to manage operations and comply with all necessary health and safety requirements as they evolve.

Crystal Springs Uplands School

Notes to Financial Statements

During the years ended June 30, 2022 and 2021, the School incurred a total of \$330,912 and \$1,111,000 in COVID related expenditures, respectively. The School was able to apply for the EANS program which provided federal funding support for COVID related expenses to private schools. This program is administered through the California Department of Education. The School received an award allocation amounts of \$92,707 and \$572,410 for the years ended June 30, 2022 and 2021, respectively.

Note 13 - Contribution to School Force:

During the year ended June 30, 2022 School contributed \$1,000,000 to the Belmont-Redwood Shores Public School Foundation dba School-Force in accordance with the Development Agreement with the City of Belmont in connection with the opening of the Middle School Campus in Belmont, CA.

CRYSTAL SPRINGS UPLANDS SCHOOL

JUNE 30, 2021

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

Crystal Springs Uplands School

Independent Auditors' Report and Financial Statements

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A Century Strong

Independent Auditors' Report

THE BOARD OF TRUSTEES
CRYSTAL SPRINGS UPLANDS SCHOOL
Hillsborough, California

Report on the Financial Statements

We have audited the accompanying financial statements of **CRYSTAL SPRINGS UPLANDS SCHOOL (the School)** which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the School's June 30, 2020 financial statements, and we expressed an unmodified opinion on those statements in our report dated November 10, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hood & Strong LLP

San Francisco, California
November 10, 2021

Crystal Springs Uplands School

Statement of Financial Position

<i>June 30, 2021 (with comparative totals for 2020)</i>	2021	2020
Assets		
Cash and cash equivalents	\$ 25,471,303	\$ 18,096,226
Tuition receivable, net	1,041,891	4,153,806
Contributions receivable, net	1,968,187	1,634,437
Prepaid expenses and other assets	1,283,354	582,576
Investments	34,767,202	27,079,686
School facilities, net	71,488,221	73,326,431
Total assets	\$ 136,020,158	\$ 124,873,162
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 849,089	\$ 695,342
Accrued liabilities	1,837,754	2,203,310
Deferred tuition	14,445,694	14,147,221
Bonds payable, net	30,162,612	30,903,240
Total liabilities	47,295,149	47,949,113
Net Assets:		
Without donor restrictions	56,141,817	51,719,777
With donor restrictions	32,583,192	25,204,272
Total net assets	88,725,009	76,924,049
Total liabilities and net assets	\$ 136,020,158	\$ 124,873,162

See accompanying notes to financial statements.

Crystal Springs Uplands School

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2021 (with comparative totals for 2020)

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue and Support:				
Tuition and fees	\$ 30,544,933		\$ 30,544,933	\$ 27,782,478
Less: tuition assistance	(5,235,940)		(5,235,940)	(4,307,487)
Net tuition and fees	25,308,993		25,308,993	23,474,991
Contributions	3,060,951	\$ 2,757,529	5,818,480	3,750,572
Special events, net of expenses		1,379,415	1,379,415	1,316,938
Investment income, net	2,130,067	5,305,471	7,435,538	1,024,834
Auxiliary and summer program	58,428		58,428	81,049
Other income	70,923	1,853	72,776	41,564
EANS funding	572,410		572,410	-
Net assets released from restrictions	2,065,348	(2,065,348)	-	-
Total revenue and support	33,267,120	7,378,920	40,646,040	29,689,948
Expenses:				
Academic	22,916,980		22,916,980	22,531,867
General and administration	4,383,351		4,383,351	4,164,187
Development	1,544,749		1,544,749	1,352,927
Total expenses	28,845,080		28,845,080	28,048,981
Change in Net Assets	4,422,040	7,378,920	11,800,960	1,640,967
Net Assets, beginning of year	51,719,777	25,204,272	76,924,049	75,283,082
Net Assets, end of year	\$ 56,141,817	\$ 32,583,192	\$ 88,725,009	\$ 76,924,049

See accompanying notes to financial statements.

Crystal Springs Uplands School

Statement of Functional Expenses

Year Ended June 30, 2021 (with comparative totals for 2020)

	2021				2020 Total
	Academic	General and Administration	Development	Total	
Salaries	\$ 10,215,085	\$ 2,923,563	\$ 807,940	\$ 13,946,588	\$ 13,440,626
Payroll taxes and benefits	2,706,442	795,380	214,769	3,716,591	3,805,379
Total salaries and benefits	12,921,527	3,718,943	1,022,709	17,663,179	17,246,005
Non-salary related expenses:					
Professional services	279,130	178,858	347,366	805,354	872,031
Instructional supplies and activities	2,093,591			2,093,591	1,829,193
Student transportation	453,067			453,067	537,592
Food and hospitality	1,029,258		20,413	1,049,671	1,102,325
Professional development and recruitment	179,727	47,792	10,558	238,077	338,071
Office expenses	7,224	54,839	33,531	95,594	138,001
Advertising and marketing	1,722	1,270	16,192	19,184	53,780
Insurance	145,922	45,665	11,267	202,854	195,071
Occupancy	2,066,472	120,096	73,004	2,259,572	1,701,750
Interest expense	1,006,853	52,992		1,059,845	1,088,287
Dues and memberships	104,721	12,773	7,209	124,703	178,034
Other expenses	8,520	12,268	2,500	23,288	48,459
Total expenses before depreciation and amortization	20,297,734	4,245,496	1,544,749	26,087,979	25,328,599
Depreciation and amortization	2,619,246	137,855		2,757,101	2,720,382
Total expenses before special events	22,916,980	4,383,351	1,544,749	28,845,080	28,048,981
Special event expenses			94,945	94,945	284,261
Total expenses	\$ 22,916,980	\$ 4,383,351	\$ 1,639,694	\$ 28,940,025	\$ 28,333,242

See accompanying notes to financial statements.

Crystal Springs Uplands School

Statement of Cash Flows

<i>Year Ended June 30, 2021 (with comparative totals for 2020)</i>	2021	2020
Cash Flows from Operating Activities:		
Change in net assets	\$ 11,800,960	\$ 1,640,967
Adjustments to reconcile change in net assets to net cash provided (used) in operating activities:		
Depreciation and amortization	2,757,101	2,720,382
Net realized and unrealized investment gains	(6,781,760)	(378,736)
Net gain on disposal of asset	(2,850)	
Contributions restricted for long-term use	(1,857,757)	(1,844,776)
Changes in operating assets and liabilities:		
Tuition receivable	3,111,915	(3,384,649)
Prepaid expenses and other assets	(700,778)	59,789
Accounts payable	145,847	(40,289)
Accrued liabilities	(365,556)	244,071
Deferred tuition	298,473	(67,915)
Net cash provided (used) in operating activities	8,405,595	(1,051,156)
Cash Flows from Investing Activities:		
Purchase of school facilities	(894,481)	(1,328,707)
Proceeds from sale of asset	2,850	
Sales of investments	5,660,443	764,544
Purchases of investments	(6,566,199)	(1,357,819)
Net cash used in investing activities	(1,797,387)	(1,921,982)
Cash Flows from Financing Activities:		
Contributions collected for long-term use	1,524,007	3,604,983
Payments on bonds payable	(757,138)	(667,490)
Net cash provided by financing activities	766,869	2,937,493
Net Change in Cash and Cash Equivalents	7,375,077	(35,645)
Cash and Cash Equivalents, beginning of year	18,096,226	18,131,871
Cash and Cash Equivalents, end of year	\$ 25,471,303	\$ 18,096,226

Supplemental Disclosure of Cash Flows Information:

Interest paid	\$ 1,061,977	\$ 1,090,167
Non-cash:		
Construction in progress included in accounts payable	\$ 7,900	\$ -

See accompanying notes to financial statements.

Crystal Springs Uplands School

Notes to Financial Statements

Note 1 - Nature of Organization and Summary of Significant Accounting Policies:

Crystal Springs Uplands School (the School) is an independent school that was founded in 1952 with campuses located in Hillsborough and Belmont, California. The School provides a quality college preparatory education to students in grades six through twelve.

Significant accounting policies include the following:

a. Basis of Presentation

The financial statements are prepared on an accrual basis of accounting in conformity with United States generally accepted accounting principles (U.S. GAAP).

The School reports information regarding its financial position and activities according to two classes of net assets: those without donor restrictions and those with donor restrictions.

Description of Net Assets

Net Assets Without Donor Restrictions – net assets that are not subject to donor-imposed stipulations. These net assets are intended for use of management and the Board of Trustees for educational programs, school scholarships, maintenance and general operations. The Board of Trustees has designated \$7,658,205 as Funds Functioning as Endowment (FFE), \$3,829,878 for the Facilities Reserve Fund, \$3,633,200 for the Operating Reserve Fund and \$151,947 for various initiatives of the School at June 30, 2021. The Board of Trustees, subject to the approval of two-thirds of the members of the full Board of Trustees, may elect to withdraw any amount of the FFE in addition to the annual appropriation of earnings.

Net Assets With Donor Restrictions – the portion of net assets of which use by the School is limited by donor-imposed stipulations that either expire by passage of time, can be fulfilled and removed by actions of the School, or invested in perpetuity.

b. Revenue Recognition

- *Tuition* is recognized within the fiscal year in which educational services are provided (performance obligation) based on the tuition contract. Financial aid, in the form of scholarships, reduces the published price of tuition for students receiving such aid. As such, financial aid is referred to as a tuition assistance and represents the difference between the stated charge for tuition (transaction price) and fees and the amount that is billed to the student and/or third parties making payments on behalf of the student. Tuition amounts received for the 2021 - 2022 school year as of June 30, 2021 in the amount of \$14,445,694 are recorded as deferred revenue tuition, a contract liability. Deferred tuition as of June 30, 2020 of \$14,147,221 was recognized as revenue during the year ended June 30, 2021.

Crystal Springs Uplands School

Notes to Financial Statements

- *Auxiliary revenue* is recognized during the applicable school year and exists to furnish goods or services to students, faculty, staff, or incidentally to the general public (performance obligation). Fees charged for auxiliary services are priced to offset the cost of the goods or services provided. The distinguishing characteristic of auxiliary services is that they are managed as an essentially self-supporting activity. Revenues and expenses from auxiliary enterprises are reported as changes in net assets without donor restrictions.
- *Special events* revenue is recorded at fair value when the event is held and contributions to the annual fundraiser are recognized at fair value when received.
- *Contributions and pledges* are recognized at their fair value when received or unconditionally pledged. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted contributions are reported as increases in net assets with restrictions depending upon the nature of the restrictions. When a restriction expires, net assets with restrictions are reclassified to net assets without donor restrictions.

Contributions of assets other than cash are recorded at fair value. Contributions receivable represent amounts committed by donors that have not been received by the School. Conditional promises, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend are substantially met. The School had no conditional contributions as of June 30, 2021.

The School uses the allowance method to account for uncollectible tuition and contributions based on historical experience and an evaluation of the outstanding receivables at the end of the year.

As of June 30, 2021, allowance for doubtful tuition receivable was \$30,000.

Contributions receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using the United States Prime Rate as applicable to the month in which those promises were made. The discount is amortized in future periods and recorded as additional contribution revenue in accordance with the donor's restrictions, if any.

c. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the School considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Crystal Springs Uplands School

Notes to Financial Statements

d. Investments

Investments in equities, money market and mutual funds are valued at estimated fair value based on quoted market prices when available, or market prices available from recognized broker dealers with realized and unrealized gains and losses reflected in the Statement of Activities and Changes in Net Assets.

e. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The School classifies its financial assets and liabilities measured at fair value on a recurring basis based on a fair value hierarchy with three levels of inputs. Level 1 values are based on unadjusted quoted prices in active markets for identical securities. Level 2 values are based on significant observable market inputs, such as quoted prices for similar securities and quoted prices in inactive markets. Level 3 values are based on significant unobservable inputs that reflect the School's determination of assumptions that market participants might reasonably use in valuing the securities. The valuation levels are not necessarily an indication of the risk or liquidity associated with the assets and liabilities measured at fair value.

f. Bond Issuance Costs

Bond issuance costs are being amortized over the life of the bonds using the straight-line method, which approximates the effective yield method of amortization and are included as a reduction of bonds payable in the accompanying Statement of Financial Position.

g. School Facilities

School facilities are stated at cost, or if donated, at estimated fair market value at the date of donation. Depreciation has been provided on the straight-line method over the estimated useful life of the assets of 3 to 50 years.

h. Income Taxes

The School is a tax-exempt organization under Internal Revenue Service Code Section 501(c)(3) and the California tax code.

Management evaluated the School's tax positions and concluded that the School had maintained its tax-exempt status and had taken no uncertain tax positions that required adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements.

Crystal Springs Uplands School

Notes to Financial Statements

i. Functional Allocation of Expenses

The costs of providing academic and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Expenses, such as payroll and benefits, have been allocated among academic, general and administration, and development based upon the employees' estimated time spent by function. Facility related costs such as depreciation, interest and maintenance have been allocated based on estimated square footage used by various departments.

j. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

k. Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2020 from which the summarized information was derived.

l. Subsequent Events

The School has evaluated subsequent events for the period of time from its fiscal year ended June 30, 2021 through November 10, 2021, the date the financial statements were available to be issued, and has determined no adjustments are necessary to the accompanying financial statements and that no subsequent events have occurred, the nature of which would require disclosure.

Note 2 - Contributions Receivable:

The School ended the Building Brilliance capital campaign with the completion of the new campus in Belmont, California. In addition, the School launched a major gifts initiative during the year ended June 30, 2020 to raise funds for a financial aid endowment.

Crystal Springs Uplands School

Notes to Financial Statements

Contributions receivable, net of allowance for uncollectible pledges and unamortized discounts, at June 30, 2021, the majority of which relate to the campaign, were as follows:

Receivable in less than one year	\$ 1,081,775
Receivable in one to five years	951,000
	2,032,775
Less: discounts to net present value	(55,088)
Less: allowance for doubtful pledges	(9,500)
Total	\$ 1,968,187

Contributions to be received after one year are discounted at a rate of 3.25% to 5.25%.

Note 3 - Investments:

Investments consisted of the following at June 30, 2021:

	Fair Value	Cost Basis	Unrealized Appreciation
Equities	\$ 26,852,225	\$ 17,836,948	\$ 9,015,277
Mutual Funds	7,914,977	7,632,802	282,175
Total	\$ 34,767,202	\$ 25,469,750	\$ 9,297,452

All investments are measured at Level 1.

Investment income, net for the year ended June 30, 2021 included the following:

Realized gain	\$ 887,284
Unrealized gain	5,894,476
Investment management fees	(32,736)
Investment and dividend income	686,514
Total	\$ 7,435,538

Crystal Springs Uplands School

Notes to Financial Statements

Note 4 - School Facilities:

School facilities consisted of the following at June 30, 2021:

Land	\$ 14,092,081
Building and improvements	78,273,157
Furniture, fixtures, vehicles and equipment	2,942,678
Technology	2,388,554
Construction in progress	583,594
	<hr/>
	98,280,064
Less: accumulated depreciation	(26,791,843)
	<hr/>
	\$ 71,488,221

Depreciation expense amounted to \$2,740,590 for the year ended June 30, 2021.

The School engaged a contractor to install a heating, ventilation, and air conditioning (HVAC) system on the Belmont Campus. The contract amount was \$700,000. Construction began in June 2021 and was completed by September 2021. As of June 30, 2021, the School had paid a total of \$366,126 toward the contract with a balance remaining of \$333,874.

Note 5 - Bond Payable:

On July 1, 2016, the School issued a bond payable up to \$32,000,000 for the construction of its Middle School campus. The bond matures on July 1, 2046, bearing annual interest at 3.38% per annum. Interest is to be paid only, beginning July 1, 2016 through and including July 1, 2019 at the annual interest rate of 3.38%. Principal and interest repayment began August 1, 2019 and is on the basis of 30-year amortization based on the outstanding principal amount.

Bonds payable at June 30, 2021, consisted of the following:

Bond payable	\$ 30,575,372
Less: unamortized debt issuance costs	(412,760)
	<hr/>
Net	\$ 30,162,612

The bond agreement contains covenants, which require, among other things, that the School maintain certain financial ratios. As of June 30, 2021 the School was in compliance with the bond agreements and covenants. Certain of the School's buildings and land are pledged as collateral for the bond.

Crystal Springs Uplands School

Notes to Financial Statements

Scheduled maturities of the bond are as follows:

Year ending	
June 30:	
2022	\$ 783,349
2023	810,620
2024	837,827
2025	868,111
2026	889,510
Thereafter	26,385,955
Total	\$ 30,575,372

Note 6 - Retirement Plans:

The School sponsors a defined contribution retirement plan to provide retirement benefits for participating employees. The plan covers all full-time employees who have met certain requirements of the plan. The School is required to contribute, at a minimum, an amount equal to 5% of participants' annual compensation to the plan. The School made retirement plan contributions of \$918,265 for the fiscal year ended June 30, 2021.

Deferred Compensation Plans

The School has a 457(b) and 457(f) deferred compensation plans which provide eligible employees with the opportunity to defer a portion of their compensation and the School to make contributions for certain employees. For the 457(b) plan, deferrals are made at the discretion of the participants, subject to certain limitations. For the 457(f) plan, the contributions are made by the School on behalf of key employees based on their employment agreement. There were no deferrals or employer contributions reflected in the accompanying Statement of Financial Position as of June 30, 2021.

Note 7 - Net Assets with Donor Restrictions:

Net assets with time and purpose donor restrictions consisted of the following at June 30, 2021:

Accumulations of endowment earnings	\$ 7,487,075
Academic programs	3,339,399
Capital campaigns	1,671,479
Other programs and activities	917,136
	\$ 13,415,089

Crystal Springs Uplands School

Notes to Financial Statements

Net assets were released from restrictions by incurring expenses or satisfying the donor-imposed restrictions indicated below:

Academic programs and activities	\$ 1,247,411
Building Brilliance Campaign	327,448
Gala programs	490,489
	<hr/>
	\$ 2,065,348

Net assets with donor restrictions that are restricted to investment in perpetuity, the income of which is expendable to support the following:

Academic programs and activities	\$ 11,814,577
Scholarship funds	7,353,526
	<hr/>
	\$ 19,168,103

Net assets with donor restrictions are summarized below:

Net assets with time and purpose donor restrictions	\$ 13,415,089
Net assets with donor restrictions in perpetuity	19,168,103
	<hr/>
	\$ 32,583,192

Note 8 - Concentrations of Risk:

The School has defined its financial instruments which are potentially subject to risk as cash, accounts receivable and investments.

At June 30, 2021, the School held cash deposits in excess of federally insured limits. The majority of investments are diversified in order to limit the concentration of market risk.

Accounts receivable are unsecured and concentrated in the San Francisco Bay Area. However, concentrations of risk with respect to these receivables are limited due to the number of students. Two individual donors pledged approximately 30% and 25% of the total pledge receivable balance as of June 30, 2021.

The Board of Trustee's gifts to the School make up a significant portion of the School's contribution revenue. As of June 30, 2021, approximately 55% of pledges receivable were due from Trustees and Trustees gifted approximately 36% of contributions revenue during the year.

Crystal Springs Uplands School

Notes to Financial Statements

Note 9 - Related Parties:

The School receives contributions from the School's Parents' Association. The purpose of the Association is to sponsor the annual auction fund-raising event for the benefit of the School. The School received \$1,329,487 from the auction fundraising event during the year ended June 30, 2021.

Note 10 - Endowment Funds:

The School's endowments consist of individual funds, all established to generate general operating support to the School. Its endowment includes donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. These board-designated fund monies can only be spent by resolution of the Board of Trustees. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of the School has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the School classifies as net assets with restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with perpetual donor restrictions is classified as net assets with time and purpose donor restrictions until those amounts are appropriated for expenditure by the School in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the School considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the School and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the School, (7) the investment policies of the School.

Crystal Springs Uplands School

Notes to Financial Statements

Return Objectives and Risk Parameters

The School has adopted investment and spending policies for endowment assets that will ultimately provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the School must hold in perpetuity as well as board-designated funds.

The School expects its endowment funds, over time, to achieve returns at least equal to the rate of inflation plus spending over the investment horizon in order to preserve the real purchasing power of invested assets. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the School relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The School targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The School is reinvesting all interest and gains associated with its endowments. Accordingly, over the long term, the School expects the current spending policy to allow its endowment to grow at an average of at least the rate of inflation. This is consistent with the School's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

The School budgets a portion of the endowment investment income to help fund the operations of the School. The School's policy allows for annual transfers equal to 5% of the fund value at the beginning of the fiscal year. To mitigate the impact of investment market volatility, actual payout shall be based on a formula that includes prior year's payout, inflation rate, target payout rate, and the beginning of the year fund value. Any changes to the School's spending policy will be approved by the Board of Trustees during their annual review.

Crystal Springs Uplands School

Notes to Financial Statements

Endowment balances by net asset classification as of June 30, 2021:

	Without Donor Restrictions	<u>With Donor Restrictions</u>		Total
		Time and Purpose	Perpetuity	
Donor restricted		\$ 7,487,075	\$ 19,168,103	\$ 26,655,178
Board-designated:				
Earnings available				
for general use	\$ 7,658,205			7,658,205
Total Funds	\$ 7,658,205	\$ 7,487,075	\$ 19,168,103	\$ 34,313,383

Endowment activity by net asset classifications for the year ended June 30, 2021:

	Without Donor Restrictions	<u>With Donor Restrictions</u>		Total
		Time and Purpose	Perpetuity	
Endowment Net Assets, beginning of year	\$ 5,908,049	\$ 3,243,341	\$ 18,486,103	\$ 27,637,493
Investment Return:				
Income	174,126	422,217		596,343
Net appreciation (realized and unrealized)	1,899,873	4,606,763		6,506,636
Total Investment Return	2,073,999	5,028,980		7,102,979
Contributions			682,000	682,000
Appropriation of endowment assets for expenditure	(323,843)	(785,246)		(1,109,089)
Endowment Net Assets, end of year	\$ 7,658,205	\$ 7,487,075	\$ 19,168,103	\$ 34,313,383

Crystal Springs Uplands School

Notes to Financial Statements

Note 11 - Availability of Financial Assets and Liquidity:

The following reflected the School's financial assets as of the Statement of Financial Position date, reduced by amounts not available for general use within one year of that date because of donor-imposed restrictions or internal designations:

Financial assets at year-end:	
Cash and cash equivalents	\$ 25,471,303
Tuition receivable, net	1,041,891
Contributions receivable	1,968,187
EANS funds receivable	572,410
Investments	34,767,202
Total financial assets	63,820,993
Less amounts not available to be used within one year:	
Net assets with donor restrictions	(32,583,192)
Board-designated net assets	(15,273,230)
Add net assets with purpose restrictions to be met within one year	1,422,811
Total amounts not available to be used within one year	(46,433,611)
Financial assets available to meet general expenditures within one year	\$ 17,387,382

The School's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$7,211,000). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts. None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the date of financial statements. The Board of Trustees can undesignate the board-designated funds and make them available for general operations.

Note 12 - COVID-19 and Emergency Assistance to Non-Public Schools (Eans) Funds:

On March 11, 2020, the World Health Organization publicly characterized COVID-19 as a pandemic. Many federal, state, and local governmental agencies declared states of emergency and issued a variety of recommendations impacting the School's ability to deliver its mission on campus. This resulted in operational changes such as purchasing tools and software to facilitate teaching remotely, modifying the facility to promote social distancing and safe workplace practices when hybrid learning is possible, and moving admissions and fundraising events to an on-line format. The School is well positioned to manage operations and comply with all necessary health and safety requirements as they evolve.

Crystal Springs Uplands School

Notes to Financial Statements

As of June 30, 2021, the School incurred a total of \$1,111,000 COVID related expenditures. The School was able to apply for the EANS program which provided federal funding support for COVID related expenses to private schools. This program is administered through the California Department of Education. The School received an award allocation amount of \$572,410. This amount is included in prepaid expenses and other assets in the accompanying Statement of Financial Position and the funds were received in October 2021.

The School's enrollment remains steady for the 2021-22 school year and the School was able to meet current financial aid demands. Despite this favorable position at the start of the year, the School is aware that charitable contributions may decline from the prior year. In addition, financial market volatility has the potential to increase which may negatively impact net investment income. Other financial impacts could occur, though such potential impact is unknown at this time.

APPENDIX C
SUMMARY OF PRINCIPAL DOCUMENTS

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APPENDIX C

SUMMARY OF THE PRINCIPAL DOCUMENTS

As used in the following summaries of the principal documents, the capitalized terms will have the following meanings:

Definitions

“2016 Deed of Trust” means, the Deed of Trust, dated July 1, 2016, by the Borrower to the Existing Lender in the original principal amount of \$32,000,000, as amended, restated, summarized, and otherwise modified from time to time in accordance therewith and with the Intercreditor Agreement.

“2016 Loan” means the loan from the Existing Lender to the California Municipal Finance Authority and the loan from the California Municipal Finance Authority to the Borrower pursuant to the 2016 Loan Agreement, in the original principal amount of \$32,000,000.

“2016 Loan Documents” means, collectively, the (a) 2016 Loan Agreement, (b) the 2016 Deed of Trust, and (c) the 2016 Security Agreement, as applicable.

“2016 Loan Agreement” means, the Master Loan Agreement, dated as of July 1, 2016, by and among, California Municipal Finance Authority, the Existing Lender and the Borrower, as amended, restated, summarized, and otherwise modified from time to time in accordance therewith and with the Intercreditor Agreement.

“2016 Project” means financing or refinancing the cost of acquiring, improving, renovating, remodeling, furnishing and equipping various portions of the educational campus or campuses for the Borrower located at 6 and 10 Davis Drive in Belmont, California 94002.

“2016 Security Agreement” means the Security Agreement, dated as of July 1, 2016, by the Borrower for the benefit of the Existing Lender, as amended, restated, summarized, and otherwise modified from time to time in accordance therewith and with the Intercreditor Agreement.

“Act” means the Joint Exercise of Powers Act, constituting Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title I of the Government Code of the State as now in effect and as it may from time-to-time be amended or supplemented.

“Act of Bankruptcy” means the filing of a petition in bankruptcy (or other commencement of a bankruptcy or similar proceeding) by or against the Borrower under any applicable bankruptcy, insolvency or similar law as now or to become in effect.

“Additional Payments” means the payments to be made by the Borrower to the Trustee or the Issuer in accordance with the Agreement.

“Agreement” means that certain Loan Agreement pertaining to the Bonds, between the Issuer and the Borrower, as originally executed or as it may from time to time be supplemented, modified or amended subject to and in accordance with the terms thereof and the Indenture.

“Authorized Denominations” means \$5,000 and integral multiples thereof.

“Authorized Borrower Representative” means the President, or any other person or persons

designated at the time to act on behalf of the Borrower by written instrument furnished to the Issuer and the Trustee, containing the specimen signature of such person or persons and signed by any officer of the Borrower. Such instrument may designate an alternate or alternates.

“Authorized Official” means the Chair or the Vice Chair of the Board of Directors of the Issuer or any other person as may be designated and authorized to sign on behalf of the Issuer pursuant to a resolution adopted by the Board of Directors of the Issuer.

“Bank Indebtedness” as used in the Intercreditor Agreement in its most comprehensive sense means any and all advances, debts, obligations and liabilities of Borrower to the Bank under the 2016 Loan Documents.

“Bank Project Collateral” means the real property interests, buildings and other improvements and fixtures owned by the Borrower, financed with the proceeds of the 2016 Loan and pledged to the Bank under the Bank Security Documents, together with all equipment, personal property and other tangible property located thereon and pledged thereunder.

“Bank Security Documents” means the 2016 Deed of Trust.

“Base Loan Payments” means the payments required to be made by the Borrower to the Trustee for the account of the Issuer, in accordance with the Agreement for the payment of the debt service on the Bonds.

“Beneficial Owner” means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds, including persons holding Bonds through nominees or depositories.

“Bond Documents” means the Agreement, the Indenture, the Deed of Trust, the Security Agreement, the Subordination Agreement, the Intercreditor Agreement, and the Tax Regulatory Agreement.

“Bond Fund” means the fund by that name established pursuant to the Indenture.

“Bondholder” or “Holder” means, with respect to any Bond, the person in whose name such Bond is registered.

“Bond Obligations” means and includes all of the Borrower’s obligations under or with respect to the Bonds or any of the Borrower Documents.

“Bonds” or “Tax-Exempt Bonds” means \$26,000,000* aggregate principal amount of the Issuer’s Revenue Bonds (Crystal Springs Uplands School Project), Series 2025, issued pursuant to the Indenture.

“Bond Register” means the registration books required to be maintained pursuant to the Indenture.

“Borrower” or “Debtor” means Crystal Springs Uplands School, a California nonprofit public benefit corporation, organized and existing under the laws of the State, and its successors or assigns permitted pursuant to the Agreement.

“Borrower Documents” or “Tax-Exempt Security Documents” means the Agreement, the Deed of

* Preliminary, subject to change.

Trust, the Subordination Agreement, the Security Agreement, the Intercreditor Agreement, the Continuing Disclosure Agreement, and the Tax Regulatory Agreement.

“Business Day” means any day other than (i) Saturday or Sunday, (ii) a day on which the banking institutions or trust companies are required or authorized by law, regulation or executive order to be closed in (a) Los Angeles, California; (b) New York, New York or (c) the city in which the Trustee has its principal office are closed, or (iii) a day on which the New York Stock Exchange is closed.

“Campaign Receipts” means funds received by the Borrower pursuant to the Borrower’s capital campaign.

“Certificate,” “Order” or “Written Request” mean respectively, (a) when used with respect to a document of the Issuer, a written certificate, order or request of the Issuer signed by or on behalf of the Issuer by its Chair, Vice Chair, the Chair’s designee or by any other person who is specifically authorized by the Issuer to execute such a document on its behalf, and (b) when used with respect to a document of the Borrower, a written certificate, order or request of the Borrower signed by or on behalf of the Borrower by an Authorized Borrower Representative.

“Closing Date” means _____, 2025.

“Code” means the Internal Revenue Code of 1986 as amended from time to time, any successor code or law, and any regulations in effect or promulgated thereunder.

“Continuing Disclosure Agreement” means the Continuing Disclosure Agreement pursuant to which the Borrower undertakes to provide continuing disclosure in satisfaction of the requirements of Securities and Exchange Commission Rule 15c2-12(b)(5), as amended, restated, supplemented, and otherwise modified from time to time in accordance therewith.

“Contracts” as used in the Deed of Trust means all of the right, title, and interest of Borrower in, to and under any and all of the following, whether now or hereafter existing: (a) contracts for the purchase or sale of all or any portion of the Property; (b) earnest money or other deposits escrowed or to be escrowed, letters of credit provided or to be provided, security, or other deposits under any of the Contracts with respect to the Property; (c) contracts, licenses, permits, and rights relating to water, wastewater, and other utility services which are directly or indirectly related to, or connected with, the Property whether executed, granted, or issued by a private person or entity or a governmental or quasi-governmental agency; (d) certificates, licenses, zoning variances, permits, and no-action letters from each Governmental Authority related to the Property, including those required to evidence compliance by Borrower, and all Improvements with all Governmental Requirements and Legal Requirements (each as defined in the Deed of Trust) applicable to the Property and to develop and/or operate the Property for its intended use; (e) construction contracts, design services contracts, and other contracts, subcontracts, leases, licenses, and permits which in any way relate to the development, construction, use, enjoyment, occupancy, operation, maintenance, or ownership of the Property or the activities conducted thereon, including maintenance agreements and service contracts; (f) all amendments, supplements, restatements and renewals of or to any of the foregoing; and (g) all of the revenues, proceeds, insurance proceeds, deposits, fees, receivables, payments, rents, reimbursements, awards, and other rights or benefits arising from or in connection with any of the foregoing; provided that the term “Contracts” shall not include Leases or Rents.

“Corporate Trust Office” means, with respect to the Trustee, the office of the Trustee at which at any particular time its corporate trust business will be principally administered, which at the date of execution of the Indenture is that specified in the Indenture; provided, however, that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term will mean the

office or agency of the Trustee at which, at any particular time, its corporate trust agency business will be conducted.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Borrower and related to the original authorization, execution, sale and delivery of the Bonds, including but not limited to: costs of preparation and reproduction of documents; fees and expenses of the Issuer and its counsel; initial fees, expenses and charges of the Trustee (including its counsel); legal fees and charges of bond counsel and the respective counsel to the Borrower and the Underwriter; and any other cost, charge or fee in connection with the original delivery of the Bonds.

“Costs of Issuance Fund” means the fund by that name established pursuant to the Indenture.

“Credit Documents” means the Bond Documents, the Line of Credit Loan Documents, and/or the 2016 Loan Documents, as applicable.

“Deed of Trust” means the Construction Deed of Trust with Assignment of Leases and Rents, Security Agreement and Financing Statement, granted by the Borrower to Chicago Title Company, as trustee, for the benefit of the Trustee, as the same may be supplemented or amended from time to time in accordance therewith.

“Determination of Taxability” means interest on the Bonds, or any of them, is determined not to be excludable from taxable gross income of the Holder thereof by a final administrative determination of the Internal Revenue Service or final judicial decision of a court of competent jurisdiction in a proceeding of which the Borrower received a notice. A determination or decision will not be considered final for this purpose until the conclusion of any appellate review, if sought.

“Electronic Means” means the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services under the Indenture.

“Eligible Securities” means any of the following obligations as and to the extent that such obligations are at the time legal investments under the Act for moneys held under the Indenture and then proposed to be invested therein, as will be certified by the Borrower to the Trustee:

(a) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) or obligations the timely payment of the principal of and interest on which are unconditionally guaranteed by the United States of America;

(b) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies, provided that such obligations are backed by the full faith and credit of the United States of America (stripped securities will constitute Eligible Securities only if they have been stripped by the agency itself): U.S. Export-Import Bank, Farmers Home Administration, Federal Financing Bank, General Services Administration, U.S. Maritime Administration, U.S. Department of Housing and Urban Development, Government, National Mortgage Association, and Federal Housing Administration;

(c) bonds, debentures, notes, or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities will constitute Eligible Securities only if they have been stripped by the agency itself): Federal Home

Loan Bank System, Federal Home Loan Mortgage Corporation (“FHLMC”), Fannie Mae (“FNMA”), Student Loan Marketing Association, Resolution Funding Corporation or Farm Credit System;

(d) bonds or notes issued by any state or municipality which are rated by any Rating Agency in one of the two highest rating categories assigned by such agency without regard to modifier;

(e) repurchase agreements with an entity that is rated or whose guarantor is rated in the “A” category or better by any Rating Agency at the time of the investment, provided that (i) the Trustee or third party acting solely as agent for the Trustee has possession of the collateral; (ii) the collateral is valued weekly and the market value of the collateral is maintained at an amount equal to at least 102% for securities listed in (a) above (or, if the collateral consists of obligations listed in (b) or (c) above, 103%) of the amount of cash transferred by the Trustee to the counterparty under the repurchase agreement plus interest; (iii) failure to maintain the requisite collateral levels will require the Trustee to liquidate the collateral if such deficiency is not cured; (iv) the repurchase securities are obligations listed in (a), (b) and (c) above; and (v) the repurchase securities are free and clear of any third-party lien or claim;

(f) investment agreements, including guaranteed investment contracts (“GICs”), with investment contract providers which are rated or whose guarantors are rated at least in the “A” category or better by any Rating Agency at the time of investment;

(g) money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of “AAAm-G”; “AAA-m”; or “AA-m,” including money market funds for which the Trustee, its affiliates or subsidiaries retains a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise;

(h) certificates of deposit secured at all times by collateral described in clause (a) or (b) above, issued by commercial banks, savings and loan associations or mutual savings banks relating to collateral held by a third party, and in which collateral the Trustee has a perfected first security interest;

(i) certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF, or of banks, including the Trustee and its affiliates, the short-term obligations of which are rated by any Rating Agency in one of the two highest rating categories assigned by such agency;

(j) commercial paper rated, at the time of purchase, either “A-1” or better by S&P or “P-1” or better by Moody’s;

(k) federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of “A-1” or “A” or better by S&P or “P-1” or “A2” or better by Moody’s; and

(l) obligations of a bank or other financial institution rated “A-1” or “A” or better by S&P or “P-1” or “A2” or better by Moody’s.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

“Event of Default” means any of the events specified as such in the Indenture.

“Existing Debt” means Indebtedness evidenced by the Existing Debt Documents.

“Existing Debt Documents” means, collectively, the (a) Master Loan Agreement, dated as of July 1, 2016, by and among, California Municipal Finance Authority, Boston Private Bank and Trust Company (the predecessor to the Existing Lender) and the Borrower, amended prior to the date hereof and as it may be further amended in accordance therewith and with the Subordination Agreement and Intercreditor Agreement and (b) the Business Loan Agreement, dated as of January 28, 2011, by and between the Existing Lender and the Borrower as amended prior to the date hereof and as it may be further amended in accordance therewith and with the Intercreditor Agreement.

“Existing Lender” means First-Citizens Bank & Trust Company, as successor-in-interest to Silicon Valley Bank, successor by merger to Boston Private Bank and Trust Company, and its successors and assigns.

“Facilities” means collectively (a) all buildings, structures and other improvements situated, placed or constructed on the Land; and (b) all materials, apparatus and other items of personal property owned by the Borrower and attached to or installed in the buildings, structures and other improvements situated on the Land or used in connection with the buildings, structures and other improvements situated on the Land, including (without limitation) water, gas, electrical, storm and sanitary sewer facilities and all other utilities whether or not situated in easements.

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next succeeding June 30 or any other twelve-month period selected and designated by the Borrower as the official fiscal year period of the Borrower.

“GAAP” will refer to generally accepted accounting principles in the United States as in effect from time to time.

“Indebtedness” of any Person at any date of determination means the total amount of obligations of the Borrower to pay others, excluding trade payables incurred in the ordinary course of business but including, without limitation, (a) the Bond Obligations and the Existing Debt, (b) amounts owing pursuant to any derivative or similar contract, (c) any guarantee, (d) payments under leases which are capitalized in accordance with GAAP having a term of more than one year from the date of incurrence or assumption thereof by the Borrower which, under GAAP, are shown on the balance sheet as a liability, and (e) payments under installment purchase contracts having an original term in excess of one year, notwithstanding the fact that payments in respect thereof (whether installment, serial maturity or sinking fund or otherwise) are required to be made less than one year after the date of creation thereof.

“Indenture” means the Indenture of Trust, dated as of October 1, 2025, by and between the Issuer and the Trustee, as originally executed or as it may from time to time be supplemented, modified or amended by any supplemental indenture entered into pursuant to the provisions of the Indenture.

“Independent” means a Person who is not a member of the governing body of the Borrower or its Affiliates or an officer or employee of the Borrower or its Affiliates.

“Independent Consultant” means an Independent management consultant or certified public accountant experienced in the management and financing of nonprofit independent schools and acceptable to the Borrower.

“Information Services” means the Electronic Municipal Market Access System (“EMMA”), a service of the Municipal Securities Rulemaking Board, or such other service providing information with respect to called bonds as the Borrower may designate in writing to the Trustee.

“Insurance and Condemnation Proceeds Fund” means the fund by that name established pursuant to the Indenture.

“Intercreditor Agreement” means the certain Intercreditor Agreement by and among the Trustee, the Borrower, and the Existing Lender as originally executed or as it may from time to time be supplemented, modified or amended subject to and in accordance with the terms thereof.

“Interest Payment Date” means each June 1 and December 1, commencing on December 1, 2025.

“Issuer” means the California Enterprise Development Authority, a joint powers agency organized and existing under the laws of the State of California.

“Issuer Annual Fee” means an amount equal to the amount set forth in the schedule set forth below, in each case as determined on July 1 of each year and payable in accordance with the Agreement:

<u>Principal Amount Outstanding</u>	<u>Issuer Annual Fee</u>
≤ \$30,000,000 and > \$20,000,000	\$4,000
≤ \$20,000,000 and > \$10,000,000	\$2,500
≤ \$10,000,000	\$1,000

“Land” means the real property identified in Exhibit A to the Agreement.

“Leases” as used in the Deed of Trust means any and all leases, master leases, subleases, licenses, concessions, or other agreements (whether written or oral, or now or hereafter in effect) which grant to third parties a possessory interest in and to, or the right to use or occupy, all or any part of the Property, together with all security and other deposits related thereto, and all other rights and benefits arising from the Leases except the Rents.

“Line of Credit Loan Agreement” means the Business Loan Agreement, dated as of January 28, 2011, by and between the Existing Lender and the Borrower, together with the promissory note issued, if any, thereunder, as the same may be amended, extended or modified from time to time.

“Line of Credit Collateral” means all inventory, equipment, fixtures and furniture, owned by the Borrower and financed with advances under the Line of Credit Loan Agreement but only to the extent such advances are outstanding under the Line of Credit Loan Agreement on the date of determination.

“Line of Credit Facility” means the credit facility established by the Existing Lender for the benefit of the borrower pursuant to the Line of Credit Loan Agreement.

“Line of Credit Indebtedness” as used in the Intercreditor Agreement in its most comprehensive sense and means any and all advances, debts, obligations and liabilities of the Borrower to the Existing Lender under the Line of Credit Loan Documents.

“Line of Credit Financed Projects” means the projects owned or leased by the Borrower and financed and/or refinanced in whole or in part with the proceeds of the Line of Credit Loan Agreement.

“Line of Credit Loan Documents” means the Line of Credit Loan Agreement, the Line of Credit

Security Agreement, and all other documents given to evidence, secure or guaranty any obligation of the Borrower to the Existing Lender with respect to the Line of Credit Loan Agreement.

“Line of Credit Security Document” means the security agreement securing the Borrower’s obligations under the Line of Credit Loan Agreement.

“Loan Default Events” means any of the events of default specified as such in the Agreement.

“Moody’s” means Moody’s Investors Service, a corporation organized and existing under the laws of the state of New York, its successors and their assigns, and, if such corporation will be dissolved or liquidated or will no longer perform the functions of a securities rating agency, “Moody’s” will be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer, with the approval of the Borrower.

“Nominee” means the nominee of the Securities Depository, initially Cede & Co., which may be the Securities Depository, or any nominee substituted by the Securities Depository pursuant to the Indenture.

“Opinion of Bond Counsel” means an Opinion of Counsel addressed to the Trustee and the Issuer and delivered by a nationally recognized bond counsel firm experienced in matters relating to the exclusion from gross income for federal income tax purposes of interest payable on obligations of state and political subdivisions.

“Opinion of Counsel” means a written opinion of counsel (who may be counsel for the Issuer) appointed by the Issuer in the case of an Opinion of Bond Counsel and otherwise by the Borrower and acceptable to the Issuer. If and to the extent required by the provisions of the Indenture, each Opinion of Counsel will include the statements provided for in the Indenture.

“Optional Redemption Account” means the account by that name within the Bond Fund established pursuant to the Indenture.

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except (a) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds with respect to which all liability of the Issuer will have been discharged in accordance with the Indenture; and (c) Bonds for the transfer or exchange of which, or in lieu of or in substitution for which, other Bonds will have been authenticated and delivered by the Trustee pursuant to the Indenture.

“Outstanding Balance” of the Bonds, the Line of Credit Facility and the 2016 Loan, respectively and as applicable, when used in the Intercreditor Agreement, means, as of any date for computing such Outstanding Balance the sum of (i) in the case of loans or lines of credit provided by the Bank or the Trustee (as assignee of the Issuer under the Agreement), the principal amount advanced and outstanding under such loan or line of credit on and as of such date and not the stated maximum amount of such line of credit as of such date to the extent not advanced to the Borrower; and (ii) all accrued and unpaid interest due and owing under and with respect to such Bonds, the Line of Credit Facility, and the 2016 Loan

“Participant” means those broker-dealers, banks and other financial institutions from time to time for which the Securities Depository holds Bonds as a securities depository.

“Permitted Encumbrances” means (a) liens arising by reason of good faith deposits in connection with tenders, leases of real estate, bids or contracts (other than contracts for the payment of borrowed money); (b) any lien arising by reason of (X) deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license (including but not limited to the City of Belmont Deed of Trust), or to enable the Borrower to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with workers’ compensation, unemployment insurance, pensions or profit sharing plans or other social security plans or programs, or to share in the privileges or benefits required for corporations participating in such arrangements and (Y) that certain Development Agreement, dated as of June 10, 2016, by and between the Borrower and the City of Belmont, California and such other agreements relating directly thereto; (c) liens arising by reason of good faith deposits made by or to the Borrower in the ordinary course of business (for other than borrowed money), deposits by the Borrower to secure public or statutory obligations or deposits to secure, or in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges; (d) attachment or judgment liens not constituting a default under the Indenture, or any attachment or judgment lien against the Borrower so long as such judgment is being contested in good faith and execution thereon is stayed; (e) rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or provision of law affecting the Property, to: (1) terminate such right, power, franchise, grant, license, or permit, provided, that the exercise of such right would not materially impair the use of such Property in the ordinary course by the Borrower or materially and adversely affect the value thereof, or (2) purchase, condemn appropriate or recapture, or designate a purchaser of, the Property or any portion thereof; (f) liens for taxes, assessments, or similar charges either not yet due or being contested in good faith; (g) liens of materialmen, mechanics, warehousemen, or carriers, or other like liens arising in the ordinary course of business and securing obligations which are not yet delinquent; or which are being contested in good faith for a period no longer than the ninety (90) days after the due date of such lien; (h) easements, rights-of-way, servitudes, restrictions, deed restrictions, oil, gas, or other mineral reservations and other minor defects, encumbrances, and irregularities in the title to the Property which do not materially impair the use of such Property in the ordinary course by the Borrower or materially and adversely affect the value thereof; (i) rights reserved to or vested in any municipality or public authority to control or regulate the Property or to use such Property in any manner, which rights do not materially impair the use of such Property or materially and adversely affect the value thereof, to the extent that it affects title to the Property; (j) liens on property received by the Borrower through gifts, grants or bequests, such liens being due to restrictions on such gifts, grants or bequests or the income thereon, so long as the fair market value of any such property is greater than the amount of the indebtedness secured by the lien on such property; (k) those items described on Exhibit B to the Deed of Trust; (l) the Security Agreement; (m) the liens granted pursuant to the Existing Debt Documents as of the Closing Date, subject in all respects to the Subordination Agreement and the Intercreditor Agreement; and (n) the liens granted in connection with the refunding or refinancing of the Existing Debt so long as such liens are not broader than the liens securing the Existing Debt on the Closing Date and are consistent with the Intercreditor Agreement and the Security Agreement.

“Permitted Remedial Actions” means (a) engage in routine collection activities, such as sending out a default notice regarding the occurrence of a, making telephonic collection calls to the Borrower in the ordinary course of servicing its respective loan and making requests for certain reporting materials; and (b) bring suit (other than Enforcement Actions) against the Borrower or any applicable guarantor for payment of amounts due.

“Person” includes an individual, association, corporation, partnership, limited liability company, joint venture, any entity or a government or an agency or a political subdivision thereof.

“Proceeding” as such term is used in the Intercreditor Agreement means any voluntary or involuntary insolvency, bankruptcy, receivership, custodianship, liquidation, dissolution, reorganization, assignment for the benefit of creditors, appointment of a custodian, receiver, trustee or other officer with similar powers or any other proceeding for the liquidation, dissolution or other winding up of a Person.

“Project” means (a) financing, refinancing and/or reimbursing the Borrower for the costs of the acquisition, construction, improvement and equipping of certain educational facilities of the Borrower, including, but not limited to, seismic strengthening, enhancements to fire sprinklers and fire safety systems, creation of enlarged classrooms and adjacent departmental hubs, enhanced acoustics, lighting and technology, installation of a new elevator and other improvements at the Upper School Campus, located at 400 Uplands Drive, Hillsborough, California 94010 and (b) enhancements to classrooms and other facilities at the Middle School Campus, located at 10 Davis Drive, Belmont, California 94002, and (c) the payment of interest on the Bonds.

“Project Fund” means the fund by that name established pursuant to the Indenture.

“Property” means the Land and the Facilities, with an address commonly known as 400 Uplands Drive, Hillsborough, California 94010.

“Rating Agency” means Moody’s or S&P.

“Rebate Fund” means the fund by that name established pursuant to the Indenture.

“Rebate Requirement” will have the meaning assigned to that term in the Tax Regulatory Agreement.

“Redemption Price” means, with respect to any Bond (or portion thereof), the principal amount of such Bond (or portion thereof) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond and the Indenture.

“Regular Record Date” means the close of business on the 15th calendar day (whether or not a Business Day) of the month immediately preceding each Interest Payment Date.

“Remittance Address” means, (i) for payment of the Issuer’s Annual Fee by check, at the address set forth in the Indenture or at such other address designated by the Issuer as such from time to time, or (ii) for payment of the Issuer’s Annual Fee by wire transfer, by the instructions set forth in the Indenture or by such other instructions designated by the Issuer from time to time.

“Rents” as used in the Deed of Trust means any and all of the rents, revenues, income, proceeds, profits, and receivables, but excluding security and other types of deposits, paid, payable to, or otherwise inuring to the benefit of Borrower pursuant to or in connection with any Leases.

“Representation Letter” means, collectively, the letters, executed by the Issuer and the Trustee and delivered to the Securities Depository, representing such matters as will be necessary to qualify the Bonds for the Securities Depository’s book-entry system.

“Request,” “Written Request,” “Certificate” or “Requisition,” when used with respect to a document of the Borrower, mean, respectively, a request, certificate or requisition of the Borrower executed by any Authorized Borrower Representative.

“Responsible Officer” of the Trustee means and includes the chairman of the board of directors, the president, every senior vice president, every vice president, every assistant vice president, every trust officer and every officer and assistant officer of the Trustee to whom any corporate trust matter is referred because of his or her knowledge of, and familiarity with, a particular subject and who is specifically assigned to administer the duties of the Trustee under the Indenture.

“Retained Rights” means the Issuer’s rights to Additional Payments, any indemnification and the right to receive opinions, certifications, notices, information, inspections, consents and indemnifications pursuant to the Agreement, the Tax Regulatory Agreement, the Indenture and related documents.

“Revenues” means all payments received by the Issuer or the Trustee for the account of the Issuer pursuant or with respect to the Agreement (except Additional Payments), including, without limiting the generality of the foregoing, Base Loan Payments (including both timely and delinquent payments), prepayments of Base Loan Payments, all moneys and investments in the Project Fund, the Bond Fund and the Insurance and Condemnation Fund and any accounts created thereunder, and all income derived from the investment of any moneys in any fund or account established pursuant to the Indenture, but not including amounts received for or on deposit in the Rebate Fund.

“S&P” means S&P Global Ratings, a division of McGraw Hill Financial Inc., a corporation organized and existing under the laws of the State of New York, its successors and their assigns, or, if such corporation will be dissolved, liquidated or will no longer perform the functions of a securities rating agency, “S&P” will be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer, with the approval of the Borrower.

“Security Agreement” means that certain Security Agreement by the Borrower in favor of the Trustee as originally executed or as it may from time to time be supplemented, modified or amended subject to and in accordance with the terms thereof.

“Securities Depository” means The Depository Trust Company, or such other securities depository as the Issuer may designate to the Trustee in writing.

“Senior Loan” means the loan made by the Issuer to the Borrower pursuant to the Agreement.

“Senior Loan Documents” means the Indenture, the Agreement, the Deed of Trust, the Subordination Agreement and any of the other documents evidencing or related to the Tax-Exempt Indebtedness.

“Shared Collateral” means the collateral, each as defined in the UCC to the extent defined therein, serving as collateral under each of the Security Agreement, the Line of Credit Security Agreement and the 2016 Security Agreement, whether relating to or arising from the ownership or operation of the Line of Credit Financed Projects, the Tax-Exempt Financed Projects, the 2016 Project or otherwise, together with proceeds and products thereof, excluding, however, the Tax-Exempt Project Collateral, the Line of Credit Collateral and the Bank Project Collateral.

“Shared Collateral Collections” means: (i) proceeds (including, without limitation, insurance proceeds) received by the Bank and the Trustee on account of the sale, release or other disposition of all or any part of the Shared Collateral; (ii) a distribution, division or application, partial or complete, voluntary or involuntary, by operation of applicable laws or otherwise of all or any part of the Shared Collateral to the Bank and the Trustee or to any indebtedness, liabilities and obligations of the Borrower for any relief under any bankruptcy or insolvency law or other laws, relating to the relief of debtors, readjustment of indebtedness, reorganizations, compositions or extensions

“Special Record Date” means the date established by the Trustee pursuant to the Indenture as a record date for the payment of defaulted interest on Bonds.

“Special Redemption Account” means the account by that name within the Bond Fund established pursuant to the Indenture.

“State” means the State of California.

“Subordination Agreement” means that certain Subordination Agreement pertaining to the Existing Debt Documents, between the Trustee and the Existing Lender, as originally executed or as it may from time to time be supplemented, modified or amended subject to and in accordance with the terms thereof.

“Supplemental Indenture” means any indenture duly authorized and entered into between the Issuer and the Trustee in accordance with the provisions of the Indenture after the date of execution of the Indenture.

“Tax Regulatory Agreement” means the Tax Regulatory Agreement by and between the Issuer and the Borrower together with the Exhibits thereto, including Exhibit A thereto executed by the Underwriter, dated the date of issuance of the Bonds, as the same may be amended or supplemented in accordance with its terms.

“Tax-Exempt Financed Projects” means the educational facilities and other projects owned or leased by the Borrower and financed and/or refinanced in whole or in part with the proceeds of the Bonds.

“Tax-Exempt Indebtedness” as used in the Intercreditor Agreement or the Subordination Agreement is used in its most comprehensive sense and means any and all advances, debts, obligations and liabilities of the Borrower or any related entity to the Trustee under the Bonds and the Bond Documents identified in the Intercreditor Agreement.

“Tax-Exempt Project Collateral” means the real property interests, buildings and other improvements and fixtures owned by the Borrower and located at one or more of the Tax-Exempt Financed Projects, financed with the proceeds of the Tax-Exempt Bonds and pledged to the Trustee under the Tax-Exempt Security Documents, together with all equipment, personal property and other tangible property located at one or more of such Tax-Exempt Financed Projects and pledged thereunder.

“UCC” means the Uniform Commercial Code of the State of California or such other State as may be applicable under the terms of the Security Agreement, the Line of Credit Security Agreement or the 2016 Security Agreement.

“Trustee” means Wilmington Trust, National Association, a national banking association organized and existing under the laws of the United States of America, or its successor as Trustee as provided in the Indenture.

“Trust Estate” means the property pledged, assigned and mortgaged to the Trustee pursuant to the granting clauses in the Indenture.

“Tuition Revenues” means all revenues of the Debtor arising from or arising in any manner with respect to, incident to or on account of tuition and fees derived from the Debtor's operations of its educational facilities and all rights to receive the foregoing, whether now owned or thereafter acquired and whether or not collected by the Debtor and regardless of whether generated in the form of accounts, accounts receivable, contract rights, chattel paper, documents, and all proceeds of the foregoing, whether

cash or noncash. Tuition Revenues will exclude any cash, cash equivalents, investment securities or endowment funds on hand from time to time with the Debtor that do not constitute Tuition Revenues or proceeds thereof.

“Underwriter” means Stifel, Nicolaus & Company, Incorporated.

THE INDENTURE

The following is a brief summary of the Indenture pursuant to which the Bonds will be issued. Such summary is not to be considered a complete statement of the terms and provisions of the Indenture. Reference is made to the Indenture for a complete statement of the terms, provisions and conditions thereof.

Disbursements From and Records of Project Fund

Moneys held in the Project Fund representing proceeds of the sale of the Bonds and moneys transferred to the Project Fund pursuant to the Indenture will be disbursed by the Trustee in accordance with the provisions of the Agreement and the following paragraph to pay the costs of the Project, including to reimburse the Borrower for the payment of such costs. The Trustee is authorized pursuant to the Indenture to make each disbursement required by the provisions of the Agreement.

Notwithstanding any other provision of the Indenture, except with the written consent of the registered owners of a majority in aggregate principal amount of Bonds then Outstanding, no disbursement will be made from the Project Fund or the accounts created therein so long as any Event of Default has occurred and is continuing.

The Trustee will cause to be kept and maintained adequate records pertaining to the Project Fund and all disbursements therefrom. If requested by the Issuer or an Authorized Borrower Representative, the Trustee will file copies of the records pertaining to the Project Fund and all disbursements from such fund with the Issuer and the Borrower. Upon receipt by the Trustee of a certificate from the Borrower stating that the Project has been completed, the Trustee will transfer the remaining funds in the Project Fund constituting Bond proceeds and investment earnings on such proceeds to the Bond Fund. Upon such transfer, the Project Fund will be closed.

Upon the occurrence and continuance of an Event of Default pursuant to the Indenture because of which the principal amount of the Bonds has been declared to be due and payable immediately pursuant to the Indenture, any moneys remaining in the Project Fund will be promptly transferred by the Trustee from the Project Fund to the Bond Fund.

Pledge of Trust Estate

Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture, the Trust Estate is pledged by the Issuer to the Trustee under the Indenture to secure the payment of the principal of and premium, if any, and interest on the Bonds in accordance with their terms and the provisions of the Indenture. Such pledge will be valid and binding from and after delivery of the Bonds, without any physical delivery thereof or further act.

Under the Indenture, the Issuer transfers in trust, grants a security interest in and assigns to the Trustee, for the benefit of the Holders from time to time of the Bonds, all of the Revenues and the remainder of the Trust Estate and all of the right, title and interest of the Issuer in the Agreement (except Retained Rights). The Trustee will be entitled to and will collect and receive all of the Revenues and any other proceeds of the Trust Estate, and any Revenues and other proceeds of the Trust Estate collected or received

by the Issuer will be deemed to be held, and to have been collected or received, by the Issuer as the agent of the Trustee and will forthwith be paid by the Issuer to the Trustee without any set-off whatsoever. The Trustee also will be entitled (subject to the provisions of the Indenture) to take all steps, actions and proceedings reasonably necessary in its judgment to enforce, either jointly with the Issuer or separately, all of the rights of the Issuer assigned to the Trustee and all of the obligations of the Borrower under the Agreement.

All Revenues will be held in trust for the benefit of the Holders from time to time of the Bonds, but nevertheless be disbursed, allocated and applied solely for the uses and purposes set forth in the Indenture.

In accordance with the Indenture, the Trustee, solely as an accommodation to the Borrower, will use its reasonable efforts to provide the Borrower with prior written notice of the amount due on any Interest Payment Date.

If the Borrower fails to make any payment pursuant to the Agreement by the due date for such payment, the Trustee will promptly notify the Borrower of such failure by Electronic Means, and will also notify the Issuer of such failure by written notice (or by Electronic Means if so indicated to the Trustee).

Bond Fund

Upon the receipt thereof, the Trustee will deposit all Revenues into the Bond Fund, which the Trustee will establish and maintain and hold in trust. The Trustee will disburse and apply amounts in the Bond Fund only as authorized in the Indenture on each principal payment date, the Trustee will apply moneys in the Bond Fund to pay the principal of the Bonds as such principal becomes due and payable, and on each interest payment date, the Trustee will apply moneys in the Bond Fund to pay the interest of the Bonds as such interest becomes due and payable. In the event that the Borrower makes a prepayment pursuant to the Agreement and elects pursuant thereto to apply the amount so prepaid to the redemption of Bonds, such prepayment will be forthwith deposited in the Optional Redemption Account or the Special Redemption Account, as applicable, within the Bond Fund which the Trustee will establish and maintain and will be applied thereafter to the redemption of Bonds as promptly as practicable in accordance with the provisions of the Indenture.

At least thirty days before each Interest Payment Date, the Trustee will determine the balance held in the Bond Fund on that date and will give notice to the Borrower of such amount and the amount of the Base Loan Payment due on the next Interest Payment Date. Such notice will be mailed, telecommunicated or delivered in such a manner that the Borrower will receive such notice at such time. The Trustee will use its best efforts to provide the Borrower with notice as provided in this provision of the Indenture; provided, however, failure by the Trustee to give notice pursuant to this provision, or the insufficiency of any such notice, will not affect or diminish the obligations of the Borrower under the Agreement.

Rebate Fund

The Trustee will establish and maintain a fund separate from any other fund established and maintained under the Indenture designated as the "Rebate Fund." Within the Rebate Fund, the Trustee will maintain the accounts required by the Tax Regulatory Agreement. Subject to the transfer provisions set forth in the Indenture, all moneys at any time deposited in the Rebate Fund will be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement (as defined in the Tax Regulatory Agreement), for payment to the federal government of the United States of America. None of the Issuer, the Borrower or the Holders of any Bonds will have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund will be governed by this provision of the Indenture and by the Tax Regulatory Agreement (which is incorporated into the Indenture by reference). The Trustee will be deemed

conclusively to have complied with such provisions if it follows the written directions of the Issuer or the Borrower and will have no liability or responsibility to enforce compliance by the Borrower with the terms of the Tax Regulatory Agreement.

Upon receipt of and pursuant to a Request of the Borrower, an amount will be deposited to the Rebate Fund by the Trustee from deposits by the Borrower or from available investment earnings on amounts held in the Bond Fund if and to the extent required, so that the balance of the Rebate Fund after such deposit will equal the Rebate Requirement. Computations of the Rebate Requirement will be furnished by or on behalf of the Borrower in accordance with the Tax Regulatory Agreement.

The Trustee will have no obligation to rebate any amounts required to be rebated pursuant to this provision of the Indenture, other than from moneys held in the Rebate Fund, or from other moneys provided to it by the Borrower upon written direction of the Borrower.

The Trustee will invest all amounts held in the Rebate Fund in Eligible Securities as specified in a Written Request of the Borrower and, absent such direction and pursuant to the requirements of the Indenture, the Trustee will invest such amounts to the extent practicable in investments described in paragraph (g) of the definition of the term “Eligible Securities.”

Upon receipt of a Request of the Borrower, the Trustee will remit part or all of the balances in the Rebate Fund to the United States, as so directed. In addition, if the Borrower so directs, the Trustee will deposit moneys into or transfer moneys out of the Rebate Fund from or into such accounts or funds as directed in a Written Request of the Borrower. Any funds remaining in the Rebate Fund after redemption and payment of all of the Bonds and payment and satisfaction of any Rebate Requirement, or provision made therefor, and payment of all Additional Payments will be withdrawn and remitted to the Borrower.

Notwithstanding any other provision of the Indenture, including in particular Article X thereof, the obligation to remit the Rebate Requirement to the United States and to comply with all other requirements of the Indenture summarized under this Section of the Indenture and the Tax Regulatory Agreement will survive the defeasance or payment in full of the Bonds and discharge of the Indenture.

Notwithstanding any provision of the Indenture summarized under this Section of the Indenture, if the Borrower will provide to the Issuer and the Trustee an Opinion of Bond Counsel to the effect that any action required under the Indenture pursuant to the provisions summarized under this Section of the Indenture or the Tax Regulatory Agreement is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code, the Issuer and the Trustee may rely conclusively on such opinion in complying with the provisions thereof, and the covenants thereunder will be deemed to be modified to that extent.

Insurance and Condemnation Proceeds Fund

As and when needed, the Trustee will establish, maintain and hold in trust a separate fund designated as the “Insurance and Condemnation Proceeds Fund,” and administer said fund as set forth in the Agreement.

Before any payment from the Insurance and Condemnation Proceeds Fund will be made, the Borrower will file or cause to be filed with the Trustee a Requisition of the Borrower stating: (1) the item number of such payment; (2) the name of the Person to whom each such payment is due, which may be the Borrower in the case of reimbursement for costs of such repair or replacement theretofore paid by the Borrower; (3) the respective amounts to be paid; (4) the purpose by general classification for which each obligation to be paid was incurred; (5) that obligations in the stated amounts have been incurred by the

Borrower and are presently due and payable and that each item thereof is a proper charge against the Insurance and Condemnation Proceeds Fund and has not been previously paid from the Insurance and Condemnation Proceeds Fund; and (6) that there has not been filed with or served upon the Borrower any notice of claim of lien, or attachment upon, or claim affecting the right to receive payment of, any of the amounts payable to any of the persons named in such Requisition, for which adequate security for the payment of such obligation has been posted, or which has not been released or will not be released simultaneously with the payment of such obligation, other than materialmen's or mechanics' liens accruing by mere operation of law.

Upon receipt of a Requisition, the Trustee will pay the amount set forth in such Requisition as directed by the terms thereof out of the Insurance and Condemnation Proceeds Fund. The Trustee may conclusively rely upon such Requisition and will have no responsibility or duty to investigate any of the matters set forth therein. The Trustee will not make any such payment if it has received any written notice of claim of lien, attachment upon, or claim affecting the right to receive payment of, any of the moneys to be so paid, that has not been released or will not be released simultaneously with such payment, unless adequate security for the payment of such obligation has been posted.

When the repair or replacement of damaged, destroyed or taken property will have been completed, the Borrower will deliver to the Trustee a Certificate of the Borrower stating the fact and date of such completion and stating that all of the costs thereof have been determined and paid (or that all of such costs have been paid less specified claims that are subject to dispute and for which a retention in the Insurance and Condemnation Proceeds Fund is to be maintained in the full amount of such claims until such dispute is resolved). Subject to the Agreement, the Borrower will direct the Trustee by said Certificate of the Borrower to transfer any remaining balance in the Insurance and Condemnation Proceeds Fund, less the amount of any such retention, to the Special Redemption Account or, at the election of the Borrower, to the Bond Fund. Upon the disbursement of all moneys in the Insurance and Condemnation Proceeds Fund, such fund will thereafter be closed until such time as such fund is again required to be established pursuant to the Indenture.

Investment of Moneys in Funds

Except as otherwise provided in the Indenture, all moneys in any of the funds and accounts (other than the Rebate Fund) established pursuant to the Indenture will be invested by the Trustee solely in such Eligible Securities as are specified in a Request of the Borrower, which Request of the Borrower will state that such investment is an Eligible Security as required by the Indenture, provided, however, that, if the Borrower does not file such a Request with the Trustee by noon of the second Business Day preceding the day when investments are to be made, the Trustee will invest to the extent practicable in investments described in clause (g) of the definition of the term "Eligible Securities"; provided, however, that any such investment will be made by the Trustee only if, prior to the date on which such investment is to be made, the Borrower will have directed in writing specifying a specific money market fund and, if no such request in writing by the Borrower is so received, the Trustee will hold such moneys uninvested.

All interest, profits and other income received from the investment of moneys within the Rebate Fund will be credited to the Rebate Fund. All interest, profits and other income received from the investment of moneys within the Costs of Issuance Fund will be credited to the Bond Fund for payment of principal and interest on the Bonds. Except as otherwise provided in written instructions by the Borrower which will be provided in accordance with the Tax Regulatory Agreement, all interest, profits and other income received from the investment of moneys in any other fund or account established under the Indenture will be credited to the Bond Fund.

Subject to the Indenture, investments in any and all funds and accounts established pursuant to the Indenture (other than the Rebate Fund) may be commingled for purposes of making, holding and disposing of investments, notwithstanding provisions in the Indenture for transfer to or holding in a particular fund amounts received or held by the Trustee under the Indenture, provided that the Trustee will at all times account for such investments strictly in accordance with the particular funds to which they are credited and otherwise as provided in the Indenture. The Trustee or an affiliate of the Trustee may act as principal or agent in the making or disposing of any investment and will be entitled to its customary fee therefor. The Trustee or its affiliates may act as sponsor, advisor or depository with regard to any Eligible Security. The Trustee may sell or present for redemption, any securities so purchased whenever it will be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such securities is credited, and the Trustee will not be liable or responsible for any loss resulting from such investment. To the extent that Eligible Securities are registrable securities, such Eligible Securities will be registered in the name of the Trustee for the benefit of the Holders and held by the Trustee.

The Issuer (and the Borrower by its execution of the Agreement) acknowledge that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grants the Issuer and the Borrower the right to receive brokerage confirmations of security transactions as they occur, the Issuer and the Borrower specifically waive receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Issuer and the Borrower monthly cash transaction statements which include detail for all investment transactions made by the Trustee under the Indenture.

The Trustee is authorized, in making or disposing of any investment permitted by the Indenture, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or any such affiliate is acting as agent of the Trustee or for any third person or dealing as principal for its own account. The Trustee will sell, or present for prepayment, any Eligible Security so purchased by the Trustee whenever it will be necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Eligible Security is credited, and the Trustee will not be liable or responsible for any loss resulting from such investment.

Covenants

Punctual Payment. The Issuer will punctually pay, but only out of Revenues and pledged funds as provided for in the Indenture, the principal, premium, if any, and interest to become due in respect of every Bond issued under the Indenture at the times and places and in the manner provided for in the Indenture and in the Bonds, according to the true intent and meaning thereof.

Extension of Payment of Bonds. The Issuer will not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any of the claims for interest by the purchase of such Bonds or claims for interest or by any other arrangement except with the written consent of all Bondholders.

Encumbrance Upon Trust Estate. The Issuer will not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Trust Estate and other assets pledged or assigned under the Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by the Indenture. Subject to this limitation, the Issuer expressly reserves the right to enter into one or more other indentures for any of its public purposes, including other economic development projects under the Act, and reserves the right to issue other obligations for such purposes.

Power to Issue Bonds and Make Pledge and Assignment. The Issuer is duly authorized pursuant to the Act to issue the Bonds and to enter into the Indenture and to pledge and assign the Trust Estate and

other assets purported to be pledged and assigned, respectively, under the Indenture in the manner and to the extent provided in the Indenture. The Bonds and the provisions of the Indenture are and will be the valid and binding limited obligations of the Issuer enforceable in accordance with their terms, and the Issuer and Trustee will at all times, to the extent permitted by law, subject to the provisions of the Indenture, upon provision of adequate indemnity, defend, preserve and protect said pledge and assignment of Trust Estate and other assets and all the rights of the Bondholders under the Indenture against all claims and demands of all persons whomsoever.

Accounting Records and Financial Statements. The Trustee will at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with the Trustee's accounting practices for books of record and account relating to similar trust accounts and in accordance with the customary standards of the corporate trust industry for such books of record and account, in which complete and accurate entries will be made of all transactions made by it relating to the proceeds of Bonds, the Trust Estate, the Agreement and the Indenture and all funds and accounts established pursuant to the Indenture. Such books of record and account will be available for inspection by the Issuer, the Borrower and any Bondholder, or his agent or representative duly authorized in writing, at reasonable hours, upon reasonable notice and under reasonable circumstances. The Trustee will maintain the records described in this paragraph until six years after the first date upon which no Bond is Outstanding. The Trustee will furnish to the Borrower monthly and to the Issuer upon request, a complete financial statement (which may be in the form of its regular statements) covering receipts, disbursements, allocation and application of Revenues and the proceeds of the Bonds made by the Trustee; provided that the Trustee will not be obligated to deliver an accounting for any fund or account that (i) has a balance of zero, and (ii) has not had any activity since the last reporting date.

Tax Covenants Relating to the Bonds. The Issuer will at all times do and perform all acts and things permitted by law and the Indenture that are necessary or desirable in order to assure that interest paid on the Bonds will be excluded from gross income for purposes of federal income taxes and will take no action that would result in such interest not being excluded from gross income for federal income taxes. Without limiting the generality of the foregoing, the Issuer agrees to comply with the provisions of the Tax Regulatory Agreement. This covenant will survive payment in full or defeasance of the Bonds.

Amendment of Agreement. The Issuer will not amend, modify or terminate any of the terms of the Agreement, or consent to any such amendment, modification or termination, without the prior written consent of the Trustee. The Trustee will give such written consent if but only if (a) it has received an Opinion of Bond Counsel to the effect that such amendment or modification will not materially and adversely affect the interests of the Holders of the Bonds (which written representation may be based on representations of other parties in accordance with the provisions of the Indenture); or (b) the Holders of a majority in aggregate principal amount of the Bonds then Outstanding consent in writing to such amendment, modification or termination, provided that no such amendment, modification or termination will (i) reduce the amount of Base Loan Payments to be made to the Issuer or the Trustee by the Borrower pursuant to the Agreement, or extend the time for making such payments, without the written consent of all of the Holders of the Bonds then Outstanding for which such payments have been reduced or extended or (ii) permit the creation of a lien ranking prior to or on a parity with the lien of the Deed of Trust or Security Agreement or the lien the Trust Estate under the Indenture, or terminate the lien of the Deed of Trust or Security Agreement or of the Indenture on any other property at any time subject thereto, or deprive the holders of the Bonds of the security afforded by the lien of the Deed of Trust or Security Agreement or the Indenture, in each case without the consent of Holders of all Bonds then Outstanding affected thereby. The Trustee will deliver a copy of such amendment as executed to any Rating Agency then rating the Bonds promptly after execution by the Issuer and the Borrower.

Waiver of Laws; Staying or Extending Time. The Issuer will not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension of law now or at any time after the date of execution of the Indenture in force that may affect the covenants and agreements contained in the Indenture or in the Bonds, and all benefit or advantage of any such law or laws is expressly waived by the Issuer under the Indenture to the extent permitted by law.

Further Assurances. The Issuer will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture and for the better assuring and confirming unto the Holders of the Bonds the rights and benefits provided in the Indenture.

Continuing Disclosure. Pursuant to the Agreement, the Borrower has covenanted and agreed that it will comply with the Continuing Disclosure Agreement. The Issuer will have no obligation or liability to the Bondholders or any other person with respect to continuing disclosure matters. Notwithstanding any other provision of the Indenture, failure of the Borrower to comply with the Continuing Disclosure Agreement will not be an Event of Default; however, the Trustee may and will take, at the request of the Holders of at least 25% aggregate principal amount of Outstanding Bonds, upon receipt of satisfactory indemnification, such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Borrower to comply with its obligations under the Agreement and under the Continuing Disclosure Agreement.

Events of Default and Remedies

Events of Default, Acceleration, Waiver of Default. Each of the following events which has occurred and is continuing will constitute an “Event of Default” under the Indenture:

(a) default in the due and punctual payment of the principal of, or premium, if any, on, any Bond when and as the same will become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise;

(b) default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment will become due and payable;

(c) failure by the Issuer in the performance or observance of any other of the covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, and continuance of such failure for a period of 60 days after written notice thereof, specifying such failure and requiring the same to be remedied, will have been given to the Issuer and the Borrower by the Trustee, or to the Issuer, the Trustee and the Borrower by the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding;

(d) the occurrence and continuance of an Event of Default under the Deed of Trust or the Security Agreement;

(e) (i) the Subordination Agreement or the Intercreditor Agreement or any provisions thereof, for any reason, are revoked or determined to be invalid or otherwise cease to be in full force and effect, (ii) the Borrower contests in any manner, or any party to the Subordination Agreement or the Intercreditor Agreement other than the Trustee contests in any judicial proceeding, the validity or enforceability of the Subordination Agreement or the Intercreditor Agreement or denies that it has any further liability or obligation thereunder, or (iii) the Bonds, for any reason, are determined not have the priority contemplated by the Subordination Agreement or the Intercreditor Agreement; or

- (f) the occurrence and continuance of a Loan Default Event.

If a failure by the Issuer specified in subsection (c) above will be such that it cannot be corrected within the applicable 60-day period, such failure will not constitute an Event of Default if corrective action is instituted by the Issuer within the applicable period and diligently pursued.

During the continuance of an Event of Default, unless the principal of all the Bonds will have already become due and payable, the Trustee may, and upon the written request of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, and upon receipt of indemnification satisfactory to it, will, by notice in writing to the Issuer and the Borrower, promptly declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same will become and will be immediately due and payable, anything in the Indenture or in the Bonds contained to the contrary notwithstanding. Interest on the Bonds will cease to accrue as of the date of acceleration. The Trustee will promptly notify the Bondholders of the date of acceleration and the cessation of accrual of interest on the Bonds in the same manner as for a notice of redemption. The Trustee will also provide notice of acceleration to any Rating Agency then rating the Bonds.

Institution of Legal Proceedings by Trustee. If one or more Events of Default will happen and be continuing, the Trustee in its discretion may, and upon the written request of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, will, proceed to protect or enforce its rights or the rights of the Holders of Bonds under the Act or under the Agreement, the Deed of Trust, the Security Agreement, the Subordination Agreement, the Intercreditor Agreement, or the Indenture by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained in the Indenture, or in aid of the execution of any power granted in the Indenture, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee will deem most effectual in support of any of its rights or duties under the Indenture.

Application of Moneys Collected by Trustee. Any moneys collected by the Trustee pursuant to the provisions of the Indenture described under this heading entitled “Events of Default and Remedies” will be applied in the following order, at the date or dates fixed by the Trustee and, in the case of distribution of such moneys on account of principal (or premium, if any), upon presentation of the Bonds, and stamping thereon the payment, if only partially paid, and upon surrender thereof, if fully paid:

FIRST, to the payment of costs and expenses of collection and compensation to the Trustee for its own services and for the services of counsel, agents and employees by it properly engaged and employed, and all other costs, expenses and liabilities incurred by it under the Indenture, and for advances made pursuant to the applicable provisions of the Indenture;

SECOND, in case the principal of none of the Bonds will have become due and remains unpaid, to the payment of interest in default, such payments to be made ratably and proportionately to the persons entitled thereto without discrimination or preference; and

THIRD, in case the principal of any of the Bonds will have become due by declaration or otherwise and remains unpaid, first to the payment of interest in default in the order of maturity thereof, and then to the payment of the principal of all Bonds then due and unpaid and the premium thereon, if any; in every instance such payment to be made ratably to the persons entitled thereto without discrimination or preference.

Whenever moneys are to be applied as aforesaid, such moneys will be applied at such times, and from time to time, as the Trustee will determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee will apply such funds, it will fix the date (which will be an Interest Payment Date unless the Trustee will deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal and past-due interest to be paid on such date will cease to accrue.

Effect of Delay or Omission to Pursue Remedy. No delay or omission of the Trustee or of any Holder of Bonds to exercise any right or power arising from any default will impair any such right or power or will be construed to be a waiver of any such default or acquiescence therein, and every power and remedy given by the Indenture to the Trustee or to the Holders of Bonds may be exercised from time to time, and as often as will be deemed expedient. In case the Trustee will have proceeded to enforce any right under the Indenture, and such proceedings will have been discontinued or abandoned because of waiver or for any other reason, or will have been determined adversely to the Trustee, then and in every such case the Issuer, the Trustee and the Holders of the Bonds, severally and respectively, will be restored to their former positions and rights thereunder in respect to the Trust Estate; and all remedies, rights and powers of the Issuer, the Trustee and the Holders of the Bonds will continue as though no such proceedings had been taken.

Remedies Cumulative. No remedy conferred upon or reserved to the Trustee or to any Holder of the Bonds in the Indenture is intended to be exclusive of any other remedy, but each and every such remedy will be cumulative and will be in addition to every other remedy given thereunder or now or thereafter existing at law or in equity.

Covenant to Pay Bonds in Event of Default. The Issuer covenants that, upon the happening of any Event of Default, the Issuer will pay, but only out of the Revenues and other proceeds of the Trust Estate and the other funds provided in the Indenture therefor, to the Trustee, upon demand, for the benefit of the Holders of the Bonds, the whole amount then due and payable thereon (by declaration or otherwise) for interest or for principal and premium, or both, as the case may be, and all other sums which may be due thereunder or secured thereby, including compensation to the Trustee and its agents and counsel and any expenses or liabilities incurred by the Trustee thereunder and its agents and counsel. In case the Issuer will fail to pay the same forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, will be entitled to institute proceedings at law or in equity in any court of competent jurisdiction to recover judgment for the whole amount due and unpaid, together with costs and reasonable attorneys' fees, subject, however, to the condition that such judgment, if any, will be limited to, and payable solely out of, Revenues and other proceeds of the Trust Estate as provided in the Indenture and not otherwise. The Trustee will be entitled to recover such judgment as aforesaid, before or after or during the pendency of any proceedings for the enforcement of the Indenture, and the right of the Trustee to recover such judgment will not be affected by the exercise of any other right, power or remedy for the enforcement of the provisions of the Indenture.

Power of Trustee to Control Proceedings. Subject to the provisions of the Indenture described under the heading "Limitation on Bondholders' Right to Sue", in the event that the Trustee, upon the happening of an Event of Default, will have taken some action, by judicial proceedings or otherwise, pursuant to its duties under the Indenture, whether upon its own discretion or upon the request of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding it will have full power, in the exercise of its discretion for the best interests of the Holders of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee will not, unless there no longer continues an Event of Default under the Indenture, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in

equity, if at the time there has been filed with it a written request signed by the Holders of at least a majority in aggregate principal amount of the Bonds Outstanding thereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

Limitation on Bondholders' Right to Sue. Notwithstanding any other provision of the Indenture, no Holder of any Bond issued thereunder will have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture unless (a) such Holder will have previously given to the Trustee written notice of the occurrence of an Event of Default thereunder; (b) the Holders of at least a majority in aggregate principal amount of all the Bonds then Outstanding will have made written request upon the Trustee to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name; (c) said Holders will have tendered to the Trustee indemnity satisfactory to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee will have refused or omitted to comply with such request for a period of 60 days after such written request will have been received by, and said tender of indemnity will have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are declared under the Indenture, in every case, to be conditions precedent to the exercise by any Holder of Bonds of any remedy thereunder; it being understood and intended that no one or more Holders of Bonds will have any right in any manner whatever by his or their action to enforce any right under the Indenture, except in the manner provided for in the Indenture, and that all proceedings at law or in equity to enforce any provision of the Indenture will be instituted, had and maintained in the manner provided for in the Indenture and for the equal benefit of all Holders of the Outstanding Bonds.

The right of any Holder of any Bond to receive payment of the principal of and premium, if any, and interest on such Bond out of Revenues and other proceeds of the Trust Estate and the funds pledged in the Indenture, as provided for in the Indenture, on and after the respective due dates expressed in such Bond, or to institute suit for the enforcement of any such payment on or after such respective dates, will not be impaired or affected without the consent of such Holder, notwithstanding any provisions of the Indenture.

Modification of Indenture and Amendments of the Deed of Trust and Security Agreement

Modification Without Consent of Bondholders. Subject to the conditions and restrictions in the Indenture contained, the Issuer and the Trustee, from time to time and at any time, may enter into an indenture or indentures supplemental thereto, which indenture or indentures thereafter will form a part thereof, including, without limitation, for one or more of the following purposes; provided that the Issuer and the Trustee will have received the written consent of the Borrower and an Opinion of Bond Counsel to the effect that such amendment or modification will not cause interest on the Bonds to be included in the gross income of the Holders thereof for federal income tax purposes:

(a) to add to the covenants and agreements of the Issuer in the Indenture contained, other covenants and agreements thereafter to be observed, or to assign or pledge additional security for the Bonds, or to surrender any right or power reserved to or conferred upon the Issuer under the Indenture;

(b) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing, correcting or supplementing any defective provision, contained in the Indenture, or in regard to such matters or questions arising under the Indenture as the Issuer may deem necessary or desirable and not inconsistent with the Indenture;

(c) to modify, amend or supplement the Indenture or any indenture supplemental thereto in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939 or any similar federal statute in effect, and, if they so determine, to add to the Indenture or any indenture supplemental

thereto such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute;

(d) in connection with an amendment of the Agreement permitted by the Indenture for the purpose of conforming the terms, conditions and covenants of the Indenture to the corresponding or related provisions of such amended Agreement; or

(e) to conform to the terms and provisions of any credit enhancement for the Bonds or to obtain or maintain a rating on the Bonds.

Any supplemental indenture authorized by the provisions of the Indenture may be executed by the Issuer and the Trustee without the consent of the Holders of any of the Bonds, notwithstanding any of the provisions of the Indenture, but the Trustee will not be obligated to enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under the Indenture or otherwise.

The Trustee will deliver an executed copy of any supplemental indenture authorized by the Indenture to any Rating Agency then rating the Bonds promptly after execution by the Issuer and the Trustee.

Modification with Consent of Borrower and Bondholders. With the written consent of the Borrower and the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, the Issuer and the Trustee may from time to time and at any time, with an Opinion of Bond Counsel addressed to the Issuer and the Trustee to the effect that such amendment or modification will not cause interest on the Bonds to be included in the gross income of the Holders thereof for federal income tax purposes, enter into an indenture or indentures supplemental thereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture; provided, however, that no such supplemental indenture will (a) extend the fixed maturity of any Bonds or reduce the rate of interest thereon or extend the time of payment of interest, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof without the consent of the Holder(s) of such Bond(s); or (b) permit the creation of a lien ranking prior to or on a parity with the lien of the Deed of Trust or Security Agreement or the lien the Trust Estate under the Indenture, or terminate the lien of the Deed of Trust or Security Agreement or of the Indenture on any other property at any time subject thereto, or deprive the holders of the Bonds of the security afforded by the lien of the Deed of Trust or Security Agreement or the Indenture, in each case without the consent of Holders of all Bonds then Outstanding affected thereby or (c) reduce the aforesaid percentage of Holders of Bonds whose consent is required for the execution of such supplemental indentures, without the consent of the Holders of all the Bonds then Outstanding. Upon receipt by the Trustee of a Certificate of the Issuer authorizing the execution of any such supplemental indenture, and upon the filing with the Trustee of evidence of the consent of the Borrower and the requisite Bondholders, as aforesaid, the Trustee will join with the Issuer in the execution of such supplemental indenture unless such supplemental indenture affects the Trustee's own rights, duties or immunities under the Indenture or otherwise, in which case the Trustee may in its discretion, but will not be obligated to, enter into such supplemental indenture.

It will not be necessary for the consent of the Borrower and the requisite Bondholders under this Section in the Indenture to approve the particular form of any proposed supplemental indenture, but it will be sufficient if such consent will approve the substance thereof.

Promptly after the execution by the Issuer and the Trustee of any supplemental indenture pursuant to the provisions of the section of the Indenture described under this heading, the Trustee will deliver a notice, setting forth in general terms the substance of such supplemental indenture, to the Borrower, the Rating Agencies and the Bondholders at the addresses shown on the Bond Register. Any failure of the

Trustee to give such notice, or any defect therein, will not, however, in any way impair or affect the validity of any such supplemental indenture.

Amendments of the Deed of Trust or Security Agreement Not Requiring Consent. The Trustee may, without the consent of or notice to the Bondholders, enter into or otherwise consent to any amendment, change, modification, or termination of the Deed of Trust or the Security Agreement as may be required (a) by the provisions of the Deed of Trust or Security Agreement or the Indenture, or (b) for the purpose of curing any ambiguity or formal defect or omission.

Amendments of the Deed of Trust and Security Agreement Requiring Consent. Except for the amendments, changes or modifications referred to in the Indenture, the Trustee will not enter into or otherwise consent to any other amendment, change, modification, or termination of the Deed of Trust or the Security Agreement unless (a) it has received an Opinion of Bond Counsel to the effect that such amendment, change, modification, or termination will not materially and adversely affect the interests of the Holders of the Bonds (which written representation may be based on representations of other parties in accordance with the provisions of the Indenture); or (b) the Holders of a majority in aggregate principal amount of the Bonds then Outstanding consent in writing to such amendment, change, modification or termination, provided that no such amendment, change, modification or termination will permit the creation of a lien ranking prior to or on a parity with the lien of the Deed of Trust or the Security Agreement, or terminate the lien of the Deed of Trust or the Security Agreement, or deprive the holders of the Bonds of the security afforded by the lien of the Deed of Trust or the Security Agreement, in each case without the consent of Holders of all Bonds then Outstanding affected thereby. In connection with any such amendment, change, modification, or termination, the notice and consent provisions of the Indenture will apply as if it were an amendment or supplement to the Indenture. If at any time the Borrower will request the consent of the Trustee to any such proposed amendment, change or modification of the Deed of Trust or Security Agreement, the Trustee will, upon being reasonably indemnified by the Borrower with respect to expenses, cause notice of such proposed amendment, change or modification to be given in the same manner as provided in the Indenture. Such notice will briefly set forth the nature of such proposed amendment, change or modification and will state that copies of the instrument embodying the same are on file at the designated office of the Trustee for inspection by all Bondholders. Within 60 days following the mailing of such notice, the Trustee must receive the written consent and approval of the Bondholders of the requisite principal amount of the Bonds then Outstanding to the execution of any such amendment, change or modification.

Defeasance

Discharge of Indenture. Bonds may be paid by the Issuer in any of the following ways, provided that the Issuer also causes to be paid any other sums payable under the Indenture by the Borrower or the Issuer, including the payment of Additional Payments: (a) by paying or causing to be paid the principal of and premium, if any, and interest on the Bonds Outstanding, as and when the same become due and payable; (b) by depositing with the Trustee, in trust, at or before maturity, moneys or securities in the necessary amount to pay or redeem Bonds Outstanding; or (c) by delivering to the Trustee, for cancellation by it, all Bonds Outstanding. If the Issuer will cause to be paid all Bonds then Outstanding as provided above and will also cause to be paid all other sums payable under the Indenture, including, without limitation, any Rebate Requirement to be paid pursuant to the Tax Regulatory Agreement, and notwithstanding that any Bonds will not have been surrendered for payment, the Indenture and the pledge of the Trust Estate made under the Indenture and all covenants, agreements and other obligations of the Issuer under the Indenture will cease, terminate, become void and be completely discharged and satisfied, except only as provided in the Indenture. In such event, upon request of the Issuer, the Trustee will cause an accounting for such period or periods as may be requested by the Issuer to be prepared and filed with the Issuer and will execute and deliver to the Issuer all such instruments as may be necessary or desirable to evidence such discharge

and satisfaction, and the Trustee will pay over, transfer, assign or deliver all moneys or securities or other property held by it pursuant to the Indenture which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption, and which are not required for the payment of fees and expenses of the Trustee, to the Borrower.

Discharge of Liability on Bonds. Upon the deposit with the Trustee, in trust, at or before maturity, of moneys or securities in the necessary amount (as provided in the Indenture) to pay or redeem any Outstanding Bond, whether upon or prior to its maturity or the redemption date of such Bond (provided that, if such Bond is to be redeemed prior to the maturity thereof, notice of such redemption will have been given as in the Indenture provided or provision satisfactory to the Trustee will have been made for the giving of such notice), then all liability of the Issuer in respect of such Bond will cease, terminate and be completely discharged, except only that thereafter the Holder thereof will be entitled to payment of the principal of, premium, if any, and interest on such Bond by the Issuer, and the Issuer will remain liable for such payment but only out of the money or securities deposited with the Trustee as aforesaid for its payment; provided further, however, that the provisions of the Indenture will apply in all events. The Issuer or the Borrower may at any time surrender to the Trustee for cancellation by it any Bonds previously issued and delivered, which the Issuer or the Borrower may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, will be deemed to be paid and retired.

Deposit of Money or Securities with Trustee. Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee moneys or securities in the amount necessary to pay or redeem any Bonds, the moneys or securities so to be deposited or held may include moneys or securities held by the Trustee in the funds established pursuant to the Indenture and will be: lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption will have been given or provision satisfactory to the Trustee will have been made for the giving of such notice, the amount to be deposited or held will be the principal amount of such Bonds and all unpaid interest thereon to the redemption date, together with the redemption premium, if any; or (1) noncallable direct obligations of the United States of America (including, without limitation, obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America (including without limitation the interest component of Resolution Funding Corporation strips for which separation of principal and interest is made by request to the Federal Reserve Bank of New York in book-entry form) or (2) securities the interest on which is excludable from gross income for federal tax purposes which have been advance refunded pursuant to the Code for which a nationally recognized rating service is maintaining a rating equal to the rating of a direct obligation of the United States of America and the principal of and interest on which when due will provide money sufficient to pay the principal of, and premium, if any, and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal, and premium, if any, and interest become due, provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption will have been given as provided or provision satisfactory to the Trustee will have been made for the giving of such notice; provided, in each case, that the Trustee will have been irrevocably instructed (by the terms of the Indenture) to apply such money to the payment of such principal, premium, if any, and interest with respect to such Bonds and provided, further, that the Issuer, and the Trustee will have received (1) an Opinion of Bond Counsel to the effect that such deposit will not cause interest on the Bonds to be included in the gross income of the Holders thereof for federal income tax purposes, and (2) a verification report of a firm of certified public accountants or other financial services firm acceptable to the Issuer verifying that the money or securities so deposited together with earnings thereon will be sufficient to make all payments of principal of and premium, if any, and interest on the Bonds to be discharged to and including the earlier of their respective maturity dates or the date they are to be redeemed.

Payment of Bonds after Discharge of Indenture. Notwithstanding any provision of the Indenture, and subject to applicable escheat laws, any moneys held by the Trustee in trust for the payment of the principal of, premium, if any, or interest on any Bonds and remaining unclaimed for two years after such amount has become due and payable (whether at maturity or upon call for redemption or by declaration as provided in the Indenture), if such moneys were so held at such date, or two years after the date of deposit of such moneys if deposited after said date when such amount became due and payable, will be repaid to the Borrower free from the trusts created by the Indenture, upon receipt of an indemnification agreement acceptable to the Issuer and the Trustee indemnifying the Issuer and the Trustee with respect to claims of Holders which have not yet been paid, and all liability of the Trustee and the Issuer with respect to such moneys will thereupon cease and thereafter holders will solely be entitled as unsecured creditors to payment from the Borrower; provided, however, that before the repayment of such moneys to the Borrower as aforesaid, the Trustee may (at the cost of the Borrower) first deliver to the Holders which have not yet been paid, at the addresses shown on the Bond Register, a notice, in such form as may be deemed appropriate by the Trustee with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Borrower of the moneys held for the payment thereof.

Money Held for Particular Bonds

The money held by the Trustee for the payment of the interest, premium, if any, principal or Redemption Price due on any date with respect to particular Bonds (or portions of Bonds in the case of Bonds redeemed in part only) will, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Holders of the Bonds entitled thereto, subject, however, to the provisions of the Indenture summarized under the heading “Payment of Bonds after Discharge of Indenture.”

LOAN AGREEMENT

The following briefly summarizes certain of the terms and provision of the Agreement. Such summary is not to be considered a complete statement of the terms and provisions of such Agreement. Reference is made to the Agreement for a complete statement of the terms, provisions and conditions thereof.

Representations and Warranties of the Borrower

The Borrower makes the following representations and warranties to the Issuer:

(a) The Borrower is a nonprofit public benefit corporation duly incorporated and in good standing under the laws of the State, has the requisite legal right, power and authority to enter into and deliver each of the Borrower Documents and to carry out and consummate all transactions contemplated by each of the Borrower Documents, and by proper corporate action has duly authorized the execution and delivery of each of the Borrower Documents.

(b) The execution and delivery of each of the Borrower Documents and the consummation of the transactions therein contemplated will not conflict with or constitute a breach of or default under the articles of incorporation of the Borrower, its bylaws, any law or administrative rule or regulation applicable to the Borrower, any court or administrative decree or order applicable to the Borrower or any material loan agreement, bond, debenture, note or other evidence of indebtedness or any material contract, agreement or lease to which the Borrower is a party, which conflict, breach or default would materially adversely affect the assets, operations or financial condition of the Borrower.

(c) There are no actions, suits or proceedings which have been served on the Borrower or, to the knowledge of the Borrower, are otherwise pending or threatened against the Borrower, which, if determined adversely to the Borrower, would result in a material adverse change in the assets, operations or financial condition of the Borrower, and the Borrower is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or governmental agency which default might have consequences that would materially and adversely affect the assets, operations or financial condition of the Borrower. The Borrower owns or has valid right or license to use all of the premises which are material to its operations. The Borrower has good and marketable title to all of the real property comprising the Property.

(d) The Borrower is an organization described in Section 501(c)(3) of the Code, and is exempt from federal income tax under Section 501(a) of such Code, except with respect to any unrelated business income of the Borrower, which income is not expected to result from the consummation of any transaction contemplated by the Agreement. The Borrower is not a private foundation within the meaning of Section 509(a) of the Code, and the Borrower at all times will maintain its status as an organization described in Section 501(c)(3) of the Code and its exemption from federal income tax under Section 501(a) of the Code or corresponding provisions of future federal income tax laws. The facts and circumstances which formed the basis of the Borrower's status as an organization described in Section 501(c)(3) of the Code as represented to the Internal Revenue Service continue substantially to exist. To the best knowledge of the Borrower, no proceedings are pending or threatened in any way contesting or affecting the Borrower's status as an organization described in Section 501(c)(3) of the Code.

(e) The audited statement of financial position of the Borrower at June 30, 2024, and the related statements of activities and cash flows for the year ended on such date, including the related footnotes (copies of which, audited by independent certified public accountants, have been furnished to the Issuer), fairly state the financial position of the Borrower at the last day of said Fiscal Year and the changes in net assets for the year ended on such date in accordance with generally accepted accounting principles, consistently applied, and since June 30, 2024 there has been no material adverse change in the assets, operations or financial condition of the Borrower.

(f) To the best knowledge of the Borrower, no written information, exhibit or report containing current or historical information which was furnished to the Issuer or the Underwriter by the Borrower, taken together, contains an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading, and the information pertaining to the Borrower and the Project in the Official Statement does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(g) The Borrower is in compliance with all laws, ordinances, governmental rules and regulations to which it is subject and which are material to its properties, operations, finances or status as an organization described in Section 501(c)(3) of the Code.

(h) The Borrower has obtained, or reasonably expects to obtain when and as required, all licenses, permits, franchises or other governmental authorizations necessary and material to the ownership of its property or to the conduct of its activities, and to the development and operation of the Project, and agrees to obtain all such licenses, permits, franchises or other governmental authorizations as may be required in the future for its operations in all cases where failure to obtain such licenses, permits, franchises or other governmental authorizations could reasonably be expected to materially and adversely affect the condition (financial or otherwise) of the Borrower or its ability to perform its obligations under the Borrower Documents.

(i) The Borrower has good and marketable fee title in the Property, free and clear from all encumbrances other than Permitted Encumbrances. The Borrower enjoys the peaceable and undisturbed possession of all real and personal property which is material to its operation. The Borrower has furnished to the Issuer and the Underwriter a description of the Project at the Property as described in Exhibit A of the Agreement and such information is complete and accurate.

(j) As of the date of the Agreement, the Borrower is in compliance in all material respects with ERISA and other laws to the extent applicable thereto.

(k) The officers of the Borrower executing the Borrower Documents are duly and properly empowered and fully authorized to execute the same.

(l) Each of the Borrower Documents has been duly authorized, executed and delivered by the Borrower and (i) the Agreement, when assigned to the Trustee pursuant to the Indenture, the Deed of Trust, and the Security Agreement, will each constitute the legal, valid and binding agreement of the Borrower with the Trustee enforceable against the Borrower in accordance with its terms for the benefit of the Holders of the Bonds, except as enforcement may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles if equitable remedies are sought; and (ii) the Tax Regulatory Agreement and the Continuing Disclosure Agreement, and any rights of the Issuer and obligations of the Borrower thereunder, constitute the legal, valid, and binding agreements of the Borrower with the Issuer enforceable against the Borrower in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles if equitable remedies are sought.

(m) No consent or approval of any trustee or holder of any indebtedness of the Borrower, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of the Borrower Documents or the consummation of any transaction contemplated thereby, except as have been obtained or made and as are in full force and effect, including, but not limited to, those pertaining to the Existing Debt Documents.

(n) All tax returns (federal, state and local) required to be filed by or on behalf of the Borrower have been filed, and all taxes shown thereon to be due, including interest and penalties except such, if any, as are being actively contested by the Borrower in good faith, have been paid or adequate reserves have been made for the payment thereof, which reserves, if any, are reflected in the financial statements described in subsection (e) above.

(o) The Agreement, when assigned to the Trustee pursuant to the Indenture, will constitute the legal, valid and binding agreement of the Borrower to the Trustee enforceable against the Borrower in accordance with its terms for the benefit of the Holders of the Bonds, and the Retained Rights of the Issuer and obligations of the Borrower not so assigned to the Trustee constitute the legal, valid, and binding agreements of the Borrower to the Trustee enforceable against the Borrower in accordance with their terms and the terms of the Indenture; except as enforcement may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles if equitable remedies are sought.

Representations and Warranties of the Issuer

The Issuer makes the following representations and warranties to the Borrower:

(a) The Issuer is a joint exercise of powers authority duly created and existing under the laws of the State. Under the provisions of the Act, the Issuer has the power to enter into the transactions contemplated by the Agreement and the Indenture and to carry out its obligations under the Agreement and under the Indenture. By proper action, the Issuer is duly authorized to execute, deliver and perform its obligations under the Agreement and the Indenture.

(b) To the current actual knowledge of the Issuer, the execution and delivery of the Agreement and the Indenture and the consummation by the Issuer of the transactions contemplated in the Agreement and the Indenture will not in any material respect conflict with or constitute on the part of the Issuer a material breach of or default under any agreement or other instrument to which the Issuer is a party or by which it is bound or any existing law, regulation, court order or consent decree to which it is subject which breach or default would have a material adverse effect on the Issuer's ability to perform its obligations under the Indenture or the Agreement.

(c) The Agreement and the Indenture, when executed by the Issuer, and assuming due execution on the part of the other parties thereto, will constitute the valid and binding agreements of the Issuer enforceable against the Issuer in accordance with their respective terms.

(d) No member, officer or other official of the Issuer participating in the approval of the Agreement has any interest in the Borrower or in the transactions contemplated by the Agreement.

(e) To the knowledge of the Issuer, there is no action, suit, proceeding, claim, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body pending or threatened against or affecting the Issuer, challenging the Issuer's authority to enter into the Agreement or the Indenture or any other action wherein an unfavorable ruling or finding would adversely affect the enforceability of the Agreement or the Indenture, or the exclusion of interest on the Bonds from gross income for federal tax purposes under the Code, or would materially and adversely affect any of the transactions contemplated by the Agreement or the Indenture.

Loan Repayments

The principal of and interest on the loan of the proceeds of the Bonds will be repaid by means of "Base Loan Payments," which the Borrower agrees in the Agreement to pay to the Trustee for deposit into the Bond Fund and which, in the aggregate, will be in an amount sufficient for the payment in full of the Bonds Outstanding under the Indenture, including (a) the total interest becoming due and payable on the Bonds; (b) the total principal of the Bonds; and (c) the redemption premiums, if any, that will be payable on the redemption of Bonds prior to their respective stated maturity dates, less the amount of other funds available for such payments as provided in the Indenture. The Base Loan Payments will be due and payable in semiannual installments on May 15 and November 15 of each year, so long as the Bonds are Outstanding. Each Base Loan Payment will be in an amount equal to the amount required by the Trustee to make the deposits and payments required on the next succeeding Interest Payment Date, taking into account any other funds in the Bond Fund available for such purposes. Notwithstanding the foregoing, if 15 days prior to any Interest Payment Date, the aggregate amount in the Bond Fund is for any reason insufficient or unavailable to make the required payments of principal (or redemption price, in the case of mandatory sinking fund redemption, if any), of or interest on the Bonds then coming due (whether by maturity, redemption or acceleration), the Borrower will forthwith pay the amount of any such deficiency to the Trustee upon receipt of notice of such shortfall from the Trustee. Each installment of Base Loan Payments under the Agreement

will be paid in lawful money of the United States of America to the Trustee at its Corporate Trust Office and held, invested, disbursed and applied as provided in the Indenture.

Additional Payments

In addition to the Base Loan Payments required to be made by the Borrower, the Borrower will also pay to the Trustee or to the Issuer, as the case may be, the following (the “Additional Payments”):

(a) all taxes and assessments of any type or character charged to the Issuer or to the Trustee affecting the amount available to the Issuer or the Trustee from payments to be received under the Agreement or in any way arising due to the transactions contemplated thereby (including taxes and assessments assessed or levied by any public agency or governmental authority of whatsoever character having power to levy taxes or assessments) but excluding any taxes based upon the capital or income of the Trustee or any other person other than the Borrower; provided, however, that the Borrower will have the right to protest any such taxes or assessments payable by the Borrower and to require the Issuer or the Trustee, as the case may be, at the Borrower’s expense, to protest and contest any such taxes or assessments assessed or levied upon them and that the Borrower will have the right to withhold payment of any such taxes or assessments pending disposition of any such protest or contest unless such withholding, protest or contest would materially adversely affect the rights or interests of the Issuer or the Trustee under the Agreement, the Indenture or otherwise with respect to the Bonds;

(b) the reasonable annual (or other regular) fees and expenses of the Trustee and its agents pursuant to the Indenture, and all reasonable fees, charges and expenses of the Trustee for any extraordinary services rendered by the Trustee under the Indenture including without limitation any amounts payable to the Trustee by the Issuer from Additional Payments pursuant to the Indenture, as and when the same become due and payable, a schedule of which has been received and approved by the Borrower;

(c) the reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Issuer or the Trustee to prepare audits, financial statements or opinions or provide such other services as are reasonably required to carry out and enforce the Agreement, the Indenture or the Tax Regulatory Agreement;

(d) other necessary, ordinary and reasonable administrative and legal fees and expenses of the Issuer, including, without limitation, reasonable expenses incurred by any attorneys representing the Issuer in connection with any questions, investigations, litigation, audits or inquiries arising under the Agreement, the Indenture, the Bonds, the Tax Regulatory Agreement, or any related document, the amendment of any of the foregoing or the enforcement thereof, any matters affecting the Project, or any litigation that may, at any time be instituted involving such loan or the Bonds, the Agreement, the Indenture, the Tax Regulatory Agreement or any other document contemplated thereby, or in connection with the inspection of the Borrower, its properties, assets or operations, or otherwise in connection with the administration of the Agreement, or those pertaining to the representation of the Issuer as a “taxpayer” before the Internal Revenue Service in any inquiry, examination, audit or investigation of the Bonds; provided, however, that the Issuer agrees in the Agreement that it will not retain consultants with respect to the issuance, sale or delivery of the Bonds unless it first notifies the Borrower in writing of its reason for retaining such consultants;

(e) the Issuer Annual Fee;

(f) all other reasonable and necessary fees, expenses and charges of the Issuer and indemnity payments payable to the Issuer arising out of or in connection with the issuance of the Bonds and the

Agreement, including, but not limited to, those pertaining to any tax inquiry, audit, investigation or proceeding by the Internal Revenue Service in connection with the Bonds; and

(g) such amounts as may be necessary to satisfy the Rebate Requirements.

Such Additional Payments (except the Issuer's Annual Fee, which will be paid by the Borrower to the Issuer annually as set forth below) will be billed to the Borrower by the Issuer or the Trustee from time to time, together with (i) a statement executed by a duly authorized official or agent of the Issuer or the Trustee, as the case may be, certifying that the amount billed has been incurred or paid by the Issuer or the Trustee for one or more of the above items; and (ii) a copy of the invoice or statement for the amount so incurred or paid. Amounts so billed will be paid by the Borrower within 30 days after notice to the Borrower from the Trustee or the Issuer. Payment by the Borrower to either the Issuer or the Trustee of the amount so billed by either such party will fulfill such payment obligation of the Borrower.

The Issuer will not be required to submit a bill to the Borrower for payment of the Issuer Annual Fee or any amount due to satisfy the Rebate Requirements, the calculation and payment for which is the responsibility of the Borrower. The Issuer Issuance Fee will be paid to the Issuer by the Borrower on the Closing Date. Thereafter, the Issuer Annual Fee will be due and payable by the Borrower in advance on July 1 of each year, commencing with the first such date following the Closing Date. The Borrower will pay the Issuer Annual Fee to the Issuer at the Remittance Address. The Borrower's obligation to pay the Issuer Issuance Fee and the Issuer Annual Fee will in no way limit the other amounts that may be payable by the Borrower to the Issuer under the Agreement, including the enforcement thereof.

On or before July 1 of each year the Borrower will notify the Issuer, via mutually acceptable electronic means or by mail, of the aggregate principal amount of the Bonds Outstanding as of June 30 of such year or that the Bonds are no longer Outstanding.

Obligations of Borrower Unconditional

The full faith and credit of the Borrower is pledged to the payments required to be made by the Borrower under the Agreement. The Borrower has granted to the Trustee a lien or security interest in the personal property assets of the Borrower, including tuition revenues, cash, investments, and proceeds of all of the foregoing, subject to the Intercreditor Agreement, which lien and security interest are subject only to Permitted Encumbrances. The Borrower has also granted to the Trustee a lien or security interest in the Property pursuant to the Deed of Trust, which lien and security interest are subject only to Permitted Encumbrances. The obligations of the Borrower to make the Base Loan Payments and Additional Payments and to perform and observe the other agreements on its part contained in the Agreement will be absolute and unconditional. Until such time as the principal of and premium, if any, and interest on all Bonds and all Additional Payments will have been fully paid (or provision for the payment thereof will have been made as provided in the Indenture), the Borrower (a) will not suspend or discontinue any Base Loan Payments or Additional Payments; (b) will perform and observe all of its other agreements contained in the Agreement, the Deed of Trust, and the other Borrower Documents; and (c) will not terminate the Agreement for any cause including, without limiting the generality of the foregoing, any change in the laws of the United States of America or of the State or any political subdivision of either or any failure of the Issuer or the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Agreement. The Agreement will be deemed and construed to be a "net contract," and the Borrower will pay absolutely net the Base Loan Payments, Additional Payments and all other payments required thereunder, free of any deductions, without abatement, diminution or setoff other than those expressly provided in the Agreement.

Investments

The Borrower, by its written Request to the Trustee, may direct the investment by the Trustee of moneys in the funds and accounts established pursuant to the Indenture, subject to the limitations set forth in the Indenture. The Borrower covenants that it will not direct the Trustee to make any investments and itself will not make any investments of the proceeds of the Bonds, or any other funds in any way pledged to the security of or reasonably expected to be used to pay the Bonds, which would cause any of the Bonds to be “arbitrage bonds” subject to federal income taxation by reason of Section 103(c) of the Code. The Borrower will not purchase any obligations of the Issuer, pursuant to an arrangement, formal or informal, in an amount related to the amount of the loan made to the Borrower under the Agreement. Nothing in this Section of the Agreement will prohibit the Borrower from receiving Bonds by gift, bequest or devise or from purchasing Bonds in the secondary market other than pursuant to an arrangement related to such loan.

Borrower Covenants

Maintenance of Corporate Existence, Consolidation, Merger, Sale or Transfer Under Certain Conditions

The Borrower covenants and agrees that, so long as any of the Bonds are Outstanding, it will maintain its existence as a California nonprofit public benefit corporation and will not dissolve, sell or otherwise dispose of all or substantially all of its assets or consolidate with or merge into another entity or permit one or more entities to consolidate with or merge into it. Notwithstanding the foregoing, the Borrower may, without violating the covenants contained in the provisions of the Agreement summarized under this heading in the Agreement, consolidate with or merge into another entity, or permit one or more other entities to consolidate with or merge into it, or sell or otherwise transfer to another entity all or substantially all of its assets and thereafter dissolve, if:

(i) the surviving, resulting or transferee entity, as the case may be (A) assumes in writing, if such entity is not the Borrower, all of the obligations of the Borrower under the Agreement; (B) is not, after such transaction, otherwise in default under any provisions of the Agreement, the Deed of Trust, or any other Borrower Documents; and (C) is an organization described in Section 501(c)(3) of the Code or a corresponding provision of the federal income tax laws then in effect;

(ii) the Issuer and the Trustee will have received evidence reasonably acceptable to the Issuer and the Trustee that the rating on the Bonds, if any, at the time of such consolidation, merger, sale or transfer, will not be reduced or withdrawn solely as a result of such consolidation, merger, sale or transfer;

(iii) the Trustee and the Issuer will have received an Opinion of Bond Counsel to the effect that such merger, consolidation, sale or other transfer will not cause interest on the Bonds to be included in gross income for federal income tax purposes under Section 103 of the Code; and

(iv) the Trustee and the Issuer will have received an Opinion of Counsel that the surviving, resulting or transferee entity is an organization described in Section 501(c)(3) of the Code or a corresponding provision of the federal income tax laws then in effect and such other matters as the Trustee or the Issuer will require.

If a merger, consolidation, sale or other transfer is effected, as provided above, the provisions of the Agreement described under this heading in the Agreement will continue in full force and effect, and no further merger, consolidation, sale or transfer will be effected except in accordance with these provisions.

The Borrower may dispose of portions of the Property that the Borrower determines to be obsolete or not useful to operations of the Property; provided, however such disposition will require the prior written consent of the Trustee at the direction of the Bondholders holding a majority in aggregate principal amount of the Bonds Outstanding.

Insurance

So long as any Bonds remain Outstanding, the Borrower will maintain or cause to be maintained, with insurance companies or by means of self-insurance, insurance of such type, against such risks and in such amounts as are customarily carried by nonprofit public benefit corporations located in the State of a nature similar to that of the Borrower. The Trustee will have no responsibility whatsoever to determine whether the Borrower has met its obligations under the Agreement with respect to insurance. Anything in this Section in the Agreement to the contrary notwithstanding, it will not be deemed an event of default under the Agreement if the Borrower will procure insurance with coverage below that required by the Agreement if the Borrower presents evidence to the satisfaction of the Trustee that the insurance so provided affords the greatest amount of coverage available at commercially reasonable rates for the risk being insured. The Borrower may, but will not be required to, insure against risk of earthquake.

Under the Agreement, all proceeds of the insurance carried pursuant to the Agreement (except proceeds of the liability portion, if any, of such insurance), and proceeds of any condemnation awards with respect to any portion of the Property in excess of \$10,000,000 are required to be paid immediately upon receipt by the Borrower or any other named insured party to the Trustee for deposit into the Insurance and Condemnation Proceeds Fund. In the event the Borrower elects to repair or replace the Property damaged, destroyed or taken, moneys in the Insurance and Condemnation Proceeds Fund will be disbursed by the Trustee, after deducting therefrom the reasonable charges and expenses of the Trustee incurred in connection with the collection and disbursement of such moneys, for the purpose of repairing or replacing the Property damaged, destroyed or taken in the manner and subject to the conditions set forth in the Indenture with respect to disbursements from the Insurance and Condemnation Proceeds Fund. If the Borrower will elect not to, or cannot, repair or replace the portion or portions of the Property damaged, destroyed or taken, as described in the Agreement, subject to the immediately succeeding paragraph, the Trustee will transfer all amounts in the Insurance and Condemnation Proceeds Fund on account of such damage, destruction or condemnation to the Special Redemption Account established in the Indenture.

If all amounts in the Insurance and Condemnation Proceeds Fund are not sufficient to retire all Bonds then Outstanding, the Trustee will not transfer said amounts to the Special Redemption Account unless the Borrower will file with the Trustee a report of an Independent Consultant showing that net operating income of the Borrower is projected to be at least equal to amounts due under the Agreement for each of the three full Fiscal Years immediately following such transfer after giving effect to the retirement of such Bonds. In the event such report of an Independent Consultant shows that projected net operating income of the Borrower will not be sufficient to pay amounts due under the Agreement for each of the three full Fiscal Years immediately following such transfer after giving effect to the retirement of such Bonds, the Borrower will apply all amounts in the Insurance and Condemnation Proceeds Fund to the repair or replacement of the portion or portions of the Property damaged, destroyed or taken, as provided in the immediately preceding paragraph.

Other Covenants of the Borrower

Tax Covenants. The Borrower covenants that it will not take any action, or fail to take any action, if such action or failure to take such action would result in the interest on the Bonds not being excluded from gross income for federal income tax purposes under Section 103 of the Code. Without limiting the generality of the foregoing, the Borrower covenants that it will comply with the requirements of the Tax

Regulatory Agreement, which is incorporated in the Agreement as if fully set forth in the Agreement. This covenant will survive the payment in full or the defeasance of the Bonds.

Maintenance, Operation, and Use of the Property. So long as any Bonds are Outstanding, the Borrower will use its best efforts to cause the Property, during the useful life thereof, to be maintained in good condition and repair, and will not alienate, sell, convey or transfer the Property, unless it provides to the Trustee and the Issuer an Opinion of Bond Counsel to the effect that such alienation, sale, conveyance or transfer will not cause interest on the Bonds to be included in the gross income of the Holders thereof for federal income tax purposes.

Compliance with Laws. In the Agreement, the Borrower covenants that, so long as any Bonds are Outstanding, it will comply with all material laws, statutes, ordinances, regulations, covenants, conditions and restrictions now or thereafter affecting its property, the Borrower or the operations thereof and it will not commit, suffer or permit any act to be done in violation of any law, ordinance or regulation, except, in each case, where such noncompliance or act would not have a material adverse effect upon the Borrower's assets, operations or financial condition.

Liens. In the Agreement, the Borrower agrees that it will not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Property or the Collateral defined in the Security Agreement (each, a "Lien" and together, "Liens"), other than Permitted Encumbrances. The Borrower will promptly, at its own expense, take such action as may be necessary duly to discharge or remove any such unpermitted Lien.

Loan Default Event

Any of the following will be a "Loan Default Event" under the Agreement, and the term "Loan Default Event" will mean, whenever used in the Agreement, any one or more of the following events:

- (a) failure by the Borrower to make any Base Loan Payment or Additional Payment by its due date;
- (b) failure by the Borrower to observe and perform any covenant, condition or agreement (other than as described in clause (a)) contained in the Agreement for a period of 60 days after written notice specifying such failure and requesting that it be remedied is delivered to the Borrower by the Trustee; provided, however, if the failure stated in the notice is correctable but cannot be corrected within the applicable period, the Issuer will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Borrower within the applicable period and diligently pursued until the default is corrected;
- (c) the Borrower applies for or consents to the appointment of any receiver, trustee, or similar officer for it or for all or any substantial part of its property or admits in writing its inability to pay its debts as they mature; or such a receiver, trustee or similar officer is appointed without the application or consent of the Borrower and such appointment continues undischarged for a period of 60 days; or the Borrower institutes (by petition, application, answer, consent or otherwise) any bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, dissolution, liquidation or similar proceeding relating to it under the laws of any jurisdiction; or any such proceeding is instituted (by petition, application or otherwise) against the Borrower and remains undismissed for a period of 60 days or the Borrower makes a general assignment for the benefit of creditors;
- (d) (i) an event of default occurs under any material indebtedness with respect to which the Borrower is obligated (other than indebtedness under the Existing Debt Documents) resulting in

acceleration or the declaration of acceleration of any such material indebtedness; or (ii) a default occurs under the Existing Debt Documents or any other material indebtedness with respect to which the Borrower is obligated, that is not waived or cured pursuant to the terms thereof, the effect of which default is to cause or permit the Existing Lender or the holder of such other indebtedness (or the other party to any such agreement) to cause such indebtedness to become due prior to its stated maturity; or

- (e) the occurrence of an Event of Default under the Indenture or the Borrower Documents.

Remedies on Default

In the event any of the Bonds will at the time be Outstanding and unpaid (and provision for the payment thereof will not have been made as provided in the Indenture) and any Loan Default Event will have happened and be continuing, the Issuer or the Trustee may take any one or more of the following remedial steps: (i) each of the Issuer or the Trustee may, at its option, declare all installments of Base Loan Payments payable under the Agreement for the remainder of the term thereof to be immediately due and payable, whereupon the same will become immediately due and payable; and (ii) each of the Issuer or the Trustee may take whatever action at law or in equity may appear necessary or desirable to collect the payments then due and thereafter to become due thereunder, or to enforce performance and observance of any obligation, condition or covenant of the Borrower under the Agreement.

The term “all installments” will mean an amount equal to the entire principal amount of the then Outstanding Bonds, together with all interest accrued or to accrue on and prior to the next succeeding redemption date or dates on which the Bonds can be and actually are redeemed after giving notice to the Holders thereof as required by the Indenture (less moneys available for such purpose then held by the Trustee) plus any other payments due or to become due under the Agreement, including, without limitation, any unpaid fees and expenses of the Issuer and the Trustee which are then due or will become due prior to the time that the Bonds are paid in full and the trust established by the Indenture is terminated.

No remedy conferred upon or reserved to the Issuer or the Trustee in the Agreement is intended to be exclusive of any other available remedy or remedies, but each and every such remedy will be cumulative and will be in addition to every other remedy given under the Agreement or existing at law or in equity or by statute. No delay in exercising or omission to exercise any right or power accruing upon any default will impair any such right or power or will be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Issuer or the Trustee to exercise any remedy reserved to it by this Section, it will not be necessary to give any notice, other than such notice as may be expressly required by the Agreement. The Trustee, on behalf of the Bondholders, will be deemed a third-party beneficiary of all covenants and conditions contained in the Agreement.

In the event the Borrower should default under any of the provisions of the Agreement and the Issuer or the Trustee should employ attorneys or incur other expenses for the collection of the payments due under the Agreement or the Deed of Trust or the enforcement of performance or observance of any obligation or agreement on the part of the Borrower contained in the Agreement, the Deed of Trust, the Borrower agrees that it will on demand therefor pay to the Issuer or the Trustee the reasonable fees of such attorneys and such other reasonable expenses so incurred by the Issuer and the Trustee.

SECURITY AGREEMENT

The following briefly summarizes certain of the terms and provision of the Security Agreement. Such summary is not to be considered a complete statement of the terms and provisions of such Security Agreement. Reference is made to the Security Agreement for a complete statement of the terms, provisions and conditions thereof.

In order to secure all of its indebtedness and other obligations owing or to be owing under the Agreement, the Borrower, referred to in the Security Agreement as the Debtor and in this summary as either the Debtor or the Borrower, is delivering the Security Agreement to the Trustee, for the benefit of the Bondholders (also referred to as the “Secured Party” in this Summary).

Security Interest

Under the Security Agreement, the Debtor grants to the Secured Party and its assigns a security interest in the following (collectively, the “Collateral”):

- (a) All Tuition Revenues;
- (b) All reserves, funds, deposit or escrow accounts, including accounts receivables (including tuition receivables) now or hereafter existing, and any interest thereon or amounts realized with respect thereto; electronic and other chattel paper; contract rights; letters of credit and letter-of credit rights; instruments; rights to payment, and documents (collectively, the “Accounts”), in each case solely to the extent such Accounts relate to, constitute or contain Tuition Revenues;
- (c) All books and records, including customer lists, credit files, computer programs, print outs, and other materials and records, pertaining to Tuition Revenues or pertaining to the Debtor's use of Tuition Revenues;
- (d) All documents of title evidencing or issued with respect to, and supporting obligations pertaining to, any of the foregoing;
- (e) All inventory, chattel paper, accounts, equipment, general intangibles, fixtures, furniture, and contract rights; whether any of the foregoing owned now or acquired later; all accessions, additions, replacements, and substitutions relating to any of the foregoing; all records of any kind relating to any of the foregoing; all proceeds relating to any of the foregoing (including insurance, general intangibles and other accounts proceeds); and
- (f) All proceeds, products, replacements and increases or additions and accessions to, and substitutions for, such foregoing described Collateral, and rights in and claims to or benefits under contracts of insurance covering any of such foregoing described Collateral and any interest thereon or amounts realized with respect thereto.

The Collateral will not include (i) any property that is non-assignable by its terms without the consent of the other party (but only to the extent such prohibition on transfer is enforceable under applicable law, including, without limitation, Sections 9406 and 9408 of the UCC), (ii) any property where the granting of a security interest therein is contrary to applicable law or is not permitted by law to be applied towards Base Loan Payments on the Loan, provided that upon the cessation of any such restriction or prohibition, such property will automatically become part of the Collateral; or (iii) any gifts, grants, bequests, donations and contributions to the Debtor received from a capital campaign and any gifts, grants, bequests, donations and contributions to the extent specifically restricted by the donor to a particular purpose inconsistent with their use either for the payment of Base Loan Payments or the payment of operating expenses of the Debtor.

THE INTERCREDITOR AGREEMENT

The following briefly summarizes certain of the terms and provision of the Intercreditor Agreement. Such summary is not to be considered a complete statement of the terms and provisions of such Intercreditor Agreement. Reference is made to the Intercreditor Agreement for a complete statement of the terms, provisions and conditions thereof.

Lien and Payment Priorities

The Existing Lender and the Trustee agree in the Intercreditor Agreement, that all Liens of the Existing Lender and the Trustee in the Shared Collateral will have the same order of Lien priority as if they had attached and been perfected simultaneously and will constitute equal, perfected first priority Liens on such Shared Collateral, and will be equally and ratably secured by the Shared Collateral and the proceeds thereof will be allocated to the Bank Indebtedness, the Line of Credit Indebtedness, and the Tax-Exempt Indebtedness *pari passu* in accordance with the terms of the Intercreditor Agreement. In any bankruptcy or insolvency proceeding affecting the Borrower, neither the Existing Lender nor the Trustee will take any position inconsistent with the terms and provisions of the Intercreditor Agreement.

Exercise of Remedies

Joint Collateral. Irrespective of whether any Event of Default will have occurred under the terms of the Credit Documents, and notwithstanding any provision of the UCC, so long as any obligations of the Borrower to the Existing Lender and the Trustee under the Credit Documents remain unpaid, the Existing Lender and the Trustee will not enforce any of their rights with respect to any of the Shared Collateral except as set forth in the Intercreditor Agreement.

Permitted Enforcement Actions. Notwithstanding the rights of the Existing Lender and the Trustee under applicable law or any provision of the Credit Documents to the contrary and subject to the rights of the Existing Lender and the Trustee to pursue Permitted Remedial Actions, the Existing Lender and the Trustee will not, for a period not less than sixty (60) calendar days following an Event of Default under any of the Bond Documents, the Line of Credit Loan Documents or the 2016 Loan Documents and written notice thereof from or to the other party, make or take any Enforcement Action with respect to the Shared Collateral, without the express, written consent of the other party (the “Standstill Period”). From and after the expiration of the Standstill Period, the Existing Lender and the Trustee will have the power (but not the obligation), individually or through nominees, delegee or agents, and at the expense of the Borrower, to take an Enforcement Action or otherwise exercise any remedies available under the UCC and/or the applicable Credit Documents with respect to the Shared Collateral, and any proceeds or other amounts received in respect of any such Enforcement Action against the Shared Collateral will be applied as provided in the Intercreditor Agreement.

Allocation of Shared Collateral Collections.

The Existing Lender and the Trustee agree that the proceeds from any sale, foreclosure, liquidation or other disposition or collection or realization upon the Shared Collateral Collections will be allocated to the Existing Lender and the Trustee on a pro rata basis based on the Outstanding Balances of the Tax-Exempt Bonds, the Line of Credit Facility, and the 2016 Loan at the time the Shared Collateral Collections are applied to the obligations of the Borrower owing with respect to the Tax-Exempt Bonds, the Line of Credit Facility and the 2016 Loan.

As used in the Intercreditor Agreement, whenever any payment to be made thereunder or other amount is described as “pro rata”, “ratably”, “proportionate” or “pari passu”, such payment will be

calculated, as of any particular date, by reference to the ratio of the Outstanding Balance of each of the Tax-Exempt Bonds, the Line of Credit Facility and the 2016 Loan, as applicable, to the total aggregate Outstanding Balance of the Tax-Exempt Bonds, the Line of Credit Facility and the 2016 Loan, collectively.

Modification of Credit Documents and Refinancings.

The Existing Lender and the Trustee may, from time to time, without the consent of the other party, supplement, modify or otherwise amend the terms of its respective Credit Documents; provided, however, that without the consent of the other party (to be requested by the Borrower in each case), such consent not to be unreasonably withheld, conditioned or delayed, the Existing Lender and the Trustee shall not make any modification to any of its Credit Documents which: (a) increases the principal amount available to the Borrower under such Credit Documents; (b) excluding the provisions in any Credit Documents providing for the adjustment of the interest rate by reference to an index, increases the interest rate or monthly payment obligations of the Borrower under such Credit Documents; (c) extends the maturity date under any of the Credit Documents; or (d) materially alters the default provisions under such Credit Documents.

The indebtedness under the Existing Debt Documents may be refinanced, in whole or in part, with the same or different lenders in a refinancing, without the consent of the Trustee; provided that (i) the holders of any indebtedness resulting from such refinancing (or the agent of such holders) shall have become bound in writing to the terms of the Intercreditor Agreement to each other party to the Intercreditor Agreement (ii) no such refinancing shall have the effect of increasing the principal amount of the 2016 Loan or the Line of Credit Facility then outstanding and (iii) no such refinancing shall have any material impact on the Borrower's ability to repay the Bonds.

SUBORDINATION AGREEMENT

The following briefly summarizes certain of the terms and provision of the Subordination Agreement. Such summary is not to be considered a complete statement of the terms and provisions of such Subordination Agreement. Reference is made to the Subordination Agreement for a complete statement of the terms, provisions and conditions thereof.

Subordination.

The rights of the Trustee, in its capacity as bond trustee and on behalf of the Bondholders, in the Property will unconditionally be and remain at all times while the Bonds are outstanding superior to the Existing Lender's rights with respect to any interests in the Property granted by the Subordinate Deed of Trust, the 2016 Loan Documents or the Line of Credit Loan Documents.

Condemnation or Casualty.

In the event of any action or proceeding or notice relating to any proposed or actual condemnation or other taking, or conveyance in lieu thereof, of all or any part of the Project, whether direct or indirect (a "Condemnation") or the occurrence of damage to or loss of all or any portion of the Property by fire or other casualty (a "Casualty"), all of the following provisions will apply:

- i. The rights of the Existing Lender to participate in any proceeding or action relating to a Condemnation or a Casualty, or to participate or join in any settlement of, or to adjust, any claims resulting from a Condemnation or a Casualty, will be and remain subordinate in all respects to the Trustee, in its capacity as bond trustee and on behalf of the Bondholders, as rights under the Senior Loan Documents with respect thereto, and the Existing Lender will

be bound by any settlement or adjustment by Trustee, in its capacity as bond trustee and on behalf of the Bondholders of a claim resulting from a Condemnation or a Casualty.

- ii. All monies received or to be received under any insurance policy, from any condemning authority, or from any other source, as a result of any Condemnation or Casualty ("Loss Proceeds") will be applied either to payment of the costs and expenses of restoration or to payment on account of the Senior Loan (up to the amount of the Senior Loan), as and in the manner determined by Trustee, in its capacity as bond trustee and on behalf of the Bondholders in its sole discretion.
- iii. If Trustee, in its capacity as bond trustee and on behalf of the Bondholders, applies or releases Loss Proceeds for the purposes of restoration of the Property, then the Existing Lender will release for such purpose all of its right, title and interest, if any, in and to such Loss Proceeds. If Trustee, in its capacity as bond trustee and on behalf of the Bondholders holds Loss Proceeds, or monitors the disbursement thereof, the Existing Lender will not do so. Nothing contained in the Subordination Agreement will be deemed to require Trustee, in its capacity as bond trustee and on behalf of the Bondholders to act for or on behalf of the Existing Lender in connection with any restoration or to hold or monitor any Loss Proceeds in trust for or otherwise on behalf of the Existing Lender, and all or any Loss Proceeds may be commingled with any funds of Trustee, in its capacity as bond trustee and on behalf of the Bondholders. Notwithstanding the above, Trustee, in its capacity as bond trustee and on behalf of the Bondholders, will, at the request of the Existing Lender, provide the Existing Lender with the details of the application of the Loss Proceeds to the restoration of the Property.
- iv. If Trustee, in its capacity as bond trustee and on behalf of the Bondholders elects to apply Loss Proceeds to payment on account of the Senior Loan, and if the application of such Loss Proceeds results in the payment in full of the entire Senior Loan, any remaining Loss Proceeds held by Trustee, in its capacity as bond trustee and on behalf of the Bondholders will be paid to the Existing Lender unless another party has asserted a claim to the remaining Loss Proceeds.

Standstill.

Without the prior written consent of the Trustee, in its capacity as bond trustee and on behalf of the Bondholders, the Existing Lender will not ask, demand, assign, declare a default under, sue for, liquidate, sell, foreclose, set off, collect, accept a surrender, receive any proceeds, petition, commence or otherwise initiate any remedies with respect to the Property, or commence any action or proceeding to contest the provisions of the Subordination Agreement or the priority of the liens or other interest of the Trustee, in its capacity as bond trustee and on behalf of the Bondholders in all or any portion of the Property, or otherwise realize or seek to realize upon all or any part of the Property.

DEED OF TRUST

SUMMARY OF CERTAIN PROVISIONS OF THE DEED OF TRUST

The following briefly summarizes certain of the terms and provision of the Deed of Trust. Such summary is not to be considered a complete statement of the terms and provisions of such Deed of Trust. Reference is made to the Deed of Trust for a complete statement of the terms, provisions and conditions thereof. Capitalized terms used in this summary and not otherwise defined shall have the meanings assigned thereto in the Deed of Trust.

In order to secure all of its indebtedness and other obligations owing or to be owing under the Agreement, the Borrower, referred to in the Deed of Trust as the Trustor and in this summary as either the Trustor or the Borrower, is executing the Deed of Trust in favor of the trustee named therein (referred to as the "Trustee" in this Summary only), for the benefit of the Trustee (also referred to as the "Beneficiary" in this Summary only).

Property

Under the Deed of Trust, the Borrower grants to the Beneficiary and its assigns a security interest in the following (collectively, for purposes of this summary, the "Property"):

(a) The real property located in the County of San Mateo, State of California, as described in the Deed of Trust (the "Land");

(b) All buildings, structures and improvements now located or later to be constructed on the Land (the "Improvements");

(c) all existing and future appurtenances, privileges, easements, franchises and tenements of the Land, including all minerals, oil, gas, other hydrocarbons and associated substances, sulfur, nitrogen, carbon dioxide, helium and other commercially valuable substances which may be in, under or produced from any part of the Land, all development rights and credits, air rights, water, water rights (whether riparian, appropriative or otherwise, and whether or not appurtenant) and water stock, and any land lying in the streets, roads or avenues, open or proposed, in front of or adjoining the Land and Improvements; together with

(d) all existing and future leases, subleases, subtenancies, licenses, occupancy agreements and concessions ("Leases") relating to the use and enjoyment of all or any part of the Land and Improvements, and any and all deposits, guaranties and other agreements relating to or made in connection with any of such leases; together with

(e) all of Trustor's right, title and interest in and to all fixtures now or later to be attached to any part of the Land and Improvements, including all pumping plants, engines, pipes, ditches and flumes, and also all gas, electric, cooking, heating, cooling, air conditioning, lighting, refrigeration and plumbing fixtures and equipment, all of which will be considered to the fullest extent of the law to be real property for purposes of the Deed of Trust; together with

(f) all of Trustor's right, title and interest in and to all building materials, equipment, work in process or other personal property of any kind, which have been or later will be incorporated into or installed in or about the Land or Improvements; together with

(g) all refunds of property taxes, assessments or similar payments made with respect to all or

any part of the Property, irrespective of the period of time to which such taxes, assessments or similar payments may relate, utility deposits, development and use rights, governmental permits and licenses, applications, architectural and engineering plans, specifications and drawings, as-built drawings, documents, notes and, which arise from or relate to construction on the Land, or to the Land and Improvements generally; together with

(h) all proceeds, including all claims to and demands for them, of the voluntary or involuntary conversion of any of the Land, Improvements or the other property described above into cash or liquidated claims, including proceeds of all present and future fire, hazard or casualty insurance policies and all condemnation awards or payments now or later to be made by any public body or decree by any court of competent jurisdiction for any taking or in connection with any condemnation or eminent domain proceeding, and all causes of action and their proceeds for any damage or injury to the Land, Improvements or the other property described above or any part of them, or breach of warranty in connection with the construction of the Improvements, including causes of action arising in tort, contract, fraud or concealment of a material fact; and together with

(i) all proceeds of, additions and accretions to, substitutions and replacements for, and changes in any of the property described above.

Secured Obligations

The following indebtedness and obligations are secured by the deed of trust ("Secured Obligations"):

- (a) payment of the Loan in the stated principal amount of \$26,000,000[†] as evidenced in the Bonds;
- (b) payment of all Indebtedness, Loan Payments, and Charges under the Borrower Documents;
- (c) payment and performance of all Secured Obligations of Trustor under the Deed of Trust; and
- (d) payment and performance of all modifications, amendments, extensions and renewals, however evidenced, of any of the Secured Obligations.

Defaults

Monetary. Any sums which are payable pursuant to any Borrower Documents will not be received by Beneficiary in full, in the manner and at the place required in the Borrower Documents within 10 days after the due date thereof as provided in the Borrower Documents.

Representations and Warranties. Any representation or warranty contained in the Deed of Trust is determined by Beneficiary to have been false or misleading in any material respect as of the date of the Deed of Trust or thereof or shall become so at any time prior to the repayment in full of the Indebtedness, as defined in the Deed of Trust.

Non-Monetary. The occurrence of any breach of any covenant or other obligation under the Deed of Trust, other than a breach described in under the headings "Monetary" and "Representations and

[†] Preliminary, subject to change.

Warranties” above, and such breach remains uncured for a period of 30 days after Beneficiary gives Borrower written notice thereof.

Other Defaults. A “Default” or “Event of Default” (as defined and used in any of the other Borrower Documents) will occur under any of the other Borrower Documents after the expiration of any applicable period of time for cure.

No Further Encumbrances; Levy and Attachment. Borrower creates, places, or permits to be created or placed, or through any act or failure to act, acquiesces in the placing of, or allows to remain, any Subordinate Mortgage (as defined in the Deed of Trust), regardless of whether such Subordinate Mortgage is expressly subordinate to the liens or security interests of the Borrower Documents, with respect to the Property which has not been consented to or approved by Beneficiary.

Disposition. Borrower makes a Disposition, without the prior written consent of Beneficiary obtained as provided in the Deed of Trust.

Abandonment. Borrower abandons the Land or Improvements or removes the Improvements without Beneficiary’s prior written consent.

Default Under Other Lien Documents. The occurrence of any event of default by Borrower, and after the expiration of any period of time for cure, under and pursuant to any other deed of trust, mortgage, or security agreement which covers or affects any part of the Property (provided this provision does not imply consent to the existence of any other lien or security interest against the Property other than Permitted Encumbrances).

Cross Default. An Event of Default or any other default or breach (after the giving of any notice thereof and the lapse of any cure or grace period, if applicable) under or with respect to any other loan or other indebtedness owed by Borrower to Beneficiary.

Remedies Upon Default. Upon the occurrence and during the continuance of an Event of Default Beneficiary may, at Beneficiary’s option, by Beneficiary itself or otherwise, do any one or more of the following:

(a) ***Right To Perform Borrower’s Covenants.*** If Borrower has failed to keep or perform any covenant whatsoever contained in the Deed of Trust or the other Borrower Documents, after the expiration of any applicable period of time for cure, Beneficiary may, but will not be obligated to any person to do so, perform or attempt to perform said covenant, and any payment made or expense incurred in the performance or attempted performance of any such covenant will be and become a part of the Indebtedness, and Borrower promises, upon demand, to pay to Beneficiary, at the place where the Loan is payable, all sums so advanced or paid by Beneficiary, with interest from the date when paid by Beneficiary at the Default Rate.

(b) ***Right of Entry and Protection.*** Beneficiary may, prior or subsequent to the institution of any foreclosure proceedings, enter upon the Property, or any part thereof, and take exclusive possession of the Property, including all Books and Records and accounts relating thereto, and exercise without interference from Borrower any and all rights which Borrower has with respect to the management, possession, operation, protection, or preservation of the Property, including the right to rent the same for the account of Borrower and to apply all Rents related thereto as provided in the Deed of Trust and the right to exercise all rights of Borrower under any Contracts. All such costs, expenses and liabilities incurred by the Beneficiary in collecting such Rents and in managing, operating, maintaining, protecting, or preserving the Property, if not paid

out of Rents, will constitute a demand obligation owing by Borrower and will bear interest from the date of expenditure until paid at the Default Rate (as defined in the Deed of Trust), all of which will be deemed Indebtedness. If necessary to obtain the possession provided for above, Beneficiary may invoke any and all legal remedies to dispossess Borrower, including one or more actions for forcible entry and detainer, trespass to try title, and restitution. Furthermore, without taking possession of any Property, Beneficiary may, but will have no obligation to, enter upon the Property and take such actions, and incur and pay such Costs (as defined in the Deed of Trust), as Beneficiary deems appropriate, in Beneficiary's sole discretion, in order to (i) preserve or protect the Property, including paying or otherwise resolving any liens or security interests or any threatened or claimed liens or security interests against any of the Property, making repairs, winterizing the property, securing the property from access by third parties, securing the property from elements, and initiating or completing any construction for such purposes; (ii) exercise Beneficiary's rights pursuant to the Deed of Trust; and (iii) pay any expenses incurred by Borrower, or any expenses incurred by Beneficiary pursuant to the Borrower Documents insofar as such Borrower Documents relate to the Loan, the Indebtedness and/or Loan Payments with respect to the Property, including construction Costs, Costs incurred pursuant to any Contracts, and any other Costs related to the Property (including insurance, title insurance, taxes, assessments, inspections, or compliance with Legal Requirements). In connection with any action taken by Beneficiary pursuant to this Subsection, Beneficiary will not be liable for any loss sustained by Borrower resulting from any failure to let the Property, or any part thereof, or from any other act or omission of Beneficiary with respect to the Property unless such loss is caused by the willful misconduct of Beneficiary, nor will Beneficiary be obligated to perform or discharge any obligation, duty, or liability under any Contract or Lease or under or by reason of the Deed of Trust or the exercise of rights or remedies thereunder. Borrower will and does hereby agree to indemnify Beneficiary for, and to hold Beneficiary harmless from, any and all liability, loss, or damages, which may or might be incurred by Beneficiary under any such Contract or Lease or under or by reason of the Deed of Trust or the exercise of rights or remedies thereunder (except by reason of the indemnified party's gross negligence or willful misconduct but including by reason of the indemnified party's negligence), and from any and all claims and demands whatsoever which may be asserted against Beneficiary by reason of any alleged Secured Obligations or undertakings on its part to perform or discharge any of the terms, covenants, or agreements contained in any such Contract or Lease. Should Beneficiary incur any such liability, the amount thereof, including costs, expenses, and reasonable attorneys' fees, together with interest thereon from the date of expenditure until paid at the Default Rate, will be secured by the Deed of Trust, and Borrower will reimburse Beneficiary therefor immediately upon demand. Nothing in the Deed of Trust will impose any duty, obligation or responsibility upon Beneficiary for the control, care, management, performance, leasing, or repair of the Property, nor force the carrying out of any of the terms and conditions of any Lease or Contract; nor will it operate to make Beneficiary responsible or liable for any waste committed on the Property by the tenants or by any other persons or entities, or for any Hazardous Substance (as defined in the Deed of Trust) in, on, or under the Property, or for any dangerous or defective condition of the Property or for any negligence in the management, leasing, upkeep, performance, repair, or control of the Property resulting in loss or injury or death to any tenant, licensee, employee, or stranger. Borrower hereby assents to, ratifies, and confirms any and all actions of Beneficiary with respect to the Property taken under the Deed of Trust. Any receipt of consideration received by Beneficiary pursuant to this Subsection (other than Rents) will be applied as provided the Deed of Trust. Without limiting the foregoing, Beneficiary will have the rights and remedies contained in Section 2938 of the California Civil Code in effect on January 1, 1997, as amended or modified from time to time.

(c) ***Right To Accelerate.*** Except as expressly provided in the Deed of Trust and in the other Borrower Documents, Beneficiary may, without notice, demand, presentment, notice of

nonpayment or nonperformance, protest, notice of protest, notice of intent to accelerate, notice of acceleration, or any other notice or any other action, all of which are hereby waived by Borrower and all other parties obligated in any manner whatsoever on the Indebtedness, declare the entire unpaid balance of the Indebtedness immediately due and payable, and upon such declaration, the entire unpaid balance of the Indebtedness will be immediately due and payable. The failure to exercise any remedy available to the Beneficiary will not be deemed to be a waiver of any rights or remedies of the Beneficiary under the Borrower Documents, at law or in equity.

(d) ***Foreclosure-Power of Sale.*** Beneficiary may request Trustee to proceed with foreclosure under the power of sale which is conferred by the Deed of Trust, such foreclosure to be accomplished in accordance with the provisions of the Deed of Trust summarized in this Section.

(e) ***Beneficiary's Judicial Remedies.*** Beneficiary may proceed by suit or suits, at law or in equity, to enforce the payment of the Indebtedness and the performance and discharge of the Secured Obligations in accordance with the terms of the Deed of Trust, of the Loan, and the other Borrower Documents, to foreclose the liens and security interests of the Deed of Trust as against all or any part of the Property, and to have all or any part of the Property sold under the judgment or decree of a court of competent jurisdiction. This remedy will be cumulative of any other non-judicial remedies available to the Beneficiary with respect to the Borrower Documents. Proceeding with a request or receiving a judgment for legal relief will not be or be deemed to be an election of remedies or bar any available non judicial remedy of the Beneficiary.

(f) ***Beneficiary's Right to Appointment of Receiver.*** Borrower stipulates in the Deed of Trust its consent to the appointment of a receiver if at the time of Beneficiary's request an Event of Default exists. The entering upon and taking possession of the Property, the collection of any Rents, the doing of other acts authorized in the Deed of Trust and the application thereof as in the Deed of Trust provided will not cure or waive any default or notice of default under the Deed of Trust or invalidate any act done pursuant to such notice. Nothing contained in the Deed of Trust will be construed as constituting Beneficiary a mortgagee in possession in the absence of the actual taking of possession of the Property by Beneficiary or as constituting an action, rendering any of Borrower's Secured Obligations to Beneficiary unenforceable, in violation of any of the provisions of Section 726 of the California Code of Civil Procedure, or otherwise limiting any rights available to Beneficiary. Without limiting the foregoing, Beneficiary will have the rights and remedies contained in Section 2938 of the California Civil Code in effect on January 1, 1997, as amended or modified from time to time.

(g) ***Beneficiary's UCC Remedies.*** Without limiting the provisions summarized in this Section, the Beneficiary may exercise its rights of enforcement with respect to Fixtures and Personalty (as defined in the Deed of Trust) as personal property under the UCC, and in conjunction with any sale of any Fixtures and/or Personalty, in addition to or in substitution for the rights and remedies under the or other applicable laws, Borrower agrees that:

(a) without demand or notice to Borrower, Beneficiary may enter upon the Property to take possession of, assemble, receive, and collect the Personalty, or any part thereof, or to render it unusable;

(b) Beneficiary may require Borrower to assemble the Personalty and make it available at a place the Beneficiary reasonably designates to allow the Beneficiary to take possession or dispose of the Personalty;

(c) written notice mailed to Borrower as provided in the Deed of Trust at least 10 days prior to the date of public sale of the Personalty or prior to the date after which private sale of the Personalty will be made will constitute reasonable notice;

(d) in the event of a foreclosure sale, whether made by the Trustee under the terms of the Deed of trust, or under judgment of a court, the Personalty, the other Property, or any portions thereof, may, at the option of the Beneficiary, be sold together;

(e) any sale of personal property will be deemed to have been a public sale conducted in a commercially reasonable manner if held contemporaneously with the sale of any real property under power of sale as provided in the Deed of Trust upon giving the same notice with respect to the sale of the personal property as is required for such sale of the real property under power of sale, and such sale will be deemed to be pursuant to a security agreement covering both real and personal property under Section 9604 of the Code;

(f) it will not be necessary that Beneficiary take possession of the Personalty, or any part thereof, prior to the time that any sale pursuant to the provisions of the Deed of Trust is conducted, and it will not be necessary that the Personalty or any part thereof be present at the location of such sale;

(g) expenses to which proceeds of disposition of the Personalty will be applied include the reasonable expenses of retaking, holding, preparing for sale or lease, selling, leasing and the like, and the reasonable attorneys' fees and legal expenses incurred by Beneficiary in connection therewith;

(h) after notification which complies the Deed of Trust, Beneficiary may sell, lease, or otherwise dispose of the Personalty, or any part thereof, in one or more parcels at public or private sale or sales, at Beneficiary's offices or elsewhere, for cash, on credit, or for future delivery; Borrower will be liable for all expenses of retaking, holding, preparing for sale, or the like, and all attorneys' fees, legal expenses, and all other costs and expenses incurred by Beneficiary in connection with the collection of the Indebtedness and the enforcement of Beneficiary's rights under the Borrower Documents; Beneficiary will apply the proceeds of the sale of the Personalty against the Indebtedness in accordance with the provisions of the Deed of Trust; Borrower will remain liable for any deficiency if the proceeds of any sale or disposition of the Personalty are insufficient to pay the Indebtedness in full; Borrower waives all rights of marshaling in respect of the Personalty; and

(i) Beneficiary may appoint or delegate any one or more persons as agent to perform any act or acts necessary or incident to any sale held by the Beneficiary, including the sending of notices and the conduct of the sale, but in the name and on behalf of the Beneficiary.

(h) ***Rights Relating to Leases.*** So long as any part of the Indebtedness and Secured Obligations secured by the Deed of Trust remain unpaid or not fully performed, the fee and leasehold estates to the Property will not merge but rather will remain separate and distinct, notwithstanding the union of such estates either in Borrower, Beneficiary, any lessee, or any third-party purchaser or otherwise. Beneficiary may from time to time elect, and notice is given by the Deed of Trust to each lessee under each Lease, to subordinate the lien of the Deed of Trust to any Lease by (i) unilaterally executing and recording an instrument of subordination; (ii) giving written notice to Borrower and the respective lessee of such subordination; or (iii) including the

subordination in the posting for a foreclosure, and upon such election the lien of the Deed of Trust will be subordinate to the Lease identified in such instrument of subordination; provided, however, in each instance, (A) such subordination will not affect or be applicable to, and expressly excludes, any lien, charge, encumbrance, security interest, claim, easement, restriction, option, covenant, and other rights, titles, interests or estates of any nature whatsoever with respect to all or any portion of the Property other than the Lease or Leases identified in such instrument of subordination; (B) Beneficiary can make the subordination conditional so that the subordination is conditioned on the happening of any event or events, or automatically terminates upon specified events or after the passage of a stated amount of time; and (C) upon foreclosure, without limiting any other provisions contained in the Borrower Documents, the purchaser at foreclosure will have no liability or responsibility for any Secured Obligations of the landlord that occurred or that accrued under the Lease prior to foreclosure or for any acts of prior landlords, and the lessee of such subordinated Lease will attorn to the purchaser at foreclosure as the new landlord of the Lease with all rights of the landlord under such Lease but with only the Secured Obligations of the landlord that accrue after the foreclosure. The rights of the Beneficiary and any purchaser at foreclosure contained in the Deed of Trust are covenants running with the land and will be binding on all future interests in the Property and Improvements, including all Leases hereafter executed, until the lien of the Deed of Trust is released in full. Nothing contained in the Deed of Trust, nor the exercise of any right, power or authority herein granted to Beneficiary, or Trustee on Beneficiary's behalf, will be, or will be construed to be, an affirmation by it of any tenancy, Lease or option, nor an assumption (except to the extent expressly agreed in writing by Beneficiary) of liability under any tenancy, Lease, or option, nor the subordination (except a subordination as summarized under this Section or as otherwise expressly agreed in writing by Beneficiary) of the lien or any other rights or interests granted for the benefit of Beneficiary under the Deed of Trust.

(i) **Other Rights.** Subject to the terms and conditions in the Agreement, Beneficiary (i) may surrender the insurance policies maintained pursuant to any of the Borrower Documents, and upon receipt will apply the unearned premiums as a credit on the Indebtedness, in accordance with the provisions of the Deed of Trust, and, in connection therewith, Borrower appoints Beneficiary as its attorney-in-fact (which is coupled with an interest and is therefore irrevocable) for Borrower to collect such premiums; and (ii) may apply the reserve for Impositions and insurance premiums, if any, required by the provisions of the Deed of Trust toward payment of the Indebtedness in any order as Beneficiary may determine in Beneficiary's sole discretion.

(j) **Beneficiary As Purchaser.** Beneficiary may be the purchaser of the Property or any part thereof, at any sale thereof, whether such sale be under the power of sale vested in Trustee or upon any other foreclosure of the liens and security interests of the Deed of Trust, or otherwise, and Beneficiary will receive the same rights, benefits, and conveyances as any third-party purchaser, upon any such purchase.

Other Rights of Beneficiary. Should any part of the Property come into the possession of Beneficiary, whether before or after default, Beneficiary may (for itself or by or through other persons, firms, or entities) hold, lease, manage, use, or operate the Property for such time and upon such terms as Beneficiary may deem prudent under the circumstances (making such repairs, alterations, additions and improvements thereto and taking such other action as Beneficiary may from time to time deem necessary or desirable) for the purpose of preserving the Property or its value, pursuant to the order of a court of appropriate jurisdiction or in accordance with any other rights held by Beneficiary in respect of the Property. Borrower covenants to promptly reimburse and pay to Beneficiary on demand, at the place where the Loan is payable, the amount of all reasonable expenses (including the cost of any insurance, Impositions, or other charges) incurred by Beneficiary pursuant to the provisions of the Deed of Trust summarized under this Section, together with interest thereon from the date paid by Beneficiary at the Default Rate; and all such

expenses and interest will be and become a part of the Indebtedness. It is agreed, however, that the risk of loss or damage to the Property is on Borrower, and Beneficiary will have no liability whatsoever for decline in value of the Property, for failure to obtain or maintain insurance, or for failure to determine whether insurance in force is adequate as to amount or as to the risks insured.

Possession After Foreclosure. If the liens or security interests of the Deed of Trust will be foreclosed by power of sale granted herein, by judicial action, or otherwise, the purchaser at any such sale will receive, as an incident to purchaser's ownership, immediate possession of the property purchased. If Borrower or Borrower's successors will hold possession of said property or any part thereof subsequent to foreclosure, Borrower and Borrower's successors will be considered as lessees at sufferance of the purchaser at foreclosure sale (without limitation of other rights or remedies, at a reasonable rental per day, due and payable daily, based upon the value of the portion of the Property so occupied and sold to such purchaser), will be subject to forcible entry and detainer without further notice, and will be subject to eviction and removal with or without process of law, and all damages by reason thereof are expressly waived.

Application of Proceeds. The proceeds from any sale, lease, or other disposition made pursuant to the Deed of Trust will be applied by Trustee, or by Beneficiary, as the case may be, to the Indebtedness in the following order and priority: (a) to the payment of all expenses of advertising, selling and conveying the Property or part thereof, and/or prosecuting or otherwise collecting Rents, proceeds, premiums, or other sums, including reasonable attorneys' fees and a reasonable fee to Trustee in an amount allowed by law; (b) to the remainder of the Indebtedness in accordance with the Indenture; (c) the balance, if any, and to the extent applicable, remaining after the full and final payment of the Indebtedness and full performance and discharge of Secured Obligations, to the holder or beneficiary of any inferior liens covering the Property, if any, in order of the priority of such inferior liens (Trustee and Beneficiary will be entitled to rely exclusively upon a commitment for title insurance issued to determine such liens and their priority); and (d) the cash balance, if any, to the Borrower. The application of proceeds of sale or other proceeds as otherwise provided herein will be deemed to be a payment of the Indebtedness like any other payment. The balance of the Indebtedness remaining unpaid, if any, will remain fully due and owing in accordance with the terms of the Agreement or the other Borrower Documents.

Abandonment of Sale or Foreclosure. In the event a foreclosure is commenced by Trustee pursuant to the Deed of Trust, at any time before the sale is consummated, Trustee may abandon the sale, without prejudice to any of Beneficiary's rights to later re-commence a trustee sale, to institute suit for the collection of the Indebtedness and for the foreclosure of the liens and security interests of the Deed of Trust and of the Borrower Documents or exercise, or any other rights or remedies. If Beneficiary should institute a suit for the collection of the Indebtedness and for a foreclosure of the liens and security interests, Beneficiary may, at any time before the entry of a final judgment in said suit, dismiss the same without prejudice to any of Beneficiary's rights to request Trustee to sell the Property or any part thereof in accordance with the provisions of the Deed of Trust or any other remedy.

Payment of Costs. To the fullest extent allowable under applicable law, Borrower agrees to pay all Costs incurred or paid by Beneficiary in connection with the Indebtedness, Secured Obligations, or the Borrower Documents insofar as such Borrower Documents relate to the Loan and Loan Payments, (a) in collecting payment, whether or not suit is filed; (b) in defending and/or bringing suit, or if Beneficiary otherwise becomes a party to any suit or proceeding where the Indebtedness or Secured Obligations is involved, or if Beneficiary is required to respond to any service of process, including a subpoena in connection therewith; (c) in foreclosing or taking any other actions to secure possession and exercise Beneficiary's rights with respect to any collateral; (d) in connection with any bankruptcy, reorganization, or other similar proceeding, or any probate proceeding, involving Borrower which in any way affects the exercise by Beneficiary or the Trustee of its rights and remedies; (e) to otherwise enforce Beneficiary's

rights and remedies pursuant to or which arise out of the Deed of Trust and/or any other Borrower Documents; (f) in connection with the negotiation, preparation and execution of any amendment hereto or thereto, or any release, consent, approval or waiver hereunder or under any Borrower Document; (g) incurred by Beneficiary which are payable or reimbursable by Borrower pursuant to any Borrower Document; and (h) which are the obligation of Borrower or incurred by Beneficiary pursuant to any of the Borrower Documents. All such Costs will be and become a part of the Indebtedness. Except as provided in the Deed of Trust and in the Agreement, all such Costs will be due and payable when incurred and will bear interest at the Default Rate during any period an Event of Default exists (without being fully cured) and at the rate as such rate is stated in the Agreement during any period an Event of Default does not exist from the date such Costs are paid by Beneficiary until Beneficiary is reimbursed for the respective Costs and interest.

Discontinuance of Remedies. In case the Beneficiary has proceeded to invoke any right, remedy, or recourse permitted under the Borrower Documents and thereafter elects to discontinue or abandon same for any reason, the Beneficiary will have the unqualified right so to do and, in such event, Borrower and Beneficiary will be restored to their former positions with respect to the Indebtedness, the Borrower Documents, the Property or otherwise, and the rights, remedies, recourses and power of Beneficiary will continue as if same had never been invoked..

Other Remedies. In addition to the remedies set forth in the Deed of Trust, Beneficiary and Trustee will have all other rights and remedies available to them at law or in equity, and Beneficiary will have all other rights and remedies set forth in the other Borrower Documents.

Remedies. All rights, remedies, and recourses of Beneficiary granted in the Loan, the Deed of Trust, the other Borrower Documents, or otherwise available at law or equity: (i) will be cumulative; (ii) may be pursued separately, jointly, successively, concurrently, or in any combination thereof against Borrower, the Property, or against any one or more of them, in such order as Beneficiary may determine, in the sole discretion of Beneficiary; (iii) may be exercised as often as occasion therefor will arise, it being agreed by Borrower that the exercise, discontinuance of exercise, or failure to exercise any of same will in no event be construed as a waiver or release thereof or of any other right, remedy or recourse; (iv) will be nonexclusive; (v) will not be conditioned upon Beneficiary exercising or pursuing any remedy in relation to the Property prior to Beneficiary bringing suit to recover the Indebtedness or suit on the Secured Obligations; and (vi) will not be deemed to be an election of nonjudicial or judicial remedies otherwise available to the Beneficiary.

Waiver and Release. Borrower hereby irrevocably and unconditionally waives and releases: (i) all benefits that might accrue to Borrower by virtue of any present or future law exempting the Property from attachment, levy or sale on execution or providing for any appraisalment, stay of execution, exemption from civil process, redemption, or extension of time for payment; (ii) except as otherwise expressly required in a Borrower Document, all notice of any Event of Default, notice of the exercise of any right, remedy or recourse provided for under the Borrower Documents, or any other notice under or with respect to all of the Borrower Documents or any action taken by Beneficiary in connection therewith; (iii) any right to a marshaling of assets or a sale in inverse order of alienation; (iv) any right to be released, or any claim that a release has occurred, by reason of any extension of time or any modification or change to the terms of any of the Borrower Documents, except a party will not be liable for an increase in the amount of principal, or interest on such increased principal, pursuant to any such modification if such principal increase was not contemplated in the Borrower Documents (absent such modification) or agreed to in writing by such party; and (v) all rights to the benefits of any statute of limitations, moratorium, or laches now provided or which may hereafter be provided by federal or state law or pursuant to common law, to the fullest extent such rights can be waived and released pursuant to applicable law.

No Implied Covenants. Borrower and Beneficiary mutually agree that there are no, nor will there be any, implied covenants of good faith and fair dealing or other similar covenants or agreements in the Deed of Trust and the other Borrower Documents. All agreed contractual duties are set forth in the Deed of Trust, the Loan, and the other Borrower Documents.

Real Property Laws Governing. Each time Beneficiary elects to exercise remedies in the Deed of Trust with respect to both real property and personal property which are part of the Property, to the fullest extent allowed by law, such remedies will be governed by the real property laws of the State and will not be governed by the personal property laws of the State, thereby rendering inapplicable, without limitation, Sections 9615, 9620 and 9627 of the Code.

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APPENDIX D

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix concerning DTC and DTC's book-entry system has been obtained from DTC and none of the Issuer, the Borrower, or the Underwriter make any representation or warranty or take any responsibility for the accuracy or completeness of such information.

The Depository Trust Company (“DTC”), New York, New York, 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 each 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, as amended. 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.

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 Participants’ 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 beneficial ownership interests in the 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 the Bonds with DTC and their

registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 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 the 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, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of the notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (established by DTC and identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any, redemption proceeds, 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 Issuer or the Trustee on a payment date in accordance with their respective holdings shown on DTC's records. Payments by Direct Participants or Indirect 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 Direct Participants or Indirect Participants and not of DTC (nor its nominee), the Trustee, the Issuer, or the Borrower, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, redemption proceeds, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, the Issuer, or the Borrower, 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 the Direct Participants and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer and the Borrower believe to be reliable, but neither the Issuer nor the Borrower takes responsibility for the accuracy thereof.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE HOLDER OF THE BONDS OR REGISTERED OWNERS OF THE BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

The Issuer can make no assurances that DTC will distribute payments of principal of, redemption premium, if any, or interest on the Bonds to the Direct Participants, or that Direct Participants and Indirect Participants will distribute payments of principal of, redemption price, if any, or interest on the Bonds or redemption notices to the Beneficial Owners of such Bonds or that they will do so on a timely basis, or that DTC or any of its Direct Participants or Indirect Participants will act in a manner described in this Official Statement. The Issuer is not responsible or liable for the failure of DTC to make any payment to any Direct Participant or failure of any Direct Participant or Indirect Participant to give any notice or make any payment to a Beneficial Owner in respect to the Bonds or any error or delay relating thereto.

The rights of holders of beneficial interests in the Bonds and the manner of transferring or pledging those interests is subject to applicable state law. Holders of beneficial interests in the Bonds may want to discuss the manner of transferring or pledging their interest in the Bonds with their legal advisors.

The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the Bond certificates will be printed and delivered. Thereafter, the Bond certificates may be transferred and exchanged as described in the Indenture. See **Appendix C**.

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APPENDIX E
FORM OF BOND COUNSEL OPINION

_____, 2025

California Enterprise Development Authority
Sacramento, California

\$ _____
California Enterprise Development Authority
Revenue Bonds
(Crystal Springs Uplands School Project) Series 2025

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the California Enterprise Development Authority (the “Issuer”) of its Revenue Bonds (Crystal Springs Uplands School Project) Series 2025 in the principal amount of \$ _____ (the “Bonds”), issued pursuant to the provisions of (i) Article 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State, as amended (the “Act”), (ii) an Indenture of Trust, dated as of October 1, 2025 (the “Indenture”), between the Issuer and Wilmington Trust, National Association, as trustee (the “Trustee”), and (iii) a resolution adopted by the Issuer on July 24, 2025 (the “Resolution”). The Bonds are issued for the purpose of making a loan of the proceeds thereof to the Crystal Springs Uplands School, a California nonprofit public benefit corporation (the “Borrower”) designated as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), for the purpose of financing the Project (as defined in the Indenture) pursuant to a Loan Agreement, dated as of October 1, 2025 (the “Loan Agreement”), between the Issuer and the Borrower. Terms not otherwise defined herein shall have the meanings ascribed to such terms in the Indenture.

In such connection, we have reviewed the Indenture, the Loan Agreement, the Resolution, and the Tax Regulatory Agreement, dated October __, 2025 (the “Tax Regulatory Agreement”), between the Issuer and the Borrower, certificates of the Issuer, the Trustee, the Borrower and others, and such other documents and matters to the extent deemed necessary by us to render the opinions set forth herein. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in such documents, and of the legal conclusions contained in the opinions referred to above, and we have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer.

Certain requirements, agreements and procedures contained or referred to in the Indenture, the Loan Agreement, the Tax Regulatory Agreement, and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to the effect of any such change that occurs or action that is taken on the validity of any Bond or the tax-exempt status of the interest thereon upon the advice or approval of bond counsel other than ourselves.

We are not passing upon title to or the description of the facilities or properties of the Borrower or the nature and extent of any liens thereon.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur. Our engagement with respect to the Bonds has concluded with their issuance and we disclaim any obligation to update this letter. We have assumed compliance with all covenants and agreements contained in the Indenture, the Loan Agreement and the Tax Regulatory Agreement, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions, or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Indenture, the Loan Agreement and the Tax Regulatory Agreement may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other similar laws affecting creditors' rights, to the application of equitable principles, and to the exercise of judicial discretion in appropriate cases. We also express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the foregoing documents. Finally, we have undertaken no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion relating thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding special, limited obligations of the Issuer.
2. The Indenture has been duly and legally authorized, executed and delivered by, and constitutes the valid and binding obligation of, the Issuer, enforceable in accordance with its terms. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, including amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established pursuant to the Indenture, except the Rebate Fund, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. The Indenture also creates a valid assignment to the Trustee, for the benefit of the holders from time to time of the Bonds, of the right, title and interest of the Issuer in the Loan Agreement (to the extent and as more particularly described in the Indenture).
3. The Bonds are special, limited obligations of the Issuer and are not a lien or charge upon the funds or property of the Issuer or any member of the Issuer except to the extent of the aforementioned pledge and assignment. The Bonds are not a debt or liability of the State, any political subdivision of the State or any member of the Issuer. Neither the Issuer nor any member of the Issuer shall under any circumstances be obligated to pay the Bonds except from the revenues and other funds pledged therefor under the Indenture. None of the State, any political subdivision of the State or any member of the Issuer shall be obligated to pay the principal of, premium, if any, or interest on, the Bonds or other costs incident thereto except from the revenues and funds pledged therefor. Neither the faith and credit nor the taxing power of the State, any political subdivision of the State or any member of the Issuer is pledged to the payment of the principal of, premium, if any, or interest on, the Bonds. None of the State, any political subdivision of the State or any member of the Issuer is required to levy or pledge any form of taxation whatever or to make any appropriation for the payment of the Bonds. The Issuer has no taxing power.
4. Under existing laws, regulations, rulings and judicial decisions, interest (including original issue discount) on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. Interest on the Bonds may affect the federal alternative minimum tax imposed on certain corporations. The opinion set forth in this letter with respect to the exclusion of interest on the Bonds

from gross income for federal income tax purposes is subject to the condition that the Issuer and the Borrower comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Issuer and the Borrower have covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

5. The interest on the Bonds is exempt from current State of California personal income taxes.

Very truly yours,

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APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “**Disclosure Agreement**”), dated as of October 1, 2025, is executed and delivered by and between Crystal Springs Uplands School, a California nonprofit public benefit corporation (with its successors and assigns, the “**Borrower**”) and Wilmington Trust, National Association, as dissemination agent hereunder (with its successors and assigns, the “**Dissemination Agent**”) in connection with the issuance by the California Enterprise Development Authority (the “**Issuer**”) of its Revenue Bonds (Crystal Springs Uplands School Project) Series 2025 (the “**Bonds**”). The Bonds are being issued pursuant to an Indenture of Trust dated as of October 1, 2025 (as amended, restated, supplemented, and otherwise modified from time to time, the “**Indenture**”) by and between the Issuer and Wilmington Trust, National Association, as trustee thereunder (with its successors and assigns, the “**Trustee**”). The proceeds of the Bonds are being loaned by the Issuer to the Borrower pursuant to a Loan Agreement dated as of October 1, 2025 (as amended, restated, supplemented, and otherwise modified from time to time, the “**Loan Agreement**”). Pursuant to the Loan Agreement, the Borrower has covenanted and agreed to provide the continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events.

Section 1. Purpose of Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Borrower for the benefit of the Registered Owners of the Bonds (for such purpose beneficial owners of the Bonds shall also be considered Registered Owners of the Bonds) and to assist Stifel, Nicolaus & Company, Incorporated (the “**Participating Underwriter**”), in complying with the Rule.

Section 2. Defined Terms. In addition to the definitions set forth in the Indenture or the Loan Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined herein, the following capitalized terms shall have the following meanings:

“**Annual Report**” shall mean any Annual Report provided by the Borrower pursuant to, and as described in, Section 3 and Section 4 of this Disclosure Agreement.

“**Annual Reporting Date**” shall mean December 31 of each calendar year; provided, however, that if the Borrower shall change its fiscal year end to a date other than June 30, the Annual Reporting Date shall be 180 days after the last day of each fiscal year.

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

“**Bonds**” means the Issuer’s Revenue Bonds (Crystal Springs Uplands School Project) Series 2025.

“**Borrower**” means Crystal Springs Uplands School, a California nonprofit public benefit corporation, and its permitted successors and assigns.

“**Disclosure Representative**” shall mean the Chief Financial and Operating Officer of the Borrower or such other officer, agent or employee as the Borrower shall designate in writing to the Dissemination Agent from time to time.

“Dissemination Agent” means Wilmington Trust, National Association, as dissemination agent under this Disclosure Agreement, its successors and assigns.

“EMMA” means the Electronic Municipal Market Access system operated by the MSRB and the primary portal for complying with the continuing disclosure requirements of the Rule as of the date hereof.

“Event Notices” means the notices required to be given by the Borrower pursuant to Section 5 of this Disclosure Agreement.

“Financial Obligation” means: (a) a debt obligation; (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b). The term “Financial Obligation” does not include municipal securities as to which a final official statement has been provided to the Repository consistent with the Rule.

“Fiscal Year” means the twelve-month accounting period used with respect to the operations of the Borrower, which as of the date hereof ends on June 30 of each year.

“Indenture” means the Indenture of Trust, dated as of October 1, 2025, between the Issuer and the Trustee, as amended, restated, supplemented, and otherwise modified from time to time.

“Issuer” means the California Enterprise Development Authority, its successors and assigns.

“Listed Event” means any of the events listed in Section 5(a) and Section 5(b).

“MSRB” means the Municipal Securities Rulemaking Board, its successors and assigns.

“Participating Underwriter” means Stifel, Nicolaus & Company, Incorporated, as original purchaser of the Bonds, its successors and assigns.

“Official Statement” means the Official Statement dated as amended, restated, supplemented, and otherwise modified from time to time, _____, 2025, relating to the Bonds.

“Repository” means EMMA.

“Rule” means Rule 15c2-12(b)(5) promulgated by the SEC under the Securities Exchange Act of 1934, as amended or supplemented by the SEC from time to time.

“SEC” means the Securities and Exchange Commission, its successors and assigns.

“Trustee” means Wilmington Trust, National Association, its successors and assigns.

Section 3. Provision of Annual Reports.

(a) The Borrower shall provide, or shall cause the Dissemination Agent to provide, to the MSRB, not later than the Annual Reporting Date immediately succeeding the end of each Fiscal Year of the Borrower, commencing with the Fiscal Year ending June 30, 2025, an Annual Report for such Fiscal Year that is consistent with the requirements of Section 4. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4; provided that the audited financial statements of the Borrower (and any information determined from the audited financial statement) may be submitted separately from the balance of the Annual Report and later than the applicable Annual Reporting Date if they are not

available by that date. If the Borrower's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(d). The Annual Report shall identify the Bonds by name and CUSIP number, if available.

(b) The Borrower shall be responsible for the preparation of the Annual Report. Not later than five (5) Business Days prior to the applicable Annual Reporting Date, the Borrower shall provide the Annual Report to the Dissemination Agent. If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Borrower to determine if the Borrower is or expects to be in compliance with the first sentence of subsection (a) above.

(c) The Dissemination Agent shall transmit the Annual Report to the MSRB in electronic format accompanied by identifying information as prescribed by the MSRB.

Section 4. Content of Annual Reports.

(a) The Annual Report shall be in a format suitable for filing with the MSRB and shall contain or include by reference the following:

(i) The annual financial statements of the Borrower for the applicable Fiscal Year, prepared in accordance with GAAP, audited if available.

(ii) An update of the information of the type set forth in Appendix A to the Official Statement in the following tables:

- "STUDENT ENROLLMENT – Applications, Acceptances, and Matriculants"
- "STUDENT ENROLLMENT – Five-Year History of Attrition Trends"
- "TUITION & FINANCIAL AID – Crystal Tuition"
- "TUITION & FINANCIAL AID – Financial Aid Assistance"

and the following information under the following headings:

- "FINANCIAL MATTERS – Investments and Endowment" (the information in the paragraphs under such heading and in the tables titled "Investment Portfolio Recorded Value" and "Endowment Market Value by Level of Restriction"); and
- "ADVANCEMENT – Annual Fund and Total Giving" (the information in the tables under such heading).

(b) Any or all of the items listed above may be included by specific reference to other documents, including any official statement, offering memorandum, or prospectus of debt issues for the benefit of the Borrower or related entities, which have been submitted to the MSRB. If the document included by reference is a final official statement or offering memorandum, it must be available from the MSRB. The Borrower shall clearly identify each such other document so included by reference. The Borrower is solely responsible for the content and format of the Annual Report, and the Dissemination Agent shall have no liability or responsibility for content, format, accuracy, or completeness of such Annual Report.

(c) Any or all of the Annual Reports may be incorporated by reference from other documents, including official statements and offering memoranda, which have been submitted to the Repository. If the Annual Report information is changed or this Disclosure Agreement is amended in accordance with its terms, then the Borrower is to include in the next Annual Report to be delivered hereunder, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

Section 5. Reporting of Listed Events.

(a) Pursuant to the provisions of this Section 5, the Borrower shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (i) non-payment related defaults;
- (ii) modifications to rights of Bond holders;
- (iii) Bond calls;
- (iv) unless described in Section 5(b)(vii), other material notices or determinations with respect to the tax exempt status of any Bonds or other events affecting the tax exempt status of any Bonds;
- (v) release, substitution or sale of property securing repayment of any Bonds;
- (vi) the consummation of a merger, consolidation or acquisition involving the Borrower or the sale of all or substantially all of the assets of the Borrower (other than in the ordinary course of business) or the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions other than in accordance with its terms;
- (vii) appointment of a successor or additional trustee or change in name of a trustee;
or
- (viii) incurrence of a Financial Obligation of the Borrower, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Borrower, any of which affect security holders.

(b) Pursuant to the provisions of this Section 5, the Borrower shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds:

- (i) principal and interest payment delinquencies;
- (ii) defeasances;
- (iii) rating changes;
- (iv) unscheduled draws on debt service reserves reflecting financial difficulties;
- (v) unscheduled draws on any credit enhancements reflecting financial difficulties;
- (vi) substitution of credit or liquidity providers, or their failure to perform;

(vii) adverse tax opinions affecting the tax exempt status of any Bonds, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701-TEB);

(viii) tender offers;

(ix) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Borrower, any of which reflect financial difficulties; and

(x) bankruptcy, insolvency, receivership or a similar proceeding by the Borrower.

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

(c) Upon the occurrence of a Listed Event specified in Section 5(a), the Borrower shall as soon as possible determine if such event would be material. The Dissemination Agent shall have no responsibility for such determination.

(d) If the Borrower has determined that the occurrence of a Listed Event specified in Section 5(a) would be material, or upon the occurrence of a Listed Event specified in Section 5(b), the Borrower shall notify the Dissemination Agent in writing within five business days or such lesser time period as is acceptable to the Dissemination Agent of the occurrence of such event in a format suitable for filing with the MSRB, with instructions to the Dissemination Agent to file a notice of the occurrence of such Listed Event pursuant to Section 5(e).

(e) If the Dissemination Agent has been instructed in writing by the Borrower to report the occurrence of a Listed Event and has received a notice of the occurrence in a format suitable for filing with the MSRB, the Dissemination Agent shall file such notice with the MSRB with a copy to the Participating Underwriter in a timely manner not in excess of ten business days after the occurrence of the event.

Section 6. Use of EMMA. Any filings required to be made with or notices to be given to the MSRB under this Disclosure Agreement shall be effected by sending the filing or notice to EMMA at www.emma.msrb.org in an electronic format accompanied by identifying information as prescribed by the MSRB, or to such other entity and in such other format as may be designated under the Rule. The Dissemination Agent agrees to comply with the provisions of EMMA in making such filings and giving such notices under this Disclosure Agreement.

Section 7. Termination of Reporting Obligation. The obligations of the Borrower and the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption, prepayment or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Borrower shall give notice of such termination in the same manner as for a Listed Event under Section 5(d) hereof.

Section 8. Failure to File. If the Borrower does not provide to the Dissemination Agent a copy of an Annual Report by the dates required above, the Dissemination Agent in a timely manner shall send a notice to the Borrower and the Participating Underwriter in substantially the form attached as Exhibit A. If the Borrower files any report directly with MSRB, the Borrower shall promptly provide the Dissemination Agent with a confirmation or documentation reasonably required by the Dissemination Agent confirming that the filing of such report was made in a timely manner on or before the date required herein (or if not as of such date, specifying the date of filing) and that such filing contained the information required by this Disclosure Agreement.

Section 9. Dissemination Agent. The Borrower may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Borrower pursuant to this Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the Borrower shall be the Dissemination Agent. The initial Dissemination Agent shall be the Trustee. Any person succeeding to all or substantially all of the Trustee's corporate trust business shall be the successor to the Trustee hereunder without the execution or filing of any paper or any further act. The Dissemination Agent may resign its duties under this Disclosure Agreement upon 60 days prior written notice to the Borrower.

Section 10. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Borrower and the Dissemination Agent may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

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

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original execution and delivery of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The proposed amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel or another party unaffiliated with the Borrower, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Borrower shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Borrower. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, notice of such change shall be given in the same manner as for a Listed Event under Section 5(d).

Section 11. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Borrower from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Borrower chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Borrower shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 12. Default. In the event of a failure of the Borrower or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Dissemination Agent (at the written direction of the Holders of not less than 25% in aggregate principal amount of Bonds then Outstanding and upon being indemnified to its satisfaction therefor, shall, or the Participating Underwriter or any Holder of Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Borrower or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Bonds, the Indenture, the Loan Agreement or any other related document and the sole remedy under this Disclosure Agreement in the event of any failure of the Borrower or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance. The Dissemination Agent shall not be required to take any action whatsoever to cause the Borrower to comply with its obligations under this Dissemination Agreement other than those specifically set forth in Section 3 and Section 6 hereof.

Section 13. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically and expressly set forth in this Disclosure Agreement, and no implied covenants or obligations of the Dissemination Agent shall arise in this Disclosure Agreement. The Borrower agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, fees, expenses and liabilities which it may incur arising out of the disclosure of information pursuant to this Disclosure Agreement or arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct, as the case may be. The obligations of the Borrower under this Section shall survive resignation or removal of the Dissemination Agent, termination of this Disclosure Agreement and payment of the Bonds. The Dissemination Agent shall have no liability for the Borrower's failure to report any event or any financial information or operating data as to which the Borrower has not provided an information report in format suitable for filing with the MSRB. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in a fiduciary capacity. The obligations of the Borrower under this Section shall survive resignation of the Dissemination Agent or the termination of this Dissemination Agreement. The Dissemination Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Dissemination Agent by the Disclosure Representative and conforming to the requirements of this Disclosure Agreement. In the case of any Annual Reports or description of any Listed Events, or any opinions which by any provision hereof are specifically required to be furnished to the Dissemination Agent, the Dissemination Agent shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Disclosure Agreement, but shall be under no duty to verify independently or investigate the accuracy or completeness of any information contained therein or the correctness of any opinion furnished hereunder. No provision of this Disclosure Agreement shall require the Dissemination Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any

resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, judgment, decree, or other paper or document believed by it to be genuine and to have been signed or presented by the Disclosure Representative, not only as to due execution, validity and effectiveness, but also as to the truth and accuracy of any information contained therein. The Dissemination Agent may consult with counsel of its choice and the written advice of such counsel or any opinion of counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon, it being understood that for purposes of this provision, that such counsel may be counsel to the Borrower. The Borrower shall not be liable for the fees and expenses of any such counsel consulted by the Dissemination Agent without the prior consent of the Borrower. The Dissemination Agent shall not be bound to make any investigation into the facts or matters stated in and Annual Report or description of a Listed Event. To the extent not otherwise provided in this Disclosure Agreement, the Dissemination Agent shall be entitled to resign and discharge its obligations hereunder in like manner as specified in the Indenture for the discharge of the obligations of the Trustee thereunder.

Section 14. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the Borrower: Crystal Springs Uplands School
400 Uplands Drive
Hillsborough, California 94010
Attn: Chief Financial Officer

To Dissemination Agent: Wilmington Trust, National Association
Attn: Corporate Trust Services
650 Town Center Drive, Suite 800
Costa Mesa, California 92626

A copy of each notice shall be sent to the Participating Underwriter as follows:

Stifel, Nicolaus & Company, Incorporated
One Financial Plaza
501 North Broadway
St. Louis, Missouri 63102
Attention: Director of Public Finance

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 15. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Borrower, the Dissemination Agent, the Participating Underwriter, the Trustee and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 16. Fees and Expenses. Except to the extent limited by Section 13 hereof, the Dissemination Agent shall be entitled to payment and reimbursement from the Borrower for its services rendered hereunder and all rightful advances and other expenses reasonably made or incurred by the Dissemination Agent.

Section 17. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one instrument.

Section 18. Choice of Law. This Disclosure Agreement shall be governed by and construed in accordance with the laws of the State of California, provided that to the extent this Disclosure Agreement addresses matters of federal securities laws, including the Rule, this Disclosure Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

Section 19. Severability. If any portion of this Disclosure Agreement shall be held invalid or inoperative, then, so far as is reasonable and possible (i) the remainder of this Disclosure Agreement shall be considered valid and operative, and (ii) effect shall be given to the intent manifested by the portion held invalid or inoperative.

Section 20. Other Instruments. The Borrower and the Dissemination Agent covenant and agree that they will execute such other and further instruments and documents as are or may become necessary or convenient to effectuate and carry out this Disclosure Agreement.

Section 21. Captions, Titles, and Headings. The captions, titles, and headings used in this Disclosure Agreement are for convenience only and shall not be construed in interpreting this Disclosure Agreement.

Section 22. Entire Agreement. This Disclosure Agreement contains the entire understanding among the parties and supersedes any prior understandings or written or oral agreements between them respecting the subject matter of this Disclosure Agreement.

IN WITNESS WHEREOF, the undersigned have duly authorized, executed and delivered this Continuing Disclosure Agreement as of the date first written above.

**WILMINGTON TRUST, NATIONAL
ASSOCIATION**, as Dissemination Agent

By: _____
Authorized Officer

CRYSTAL SPRINGS UPLANDS SCHOOL, a
California nonprofit public benefit corporation

By: _____
Authorized Officer

EXHIBIT A

**NOTICE TO REPOSITORY OF FAILURE TO
FILE ANNUAL REPORT**

Name of Issuer: California Enterprise Development Authority

Name of Bond Issues: California Enterprise Development Authority (Crystal Springs Uplands School Project) Series 2025

Dissemination Agent: Wilmington Trust, National Association

Name of Borrower: Crystal Springs Uplands School

Date of Issuance: October __, 2025

NOTICE IS HEREBY GIVEN that the Borrower has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated as of October 1, 2025, between the undersigned Dissemination Agent and the Borrower. The Borrower anticipates that the Annual Report will be filed by _____.

Dated: _____

**WILMINGTON TRUST, NATIONAL
ASSOCIATION**, as Dissemination Agent

By: _____
Authorized Officer

cc: Stifel, Nicolaus & Company, Incorporated



CRYSTAL

SPRINGS UPLANDS SCHOOL



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forests, controlled sources and
recycled wood or fibres.

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