
OFFICIAL NOTICE OF BOND SALE

And

PRELIMINARY OFFICIAL STATEMENT

Local Building Authority of Kane County School District, Utah



\$21,010,000*
Lease Revenue Bonds, Series 2026

Electronic bids will be received up to 9:30:00 A.M., M.D.T., via the **PARITY**® electronic bid submission system, on Thursday, June 18, 2026.

* Preliminary; subject to change.

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(Bond Sale to be Conducted Electronically)

Local Building Authority of Kane County School District, Utah

\$21,010,000* Lease Revenue Bonds, Series 2026

Bids will be received electronically (as described under “Procedures Regarding Electronic Bidding” below) by the Local Building Authority of Kane County School District, Utah (the “Issuer”) at the offices of Zions Public Finance, Inc., Salt Lake City, Utah, the municipal advisor to the Issuer (the “Municipal Advisor”) on the *PARITY*® bidding system (“*PARITY*”) at 9:30:00 a.m., Mountain Daylight Time (“M.D.T.”), on Thursday, June 18, 2026, for the purchase all or none (“AON”) of \$21,010,000* aggregate principal amount of the Issuer’s Lease Revenue Bonds, Series 2026 (the “2026 Bonds”). The 2026 Bonds are to be issued pursuant to a General Indenture of Trust dated as of July 1, 2026, as supplemented by a First Supplemental Indenture of Trust dated as of July 1, 2026 (together, the “Indenture”), between the Issuer and Zions Bancorporation, National Association, as trustee, (the “Trustee”) and to be payable from, and secured by, annually renewable lease payments (“Base Rentals”) and certain other amounts to be paid by the Board of Education (the “Board”) of Kane County School District, Utah (the “District”), pursuant to an annually renewable Master Lease Agreement dated as of July 1, 2026 (the “Lease”), between the Issuer (as lessor) and the Board (as lessee), and other amounts held by Trustee under the Indenture as more fully described under “Security” herein.

The bids will be reviewed and considered by the Designated Officers (as defined in the resolution previously adopted by the governing body of the Issuer on April 14, 2026 (the “Resolution”).

Description of 2026 Bonds

The 2026 Bonds will be dated the date of delivery thereof, will be fully-registered bonds, in book-entry form, in denominations of \$5,000 or integral multiples thereof, and will mature on July 1 of the years and in the principal amounts as follows:

Maturity (July 1)	Amount*	Maturity (July 1)	Amount*
2027	\$640,000	2037	\$1,040,000
2028	670,000	2038	1,095,000
2029	705,000	2039	1,150,000
2030	740,000	2040	1,205,000
2031	780,000	2041	1,265,000
2032	815,000	2042	1,330,000
2033	855,000	2043	1,385,000
2034	900,000	2044	1,440,000
2035	945,000	2045	1,495,000
2036	990,000	2046	1,565,000

Total.....\$21,010,000*

* Preliminary; subject to change. See “Adjustment of Principal Amount of the 2026 Bonds” in this OFFICIAL NOTICE OF BOND SALE.

The 2026 Bonds will be issued in registered form and, when issued, will be registered in the name of The Depository Trust Company, New York, New York, or its nominee. The Depository Trust Company will act as securities depository for the 2026 Bonds. Purchases of beneficial interests in the 2026 Bonds will be made in book-entry form in the denomination of \$5,000 or any integral multiple thereof.

Term Bonds and Mandatory Sinking Fund Redemption at Bidder's Option

The 2026 Bonds scheduled to mature on two or more of the above-designated maturity dates may be rescheduled, at bidder's option, to mature as term bonds on one or more dates within that period, in which event the 2026 Bonds will mature and be subject to mandatory sinking fund redemption in such amounts and on such dates as will correspond to the above-designated maturity dates and principal amounts maturing on those dates, as adjusted.

Adjustment of Principal Amount of the 2026 Bonds

The Designated Officers, on behalf of the Issuer, may adjust the amount of the 2026 Bonds and the amount maturing on one or more of the maturity dates by the amount necessary to deliver approximately \$22,200,000 of sale proceeds and to properly size each maturity of the 2026 Bonds so that the annual debt service on the 2026 Bonds better matches the anticipated revenues and payments; provided, however the adjustment of maturities with respect to 2026 Bonds maturing in any year in the principal amount of \$1,000,000 or more, will not reduce such principal amount to an amount less than \$1,000,000. The dollar amount of the price bid by the successful bidder may be changed as described below, but none of the interest rates specified by the successful bidder will change. A successful bidder may not withdraw its bid as a result of any changes made within these limits, and the Issuer will consider the bid as having been made for the adjusted amount of the 2026 Bonds. The dollar amount of the price bid will be changed so that the percentage net compensation to the successful bidder (i.e., the percentage resulting from dividing (a) the aggregate difference between the offering price of the 2026 Bonds to the public and the price to be paid to the Issuer, by (b) the principal amount of the 2026 Bonds) does not increase or decrease from what it would have been if no adjustment was made to the principal amounts shown above.

If the Issuer elects to make such an adjustment, the amount of such adjustment will be allocated to increase or decrease the principal amount of the 2026 Bonds maturing on one or more of the maturity dates for the 2026 Bonds as described above, all as determined by the Designated Officer, on behalf of the Issuer, with the advice of the Municipal Advisor. The Issuer expects to advise the successful bidder as soon as possible, but expects no later than 2:00 p.m., M.D.T., on the date of sale, of the amount, if any, by which the aggregate principal amount of the 2026 Bonds will be adjusted and the corresponding changes to the principal amount of the 2026 Bonds maturing on one or more of the above-designated maturity dates for the 2026 Bonds. Any such adjustment will be in an amount of \$5,000 or an integral multiple thereof. The Issuer will consider the bid as having been made for the adjusted amount of the 2026 Bonds.

To facilitate any adjustment in the principal amounts, the successful bidder is required to indicate by electronic means to the Municipal Advisor at mark.anderson@zionsbancorp.com within one-half hour of the time of bid opening, the amount of any original issue discount or premium on each maturity of the 2026 Bonds and the amount received from the sale of the 2026 Bonds to the public that will be retained by the successful bidder as its compensation.

Possible Rejection of All Bids

As described below under "Sale Reservations," the Issuer reserves the right to reject any and all bids and to resell the 2026 Bonds. In such case the Issuer may elect to negotiate a subsequent sale of the 2026 Bonds.

Ratings

The Issuer will, at its own expense, pay fees of Moody's Investors Service ("Moody's") for rating the 2026 Bonds. As of the date of the Preliminary Official Statement, Moody's has assigned its municipal bond rating of "Aa3" to the 2026 Bonds. *Any additional ratings shall be at the option and expense of the bidder.*

Purchase Price

The purchase price bid for the 2026 Bonds shall not be less than 100% of the principal amount of the 2026 Bonds. The final par amount of the 2026 Bonds may be adjusted (either increased or decreased) as provided above under “Adjustment of Principal Amount of the 2026 Bonds”.

Interest Rates

The 2026 Bonds will bear interest at any number of different rates, any of which may be repeated, which rates shall be expressed in multiples of 1/8th or 1/20th of 1% per annum. In addition:

- no rate bid may exceed 6.0% per annum;
- all 2026 Bonds of the same maturity must bear a single rate of interest;
- premium must be paid in the funds specified for the payment of the 2026 Bonds as part of the purchase price;
- interest shall be computed from the dated date of a 2026 Bond to its stated maturity date at the single interest rate specified in the bid for the 2026 Bonds of such maturity;
- the purchase price must be paid in immediately available funds and no bid will be accepted that contemplates the cancellation of any interest or the waiver of interest or other concession by the bidder as a substitute for federal funds;
- there shall be no supplemental interest coupons; and
- interest shall be computed on the basis of a 360-day year of 12, 30-day months.

Interest for the 2026 Bonds will be payable semiannually on January 1 and July 1, beginning January 1, 2027, at the rate or rates to be fixed at the time the 2026 Bonds are sold.

Trustee, Bond Registrar, and Paying Agent; Place of Payment

Zions Bancorporation, National Association, Salt Lake City, Utah, will be the trustee, paying agent, and bond registrar of the 2026 Bonds. So long as The Depository Trust Company, New York, New York (“DTC”), is the registered owner, DTC will, in turn, remit such principal and interest to its participants, for subsequent disbursements to the beneficial owners of the 2026 Bonds as described under the caption “THE 2026 BONDS—Book-Entry System” in the Issuer’s Preliminary Official Statement with respect to the 2026 Bonds. Interest on the 2026 Bonds will be payable by check or draft mailed to the registered owners thereof (initially DTC) as shown on the registration books kept for the Issuer by the Registrar.

Redemption Provisions

Optional Redemption. The 2026 Bonds maturing on or after July 1, 2037 are subject to redemption at the option of the Issuer, in whole or in part, at any time on or after July 1, 2036 in such order of maturity as shall be directed by the Issuer, at a redemption price equal to 100% of the principal amount of the 2026 Bonds to be redeemed plus accrued interest to the date of redemption.

Extraordinary Redemption in the Event of Damages, or Destruction or Condemnation of the 2026 Project. The 2026 Bonds are callable for redemption prior to maturity in whole on any date, if (i) the 2026 Project or a material portion thereof is damaged or destroyed or taken in a condemnation proceeding, or a material defect in the construction of the 2026 Project shall become apparent, or title to or the use of all or any material portion of the 2026 Project shall be lost by reason of a defect in title thereto, (ii) the net proceeds of any insurance policy, performance bond or condemnation award made available by reason of one or more such occurrences shall be insufficient to pay in full the cost of repairing or replacing such portion of the 2026 Project, and (iii) the Board elects to discharge its obligation to repair and replace such portion of the 2026 Project by depositing such net proceeds into the bond fund established under the Indenture. Thereafter, monies so deposited in the bond fund, as well as all other moneys on deposit in any fund created

under the Indenture with respect to the 2026 Project (except moneys held in the rebate fund or for the payment of 2026 Bonds not then deemed outstanding), shall be applied to the redemption of the 2026 Bonds at the earliest date practicable, as specified in a written notice from the Issuer to the Trustee. Any such redemption of the 2026 Bonds shall be made upon payment of all or a prorated portion of the principal amount thereof plus accrued interest thereon to the redemption date.

Security

The principal of, and premium (if any) and interest on, the 2026 Bonds are payable from, and secured by, annually renewable Base Rentals to be paid by the Board pursuant to the Lease, subject to annual appropriation by the Board of amounts sufficient to pay such Base Rentals and certain other amounts payable under the Lease. The 2026 Bonds are also payable from certain funds and accounts held under the Indenture.

The obligation of the Board to pay any rentals is annually renewable as provided in the Lease and subject to annual appropriation by the Board. Neither the obligation of the Board to pay rentals nor the obligation of the Issuer to pay the 2026 Bonds will constitute a debt of the Board or the State of Utah or any political subdivision thereof. The issuance of the 2026 Bonds does not directly or contingently obligate the Board to pay any rentals. The Issuer has no taxing power.

Procedures Regarding Electronic Bidding

No bid will be accepted unless the Issuer has determined that such bidder has provided the requested Deposit, as the case may be, as described under “Good Faith Deposit” below.

Bids will be received by means of the *PARITY*® electronic bid submission system. A prospective bidder must communicate its bid electronically through *PARITY*® on or before 9:30:00 a.m. M.D.T., on Thursday, June 18, 2026. No bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in *PARITY*® conflict with this OFFICIAL NOTICE OF BOND SALE, the terms of this OFFICIAL NOTICE OF BOND SALE shall control. For further information about *PARITY*®, potential bidders may contact the Municipal Advisor or i-Deal LLC at 1359 Broadway, New York, New York 10018; (212) 849-5021. The time as maintained by *PARITY*® shall constitute the official time.

Each qualified prospective bidder shall be solely responsible to make necessary arrangements to access *PARITY*® for purposes of submitting its bid in a timely manner and in compliance with the requirements of this OFFICIAL NOTICE OF BOND SALE. Neither the Municipal Advisor, the Issuer nor i-Deal LLC shall have any duty or obligation to provide or assure such access to any qualified prospective bidder, and neither the Municipal Advisor, the Issuer nor i-Deal LLC shall be responsible for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by, *PARITY*®. The Issuer is using *PARITY*® as a communication mechanism, and not as the Issuer’s agent, to conduct the electronic bidding for the 2026 Bonds.

Notification

The Municipal Advisor will notify the apparent successful bidder(s) (electronically via *PARITY*®), or by telephone, as soon as possible after the Issuer’s receipt of bids, that such bidder’s bid appears to be the best bid received which conforms to the requirements of this OFFICIAL NOTICE OF BOND SALE, subject to verification and to official action to be taken by certain authorized officers of the Issuer as described in the next succeeding paragraph.

The award of the 2026 Bonds to the successful bidder will be considered by the Designated Officers of the Issuer on Thursday, June 18, 2026, pursuant to the Resolution.

Form of Bid

Each bidder for the 2026 Bonds is required to transmit electronically via *PARITY*® an unconditional bid specifying the lowest rate or rates of interest and confirm the purchase price (as described under “Purchase Price” above) at which the bidder will purchase the 2026 Bonds. Each bid must be for all the 2026 Bonds herein offered for sale.

For information purposes only, bidders are requested to state in their bids the effective interest rate for the 2026 Bonds represented on a TIC basis, as described under “Award” below, represented by the rate or rates of interest and the bid price specified in their respective bids.

No bids will be accepted in written form, by email or in any other medium or on any system other than by means of *PARITY*[®]; provided, however, that in the event a prospective bidder cannot access *PARITY*[®], through no fault of its own, it may so notify the office of the Municipal Advisor by telephone at (801) 844-7377. Thereafter, it may submit its bid by telephone to the Municipal Advisor at (801) 844-7377, who shall transcribe such bid into written form or by email to the Municipal Advisor at mark.anderson@zionsbancorp.com, in either case before the time bids are due as stated above, on Thursday, June 18, 2026. For purposes of bids submitted telephonically to the Municipal Advisor (as described above) or by email, the time as maintained by *PARITY*[®], shall constitute the official time. Each bid submitted as provided in the preceding sentence must specify the interest rate or rates of the Bonds and the total purchase price of all of the 2026 Bonds. The Municipal Advisor will seal transcribed telephonic bids and email bids for submission. Neither the Issuer nor the Municipal Advisor assume any responsibility or liability from the failure of any such transcribed telephonic bid or email (whether such failure arises from equipment failure, unavailability of phone lines or otherwise). No bid will be received after the time for receiving such bids specified above.

If requested by the Municipal Advisor, the apparent successful bidder(s) will provide written confirmation of its bid (by electronic means) to the Municipal Advisor prior to 2:00 p.m., M.D.T., on Thursday, June 18, 2026.

Right of Cancellation

The successful bidder(s) shall have the right, at its option, to cancel its obligation to purchase the 2026 Bonds if the Issuer shall fail to execute the 2026 Bonds and tender the same for delivery within 60 days from the date of sale thereof, and in such event the successful bidder(s) shall be entitled to the return of the Deposit.

Award

Award or rejection of bids will be made on Thursday, June 18, 2026, by the Designated Officer of the Issuer. The 2026 Bonds will be awarded to the responsible bidder offering to pay the lowest effective interest cost to the Issuer, computed from the date of the 2026 Bonds to maturity and taking into consideration the premium or discount, if any, in the purchase price of the 2026 Bonds. The effective interest rate to the Issuer shall be the interest rate per annum determined on a per annum true interest cost (“TIC”) based on the discounting of the scheduled semiannual debt service payments of the Issuer on the 2026 Bonds (based on such rate or rates of interest so bid) to the dated date of the 2026 Bonds, compounded semiannually, and to the bid price. Interest cost shall be computed on a 360-day year of twelve, 30-day months.

Good Faith Deposit

A good faith deposit (the “Deposit”) in the amount of \$200,000 is required only from the successful bidder(s). The Deposit shall be payable to the order of the Issuer in the form of a wire transfer in federal funds as instructed by the Municipal Advisor no later than 12:00 noon, M.D.T., on Thursday, June 18, 2026. As an alternative to wiring funds, a bidder may deliver a cashier’s or certified check, payable to the order of the Issuer. If a check is used, it must precede each bid. Such check shall be promptly returned to its respective bidder whose bid is not accepted.

The Issuer shall, as security for the faithful performance by the successful bidder(s) of its obligation to take up and pay for the 2026 Bonds when tendered, cash the Deposit check, if applicable, of the successful bidder(s) and hold the proceeds of the Deposit of the successful bidder(s), or invest the same (at the Issuer’s risk) in obligations which mature at or before the delivery of the 2026 Bonds as described under the caption “Manner and Time of Delivery” below, until disposed of as follows: (a) at such delivery of the 2026 Bonds and upon compliance with the successful bidder’s obligation to take up and pay for the 2026 Bonds, the full amount of the Deposit held by the Issuer, without adjustment for interest, shall be applied toward the purchase price of the 2026 Bonds at that time and the full amount of any interest earnings thereon shall be retained by the Issuer; and (b) if the successful bidder fails to take up and pay for the 2026 Bonds when tendered, the full amount of the Deposit plus any interest earnings thereon will be forfeited to the Issuer as liquidated damages.

Sale Reservations

The Issuer reserves the right: (i) to waive any irregularity or informality in any bid or in the bidding process; (ii) to reject any and all bids for the 2026 Bonds; and (iii) to resell the 2026 Bonds as provided by law.

Manner and Time of Delivery

The successful bidder(s) will be given at least five (5) business days advance notice of the proposed date of the delivery of the 2026 Bonds when that date has been determined. It is now estimated that the 2026 Bonds will be delivered in book-entry form on or about July 1 2026. Delivery of the 2026 Bonds will be made in Salt Lake City, Utah. The successful bidder(s) must also agree to pay for the 2026 Bonds in federal funds which will be immediately available to the Issuer on the day of delivery.

CUSIP Numbers

It is anticipated that CUSIP numbers will be printed on the 2026 Bonds, at the expense of the Issuer, but neither the failure to print such numbers on any 2026 Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder(s) thereof to accept delivery of and pay for the 2026 Bonds in accordance with terms of this OFFICIAL NOTICE OF BOND SALE.

Tax-Exempt Status

In the opinion of Gilmore & Bell, P.C., Bond Counsel to the Issuer, the interest on the 2026 Bonds (including any original issue discount properly allocable to an owner thereof) (i) is excludable from gross income for federal income tax purposes and (ii) is not an item of tax preference for purposes of computing the federal alternative minimum tax. The opinions set forth in this paragraph are subject to the condition that the Issuer complies with all requirements of the Internal Revenue Code that must be satisfied subsequent to the issuance of the 2026 Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Issuer has covenanted to comply with all of these requirements. Failure to comply with certain of these requirements may cause the interest on the 2026 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2026 Bonds. Bond Counsel notes that interest on the 2026 Bonds may be included in adjusted financial statement income of applicable corporations for purposes of determining the applicability and amount of the federal corporate alternative minimum tax.

In the opinion of Bond Counsel, interest on the 2026 Bonds is exempt from State of Utah individual income taxes.

Establishment of Issue Price

The successful bidder shall assist the Issuer in establishing the issue price of the 2026 Bonds and shall execute and deliver to the Issuer on the date of issuance of the 2026 Bonds an “issue price” or similar certificate setting forth the reasonably expected initial offering price to the public or the sales price or prices of the 2026 Bonds, substantially in the form attached hereto as Exhibit A, with such modifications as may be appropriate or necessary, in the reasonable judgment of the successful bidder, the Issuer and Bond Counsel. All actions to be taken by the Issuer under this Official Notice of Bond Sale to establish the issue price of the 2026 Bonds may be taken on behalf of the Issuer by the Municipal Advisor identified herein and any notice or report to be provided to the Issuer may be provided to the Municipal Advisor.

The Issuer intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the 2026 Bonds) will apply to the initial sale of the 2026 Bonds (the “competitive sale requirements”) because:

- (i) the Issuer shall disseminate this Official Notice of Bond Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;

- (ii) all bidders shall have an equal opportunity to bid;
- (iii) the Issuer may receive bids from at least three underwriters of municipal obligations who have established industry reputations for underwriting new issuances of municipal obligations; and
- (iv) the Issuer anticipates awarding the sale of the 2026 Bonds to the bidder who submits a firm offer to purchase the 2026 Bonds at the highest price (or lowest interest cost), as set forth in this Official Notice Of Bond Sale.

Any bid submitted pursuant to this Official Notice Of Bond Sale shall be considered a firm offer for the purchase of the 2026 Bonds, as specified in the bid.

In the event that the competitive sale requirements are not satisfied, the Issuer shall so advise the successful bidder. The Issuer may determine to treat (i) the first price at which 10% of a maturity of the 2026 Bonds (the “10% test”) is sold to the public as the issue price of that maturity and/or (ii) the initial offering price to the public as of the sale date of any maturity of the 2026 Bonds as the issue price of that maturity (the “hold-the-offering-price rule”), in each case applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity). The successful bidder shall advise the Issuer if any maturity of the 2026 Bonds satisfies the 10% test as of the date and time of the award of the 2026 Bonds. The Issuer shall promptly advise the successful bidder, at or before the time of award of the 2026 Bonds, which maturities (and if different interest rates apply within a maturity, which separate CUSIP number within that maturity) of the 2026 Bonds shall be subject to the 10% test or shall be subject to the hold-the-offering-price rule. Bids will not be subject to cancellation in the event that the Issuer determines to apply the hold-the-offering-price rule to any maturity of the 2026 Bonds. ***Bidders should prepare their bids on the assumption that some or all of the maturities of the 2026 Bonds will be subject to the hold-the-offering-price rule in order to establish the issue price of the 2026 Bonds.***

By submitting a bid, the successful bidder shall (i) confirm that the underwriters have offered or will offer the 2026 Bonds to the public on or before the date of award at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in the bid submitted by the successful bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the 2026 Bonds, that the underwriters will neither offer nor sell unsold 2026 Bonds of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the 2026 Bonds to the public at a price that is no higher than the initial offering price to the public.

The successful bidder will advise the Issuer promptly after the close of the fifth (5th) business day after the sale date whether it has sold 10% of that maturity of the 2026 Bonds to the public at a price that is no higher than the initial offering price to the public.

If the competitive sale requirements are not satisfied, then until the 10% Test has been satisfied as to each maturity of the 2026 Bonds, the successful bidder agrees to promptly report to the Issuer the prices at which the unsold 2026 Bonds of that maturity have been sold to the public. If as of the award of the 2026 Bonds the 10% Test has not been satisfied as to any maturity of the 2026 Bonds, the successful bidder agrees to promptly report to the Issuer the prices at which it subsequently sells 2026 Bonds of that maturity to the public until the 10% Test is satisfied. If 2026 Bonds constituting the first 10% of a certain maturity are sold at different prices, the successful bidder shall report to the Issuer the prices at which 2026 Bonds of such maturity are sold until either (i) all 2026 Bonds of that maturity have been sold or (ii) the successful bidder sells 10% of the 2026 Bonds of such maturity at a single price. The successful bidder’s reporting obligation shall continue as set forth above, whether or not the date of issuance of the 2026 Bonds has occurred provided that, the successful bidder’s reporting obligation after the date of issuance may be at reasonable periodic intervals or otherwise upon request of the Issuer or bond counsel.

The Issuer acknowledges that, in making the representations set forth above, the successful bidder will rely on (i) the agreement of each underwriter to comply with the requirements for establishing issue price of the 2026 Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the 2026 Bonds, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the 2026 Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the 2026 Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the 2026 Bonds, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the 2026 Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the 2026 Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the 2026 Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The Issuer further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price of the 2026 Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the 2026 Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the 2026 Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the 2026 Bonds.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the 2026 Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable;

(A) to report the prices at which it sells to the public the unsold 2026 Bonds of each maturity allocated to it, whether or not the date of issuance has occurred, until either all 2026 Bonds of that maturity allocated to it have been sold or it is notified by the successful bidder that the 10% Test has been satisfied as to the 2026 Bonds of that maturity; provided that, the reporting obligation after the date of issuance may be at reasonable periodic intervals or otherwise upon request of the successful bidder,

(B) to promptly notify the successful bidder of any sales of 2026 Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the 2026 Bonds to the public (each such term being used as defined below),

(C) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the successful bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public; and

(D) any agreement among underwriters or selling group agreement relating to the initial sale of the 2026 Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter or dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the 2026 Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to report the prices at which it sells to the public the unsold 2026 Bonds of each maturity allocated to it, whether or not the date of issuance has occurred, until either all 2026 Bonds of that maturity allocated to it have been sold or it is notified by the successful bidder or such underwriter that the 10% Test has been satisfied as to the 2026 Bonds of that maturity; provided that the reporting obligation after the date of issuance may be at reasonable periodic intervals or otherwise upon request of the successful bidder or such underwriter.

Sales of any 2026 Bonds to any person that is a related party to an underwriter participating in the initial sale of the 2026 Bonds to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this Official Notice of Bond Sale. Further, for purposes of this Official Notice of Bond Sale:

- (i) “public” means any person other than an underwriter or a related party,
- (ii) “underwriter” means (A) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the 2026 Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the 2026 Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the 2026 Bonds to the public),
- (iii) a purchaser of any of the 2026 Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) “sale date” means the date that the 2026 Bonds are awarded by the Issuer to the successful bidder.

Legal Opinion and Closing Documents

The approving opinion of Gilmore & Bell, P.C., Bond Counsel, covering the legality of the 2026 Bonds will be furnished to the successful bidder(s) without charge. There will also be furnished the usual closing certificates dated as of the date of delivery of and payment for the 2026 Bonds, including letters from the attorney for the Board and for the Issuer that there is no litigation pending or, to the knowledge of the signer thereof, threatened, affecting the validity of the 2026 Bonds.

Disclosure Certificate and Disclosure Counsel Letter

The Issuer will deliver to the successful bidder(s) a certificate of officer(s) of the Issuer, dated the date of the delivery of the 2026 Bonds, stating that as of the date thereof, to the best of the knowledge and belief of said officer(s): (a) the descriptions and statements contained in the Preliminary Official Statement circulated with respect to the 2026 Bonds were at the time of the acceptance of the bid true and correct in all material respects and did not at the time of the acceptance of the bid 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; and (b) the descriptions and statements contained in the final Official Statement are at the time of delivery of the 2026 Bonds true and correct in all material respects and do not at the time of the delivery of the 2026 Bonds 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; provided, should the final Official Statement be supplemented or amended subsequent to the date thereof, the foregoing confirmation as to the final Official Statement shall relate to the final Official Statement as so supplemented or amended.

The Issuer has retained Gilmore & Bell, P.C. to act as disclosure counsel to the Issuer with respect to the 2026 Bonds and as such disclosure counsel, such firm will assist the Issuer in the review of the contents of the Preliminary Official Statement and final Official Statement. Gilmore & Bell, P.C. will deliver a letter to the successful bidder for the 2026 Bonds with respect to the Preliminary Official Statement and the final Official Statement which will state, in effect, that, while the firm has not verified and is not passing upon, and does not assume responsibility for, the accuracy, completeness or fairness of the statements contained in the Preliminary Official Statement or the final Official Statement, based upon participation in conferences and in reliance thereon with various representatives of the Issuer and the Board, counsel to the Issuer and the Board, and representatives of the Municipal Advisor for the Issuer at which the contents of the Preliminary Official Statement and the final Official Statement were discussed and reviewed, without independent verification, no facts came to the attention of the attorneys of such firm rendering legal

services in connection with such retention which lead such attorneys to believe that either (a) the Preliminary Official Statement as of its date contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading or (b) the final Official Statement as of its date contained, or as of the date of the delivery of the 2026 Bonds contains, any untrue statement of a material fact or omitted or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. However, such firm will not be called upon to and will not express an opinion or belief as to information relating to the book-entry system or the expressions of opinion, the assumptions, the projections, financial statements (including notes and schedules thereto) or other financial, numerical, demographic or statistical data contained in the Preliminary Official Statement and the final Official Statement.

Official Statement

Copies of the Issuer's Preliminary Official Statement may be obtained as specified below prior to the time bids are taken. The Preliminary Official Statement is in a form "deemed final" by the Issuer for purposes of paragraph (b)(1) of Rule 15c2-12 of the Securities and Exchange Commission, but is subject to revision, amendment and completion in a final Official Statement.

The Issuer shall deliver to the successful bidder(s) no later than the seventh (7th) business day after the award of the 2026 Bonds as described under the caption "Award" above, a final Official Statement in electronic format, to comply with paragraph (b)(4) of Rule 15c2-12 of the Securities and Exchange Commission and the rules of the Local Securities Rulemaking Board.

Continuing Disclosure Undertaking

Pursuant to Securities and Exchange Commission Rule 15c2-12, the Issuer will undertake in a Continuing Disclosure Undertaking to provide certain ongoing disclosure, including annual operating data and financial information (including audited financial statements) and notices of the occurrence of certain material events. A description of the undertaking is set forth in the Preliminary Official Statement.

Compliance with Public Contract Boycott Restrictions

To the extent the winning bid for the 2026 Bonds constitutes a contract to acquire or dispose of a good or service for which written certification is required under Section 63G-27-201 of the Utah Code, the bid submitted by the successful bidder shall be deemed to be the written certification by the successful bidder and any syndicate member, including any wholly-owned subsidiary, majority-owned subsidiary, parent company or affiliate of the successful bidder or any syndicate member (collectively, the "Successful Bidder"), that:

- (a) the Successful Bidder is not currently engaged in (i) a Boycott of the State of Israel; or (ii) an Economic Boycott;
- (b) the Successful Bidder agrees not to engage in a Boycott of the State of Israel for the duration of such contract; and
- (c) the Successful Bidder agrees to notify the Issuer in writing if the Successful Bidder begins engaging in an Economic Boycott (which notice may be grounds for termination of the contract).

For purposes of this OFFICIAL NOTICE OF BOND SALE:

- (a) "Boycott Action" means refusing to deal, terminating business activities, or limiting commercial relations.
- (b) "Boycott of the State of Israel" means engaging in a Boycott Action targeting (i) the State of Israel; and (ii)(A) companies or individuals doing business in or with the State of Israel; or (B) companies authorized by, licensed by, or organized under the laws of the State of Israel to do business.

(c) “Boycotted Company” means a company that (i) engages in the exploration, production, utilization, transportation, sale, or manufacture of fossil fuel-based energy, timber, mining, or agriculture; (ii) engages in, facilitates, or supports the manufacture, distribution, sale, or use of firearms; (iii) does not meet or commit to meet environmental standards, including standards for eliminating, reducing, offsetting, or disclosing greenhouse gas-emissions, beyond applicable state and federal law requirements; or (iv) does not facilitate or commit to facilitate access to abortion or sex characteristic surgical procedures.

(d) “Economic Boycott” means, without an ordinary business purpose (i) engaging in a boycott action targeting (A) a Boycotted Company; or (B) another company because the company does business with a Boycotted Company; or (ii) taking an action intended to penalize, inflict economic harm to, or change or limit the activities of (A) a Boycotted Company; or (B) another company because the company does business with a Boycotted Company.

Certain other terms used herein and not otherwise defined have the meanings assigned such terms in Section 63G-27-102 of the Utah Code. At the request of the Issuer, the Successful Bidder agrees to execute such further written certification as may be deemed necessary or convenient for the Issuer to establish compliance with Title 63G, Chapter 27 of the Utah Code.

Additional Information

For copies of this OFFICIAL NOTICE OF BOND SALE, the PRELIMINARY OFFICIAL STATEMENT and information regarding the electronic bidding procedures and other related information, contact Mark Anderson (mark.anderson@zionsbancorp.com), Zions Public Finance, Inc., One South Main Street, 18th Floor, Salt Lake City, Utah 84133; (801) 844-7377; the Municipal Advisor to the Issuer.

DATED this June 8, 2026.

**LOCAL BUILDING AUTHORITY OF KANE COUNTY
SCHOOL DISTRICT, UTAH**

**BOARD OF EDUCATION OF KANE COUNTY SCHOOL
DISTRICT, UTAH**

EXHIBIT A

FORM OF ISSUE PRICE CERTIFICATE

The undersigned, on behalf of [NAME OF PURCHASER] (herein, the “Original Purchaser”), as the Original Purchaser of the \$ _____ Lease Revenue Bonds, Series 2026 (the “2026 Bonds”), being issued on the date of this certificate by the Local Building Authority of Kane County School District, Utah (the “Issuer”), certifies and represents as follows:

1. Public Offering. The Original Purchaser offered all of the 2026 Bonds to the Public (as defined below) in a bona fide initial offering.

2. Reasonably Expected Initial Offering Price. As of the sale date of the 2026 Bonds (_____, 2026) (the “Sale Date”), the reasonably expected initial offering prices of the 2026 Bonds to the Public by the Original Purchaser are the prices listed in Schedule A (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the 2026 Bonds used by the Original Purchaser in formulating its bid to purchase the 2026 Bonds.

[2. *[To be used if there are not at least 3 bids received]* [As of the date of this certificate, the first price at which at least 10% of [the indicated maturities] of the 2026 Bonds was sold to the Public are the prices listed in Schedule A.] or

[As of the date of this certificate, the Original Purchaser has not sold at least 10% of [each maturity] [certain maturities] of the 2026 Bonds at any price (the “Undersold Maturities”). For each Undersold Maturity listed on Schedule A the Original Purchaser will provide the price or prices at which the first 10% of each such Undersold Maturity was sold to the Public promptly following the date that the first 10% of each such Undersold Maturity is sold to the Public.]]

3. Defined Terms.

(a) *Maturity* means 2026 Bonds with the same credit and payment terms. 2026 Bonds with different maturity dates, or 2026 Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” as defined in U.S. Treasury Regulation Section 1.1501(b) which generally provides that the term related party means any two or more persons who have greater than 50% common ownership, directly or indirectly.

(c) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the 2026 Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the 2026 Bonds to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the 2026 Bonds to the Public).

On the Sale Date the Original Purchaser purchased the 2026 Bonds from the Issuer by submitting electronically an “Official Bid Form” responsive to an “Official Notice of Bond Sale” and having its bid accepted by the Issuer. The Issuer has not modified the terms of the purchase since the Sale Date.

The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the tax certificate and with respect to compliance with the federal income tax rules affecting the 2026 Bonds, and by Bond Counsel in connection with rendering its opinion that the interest on the 2026 Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue

Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the 2026 Bonds.

IN WITNESS WHEREOF, the undersigned has hereunto fixed his or her official signature this _____ day of _____, 2026.

[PURCHASER], as Original Purchaser

By: _____

Title: _____

Dated: [ISSUE DATE]

To Be Attached:

SCHEDULE A—EXPECTED OFFERING PRICES

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PRELIMINARY OFFICIAL STATEMENT

\$21,010,000*



Local Building Authority of Kane County School District, Utah Lease Revenue Bonds, Series 2026

payable from lease payments to be made, subject to annual appropriation, by

**Kane County School District, Utah
pursuant to a Master Lease**

On Thursday, June 18, 2026, up to 9:30:00 A.M., M.D.T., electronic bids will be received by means of the **PAR-ITY®** electronic bid submission system. See the “OFFICIAL NOTICE OF BOND SALE—Procedures Regarding Electronic Bidding.”

The 2026 Bonds, as defined herein, will be awarded to the successful bidder(s) and issued pursuant to an authorizing resolution of the Local Building Authority of Kane County School District, Utah (the “Authority”), adopted on April 14, 2026.

The Authority and the Kane County School District, Utah (the “District”) have deemed this PRELIMINARY OFFICIAL STATEMENT final as of the date hereof, for purposes of paragraph (b)(1) of Rule 15c2–12 of the Securities and Exchange Commission, subject to completion with certain information to be established at the time of sale of the 2026 Bonds as permitted by the Rule (defined herein).

For copies of the OFFICIAL NOTICE OF BOND SALE, the PRELIMINARY OFFICIAL STATEMENT, and other related information with respect to the 2026 Bonds, contact the Authority’s Municipal Advisor:



ZIONS PUBLIC FINANCE, INC.

**One S Main St 18th Fl
Salt Lake City UT 84133–1109
801.844.7377**

mark.anderson@zionsbancorp.com

This PRELIMINARY OFFICIAL STATEMENT is dated June 8, 2026, and the information contained herein speaks only as of that date.

* Preliminary; subject to change.

(This page has been intentionally left blank.)

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

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 8, 2026

NEW ISSUE

Ratings: Moody's "Aa3"

See "MISCELLANEOUS—Bond Ratings" herein.

In the opinion of Gilmore & Bell, P.C., Bond Counsel to the Authority, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended, the interest on the 2026 Bonds (including any original issue discount properly allocable to the owner thereof) 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. Bond Counsel is also of the opinion that the interest on the 2026 Bonds is exempt from State of Utah individual income taxes. Bond Counsel notes that interest on the 2026 Bonds may be included in adjusted financial statement income of applicable corporations for purposes of determining the applicability and amount of the federal corporate alternative minimum tax. See "TAX MATTERS" herein.



Local Building Authority of Kane County School District, Utah

\$21,010,000* Lease Revenue Bonds, Series 2026

payable from lease payments to be made, subject to annual appropriation, by

Kane County School District, Utah

The \$21,010,000* Lease Revenue Bonds, Series 2026, are issued by the Authority as fully-registered bonds and, when initially issued, will be in book-entry form, registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York, which will act as securities depository for the 2026 Bonds.

Principal of and interest on the 2026 Bonds (interest payable January 1 and July 1 of each year, commencing January 1, 2027) are payable by Zions Bancorporation, National Association, Midvale, Utah, as Trustee and Paying Agent, to the registered owners thereof, initially DTC. See "THE 2026 BONDS—Book-Entry System" herein.

The 2026 Bonds are subject to optional redemption; may be subject to mandatory sinking fund redemption at the option of the successful bidder(s); and are subject to extraordinary redemption (in the event of damage to, material defect, or destruction, seizure, or condemnation of the 2026 Project) prior to maturity. See "THE 2026 PROJECT—The 2026 Project Financed With Bonds" and "THE 2026 BONDS—Redemption Provisions For The 2026 Bonds" herein.

The 2026 Bonds are being issued for the purpose of (i) financing the renovation of Valley High School facilities along with related improvements and equipment; and (ii) paying the costs associated with the issuance of the 2026 Bonds. See "THE 2026 BONDS—Sources And Uses Of Funds" and "THE 2026 PROJECT" herein.

Under the Master Lease, the District has agreed to pay Base Rentals which are sufficient to pay principal of and interest on the 2026 Bonds coming due in each Fiscal Year, but only if and to the extent that the Board of Education of the District annually appropriates funds sufficient to pay such Base Rentals as are necessary to operate and maintain the 2026 Project. The Master Lease specifically provides that nothing therein shall be construed to require the District to appropriate moneys to pay the Base Rentals or Additional Rentals and the District shall not be obligated to pay such Rentals except to the extent appropriated. Neither the obligation of the District to pay such Rentals nor the obligation of the Authority to pay the principal of and interest on the 2026 Bonds will constitute or give rise to a debt, general obligation or liability of, or a charge against the general credit or taxing power of the District. The issuance of the 2026 Bonds does not directly or contingently obligate the District to pay any Rentals beyond those appropriated for the District's then current Fiscal Year. The Authority has no taxing power.

The purchase of the 2026 Bonds involves certain investment risks which are discussed throughout this OFFICIAL STATEMENT. Certain of such risks are described under "INVESTMENT CONSIDERATIONS" herein.

Dated: Date of Delivery.¹

Due: July 1, as shown on inside cover

See the inside front cover for the maturity schedule of the 2026 Bonds

The 2026 Bonds will be awarded pursuant to competitive bidding received by means of the *PARITY*® electronic bid submission system on Thursday, June 18, 2026, as set forth in the OFFICIAL NOTICE OF BOND SALE the date of this PRELIMINARY OFFICIAL STATEMENT.

Zions Public Finance, Inc., Salt Lake City, Utah, is acting as Municipal Advisor.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire OFFICIAL STATEMENT to obtain information essential to the making of an informed investment decision.

This OFFICIAL STATEMENT is dated June __, 2026, and the information contained herein speaks only as of that date.

* Preliminary; subject to change.

¹ The anticipated date of delivery is Wednesday, July 1, 2026.

**Local Building Authority of
Kane County School District, Utah**

\$21,010,000*

Lease Revenue Bonds, Series 2026

Dated: Date of Delivery¹

Due: July 1, as shown below

<u>Due July 1</u>	<u>CUSIP[®]</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Yield/ Price</u>
2027.....		\$ 640,000		
2028.....		670,000		
2029.....		705,000		
2030.....		740,000		
2031.....		780,000		
2032.....		815,000		
2033.....		855,000		
2034.....		900,000		
2035.....		945,000		
2036.....		990,000		
2037.....		1,040,000		
2038.....		1,095,000		
2039.....		1,150,000		
2040.....		1,205,000		
2041.....		1,265,000		
2042.....		1,330,000		
2043.....		1,385,000		
2044.....		1,440,000		
2045.....		1,495,000		
2046.....		1,565,000		

\$ _____ % Term Bond due July 1, 20__—Price of _____ %
(CUSIP[®] _____)

* Preliminary; subject to change.

¹ The anticipated date of delivery is Wednesday, July 1, 2026.

[®] The above-referenced CUSIP numbers have been assigned by an independent company not affiliated with the parties to this Bond transaction and are included solely for the convenience of the holders of the 2026 Bonds. None of the Authority, the District, the Trustee or the Underwriter is responsible for the selection or use of such CUSIP numbers, and no representation is made as to their correctness on the 2026 Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2026 Bonds as a result of various subsequent actions including but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities.

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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 2026 Bonds (as defined herein), by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained herein, and if given or made, such other information or representations must not be relied upon as having been authorized by either the Local Building Authority of Kane County School District, Utah (the “Authority”); the Kane County School District, Utah; Zions Bancorporation, National Association, Midvale, Utah, (as Trustee, Bond Register and Paying Agent); Zions Public Finance Inc., Salt Lake City, Utah (as Municipal Advisor); the successful bidder(s); or any other entity. All information contained herein has been obtained from the Authority, The Depository Trust Company, New York, New York, and from other sources which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this OFFICIAL STATEMENT nor the issuance, sale, delivery or exchange of the 2026 Bonds, shall under any circumstance create any implication that there has been no change in the affairs of the Authority, since the date hereof.

The 2026 Bonds have not been registered under the Securities Act of 1933, as amended, or any state securities laws in reliance upon exemptions contained in such act and laws. Any registration or qualification of the 2026 Bonds in accordance with applicable provisions of the securities laws of the states in which the 2026 Bonds have been registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof. Neither the Securities and Exchange Commission nor any state securities commission has passed upon the accuracy or adequacy of this OFFICIAL STATEMENT. Any representation to the contrary is unlawful.

The yields/prices at which the 2026 Bonds are offered to the public may vary from the initial reoffering yields/prices on the inside cover page of this OFFICIAL STATEMENT. In addition, the successful bidder(s) may allow concessions or discounts from the initial offering prices of the 2026 Bonds to dealers and others. In connection with the offering of the 2026 Bonds, the successful bidder(s) may engage in transactions that stabilize, maintain, or otherwise affect the price of the 2026 Bonds. Such transactions may include overallotments in connection with the purchase of 2026 Bonds, the purchase of 2026 Bonds to stabilize their market price and the purchase of 2026 Bonds to cover the successful bidder’s short positions. Such transactions, if commenced, may be discontinued at any time.

Forward-Looking Statements. Certain statements included or incorporated by reference in this OFFICIAL STATEMENT constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used, such as “plan,” “project,” “forecast,” “expect,” “estimate,” “budget” or other similar words. ***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. The Authority does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur.***

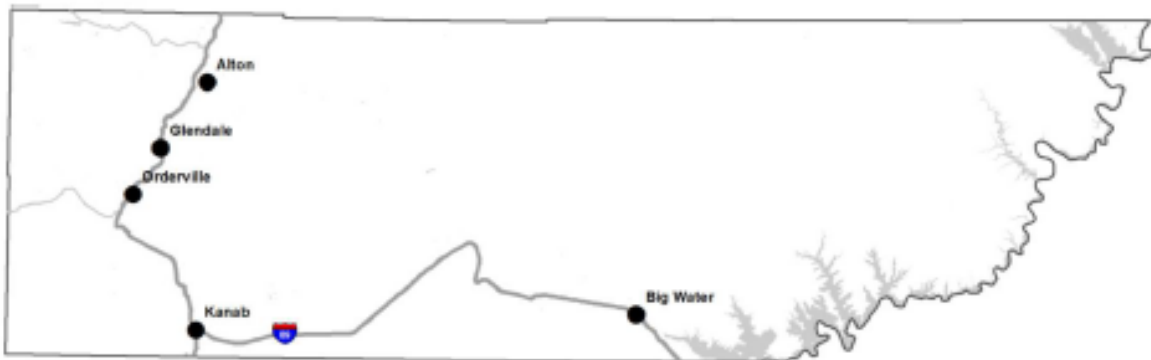
The CUSIP® (the Committee on Uniform Securities Identification Procedures) identification numbers are provided on the inside cover pages of this OFFICIAL STATEMENT and are being provided solely for the convenience of bondholders.

Information from websites referenced in this OFFICIAL STATEMENT has not been reviewed for accuracy and completeness. Such information has not been provided in connection with the offering of the 2026 Bonds and is not a part of this Official Statement.

Location Map of the District



Kane County School District



OFFICIAL STATEMENT RELATED TO THE

Local Building Authority of Kane County School District, Utah

\$21,010,000* Lease Revenue Bonds, Series 2026

payable from lease payments to be made, subject to annual appropriation, by

Kane County School District, Utah

pursuant to a Master Lease

INTRODUCTION

This introduction is only a brief description of the 2026 Bonds, as hereinafter defined, and the security and source of payment for the 2026 Bonds. The information contained herein is expressly qualified by reference to the entire OFFICIAL STATEMENT. Investors are urged to make a full review of the entire OFFICIAL STATEMENT, as well as of the documents summarized or described herein.

See the following appendices that are attached hereto and incorporated herein by reference: “APPENDIX A—FORMS OF THE GENERAL INDENTURE OF TRUST AND THE MASTER LEASE;” “APPENDIX B—FINANCIAL STATEMENTS OF KANE COUNTY SCHOOL DISTRICT, UTAH FOR FISCAL YEAR 2025;” “APPENDIX C—FORM OF OPINION OF BOND COUNSEL;” “APPENDIX D—FORM OF CONTINUING DISCLOSURE UNDERTAKING;” and “APPENDIX E—BOOK-ENTRY SYSTEM.”

This OFFICIAL STATEMENT also includes summaries of the terms of the 2026 Bonds, the Indenture, and the Master Lease (all as more fully defined hereinafter). All references herein to the Indenture and the Master Lease, are qualified in their entirety by reference to such documents and references herein to the 2026 Bonds are qualified in their entirety by reference to the forms thereof and the information with respect thereto included in the Indenture, copies of which are available upon request from the contact persons as indicated under “INTRODUCTION—Contact Persons” below. Descriptions of the Indenture, the Master Lease, and the 2026 Bonds are qualified by reference to bankruptcy laws affecting the remedies for the enforcement of the rights and security provided therein and the effect of the exercise of the police power by any entity having jurisdiction. The summaries of and references to all documents, statutes, reports, and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to each such document, statute, report, or instrument.

When used herein the terms “Fiscal Year[s] 20YY” or “Fiscal Year[s] End[ed][ing] June 30, 20YY” shall refer to the year ended or ending on June 30 of the year indicated and beginning on July 1 of the preceding calendar year. The terms “Calendar Year[s] 20YY” or “Tax Year[s] 20YY” shall refer to the year beginning on January 1 and ending on December 31 of the year indicated. Unless otherwise indicated, capitalized terms used in this OFFICIAL STATEMENT shall have the meaning established in the Master Lease and Indenture (as hereinafter defined). See “APPENDIX A—FORMS OF THE GENERAL INDENTURE OF TRUST AND THE MASTER LEASE.”

Public Sale/Electronic Bid

The 2026 Bonds will be awarded pursuant to competitive bidding received by means of the **PARITY**® electronic bid submission system on Thursday, June 18, 2026, as set forth in the OFFICIAL NOTICE OF BOND SALE (dated as of the date of this PRELIMINARY OFFICIAL STATEMENT).

* Preliminary; subject to change.

See the “OFFICIAL NOTICE OF BOND SALE” above.

The 2026 Bonds; The Local Building Authority Of Kane County School District, Utah

The 2026 Bonds. This OFFICIAL STATEMENT, including the cover page, introduction and Appendices (the “OFFICIAL STATEMENT”), provides information in connection with the issuance and sale of \$21,010,000* aggregate principal amount of Lease Revenue Bonds, Series 2026 (the “2026 Bonds” or “2026 Bond”), by the Local Building Authority of Kane County School District, Utah (the “Authority”).

The Local Building Authority Of Kane County School District, Utah. The Authority is a nonprofit corporation incorporated, organized and existing pursuant to the Utah Revised Nonprofit Corporation Act, Title 16, Chapter 6a (the “Nonprofit Corporation Act”), Utah Code Annotated 1953, as amended (the “Utah Code”) and as provided in the Local Building Authority Act, Title 17D, Chapter 2, Utah Code (the “Building Authority Act” and together with the Nonprofit Corporation Act, the “Acts”). The Authority was created pursuant to a resolution adopted on September 10, 2024, by the Board for acquiring, improving, or extending one or more projects on behalf of the Board pursuant to the Acts. See “LOCAL BUILDING AUTHORITY OF KANE COUNTY SCHOOL DISTRICT, UTAH” below.

Kane County School District, Utah

The District, established in 1871, shares common boundaries with Kane County, Utah (the “County”). The County covers 4,105 square miles and is located in south-central portion of the State of Utah (the “State”), about 250 miles south of Salt Lake City and is bordered by Washington County on the west, by San Juan County on the east, by Garfield County on the north and by the State of Arizona on the south. The County had an estimated 8,597 residents according to the July 1, 2025 Census Bureau Estimates. The District’s headquarters are located in the County seat, the City of Kanab, (the “City”). See “KANE COUNTY SCHOOL DISTRICT, UTAH” below.

Authorization For And Purpose Of The 2026 Bonds; The Indenture; Master Lease

Authorization for and Purpose of the 2026 Bonds. The 2026 Bonds are being issued pursuant to: (i) the Acts; (ii) certain authorizing resolutions adopted by the Authority and the Board (the “Resolutions”); (iii) a General Indenture of Trust, dated as of July 1, 2026 (the “General Indenture”) and as further supplemented by a First Supplemental Indenture of Trust, dated as of July 1, 2026 (the “First Supplemental Indenture” and together with the General Indenture, the “Indenture”), each between the Authority and Zions Bancorporation, National Association, Midvale, Utah, as trustee (the “Trustee”).

The 2026 Bonds are being issued for the purpose of (i) financing the costs of renovating, equipping, and furnishing Valley High School located in Orderville, Utah (the “2026 Project”) and (ii) paying certain costs associated with the issuance of the 2026 Bonds. See “THE 2026 BONDS—Sources And Uses Of Funds” and “THE 2026 PROJECT” below.

The Property on which the 2026 Project is located is owned by the District and will be ground-leased to the Authority pursuant to a Ground Lease Agreement dated as of July 1, 2026 (the “Ground Lease”), between the District as lessee and the Authority as lessor.

Master Lease. The 2026 Project will be leased by the Authority to the District under an annually renewable Master Lease Agreement dated as of July 1, 2026 (the “Master Lease”).

Security For The 2026 Bonds

Security for the 2026 Bonds. The 2026 Bonds are limited obligations of the Authority payable solely from the revenues and other amounts received pursuant to the Master Lease and other funds or amounts held by the Trustee pursuant to the Indenture as security for the 2026 Bonds, subject to certain limitations.

The Board owns the property on which the 2026 Project will be renovated and improved (the “Project Site”) and will lease the Project Site to the Authority pursuant to the Ground Lease, between the District as lessee and the Authority as lessor. The term of the Ground Lease will expire on July 1, 2046;* provided that the Ground Lease is subject to extension until July 1, 2051,* in the event of non-appropriation by the District or failure by the District to pay in

* Preliminary; subject to change.

full the cost of improvement to the Project Site as provided in the Ground Lease. To provide additional security to the Bondholders, the Authority will assign all its rights and interest in the Ground Lease to the Trustee pursuant to an Assignment of Ground Lease Agreements dated as of July 1, 2026 (the “Assignment of Ground Lease”). See “SECURITY AND SOURCES OF PAYMENT FOR THE 2026 BONDS—Security Documents” below.

The Authority has granted a security interest in the 2026 Project pursuant to a Leasehold Deed of Trust, Assignment of Rents and Security Agreement dated as of July 1, 2026, (the “Leasehold Deed of Trust”). In addition, the Authority has assigned all its rights and interest in the 2026 Project pursuant to the Assignment of Ground Lease for the equal and proportionate benefit of the owners of the 2026 Bonds (the “Bondowners”). The Leasehold Deed of Trust, the Assignment of Ground Lease, and any financing statements filed in connection therewith are sometimes collectively referred to herein as the “Security Documents.” The Security Documents are being executed for the equal and proportionate benefit of the Bondholders. The 2026 Bonds are limited obligations of the Authority payable solely from the Base Rentals (defined below) received by the Authority pursuant to the Master Lease and other funds or amounts held by the Trustee under the Indenture as security for the 2026 Bonds. See “SECURITY DOCUMENTS” below.

The District has agreed to make payments pursuant to the Master Lease in stated amounts which are sufficient to pay the principal of and interest on the 2026 Bonds when due (the “Base Rentals”), but only if and to the extent the Board of Education of the District has appropriated funds sufficient to pay the Base Rentals coming due during each succeeding Renewal Term (as described herein) of the Master Lease plus such additional amounts as are necessary to operate and maintain the 2026 Project during such period (the “Additional Rentals” and collectively, with the Base Rentals, the “Rentals”). The Master Lease specifically provides that nothing therein shall be construed to require the Board of Education of the District to appropriate any money to pay any Rentals thereunder and that neither the District nor any political subdivision thereof is obligated to pay such Rentals except to the extent of funds appropriated for that purpose. *Neither the obligation of the District to pay Rentals nor the obligation of the Authority to pay the principal of and interest on the 2026 Bonds will constitute or give rise to a debt, a general obligation or liability of, or a charge against the general credit or taxing power of, the District. The issuance of the 2026 Bonds does not directly or contingently obligate the District to pay any Rentals beyond those appropriated for the District’s then current Fiscal Year. The Authority has no taxing power.* See “INVESTMENT CONSIDERATIONS” and “SECURITY AND SOURCES OF PAYMENT FOR THE 2026 BONDS” below.

Additional Parity Bonds And Additional Projects

The Authority may issue additional bonds to refund outstanding bonds of the Authority (“Refunding Bonds”) or to finance additional Projects for lease to the District (“Additional Bonds”) ranking on a parity basis with the 2026 Bonds under the Indenture on the terms and conditions specified in the Indenture and the Master Lease. Any such Refunding Bonds and Additional Bonds hereafter issued are sometimes collectively referred to herein as the “Additional Parity Bonds.” *The 2026 Bonds and any Additional Parity Bonds issued under the Indenture are sometimes collectively referred to herein as the “Bonds.”* See “SECURITY AND SOURCES OF PAYMENT FOR THE 2026 BONDS—Additional Parity Bonds And Refunding Bonds” below and “APPENDIX A—FORMS OF THE GENERAL INDENTURE OF TRUST AND THE MASTER LEASE—THE INDENTURE—Section 2.14—Additional Bonds.”

If the Authority determines to issue Additional Bonds to finance additional projects (the “Additional Projects”), they will be leased to the District pursuant to the Indenture and Master Lease. *The Authority does not currently anticipate issuing Additional Parity Bonds for Additional Projects.* However, the Authority may determine to issue additional lease revenue bonds under documents other than the Indenture and the Master Lease.

No Debt Service Reserve Fund For The 2026 Bonds

The Debt Service Reserve Requirement with respect to the 2026 Bonds is \$0 and therefore no account in the Debt Service Reserve Fund has been established for the 2026 Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2026 BONDS—No Debt Service Reserve Requirement For The 2026 Bonds” below.

Redemption For The 2026 Bonds

The 2026 Bonds are subject to optional redemption and are subject to extraordinary redemption in the event of damage to, or destruction, seizure, or condemnation of the 2026 Project, prior to maturity. The 2026 Bonds may be

subject to mandatory sinking fund redemption at the option of the successful bidder(s). See “THE 2026 PROJECT” and “THE 2026 BONDS—Redemption Provisions For The 2026 Bonds” below.

Registration, Denominations, Manner of Payment

The 2026 Bonds are issuable only as fully registered bonds and, when initially issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository of the 2026 Bonds. Purchases of 2026 Bonds will be made in book–entry form only, in the principal amount of \$5,000 or any integral multiple thereof, through brokers and dealers who are, or who act through, DTC’s Direct Participants (as defined herein). Beneficial Owners (as defined herein) of the 2026 Bonds will not be entitled to receive physical delivery of bond certificates so long as DTC or a successor securities depository acts as the securities depository with respect to the 2026 Bonds. “Direct Participants,” “Indirect Participants” and “Beneficial Owners” are defined under “APPENDIX E—BOOK–ENTRY SYSTEM.”

Principal of and interest on the 2026 Bonds (interest payable January 1 and July 1 of each year, commencing January 1, 2027, are payable by Zions Bancorporation, National Association, as paying agent (the “Paying Agent”) for the 2026 Bonds, to the registered owners of the 2026 Bonds. So long as Cede & Co. is the registered owner of the 2026 Bonds, DTC will, in turn, remit such principal and interest to its Direct Participants, for subsequent disbursements to the Beneficial Owners of the 2026 Bonds, as described in “APPENDIX E—BOOK–ENTRY SYSTEM.”

So long as DTC or its nominee is the registered owner of the 2026 Bonds, none of the Authority, the Board, or the Trustee will have any responsibility or obligation to any Direct or Indirect Participants of DTC, or the persons for whom they act as nominees, with respect to the payments to or the providing of notice for the Direct Participants, Indirect Participants or the Beneficial Owners of the 2026 Bonds. Under these same circumstances, references herein and in the Indenture to the “Bondowners” or “Registered Owners” of the 2026 Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Series 2025 Bonds.

Tax Matters Regarding The 2026 Bonds

In the opinion of Gilmore & Bell, P.C., Bond Counsel to the Authority (“Bond Counsel”), under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the “Code”), the interest on the 2026 Bonds (including any original issue discount properly allocable to an owner thereof) 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. Bond Counsel is also of the opinion that the interest on the 2026 Bonds is exempt from State of Utah individual income taxes. Bond Counsel notes that interest on the 2026 Bonds may be included in adjusted financial statement income of applicable corporations for purposes of determining the applicability and amount of the federal corporate alternative minimum tax.

See “TAX MATTERS” below for a more complete discussion. Bond Counsel expresses no opinion regarding any other tax consequences relating to ownership or disposition of or the accrual or receipt of interest on the 2026 Bonds.

Professional Services

In connection with the issuance of the 2026 Bonds, the following have served the Authority in the capacity indicated:

Trustee, Bond Registrar, and Paying Agent
Zions Bancorporation, National Association
7860 S Bingham Junction Blvd
Midvale UT 84047
801.844.7517
carrie.sandoval@zionsbancorp.com

Bond and Disclosure Counsel
Gilmore & Bell PC
15 W S Temple Ste 1400
Salt Lake City UT 84101
801.258.2722 | f 801.364.5032
rlarsen@gilmorebell.com

Attorneys for the Board and Authority
Burbidge, Van Komen, Tanner & Scruggs
9067 S 1300 W Ste 302
West Jordan UT 84088
385.831.1300
ptanner@bvktslaw.com

Municipal Advisor
Zions Public Finance Inc
One S Main St 18th Fl
Salt Lake City, UT 84133-1109
801.844.7377 | 801.844.4484
mark.anderson@zionsbancorp.com

Conditions Of Delivery, Anticipated Date, Manner And Place Of Delivery For The 2026 Bonds

The 2026 Bonds are offered, subject to prior sale, when, as and if issued and received by the successful bidder(s), subject to the approval of legality by Gilmore & Bell, P.C., Bond Counsel to the Authority, and certain other conditions. Certain matters regarding this OFFICIAL STATEMENT will be passed on for the Authority by Gilmore & Bell, P.C., Disclosure Counsel to the Authority. Certain legal matters will be passed on for the Authority and the District by Burbidge, Van Komen, Tanner & Scruggs, West Jordan, Utah. It is expected that the 2026 Bonds, in book-entry form, will be available for delivery to DTC or its agent on or about Wednesday, July 1, 2026.

Risks Inherent In The Ownership Of The 2026 Bonds

The purchase of the 2026 Bonds involves certain investment risks which are discussed throughout this OFFICIAL STATEMENT. Accordingly, each prospective purchaser of the 2026 Bonds should make an independent evaluation of all of the information presented in this OFFICIAL STATEMENT in order to make an informed investment decision. Certain investment risks are described under “INVESTMENT CONSIDERATIONS” below.

Continuing Disclosure Undertaking

The Authority will enter into a continuing disclosure undertaking for the benefit of the Owners of the 2026 Bonds. For a detailed discussion of this disclosure undertaking and timing of submissions see “CONTINUING DISCLOSURE UNDERTAKING” below and “APPENDIX D—FORM OF CONTINUING DISCLOSURE UNDERTAKING.”

Basic Documentation

This OFFICIAL STATEMENT speaks only as of its date, and the information contained herein is subject to change. Brief descriptions of the Authority, the District, the 2026 Bonds, the Indenture and the Master Lease are included in this OFFICIAL STATEMENT. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Indenture, the Master Lease and the Leasehold Deed of Trust are qualified in their entirety by reference to such documents and references herein to the 2026 Bonds are qualified in their entirety by reference to the form thereof included in the Indenture. The “basic documentation” which includes the Resolutions, the closing documents for the 2026 Bonds, the Indenture, the Master Lease, Leasehold Deed of Trust, and other documentation, authorizing the issuance of the 2026 Bonds and establishing the rights and responsibilities of the Authority, the District and other parties to the transaction, may be obtained from the “contact persons” as indicated below.

Contact Persons

As of the date of this OFFICIAL STATEMENT, additional requests for information may be directed to Zions Public Finance, Inc., Salt Lake City, Utah (the “Municipal Advisor”) the Municipal Advisor to the Authority and the District:

Mark Anderson, Vice President, mark.anderson@zionsbancorp.com
Cara Bertot, Vice President, cara.bertot@zionsbancorp.com

Zions Public Finance Inc
One S Main St 18th Fl
Salt Lake City UT 84133-1109
801.844.7377

As of the date of this OFFICIAL STATEMENT, the chief contact person for the Authority and the District concerning the 2026 Bonds is:

Lark Reynolds, Business Administrator

reynoldsl@kane.k12.ut.us

Kane County School District

746 S 175 E

Kanab UT 84741

435.644.2555 | f 435.644.2509

CONTINUING DISCLOSURE UNDERTAKING

Continuing Disclosure Undertaking For The 2026 Bonds

The District (as an “obligated person” under the below defined Rule) will execute a Continuing Disclosure Undertaking (the “Disclosure Undertaking”) for the benefit of the Beneficial Owners of the 2026 Bonds agreeing to provide certain information annually and to provide notice of certain material events to the Municipal Securities Rule-making Board (the “MSRB”), pursuant to the requirements of paragraph (b)(5) of Rule 15c2-12 (the “Rule”) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. The information to be provided on an annual basis, the events which will be noticed on an occurrence basis and other terms of the Disclosure Undertaking, including termination, amendment and remedies, are set forth in the proposed form of Disclosure Undertaking in “APPENDIX D—FORM OF CONTINUING DISCLOSURE UNDERTAKING.”

The Board represents that during the five years prior to the date of this OFFICIAL STATEMENT the Board has not failed to comply in all material respects with its prior undertakings pursuant to the Rule.

The Board will submit the Fiscal Year 2026 basic financial statements and other operating and financial information for the 2026 Bonds on or before January 26, 2027 (210 days from the end of the Fiscal Year), and annually thereafter on or before each January 26.

A failure by the District to comply with the Continuing Disclosure Undertaking will not constitute a default under the Master Lease or Indenture and the Beneficial Owners of the 2026 Bonds are limited to the remedies described in the Continuing Disclosure Undertaking. A failure by the District to comply with the Continuing Disclosure Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the 2026 Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the 2026 Bonds and their market price.

INVESTMENT CONSIDERATIONS

This section contains a general overview of certain risk factors which should be considered, in addition to the other matters set forth in this OFFICIAL STATEMENT, in evaluating an investment in the 2026 Bonds. This section is not meant to be a comprehensive or definitive discussion of the risks associated with an investment in the 2026 Bonds, and the order in which this information is presented does not necessarily reflect the degree, certainty or significance of each such risk. Potential investors in the 2026 Bonds are advised to consider the following factors, among others, and to review this entire OFFICIAL STATEMENT to obtain information essential to making of an informed investment decision. Any one or more of the investment considerations discussed below, among others, could adversely affect the financial condition of the District or its ability to make scheduled payments on the 2026 Bonds. There can be no assurance that other risks not discussed herein will not become material in the future.

Limited Obligations

The 2026 Bonds are payable solely from rental payments due under the Master Lease from legally available funds on a parity basis with all other Bonds that may be outstanding under the Indenture. The District’s obligation under the Master Lease does not constitute a general obligation or other indebtedness of the District, the Authority or any agency or political subdivision of the District within the meaning of any constitutional or statutory debt limitation. The Authority has no taxing power.

Non–Appropriation

There is no assurance that the District, in its sole discretion, will exercise its option to extend the term of the Master Lease for any future Renewal Term. Accordingly, the likelihood that the District will extend the term of the Master Lease for any Renewal Term and that there will be sufficient funds to pay the principal of, premium, if any, and interest on the 2026 Bonds as the same become due depends upon a number of factors, including, but not limited to:

- (a) the completion of design and construction of any future uncompleted Projects to the District’s satisfaction;
- (b) the ability of the District to generate sufficient funds from property taxes, and other taxes and other sources of revenue to pay obligations associated with the Master Lease and other obligations of the District (whether now existing or hereafter created);
- (c) the willingness of the Board of Education of the District in any future year to appropriate moneys to pay the Rentals, which decision of the Board of Education of the District could be affected by many factors, including the continuing need of the Authority for the 2026 Project; and
- (d) the value of the 2026 Project if relet or sold (to the extent authorized in the Indenture) in a foreclosure or other liquidation proceeding instituted by the Trustee in the event of the termination of the term of the Master Lease if the Board of Education of the District does not appropriate sufficient funds to extend the term of the Master Lease as provided therein.

Neither the Indenture nor the Master Lease limits the ability of the District to incur additional obligations against its revenues.

General Economic Conditions

The District relies on ad valorem property taxes and other fees as the primary source of funds to operate its governance and to pay its obligations. Regional and national economic conditions, such as weather–related economic effects, business cycles, unemployment, and consumer confidence, are outside of the control of the Authority and the District and can have material adverse effects on the District’s revenues, and its ability to pay Base Rentals on the 2026 Project.

No Debt Service Reserve Fund For The 2026 Bonds

No debt service reserve fund will be funded to secure the 2026 Bonds issued under the Indenture should there be any insufficiency of funds. See “SECURITY AND SOURCE OF PAYMENTS FOR THE 2026 BONDS—No Debt Service Reserve Fund For The 2026 Bonds” below.

Expiration Or Termination Of The Master Lease

If the Board of Education of the District does not renew the term of the Master Lease in any year by appropriating sufficient funds to pay Rentals due thereunder for the succeeding Fiscal Year, the District’s obligation to pay Rentals under the Master Lease will terminate on the June 30 occurring at the end of the then–current Renewal Term. Upon (a) the expiration of any Renewal Term of the Master Lease during which an Event of Nonappropriation occurs or (b) an Event of Default under the Master Lease and an election by the Trustee to terminate the possessory interest of the District under the Lease, the District’s right of possession of the 2026 Project under the Master Lease will expire or be terminated, as appropriate.

The Initial Term of the Master Lease will expire on June 30, 2027. The District has the option to extend the term of the Master Lease for consecutive one–year Renewal Terms.

The current Renewal Term of the Master Lease commenced July 1, 2026, and will expire on June 30, 2027. The Board of Education of the District, in its sole discretion may exercise the option provided in the Master Lease to extend the term of the Master Lease for each next succeeding Renewal Term with a final lease expiration date of July 1, 2046 (the scheduled maturity of the 2026 Bonds).

A Bondowner should not anticipate that it will be possible to foreclose on the 2026 Project and liquidate, relet or sell the 2026 Project after the occurrence of an Event of Nonappropriation or an Event of Default for an amount equal to the aggregate principal amount of the Bonds then Outstanding plus accrued interest thereon.

Possible Difficulties In Selling Or Re-letting The 2026 Project

In the event that the District's right of possession of the 2026 Project under the Master Lease expires or is terminated for any of the reasons described in the Indenture, the obligation of the District to pay Rentals under the Master Lease will continue through the then-current Renewal Term, but not thereafter, and the 2026 Bonds will be payable from, among other sources, such moneys as may be available by way of recovery from the District of the Rentals which are due through the then-current Renewal Term. As set forth in the Building Authority Act, the Indenture and the Master Lease, if the District fails to pay any Rentals due to the Authority under the terms of the Master Lease, the District shall immediately surrender, and vacate the 2026 Project, and the rental or lease obligation under the Master Lease shall then cease. Should the Master Lease expire at the end of a Renewal Term without any extension for the next succeeding Renewal Term, or if an event occurs pursuant to which the Trustee terminates the District's right of possession of the 2026 Project under the Master Lease, the Trustee may repossess, complete construction (if applicable), and relet or sell the 2026 Project as provided in the Indenture.

No assurance can be given that the Trustee could relet or sell the 2026 Project for the amount necessary to pay the principal of and the interest due on the 2026 Bonds. The 2026 Project constitutes facilities to be used in connection with the operation of the District and may not be readily usable by other types of tenants. See "THE 2026 PROJECT" below. The net proceeds of any reletting or sale of the 2026 Project, together with certain other moneys then held by the Trustee under the Indenture, if any, are required to be used to pay the 2026 Bonds to the extent of such moneys. No assurance can be given as to the amount of funds available from any such source for the payment of the aggregate principal amount of the 2026 Bonds then outstanding plus accrued interest thereon. Furthermore, no assurance can be given that any amount realized upon any liquidation of the 2026 Project will be available to provide for the payment of the 2026 Bonds on a timely basis.

Delays In Exercising Remedies; Limitations On Enforceability

The enforceability of the Master Lease and the Indenture is subject to applicable bankruptcy laws, equitable principles affecting the enforcement of creditors' rights generally and liens securing such rights, the police powers of the State, the exercise of judicial authority by State or federal courts and the exercise by the United States of America of the powers delegated to it by the federal constitution. Because of the unique uses to which the 2026 Project may be suited and the delays inherent in obtaining foreclosure upon real property and judicial remedies or being able to quickly exercise its remedies under the Leasehold Deed of Trust, no assurance can be given that these remedies could be accomplished rapidly. Any delays in or failure on the part of the Trustee to obtain possession of or to foreclose the lien on the 2026 Project, if necessary, will likely result in delays in any payment of principal of or interest on the 2026 Bonds.

Possible Shortfall In Costs Of Construction Of The 2026 Project

As of the date of this OFFICIAL STATEMENT, the Board believes, but there can be no assurance, that the proceeds of the sale of the 2026 Bonds will be sufficient to complete the acquisition, construction and equipping of the 2026 Project. However, in the event 2026 Bond proceeds are insufficient, the Authority is authorized, pursuant to the Master Lease, to complete the acquisition, construction and equipping of the 2026 Project from legally available funds, which may include the issuance of Additional Bonds issued pursuant to the Indenture or from moneys otherwise legally available for that purpose. The Master Lease and the Indenture provide that Additional Bonds may be issued for completing the 2026 Project or making additions or improvements to the 2026 Project or acquiring or constructing additional projects, subject to satisfaction of certain conditions provided in the Indenture. There can be no assurance that such Additional Bonds will be permitted under then applicable law or that the Board will approve the issuance of Additional Bonds at that time. If issued, Additional Bonds will be secured under the Indenture on a parity with the Bonds previously issued, including the 2026 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Additional Bonds and Refunding Bonds" below and "APPENDIX A—FORMS OF THE GENERAL INDENTURE OF TRUST AND THE MASTER LEASE—The Indenture—Article II—Section 2.14—Additional Bonds and The Master Lease—Article VII Acquisition and Construction of Projects."

Destruction Of A Project

The Master Lease requires a Project to be insured by policies of insurance (including casualty and property damage insurance) as described in "APPENDIX A—FORMS OF THE GENERAL INDENTURE OF TRUST AND THE MASTER LEASE—The Master Lease—Article IX—Section 9.4—Provisions Respecting Insurance." In the event of damage to or destruction of all or any part of the 2026 Project, the Authority is nevertheless required to continue to

make payments under the Master Lease during the period for which the Board of Education of the District has appropriated moneys to do so. In such event, the District will decide whether the proceeds from available insurance (and any other legally available source) are sufficient to repair and rebuild the 2026 Project or whether to apply the available proceeds to redemption or payment of the 2026 Bonds. If the net proceeds from insurance or certain other sources are insufficient to repair or replace the 2026 Project, the District may terminate its obligations under the Master Lease with respect to the 2026 Project and cause such proceeds to be distributed for the redemption of the 2026 Bonds in whole or in part as provided in the Indenture. See “THE 2026 BONDS—Redemption Provisions For The 2026 Bonds—Extraordinary Redemption in the Event of Damage, Destruction or Condemnation Of The 2026 Project” below.

There can be no assurance as to the adequacy of a timely payment under property damage insurance in effect at that time. Furthermore, there can be no assurance that such insurance proceeds will be sufficient to redeem the 2026 Bonds in whole or that the Trustee will be able to realize any additional funds from the 2026 Project at that time. See “APPENDIX A—FORMS OF THE GENERAL INDENTURE OF TRUST AND THE MASTER LEASE—The Master Lease—Article X—Damage, Destruction And Condemnation; Use of Net Proceeds—Section 10.1—Damage, Destruction and Condemnation.”

Release Of A Project Upon Payment Of Related Series Of Bonds

Pursuant to the Master Lease, the District may, by depositing with the Trustee amounts sufficient to pay or provide for the payment of the Series of Bonds issued to finance or refinance such portion of a Project, purchase the related Project, which may result in the release of the purchased Project as security for the Bonds which remain outstanding. The release of one or more Projects may diminish the amount which could be realized by the Trustee upon the occurrence of an Event of Default or an Event of Nonappropriation or the likelihood that the District will renew the Master Lease for any Renewal Term.

Depreciation And Lack Of Residual Value

Certain components of the 2026 Project may become obsolete, may depreciate in value or may wear out during the time that the 2026 Bonds are outstanding. In addition, components of the 2026 Project may be difficult or impossible to remove from their points of service or use. Consequently, following an Event of Nonappropriation, an Event of Default under the Master Lease or the termination of the Master Lease for any reason, it is possible that any revenues realized by the Trustee from a reletting or sale, as appropriate, of the Authority’s interest in the 2026 Project may not be sufficient to repay all of the 2026 Bonds in full.

Tax Status; Continuing Compliance With Certain Covenants

Failure by the Authority or the District with respect to any of the 2026 Bonds to comply with certain covenants in the Indenture, the Master Lease and the 2026 Bonds, on a continuing basis, so long as any of the 2026 Bonds are outstanding under the Indenture and thereafter as required by such document provisions and applicable law, could result in interest on the 2026 Bonds becoming includible in gross income for federal income tax purposes, retroactive to the date of their original issuance. See “TAX MATTERS” below. The Indenture and the 2026 Bonds do not provide for the payment of any additional interest or penalty in the event that interest on the 2026 Bonds becomes includible in gross income for federal income tax purposes.

Changes In District Governance

The obligation of the District to pay rentals under the Master Lease is subject to annual appropriation by the Board of Education of the District, based upon a budget annually presented to the Board of Education of the District by the District Chief Financial Officer. The decision to renew or not to renew the term of the Master Lease is to be made solely by the Board of Education of the District at the time it considers for adoption the final budget relating to each Renewal Term and not by any official of the District, acting in his or her individual capacity.

The five-member Board of Education of the District are elected officials and serve four-year terms. Although the present Board of Education of the District favors the continued leasing of the 2026 Project, there can be no assurance that a future Board of Education of the District will support the 2026 Project or continue to make appropriations of Rentals under the Master Lease.

Other Factors Regarding The 2026 Project

Potential Environmental Risks. The continued and future ownership or operation of the 2026 Project creates a potential for environmental liability on the part of both the owner and operator of the 2026 Project as well as any party secured by mortgages, deeds of trust or other encumbrances. If future hazardous substances are discovered at the property or discovered to be emanating from the Property, the District and the Authority may be held strictly liable for all costs and liabilities relating to the disposing of or dealing with such hazardous substances. This liability could be for an amount far in excess of the value of the 2026 Project. The existence of such hazardous substances could hinder the Trustee in exercising certain of its remedies or rights under the Master Lease and the Indenture upon the occurrence of an Event of Default thereunder.

The Authority has agreed and represented in the Master Lease that it will carry on, the business and operations at the 2026 Project in a manner that complies in all respects, and will remain in compliance with all applicable federal, state, regional, county or local laws, statutes, rules, regulations or ordinances concerning public health, safety or the environment.

Seismic Analysis. The District commissioned a seismic analysis of the Project Site. While Utah is subject to seismic activity, the analysis did not identify any unusual or site-specific seismic conditions beyond those generally associated with the region, and no extraordinary seismic mitigation measures were recommended. Notwithstanding the foregoing, seismic events cannot be predicted or entirely mitigated.

Climate Change Risk

There are potential risks to the District that are associated with changes to the climate over time and with increases in the frequency, timing, and severity of extreme weather events or droughts.

Natural disasters (including earthquakes, mudslides, wildfires/forest fires, heat waves, floods, windstorms, droughts, and avalanches) and continued, or future, global health emergencies are possible and may affect the State or the District economies.

Certain areas of the State have experienced drought conditions for the last part of the year in each of the last 10 years. The State has experienced large wildfire/forest fire seasons in which air quality across the State has been negatively impacted (including diminished air quality from wildfires/forest fires located outside the State from drifting air currents). Wildfires/forest fires can impact the State's and the District's economy; cause respiratory health problems; result in loss of infrastructure, homes, and property; and destroy forestland, wildlife habitat and other resources.

The Authority and the District cannot predict how or when any climate-change-related events, natural disasters, or health emergencies may occur; nor can they quantify the impact of such events on the Authority or District and its operations.

Cybersecurity

Cybersecurity incidents could result from unintentional events, or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the District's systems technology for the purposes of misappropriating assets or information or causing operational disruption and damage. To mitigate the risk of business operations impact and/or damage by cybersecurity incidents or cyber-attacks, the District invests in multiple forms of cybersecurity and operational safeguards, including cybersecurity insurance coverage. The District believes it has made all reasonable efforts to ensure that any such attack is not successful and that the District's information systems are secure. However, there can be no assurance that a cyberattack will not occur in a manner resulting in damage to the District's information systems or other challenges.

SECURITY AND SOURCES OF PAYMENT FOR THE 2026 BONDS

The Master Lease And The Indenture

The 2026 Bonds are payable from amounts due under the Master Lease, as may be appropriated by the Board of Education of the District, and certain other moneys as provided in the Indenture. The Initial Term of the Master Lease will expire on June 30, 2027. Extension of the term of the Master Lease beyond such date is subject to the further

exercise by the District, in its sole discretion, to renew the Master Lease for consecutive additional one-year Renewal Terms commencing June 30 of each of the years 2028 through 2046, and a final Renewal Term commencing June 30, 2046, and ending July 1, 2046, unless terminated earlier or extended by the issuance of Additional Parity Bonds. For circumstances under which the Master Lease may be terminated, see “APPENDIX A—FORMS OF THE GENERAL INDENTURE OF TRUST AND THE MASTER LEASE—The Master Lease—Article IV—Lease Term—Section 4.2—Termination of the Lease Term.”

The District expects to extend the term of the Master Lease for July 1, 2028 through June 30, 2029.

The Authority, as lessor under the Master Lease and pursuant to the Indenture, has assigned to the Trustee its rights to receive Base Rentals under the Master Lease, for the benefit of the Bondowners. In addition, the Authority has, for the benefit of the Bondowners, granted to the Trustee, pursuant to the Indenture, a lien on and a security interest in all of its right, title and interest in and to the 2026 Project and any additional Projects to be acquired under the Master Lease.

The continuation of the term of the Master Lease and the obligation of the District to pay Base Rentals after June 30, 2027, are subject to the appropriation by the Board of Education of the District of sufficient funds to extend the term of the Master Lease for each succeeding Renewal Term. Neither the Master Lease nor the 2026 Bonds constitute a general obligation or indebtedness of the District or the Authority, within the meaning of any constitutional or statutory debt limitation. Neither the District nor the Authority has pledged its credit to the payment of the Base Rentals or the 2026 Bonds, and neither the District nor the Authority is directly or contingently obligated to apply money from, or to levy or pledge, any form of taxation to the payment of the Master Lease or the 2026 Bonds. The Authority does not have any taxing power.

So long as the Master Lease remains in effect and the Board of Education of the District appropriates sufficient funds to extend the term of the Master Lease for each successive Renewal Term, the District is required by the provisions of the Master Lease to pay semiannually to the Trustee specified Base Rentals for the 2026 Project which are sufficient, in both time and amount, to pay, when due, the principal of and interest on the Bonds.

The District has covenanted in the Master Lease to cause to be included in its annual tentative budget submitted to the Board of Education of the District a request for appropriation, in accordance with applicable law, of an amount necessary (after taking into account any moneys then legally available for such purpose) to pay the Base Rentals and any reasonably anticipated Additional Renewal Term. See “APPENDIX A—THE GENERAL INDENTURE OF TRUST AND THE MASTER LEASE—The Master Lease—Article VI—Payments By the District—Section 6.8 Request for Appropriation.”

In the event the Board of Education of the District does not appropriate sufficient funds to extend the term of the Master Lease, and the Master Lease thereby expires by its terms at the end of the then current Renewal Term, the District will have no further payment obligation under the Master Lease, except for the Base Rentals which are payable prior to the termination of the Master Lease. Upon such expiration, the Trustee may exercise one or more of the rights provided in the Master Lease, the Indenture, the Ground Lease, including an option to dispose of the Authority’s interest in the 2026 Project, and apply the proceeds of such disposition, if any, together with the moneys in the Bond Fund and other amounts available under the Indenture, to the payment of principal of all then outstanding 2026 Bonds and accrued interest thereon. However, due to the nature of the 2026 Project, it is unlikely that revenues from such sources would be sufficient to pay in full all then outstanding 2026 Bonds if payment were then due by acceleration or otherwise. Should a shortfall occur, the 2026 Bonds would be paid on a pro rata basis as provided in the Indenture. See “INVESTMENT CONSIDERATIONS” herein.

Security Documents

In addition to a pledge of the Base Rentals, the Purchase Option Price, if paid by the Board, and any other amounts derived by the Authority under the Lease and the Indenture, the 2026 Bonds will be secured by the Security Documents. The Security Documents consist of the Leasehold Deed of Trust and the Assignment of Ground Lease (as described below).

The Project Site is owned by the Board. The Board will lease the Project Site to the Authority under the Ground Lease. The Ground Lease will expire on July 1, 2046,* unless sooner terminated in accordance with its provisions, subject to extension until July 1, 2051* To provide additional security to the Bondholders, the Authority will assign all of its rights and interest in the Ground Lease to the Trustee in the Assignment of Ground Lease. In addition, the Authority will encumber its leasehold interest in the Project to the Trustee pursuant to the Leasehold Deed of Trust.

Reference is hereby made to the actual Security Documents for a complete recital of their terms. During the period of the offering of the 2026 Bonds, copies of the preliminary forms of the Security Documents will be available at the office of the Trustee. Subsequent to the initial offering of the 2026 Bonds, copies of the Security Documents may be obtained from the Trustee. Under the Leasehold Deed of Trust, the Authority will irrevocably warrant, grant, transfer, convey and assign to the Trustee, in trust with power of sale, all of its right or leasehold right (as applicable), title and interest in the Project, including, but not limited to real property, rents, issues, profits, royalties, income, interest in the leases or subleases, options to purchase, easements, rights of way, proceeds of insurance or condemnation and tangible personal property in order to provide additional security for the Authority's payment obligations with respect to the 2026 Bonds and the Indenture. The Leasehold Deed of Trust generally provides for the procedure by which the Trustee can foreclose the lien on the Project or sell the Authority's interest or leasehold interest in the Project to pay the Authority's payment obligations under the Bonds and the Indenture.

If an Event of Default occurs under the Indenture, and if the Trustee accelerates the payment of the 2026 Bonds pursuant thereto, the Trustee shall also direct the trustee under the Leasehold Deed of Trust to foreclose the lien created under the Leasehold Deed of Trust, either by public sale or by proceedings in equity. The Trustee shall receive any proceeds from such sale and apply them in accordance with the Indenture. Subject to the limitation on remedies and acceleration during acquisition and construction of portions of the 2026 Project, any proceeds shall be applied to the payment of principal and interest then due and unpaid on all of the 2026 Bonds, ratably, according to the amounts due respectively for principal and interest, to the Bondowners.

No deficiency judgment upon foreclosure of the lien of the Indenture or security or Leasehold Deed of Trust may be entered against the District or the Authority, and no judgment requiring a payment of money may be entered against the District under the Master Lease.

Insurance On The 2026 Project

The 2026 Project is required to be insured by policies of insurance or by self-insurance to the extent described in "APPENDIX A—FORMS OF THE GENERAL INDENTURE OF TRUST AND THE MASTER LEASE—The Master Lease—Article IX—Maintenance; Taxes; Insurance and Other Charges—Section 9.4—Provisions Respecting Insurance." All Net Proceeds of performance bonds, proceeds (including any moneys derived from any self-insurance program) from policies of insurance (except the policy of public liability and property damage insurance) required by the Master Lease or condemnation awards which are received by the Trustee will be deposited into a separate trust fund under the Indenture. Such Net Proceeds will be used either to repair, restore, modify or improve the applicable Projects or to redeem or defease the related Bonds, as more fully described in "APPENDIX A—FORMS OF THE GENERAL INDENTURE OF TRUST AND THE MASTER LEASE—The Master Lease—Article IX—Maintenance; Taxes; Insurance and Other Charges—Section 9.4—Provisions Respecting Insurance; —Section 9.5—Public Liability Insurance; and —Section 9.6 Worker's Compensation Coverage" and "Article X—Damage, Destruction and Condemnation; Use of Net Proceeds—Section 10.1—Damage, Destruction And Condemnation; Section 10.2—Obligation of the District to Repair and Replace a Project." Also see, "KANE COUNTY SCHOOL DISTRICT, UTAH—Risk Management And Insurance; Cybersecurity" below.

No Debt Service Reserve Requirement For The 2026 Bonds

The Indenture provides that a separate account in the Debt Service Reserve Fund may be established for each Series of Bonds issued under the Indenture which is to be funded in an amount equal to the Debt Service Reserve Requirement, if any. There is no Debt Service Reserve Requirement for the 2026 Bonds and no account in the Debt Service Reserve Fund will be funded with respect to the 2026 Bonds. See "APPENDIX A—FORMS OF THE GENERAL INDENTURE OF TRUST AND THE MASTER LEASE—The Indenture—Article I—Section 1.1—Definitions—Debt Service Reserve Requirement."

* Preliminary; subject to change.

Additional Parity Bonds And Refunding Bonds

Under the Indenture, the Authority may issue Additional Parity Bonds, consisting of Additional Bonds, Refunding Bonds or a combination of both, ranking on a parity with the 2026 Bonds. All Additional Parity Bonds will be secured by the lien of the Indenture and the Leasehold Deed of Trust and will rank on a parity with the 2026 Bonds. Such Additional Parity Bonds shall be payable solely from the Base Rentals and, if paid by the District, the Purchase Option Price and other amounts derived from the leasing of the 2026 Project or other Projects financed under the Indenture.

So long as the Master Lease is in effect and no Event of Default under the Indenture or the Master Lease has occurred and is continuing and so long as no Event of Nonappropriation has occurred and is continuing and certain requirements of the Indenture are satisfied, one or more series of Additional Bonds may be issued for the purpose of financing Costs of Acquisition and Construction of a Project or Projects for the use and benefit of the District and/or one or more Series of Refunding Bonds may be issued for the purpose of refunding Bonds or other obligations of the Authority.

See “APPENDIX A—FORMS OF THE GENERAL INDENTURE OF TRUST AND THE MASTER LEASE—The Indenture—Article II—Additional Bonds and Refunding Bonds—Section 2.14—Additional Bonds.”

THE 2026 BONDS

General

The 2026 Bonds will be dated the date of delivery¹ thereof (the “Dated Date”) and will mature on July 1 of the years and in the amounts and pay interest on the dates and at the rates shown on the inside cover page, commencing January 1, 2027.

Debt Service on the 2026 Bonds Based on Base Rental Payment Schedule. The Master Lease requires semi-annual Base Rental payments to be made by the District to the Authority (on January 1 and July 1 of each year), which Base Rentals have been assigned to the Trustee pursuant to the Indenture. The 2026 Bond principal and/or interest payments are then paid by the Trustee on June 15 and December 15. The following table shows scheduled debt service on the 2026 Bonds based on Base Rental payment dates.

Base Rental Payment Date	2026 Bonds*		Period Total	Fiscal Total
	Principal*	Interest		
December 15, 2026.....	\$ 0.00			
June 15, 2027.....	640,000.00			
December 15, 2027.....	0.00			
June 15, 2028.....	670,000.00			
August 15, 2028.....	0.00			
June 15, 2029.....	705,000.00			
December 15, 2029.....	0.00			
June 15, 2030.....	740,000.00			
December 15, 2030.....	0.00			
June 15, 2031.....	780,000.00			
December 15, 2031.....	0.00			
June 15, 2032.....	815,000.00			
December 15, 2032.....	0.00			
June 15, 2033.....	855,000.00			
December 15, 2033.....	0.00			
June 15, 2034.....	900,000.00			
December 15, 2034.....	0.00			
June 15, 2035.....	945,000.00			
December 15, 2035.....	0.00			
June 15, 2036.....	990,000.00			

Base Rental Payment Schedule Continued on the following page.

¹ The anticipated date of delivery is Wednesday, July 1, 2026.

Debt Service on the 2026 Bonds Based on Base Rental Payment Schedule—continued

Base Rental Payment Date	2026 Bonds*		Period Total	Fiscal Total
	Principal*	Interest		
December 15, 2036.....	\$ 0.00			
June 15, 2037.....	1,040,000.00			
December 15, 2037.....	0.00			
June 15, 2038.....	1,095,000.00			
December 15, 2038.....	0.00			
June 15, 2039.....	1,150,000.00			
December 15, 2039.....	0.00			
June 15, 2040.....	1,205,000.00			
December 15, 2040.....	0.00			
June 15, 2041.....	1,265,000.00			
December 15, 2041.....	0.00			
June 15, 2042.....	1,330,000.00			
December 15, 2042.....	0.00			
June 15, 2043.....	1,385,000.00			
December 15, 2043.....	0.00			
June 15, 2044.....	1,440,000.00			
December 15, 2044.....	0.00			
June 15, 2045.....	1,495,000.00			
December 15, 2045.....	0.00			
June 15, 2046.....	<u>1,565,000.00</u>			
Totals.....	<u>\$21,010,000.00</u>			

* Preliminary; subject to change.

(Source: the Municipal Advisor.)

Interest on the 2026 Bonds shall be computed on the basis of a 360-day year of 12, 30-day months. Zions Bancorporation, National Association, Midvale, Utah, is the initial Registrar (the “Registrar”), Paying Agent (the “Paying Agent”) and Trustee with respect to the 2026 Bonds.

The 2026 Bonds will be issued as fully-registered bonds, initially in book-entry form, in the denomination of \$5,000 or any whole multiple thereof, not exceeding the amount of each maturity.

Registration, Denominations, Manner Of Payment

The 2026 Bonds are issuable only as fully registered bonds and, when initially issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository of the 2026 Bonds. Purchases of 2026 Bonds will be made in book-entry form only, in the principal amount of \$5,000 or any whole multiple thereof, through brokers and dealers who are, or who act through, DTC Participants (as defined herein). Beneficial Owners (as defined herein) of the 2026 Bonds will not be entitled to receive physical delivery of bond certificates so long as DTC or a successor securities depository acts as the securities depository with respect to the 2026 Bonds. “Direct Participants,” “Indirect Participants” and “Beneficial Owners” are defined in “APPENDIX E—BOOK-ENTRY SYSTEM” below.

Principal of and interest on the 2026 Bonds (interest payable January 1 and July 1 of each year, commencing January 1, 2027) are payable by the Paying Agent, to the Registered Owners of the 2026 Bonds. So long as Cede & Co. is the registered owner of the 2026 Bonds, DTC will, in turn, remit such principal and interest to its Direct Participants, for subsequent disbursements to the Beneficial Owners of the 2026 Bonds, as described in “APPENDIX E—BOOK-ENTRY SYSTEM” below.

So long as DTC or its nominee is the sole registered owner of the 2026 Bonds, neither the Authority, , nor the Trustee will have any responsibility or obligation to any Direct or Indirect Participants of DTC, or the persons for whom they act as nominees, with respect to the payments to or the providing of notice for the Direct Participants, Indirect Participants or the Beneficial Owners of the 2026 Bonds. *Under these same circumstances, references herein*

and in the Indenture to the “Bondowners” or “Registered Owners” of the 2026 Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the 2026 Bonds.

Transfer Or Exchange Of The 2026 Bonds; Regular Record Date

The Authority shall cause books for the registration and for the transfer of the 2026 Bonds to be kept by the Trustee which is also the Bond Registrar of the Authority.

In the event the book-entry-only system is discontinued, any 2026 Bond may, in accordance with its terms, be transferred only upon the registration books kept by the Bond Registrar, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such 2026 Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Bond Registrar, duly executed. No transfer shall be effective until entered on the registration books kept by the Bond Registrar. Upon surrender for transfer of any 2026 Bond at the principal office of the Trustee, duly endorsed for transfer or accompanied by an assignment duly executed by the Bondholder or his attorney duly authorized in writing, the Authority shall execute and the Trustee shall authenticate and deliver in the name of the transferee or transferees a new, fully registered 2026 Bond or 2026 Bonds of the same maturity for a like aggregate principal amount as the 2026 Bond surrendered for transfer. In the event the book-entry system is discontinued, 2026 Bonds may be exchanged at the designated office of the Trustee for a like aggregate principal amount of 2026 Bonds of other authorized denominations of the same maturity. The Authority and the Trustee shall not be required to transfer or exchange any 2026 Bond (i) during the period from and including any Regular Record Date, to and including the next succeeding Interest Payment Date; (ii) during the period from and including the day fifteen days prior to any Special Record Date, to and including the date of the proposed payment pertaining thereto; (iii) during the period from and including the day fifteen days prior to the mailing of notice calling any 2026 Bonds for redemption, to and including the date of such mailing; or (iv) at any time following the mailing of notice calling such 2026 Bond for redemption.

The Authority, the Bond Registrar and the Paying Agent may treat and consider the person in whose name each 2026 Bond is registered on the registration books kept by the Bond Registrar as the holder and absolute owner thereof for the purpose of receiving payment of, or on account of, the principal or redemption price thereof and interest due thereon and for all other purposes whatsoever, and neither the Authority, nor the Bond Registrar nor the Paying Agent shall be affected by any notice to the contrary. Payment of or on account of either principal of or interest on any 2026 Bond shall be made only to or upon order of the Registered Owner thereof or such person's legal representative, but such registration may be changed as provided in the Indenture. All such payments shall be valid and effectual to satisfy and discharge the liability upon such 2026 Bond to the extent of the sum or sums so paid.

The Trustee shall require the payment by the Bondholder requesting exchange or transfer of 2026 Bonds of any tax or other governmental charges which are required to be paid with respect to such exchange or transfer and such charges shall be paid before such new 2026 Bond shall be delivered.

Regular Record Date means the 15th day (whether or not a Business Day) next preceding each Interest Payment Date. The Authority and the Trustee shall not be required to transfer or exchange any Bond: (i) during the period from and including any Regular Record Date, to and including the next succeeding Interest Payment Date; (ii) during the period from and including the day 15 days prior to any Special Record Date (as herein defined), to and including the date of the proposed payment pertaining thereto, (iii) during the period from and including the day 15 days prior to the mailing of notice calling any Bonds for redemption, to and including the date of such mailing, or (iv) at any time following the mailing of notice calling such Bond for redemption. “Special Record Date” means such date as may be fixed for the payment of defaulted interest on Bonds in accordance with the Indenture. See “APPENDIX A—FORMS OF THE GENERAL INDENTURE OF TRUST AND THE MASTER LEASE—Indenture—Article I—Definitions.”

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Sources And Uses Of Funds

The proceeds from the sale of the 2026 Bonds are estimated to be applied as set forth below:

Sources:

Par amount of 2026 Bonds	\$
[Net] original issue premium	
Total	\$

Uses:

Deposit to construction account	\$
Costs of Issuance	
Successful bidder's discount	
Total	\$

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- (1) Includes legal fees, Trustee, Bond Registrar and Paying Agent fees, Municipal Advisor fees, rating agency fees, rounding amounts and other miscellaneous costs of issuance.

(Source: the Municipal Advisor.)

Redemption Provisions For The 2026 Bonds

Optional Redemption. The 2026 Bonds maturing on and after July 1, 2037.* are subject to redemption prior to maturity, in whole or in part, at the option of the Authority on July 1, 2036* or on any date thereafter, from such maturities or parts thereof as shall be selected by the Authority, at the redemption price of 100% of the principal amount of the 2026 Bonds to be redeemed plus accrued interest (if any) thereon to the redemption date.

Mandatory Sinking Fund Redemption. The 2026 Bonds may be subject to mandatory sinking fund redemption at the option of the successful bidder(s).

Extraordinary Redemption In The Event Of Damage, Destruction Or Condemnation Of The 2026 Project. The Bonds are callable for redemption prior to maturity in whole on any date, if (i) the 2026 Project or a material portion thereof is damaged or destroyed or taken in a condemnation proceeding, or a material defect in the construction of the 2026 Project shall become apparent, or title to or the use of all or any material portion of the 2026 Project shall be lost by reason of a defect in title thereto, (ii) the Net Proceeds of any insurance policy, performance bond or condemnation award made available by reason of one or more such occurrences shall be insufficient to pay in full the cost of repairing and replacing the 2026 Project, and (iii) the District elects to discharge its obligation to repair and replace the 2026 Project by depositing such Net Proceeds into the Bond Fund. Upon the deposit of such Net Proceeds in the Bond Fund, the payment obligations of the District with respect to the 2026 Project under the Master Lease will terminate and the District will have no further obligation for the payment of Base Rentals and Additional Rentals under the Indenture, and possession of the 2026 Project shall be surrendered to the Authority and all right, title and interest of the District and the Authority in any funds or accounts created under the Indenture (except for amounts held in the Rebate Fund or for the payment of Bonds not then deemed Outstanding), shall be surrendered to the Trustee, as trustee for the Bondholders. Thereafter, the Indenture and the Leasehold Deed of Trust may, subject to the limitations of the Indenture, be foreclosed and the Authority's interest in the 2026 Project liquidated and the proceeds of such liquidation and the Net Proceeds of any insurance policy, performance bond or condemnation award so deposited in the Bond Fund, as well as all other moneys on deposit in any fund created under the Indenture (except moneys held in the Rebate Fund or for the payment of Bonds not then deemed outstanding), shall be proportionally applied to the redemption of the Bonds at the earliest date practicable, as specified in a written notice from the Authority to the Trustee. Such redemption of the 2026 Bonds shall be made upon payment of the principal amount of the 2026 Bonds then Outstanding, plus accrued interest thereon, all in accordance with the Indenture. In the event there are moneys remaining in the Bond Fund after payment in full of all Bonds of said Series issued under the Indenture, the Trustee is authorized and directed to transfer said moneys to the District. *In the event that the 2026 Bonds are redeemed subsequent to the occurrence of an event described in this paragraph by payment of an amount less than the outstanding principal amount thereof and accrued interest to the redemption date, no further claim for payment may be had by the holders of the 2026 Bonds against the Authority, the District or the Trustee.*

* Preliminary; subject to change.

Selection for Redemption. If less than all 2026 Bonds of any maturity are to be redeemed, the particular 2026 Bonds or portion of 2026 Bonds of such maturity to be redeemed will be selected at random by the Bond Registrar in such manner as the Bond Registrar in its discretion may deem fair and appropriate. The portion of any registered 2026 Bond of a denomination of more than \$5,000 to be redeemed will be in the principal amount of \$5,000 or a whole multiple thereof, and in selecting portions of such 2026 Bonds for redemption, the Bond Registrar will treat each such 2026 Bond as representing that number of 2026 Bonds of \$5,000 denomination that is obtained by dividing the principal amount of such 2026 Bond by \$5,000.

Notice of Redemption. Notice of redemption will be given by the Bond Registrar by first class mail, not less than 30 nor more than 60 days prior to the redemption date, to the Registered Owner of each 2026 Bond that is subject to redemption, at the address of such owner as it appears on the registration books of the Bond Registrar. Each notice of redemption will state descriptive information needed to accurately identify the 2026 Bonds being redeemed, the redemption date, the place of redemption, the redemption price and, if less than all of the 2026 Bonds are to be redeemed, the respective principal amounts thereof to be redeemed, and will also state that the interest on the 2026 Bonds in such notice designated for redemption will cease to accrue from and after such redemption date and that on the redemption date there will become due and payable on each of the 2026 Bonds to be redeemed the principal thereof and interest accrued thereon to the redemption date.

If at the time of mailing of any notice of redemption there shall not be on deposit with the Trustee moneys sufficient to redeem all the 2026 Bonds called for redemption, such notice shall state that such redemption is subject to the deposit of redemption moneys with the Trustee not later than the opening of business on the redemption date and that such notice will be of no effect unless such moneys are so deposited. Any notice mailed will be conclusively presumed to have been duly given, whether or not the Bondowner receives such notice. Failure to give such notice or any defect therein with respect to any 2026 Bond will not affect the validity of the proceedings for redemption with respect to any other 2026 Bond.

In addition to the foregoing notice, further notice of such redemption will be given by the Bond Registrar to at least one national information services as provided in the Indenture, but no defect in such further notice nor any failure to give all or any portion of such notice will in any manner affect the validity of a call for redemption if notice thereof is given as prescribed above and in the Indenture.

For so long as a book-entry system is in effect with respect to the 2026 Bonds, the Bond Registrar will mail notices of redemption to DTC or its successor. Any failure of DTC to convey such notice to any Direct Participants or any failure of the Direct Participants or Indirect Participants to convey such notice to any Beneficial Owner will not affect the sufficiency of the notice or the validity of the redemption of 2026 Bonds.

Book-Entry System

DTC will act as securities depository for the 2026 Bonds. The 2026 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 2026 Bond certificate will be issued for each maturity of the 2026 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC or a "fast agent" of DTC. See "APPENDIX E—BOOK-ENTRY SYSTEM" for a more detailed discussion of the book-entry system and DTC.

LOCAL BUILDING AUTHORITY OF KANE COUNTY SCHOOL DISTRICT, UTAH

Establishment And Statutory Powers

The Board of Education of the District created the Authority as a nonprofit corporation in accordance with the provisions of the predecessor to the Building Authority Act. The Authority is to be of perpetual duration as set forth in its Articles of Incorporation. The Authority at the present time has no full-time employees or other personnel other than its governing board as described below. The Authority has no property, money or other assets, except for the 2026 Project as described in this OFFICIAL STATEMENT. The principal place of business of the Authority is in the District offices at the address shown under "INTRODUCTION—Contact Persons" above.

The Authority has been incorporated for the purpose of acquiring, improving or extending one or more projects and financing and/or refinancing their costs on behalf of the District in accordance with the procedures and subject to the limitations of the Building Authority Act, in order to accomplish the public purposes for which the District exists.

The Authority has all of the powers provided for in the Building Authority Act and in the Constitution and other laws of the State. The Authority may not, however, undertake any of the activities provided for in its Articles of Incorporation without prior authorization therefor by the governing body of the District. The Authority has been organized as a nonprofit corporation and its Articles of Incorporation expressly require that it remain a nonprofit corporation.

The Authority may not be dissolved unless all of its outstanding bonds and other obligations are paid in full as to principal, interest and redemption premiums, if any, or unless provision for the payment of the same when due has been made. Whenever bonds, notes or other evidences of indebtedness issued by the Authority are satisfied, discharged and retired, title to all real and personal property financed with the proceeds of such bonds, notes or other evidences of indebtedness is required to be transferred to the District.

Under the Building Authority Act, the Authority has the power to: (i) acquire one or more projects, which, by definition, means that it may obtain or gain property of every kind or nature which a public body is authorized or permitted by law to own, and it may otherwise improve or extend such a project or projects and finance their costs on behalf of the public body which created the Authority in order to accomplish the public purposes for which the public body exists; (ii) enter into leasing contracts with the District with respect to projects which the Authority has acquired, improved or extended or will acquire, improve or extend on behalf of the District; (iii) issue and sell its bonds for the purpose of financing and refinancing the cost of acquiring, improving or extending a project; and (iv) exercise other powers as enumerated in the Building Authority Act, all in accordance with and subject to the specific requirements of the Building Authority Act with respect to such powers.

Organization

According to the By-Laws of the Authority, the affairs of the Authority are managed by the Board of Trustees of the Authority (the “Board of Trustees of the Authority”), which consists of the Board of Education of the District. The initial Trustees named in the Articles of Incorporation shall serve until death, incapacity, resignation, removal, or loss of Board membership. Successors assume office upon election and qualification. The Board of Trustees of the Authority may remove and replace members at its discretion, subject to applicable law. Set forth below are the current members of the Board of Trustees of the Authority:

Office	Person	Years In Position	Expiration of Current Term
Chair and Trustee	Daniel Little	9	December 31, 2028
Vice Chair and Trustee	Marc Grow	3	December 31, 2026
Trustee	Taylor Glover	1	December 31, 2028
Trustee	Mitchell Glazier	1	December 31, 2028
Trustee	Jarad Brinkerhoff	3	December 31, 2026
Secretary/Treasurer ⁽¹⁾	Cary Reese	25	At will

(1) Lark Reynolds has been hired to replace Mr. Reese effective June 30, 2026. Mr. Reynolds has approximately 17 years of experience as a business administrator with another Utah school district.

(Source: the District.)

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Debt Issuance

The Authority's debt does not constitute debt within the meaning of any constitutional provision or statutory limitation which is applicable to the District.

As of the date of this OFFICIAL STATEMENT, the Authority has the following lease revenue bonds outstanding:

Series ⁽¹⁾	Purpose	Original Principal Amount	Maturity Date	Current Principal Outstanding
2026.....	School building	\$21,010,000*	July 1, 2046	<u>\$21,010,000</u> *

* Preliminary; subject to change.

(1) For purposes of this OFFICIAL STATEMENT, the 2026 Bonds will be considered issued and outstanding. Rated "Aa3" by Moody's Investors Services Inc. ("Moody's"), as of the date of this OFFICIAL STATEMENT.

(Source: the Municipal Advisor.)

Future Issuance Of Lease Revenue Bonds

The Authority does not anticipate the issuance of additional lease revenue bonds within the next three years for the 2026 Project or any additional future Projects but reserves the right to issue Additional Parity Bonds as specified in the Indenture.

THE 2026 PROJECT

The 2026 Project Financed With Bonds

The Authority is issuing the 2026 Bonds for the purpose of financing the renovation of Valley High School along with related improvements and equipment. The renovation will take place on the Project Site located in Orderville, Utah, where the original Valley High School was built in 1955.

The total estimated construction cost of the 2026 Project is approximately \$20 million. Construction of the 2026 Project began in May 2026 and is expected to be completed by August 2029.

The 2026 Project As Security For The Bonds

The 2026 Bonds are secured by the lien of the Indenture, the Leasehold Deed of Trust and the Master Lease, subject to the terms, conditions, limitations and exceptions set forth therein. Upon the occurrence of an Event of Default under the Indenture or the occurrence of an Event of Nonappropriation under the Lease, the District shall be required to surrender and vacate the 2026 Project, the Trustee shall have all rights and remedies to take possession of the 2026 Project as trustee for the benefit of the Beneficial Owners of the 2026 Bonds, and the Trustee may exercise various remedies against or with respect to the 2026 Project under the Indenture and the Master Lease for the proportionate benefit of the Beneficial Owners of the 2026 Bonds. See "INVESTMENT CONSIDERATIONS—Destruction Of A Project" and "SECURITY AND SOURCES OF PAYMENT FOR THE 2026 BONDS—The Master Lease and The Indenture" above. Under the Master Lease, an Event of Nonappropriation will occur if the Board of Education of the District fails or refuses to specifically appropriate moneys sufficient to pay the Rentals with respect to all or any portion of the 2026 Project coming due in any Fiscal Year under the Master Lease.

Release Of The 2026 Project Upon Payment Of The 2026 Bonds

Pursuant to the Master Lease, the District has the option of refinancing such portion of the 2026 Project in advance of the final maturity of Bonds issued to finance the 2026 Project. So long as no Event of Default shall have occurred and be continuing under the Indenture and so long as no Event of Default or Event of Nonappropriation shall have occurred and be continuing under the Master Lease, the 2026 Project may be released as security for Bonds and may be transferred to the District if (i) the District shall deposit with the Trustee the Purchase Option Price for the 2026 Project; and (ii) there shall have been delivered to the Trustee an opinion of nationally-recognized bond counsel to the effect that the release of the 2026 Project will not adversely affect the excludability of interest on the Bonds from the federal gross income of the owners thereof. Pursuant to the Indenture and the Master Lease, the District may exercise this option with respect to the 2026 Project.

Maintenance On The 2026 Project

The District has agreed in the Master Lease, at its own expense, to maintain, manage and operate the 2026 Project and all improvements thereon in good working order, condition and repair, and to pay all costs associated therewith. As provided in the Master Lease, the Authority, the Trustee and the Bondowners have no obligation to incur any expense of any kind or character for the management, operation or maintenance of the 2026 Project during the term of the Master Lease. See “APPENDIX A—FORMS OF THE GENERAL INDENTURE OF TRUST AND THE MASTER LEASE—The Master Lease—Article IX—Maintenance; Taxes; Insurance and Other Charges—Section 9.1—Maintenance of the Projects by the District.”

KANE COUNTY SCHOOL DISTRICT, UTAH

General

The District, established in 1871, shares common boundaries with the County. The County covers 4,105 square miles and is located in southwestern portion of the State, about 250 miles south of Salt Lake City and is bordered by Washington County on the west, by San Juan County on the east, by Garfield County on the north and by the State of Arizona on the south. The County had 8,597 residents according to the 2025 estimate by the Bureau of the Census. The District’s headquarters are located in the County seat, the City of Kanab. Most of the population, business and industry is concentrated in the eastern portion of the County, while the western portion is sparsely populated.

Kanab (the “City”), incorporated in 1882, covers an area of approximately 14 square miles. The City had 5,291 residents according to the 2024 estimate by the Bureau of the Census.

The Board operates ten schools, located in the communities of (i) the City (one preschool, one elementary school, one middle school, and one high school), (ii) Big Water Municipal Corp. (one elementary and one high school in a single campus), (iii) Lake Powell (one elementary school and one high school) and (iv) Orderville Town (one elementary school and one high school). The historical enrollment within the District is as follows:

The historical October 1 enrollment within the District is as follows:

October 1	Total	% Change Over Prior Year
2026 ⁽¹⁾	1,350	(2.6)
2025.....	1,386	(1.6)
2024.....	1,408	(1.3)
2023.....	1,426	0.1
2022.....	1,424	1.6
2021.....	1,402	2.1
2020.....	1,373	7.7
2019.....	1,275	0.5
2018.....	1,269	1.5
2017.....	1,250	(0.5)
2016.....	1,256	3.9

(1) Projected.

(Source: Utah State Office of Education.)

No Charter Schools. There are no operating charter schools located within the boundaries of the District.

Funding for charter schools comes directly from the State based on student attendance. Beginning in Fiscal Year 2017, the State imposed a tax rate levy for the funding of charter schools, including within the District. Property tax revenues from the charter school tax rate levy is not received by the District but paid by the County to the State. Also, see “FINANCIAL INFORMATION REGARDING KANE COUNTY SCHOOL DISTRICT, UTAH—Historical Tax Rates Of The District” below.

The District also operates the Kane Schools Foundation (the “Foundation”). The Foundation is a separate legal 501(c)(3) entity and is reported as a special revenue fund in the District’s financial statements. The Foundation is a

not-for-profit entity that solicits financial support of public education through local school communities and community business partners.

Form Of Government

Board of Education. The determination of policies for the management of the District is the responsibility of the Board, the members of which are elected by the qualified electors within the District. The District is divided into five representative precincts, and a member of the Board is elected from each of the five precincts. Members serve four-year terms, which are staggered to provide continuity.

The Board is empowered, among other things, to: (i) implement core curriculum; (ii) administer tests which measure the progress of each student, and create plans to improve the student's progress; (iii) implement training programs for school administrators; (iv) purchase, sell and improve school sites, buildings and equipment; (v) construct and furnish school buildings; (vi) establish, locate and maintain elementary, secondary and applied technology schools; (vii) maintain school libraries; (viii) make and enforce all necessary rules and regulations for the control and management of the public schools in the District; (ix) adopt bylaws and rules for its own procedure; and (x) appoint a superintendent of schools, business administrator, and such officers or employees as are deemed necessary for the promotion of the interests of the schools.

Superintendent. The Superintendent of Schools (the "Superintendent") is appointed by the Board and is responsible for the actual administration of the schools in the District. The powers and duties of the Superintendent are prescribed by the Board. Pursuant to State law, the Superintendent is required to prepare and submit to the Board an annual budget itemizing anticipated revenues and expenditures for the next school year. The Superintendent is appointed by the Board for a two-year term and until a successor is appointed.

Business Administrator. The Business Administrator is appointed by the Board and reports to the Superintendent. The duties of the Business Administrator, among others, are to (i) attend all meetings of the Board and keep a journal of the proceedings, (ii) countersign all warrants drawn upon the District treasury, (iii) keep an account and prepare and publish an annual statement of moneys received by the District and amounts paid out of the treasury, and (iv) have custody of the records and papers of the Board. The Business Administrator is the custodian of all moneys belonging to the District and is required to prepare and submit to the Board a monthly report of the receipts and disbursements of the Business Administrator's office. The Business Administrator is appointed by the Board for a two-year term and until a successor is appointed.

Current members of the Board, the Superintendent, the Business Administrator, and other administrators and their respective terms in office are as follows:

Office	Person	Years In Position	Expiration of Current Term
President	Daniel Little	9	December 31, 2028
Vice President	Marc Grow	3	December 31, 2026
Member	Taylor Glover	1	December 31, 2028
Member	Mitchell Glazier	1	December 31, 2028
Member	Jarad Brinkerhoff	3	December 31, 2026
Superintendent	Ben Dalton	15	Appointed/June 30, 2028
Business Administrator ⁽¹⁾	Cary Reese	25	Appointed/June 30, 2026

(1) Lark Reynolds has been hired to replace Mr. Reese effective June 30, 2026. Mr. Reynolds has approximately 17 years of experience as a business administrator with another Utah school district.

(Source: the District.)

Employee Workforce And Retirement System; No Post-Employment Benefits; Early Retirement Incentive

Employee Workforce and Retirement System. As of Fiscal Year 2025, the District employed approximately 140 full-time equivalent employees. The District participates in cost-sharing multiple employer public employee retirement systems which are defined benefit pension plans and defined contribution plans covering public employees of the State and employees of participating local government entities administered by the Utah State Retirement Systems ("URS"). The retirement system provides refunds, retirement benefits, annual cost of living adjustment and death benefits to plan members and beneficiaries in accordance with retirement statutes. The District also participates in

deferred compensation plans with URS. The retirement and deferred compensation plans are administered by the URS under the direction of the URS board, which consists of six members appointed by the Governor of the State and the State Treasurer. For a detailed discussion regarding retirement benefits and contributions see “APPENDIX A—FINANCIAL STATEMENTS OF KANE COUNTY SCHOOL DISTRICT, UTAH FOR FISCAL YEAR 2025—Notes to Basic Financial Statements—Note 6. State Retirement Plans” (audit page 27).

No Post-Employment Benefits. The District does not provide post-employment benefits (under the Governmental Accounting Standards Board “GASB” definition) and has no annual required contribution. As of the date of this OFFICIAL STATEMENT, the Board currently does not expect its current or future policies regarding post-employment benefits to have a negative financial impact on the District.

Early Retirement Incentive. The District provides an early retirement program. Eligibility is restricted to teachers and administrators with a minimum of twelve years of service with the District, working an average of 30 or more hours per week, receiving health insurance paid by the District, and qualifying for retirement under the provisions of the Utah Retirement Systems. The District has reserved \$1,000,000 in the general fund in the unlikely event that termination benefits savings were not sufficient to cover the liability. For a discussion regarding the District’s early retirement incentive program see “APPENDIX A—FINANCIAL STATEMENTS OF KANE COUNTY SCHOOL DISTRICT, UTAH FOR FISCAL YEAR 2025—Notes to Basic Financial Statements—8. Long-Term Liabilities—Early Retirement payable” (audit page 22).

Risk Management And Cybersecurity

Risk Management. The District is a member of a risk pool through which the State self-insures portions of certain property and liability claims and purchases commercial insurance for claims above the self-insured retention amounts. This is done through the State’s Administrative Services Risk Management Fund. The fund is maintained via premiums charged to its members—State agencies, institutions of higher education, school districts and charter schools.

As of Fiscal Year 2025, the Administrative Services Risk Management Fund contained approximately \$83.061 million in reserves available to pay for claims incurred.

For a general discussion of insurance coverage, limits of coverage, health insurance benefits, dental insurance benefits, unemployment compensation and payment claims see “APPENDIX A—FINANCIAL STATEMENTS OF KANE COUNTY SCHOOL DISTRICT, UTAH FOR FISCAL YEAR 2025—Notes to Basic Financial Statements—Note. 7. Risk Management” (audit page 32).

Cybersecurity. Cybersecurity incidents could result from unintentional events, or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the District’s technology systems for the purposes of misappropriating assets or information or causing operational disruption and damage. To mitigate the risk of business operations impact and/or damage by cybersecurity incidents or cyberattacks, the District invests in multiple forms of cybersecurity and operational safeguards. The Board maintains cyber liability insurance and has implemented policy measures to help offset any financial risks that may result from a cybersecurity breach. As with all risks to which the District is exposed, loss or breach can result in legal and/or regulatory claims. The Board’s comprehensive insurance policies are in place to protect the District in those circumstances.

Investment Of Funds

The State Money Management Act. The State Money Management Act, Title 51, Chapter 7 of the Utah Code (the “Money Management Act”), governs and establishes criteria for the investment of all public funds held by public treasurers in the State. The Money Management Act provides a limited list of approved investments, including qualified in-state and permitted out-of-state financial institutions, obligations of the State and political subdivisions of the State, U.S. Treasury and approved federal government agency and instrumentality securities, certain investment agreements and repurchase agreements and investments in corporate securities meeting certain ratings requirements. The Money Management Act establishes the State Money Management Council (the “Money Management Council”) to exercise oversight of public deposits and investments. The Money Management Council is comprised of five members appointed by the Governor of the State for terms of four years, after consultation with the State Treasurer and with the advice and consent of the State Senate.

The Board is currently complying with all of the provisions of the Money Management Act for all District operating funds.

The Utah Public Treasurers' Investment Fund. A significant portion of District funds may be invested in the Utah Public Treasurers Investment Fund ("PTIF"). The PTIF is a local government investment fund, established in 1981, and managed by the State Treasurer. All investments in the PTIF must comply with the Money Management Act and rules of the Money Management Council. The PTIF invests primarily in money market securities. Securities in the PTIF include certificates of deposit, commercial paper, short-term corporate notes, and obligations of the U.S. Treasury and securities of certain agencies of the federal government. By policy, the maximum weighted average adjusted life of the portfolio is not to exceed 90 days and the maximum final maturity of any security purchased by the PTIF is limited to five years. Safekeeping and audit controls for all investments owned by the PTIF must comply with the Money Management Act.

All securities purchased are delivered versus payment to the custody of the State Treasurer or the State Treasurer's safekeeping bank, assuring a perfected interest in the securities. Securities owned by the PTIF are completely segregated from securities owned by the State. The State has no claim on assets owned by the PTIF except for any investment of State moneys in the PTIF. Deposits are not insured or otherwise guaranteed by the State.

Investment activity of the State Treasurer in the management of the PTIF is reviewed monthly by the Money Management Council and is audited by the State Auditor. The PTIF is not rated.

See "APPENDIX B—FINANCIAL STATEMENTS OF KANE COUNTY SCHOOL DISTRICT, UTAH FOR FISCAL YEAR 2025—Notes to the Financial Statements—Note 2. Deposits and Investments" (audit page 24).

Investment of 2026 Bond Proceeds. The proceeds of the 2026 Bonds will be held by the Board and invested to be readily available. The 2026 Bond proceeds may also be invested in the PTIF or other investments authorized under the Money Management Act.

Population

The following population information is provided for the County and the State.

	Kane County	% Change From Prior Period	State of Utah	% Change From Prior Period
2025 Census estimate ⁽¹⁾	8,597	12.2	3,538,904	8.2
2020 Census.....	7,661	7.5	3,271,616	18.4
2010 Census.....	7,125	17.8	2,763,885	23.8
2000 Census.....	6,046	17.0	2,233,169	29.6
1990 Census.....	5,169	28.5	1,722,850	17.9
1980 Census.....	4,024	66.2	1,461,037	37.9
1970 Census.....	2,421	(9.2)	1,059,273	18.9

(1) U.S. Bureau of the Census estimates for July 1, 2025. Percentage change is calculated from the 2020 Census.
(Source: U.S. Department of Commerce, Bureau of the Census.)

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Labor Force, Nonfarm Jobs, And Wages Within Kane County

	Calendar Year					% change from prior year				
	2025	2024	2023	2022	2021	2024-25	2023-24	2022-23	2021-22	2020-21
Civilian labor force	3,653	3,785	3,744	3,648	3,566	0.3	1.1	2.6	2.3	3.9
Employed persons	3,488	3,648	3,626	3,543	3,449	(0.0)	0.6	2.3	2.7	7.0
Unemployed persons	165	137	118	105	117	9.9	16.1	12.4	(10.3)	(44.0)
Industry average employment	4,386	4,101	4,077	4,016	3,902	3.5	0.6	1.5	2.9	8.0
Construction	191	174	196	211	182	8.4	(11.2)	(7.1)	15.9	15.2
Manufacturing	107	117	118	141	125	(7.8)	(0.8)	(16.3)	12.8	16.8
Wholesale trade	45	44	38	34	28	14.6	15.8	11.8	21.4	12.0
Retail trade	471	435	451	434	438	10.2	(3.5)	3.9	(0.9)	7.1
Transportation and warehousing	26	24	22	23	34	0.0	9.1	(4.3)	(32.4)	(2.9)
Information	91	77	37	37	29	(1.1)	108.1	0.0	27.6	3.6
Finance and insurance	54	59	60	59	59	(5.0)	(1.7)	1.7	0.0	(13.2)
Real estate, rental and leasing	89	89	86	73	66	(7.7)	3.5	17.8	10.6	20.0
Professional, scientific, and technical services	98	92	88	86	77	8.8	4.5	2.3	11.7	20.3
Management of companies and enterprises	5	5	5	4	4	0.0	0.0	25.0	0.0	0.0
Admin., support, waste mgmt., remediation	126	121	112	88	89	6.2	8.0	27.3	(1.1)	14.1
Education services	258	249	257	247	233	0.8	(3.1)	4.0	6.0	(2.1)
Health care and social assistance	275	257	271	268	277	(12.5)	(5.2)	1.1	(3.2)	(3.5)
Arts, entertainment, and recreation	284	276	287	318	312	(8.7)	(3.8)	(9.7)	1.9	116.7
Accommodation and food services	1,149	1,109	1,109	1,068	1,015	8.8	0.0	3.8	5.2	5.1
Public administration	365	352	343	337	333	1.9	2.6	1.8	1.2	6.4
Total private sector (average annual employed persons)	3,535	3,279	3,272	3,239	3,135	3.8	0.2	1.0	3.3	9.5
Total public sector (average)	851	822	805	778	83	2.3	2.1	3.5	837.3	0.0
Federal	86	85	78	74	51	1.2	9.0	5.4	45.1	13.3
State	52	52	54	53	633	(1.9)	(3.7)	1.9	(91.6)	1.8
Local	713	684	673	650	768	2.9	1.6	3.5	(15.4)	2.4
Total payroll (in thousands)	\$193,400.6	\$179,892	\$169,070	\$162,676	\$158,028	6.6	6.4	3.9	2.9	19.1
Average monthly wage	\$3,791	\$3,655	\$3,456	\$3,376	\$3,332	3.6	5.8	2.4	1.3	8.9
Average employment	4,251	4,101	4,077	4,016	3,902	3.5	0.6	1.5	2.9	8.0
Establishments	447	444	429	408	420	0.2	3.5	5.1	(2.9)	7.1

(Source: Utah Department of Workforce Services; compiled by the Municipal Advisor.)

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Personal Income; Per Capita Personal Income; Median Household Income Within Kane County And The State Of Utah

	Calendar Year				
	2024	2023	2022	2021	2020
<i>Total Personal Income (in \$1,000's) ⁽¹⁾:</i>					
Kane County	\$488,744	\$451,830	\$419,545	\$437,063	\$357,217
% change from prior year	8.2	7.7	(4.0)	22.4	10.0
State of Utah	235,907,386	222,237,811	206,055,695	194,799,076	169,999,561
% change from prior year	6.2	7.9	5.8	14.6	9.2
<i>Total Per Capita Personal Income ⁽¹⁾:</i>					
Kane County	57,334	53,496	51,114	64,763	46,464
% change from prior year	7.2	4.7	(21.1)	39.4	9.6
State of Utah	67,333	64,544	60,765	58,328	51,762
% change from prior year	4.3	5.6	4.5	12.5	7.4
<i>Median Household Income ⁽²⁾:</i>					
Kane County	77,092	69,247	66,609	62,311	58,352
% change from prior year	11.3	4.0	6.9	6.8	4.4
State of Utah	96,658	93,030	88,531	79,449	77,785
% change from prior year	3.9	5.1	11.4	2.1	2.7

(1) U.S. Bureau of Economic Analysis: County personal income and per capita income; 2024 financial information is currently inaccessible as a result of lingering effects from the federal government shutdown.

(2) U.S. Census Bureau American Community Survey; one-year estimates.

Construction Within Kane County

Calendar Year	New			Additions, Alterations and Repairs		Total Construction Value	
	New Units	Residential Value (\$000)	New Non-residential Value (\$000)	Residential Value (\$000)	New Non-residential Value (\$000)	Value (\$000)	% change from prior period
2025	195	\$29,139	\$25,781	\$3,208	\$3,083	\$61,211	63.9
2024	169	37,749	3,755	1,403	211	43,119	(2.2)
2023	242	27,835	6,882	1,826	3,726	40,268	(3.4)
2022	318	59,582	4,347	8,080	75	72,084	(3.9)
2021	257	49,113	1,689	795	199	51,795	29.9

(Source: University of Utah Kem C. Gardner Policy Institute, Ivory-Boyer Utah Report and Database.)

Sales Taxes Within Kane County And The State Of Utah

	Calendar Year				
	2025	2024	2023	2022	2021
<i>Taxable Sales (in \$1,000's):</i>					
Kane County	\$383,747	\$390,748	\$398,204	\$395,619	\$377,867
% change from prior year	40.2	(1.9)	0.7	4.7	39.0
State of Utah	108,820,537	104,306,959	102,657,373	100,893,345	90,105,222
% change from prior year	43.5	1.6	1.7	12.0	20.6

(Source: Utah State Tax Commission.)

Sales Taxes Within Kane County And The State Of Utah—*continued*

	Fiscal Year				
	2025	2024	2023	2022	2021
Local Sales and Use Tax Distribution:					
Kane County (and all cities)	\$3,116,277	\$3,253,634	\$3,026,964	\$3,048,930	\$2,522,262
% change from prior year	(4.2)	7.5	(0.7)	20.9	20.4
State of Utah	1,024,219,141	1,017,614,049	977,924,258	932,212,364	784,024,083
% change from prior year	0.6	4.1	4.9	18.9	14.4

(Source: Utah State Tax Commission.)

Largest Employers Of The County

The County is the business and financial center for many of the major businesses and industries in the State. Major employers (over 50 employees) in the County area include:

Firm	Industry	Annual Average Employment
Best Friends Animal Society	Other services	250-499
Amangiri Resort & Spa	Accommodation and food services	250-499
Kane County School District	Education services	100-249
Kane County	Public administration	100-249
Kane County Hospital	Health Care and social assistance	100-249
Ponderosa Resort	Accommodation and food services	50-99
Stampin' Up!	Manufacturing	50-99
Honey's Market Place	Retail trade	50-99
Kanab City	Public administration	50-99
Glazier's Food Town	Retail trade	50-99
Aramark Campus	Arts, entertainment, and recreation	50-99
South Central Communications	Information	50-99
Bureau of Land Management	Public administration	50-99

(Source: Utah Department of Workforce Services. Updated October 2025, reflecting Major Employers of 2024.)

Rate Of Unemployment—Annual Average

Year	Kane County	State of Utah	United States
2025 ⁽¹⁾	4.0%	3.6%	4.4%
2024.....	3.6	3.2	4.0
2023.....	3.2	2.7	3.6
2022.....	2.9	2.4	3.6
2021.....	3.3	2.8	5.4

(1) Preliminary, subject to change. December 2025 seasonally not adjusted.

(Source: Utah Department of Workforce Services.)

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DEBT STRUCTURE OF KANE COUNTY SCHOOL DISTRICT, UTAH

Outstanding General Obligation Bonded Indebtedness

Series ⁽¹⁾	Purpose	Original Principal Amount	Final Maturity Date	Current Principal Outstanding
2020.....	School Building	\$21,150,000	December 15, 2040	<u>\$17,240,000</u>

(1) Rated “Aaa” (State of Utah Guaranty; underlying “Aa2”) by Moody’s, as of the date of this OFFICIAL STATEMENT.

(Source: the Municipal Advisor.)

Future issuance of debt. Other than the issuance of the 2026 Bonds (and any refunding opportunities) the District does not anticipate the issuance of any other bonds within the next three years. However, the District may purchase equipment through capital leasing.

Overlapping And Underlying General Obligation Debt Of The District

Although the District has no outstanding general obligation debt, it does levy an ad valorem property tax to support its ongoing financial operations. The following are those overlapping entities who levy ad valorem property taxes to pay for voter authorized general obligation bonds.

Taxing Entity	2025 Taxable Value ⁽¹⁾	District’s Portion of Taxable Value	District’s Percentage	Taxing Entity’s General Obligation Debt	District’s Portion of General Obligation Debt
<i>Overlapping:</i>					
State of Utah.....	\$622,803,186,940	\$3,178,089,872	0.5	\$847,360,000	<u>\$4,236,800</u>
Total overlapping.....					<u>\$4,236,800</u>
<i>Underlying:</i>					
Total underlying.....					<u>0</u>
Total overlapping and underlying general obligation debt.....					<u>\$4,236,800</u>
Total overlapping general obligation debt (excluding the State) ⁽²⁾					\$ 0
Total direct general obligation bonded indebtedness.....					<u>17,240,000</u>
Total direct and overlapping general obligation debt (excluding the State) ⁽²⁾					<u>\$17,240,000</u>

This table excludes any additional principal amounts attributable to unamortized original issue bond premium.

(1) Preliminary; subject to change. Taxable value used in this table excludes the taxable value used to determine uniform fees on tangible personal property and valuation on semiconductor manufacturing equipment.

(2) The State’s general obligation debt is not included in overlapping debt because the State currently levies no property tax for payment of general obligation bonds.

(Source: the Utah State Tax Commission for the Taxable Valuations and the Municipal Advisor for the outstanding debt. Compiled by the Municipal Advisor.)

See “FINANCIAL INFORMATION REGARDING KANE COUNTY SCHOOL DISTRICT, UTAH—Certain Property Tax Matters—Historical Property Tax Rates of the District” below.

Debt Ratios Regarding General Obligation Debt Of The District

The following table sets forth the ratios of general obligation debt (excluding any additional principal amounts attributable to unamortized original issue bond premium) that is expected to be paid from taxes levied specifically for such debt and not from other revenues over the taxable value of property within the District, the estimated market value of such property and the population of the District. *The State’s general obligation debt is not included in the debt ratios because the State currently levies no property tax for payment of general obligation debt.*

	To 2025 Taxable Value ⁽¹⁾	To 2025 Market Value ⁽²⁾	To 2025 Population Estimate Per Capita
Direct general obligation debt.....	0.54%	0.46%	\$2,005
Direct and overlapping general obligation debt.....	0.54	0.46	2,005

- (1) Based on the 2025 Taxable Value of \$3,178,089,872, which value excludes the taxable value used to determine uniform fees on tangible personal property.
- (2) Based on the 2025 Market Value of \$3,755,321,843, which value excludes the taxable value used to determine uniform fees on tangible personal property.
- (3) Based on the 2025 population estimate of 8,597 by the District.

(Source: the Municipal Advisor.)

See “FINANCIAL INFORMATION REGARDING KANE COUNTY SCHOOL DISTRICT, UTAH—Certain Property Tax Matters—Property Tax Matters—Uniform Fees” and “—Taxable and Fair Market/Market Value Of Property in the District” below.

General Obligation Legal Debt Limit And Additional Debt Incurring Capacity Of The District

The general obligation indebtedness of the Board is limited by State law to 4% of the fair market value of taxable property in the District. The legal debt limit and additional debt incurring capacity of the Board are based on the fair market value for 2025 and the calculated valuation value from 2025 uniform fees, and are calculated as follows:

2025 “Fair Market Value”.....	\$3,755,321,843
2025 Valuation from Uniform Fees ⁽¹⁾	<u>57,936,713</u>
2025 “Fair Market Value for Debt Incurring Capacity”.....	<u>\$3,813,258,556</u>
“Fair Market Value for Debt Incurring Capacity” time 4% equals the “Debt Limit”.....	\$152,530,342
Less: current outstanding general obligation debt ⁽²⁾	<u>(19,094,056)</u>
Estimated additional debt incurring capacity.....	<u>\$133,436,286</u>

- (1) For debt incurring capacity only, in computing the fair market value of taxable property in the District, the value of all motor vehicles and state-assessed commercial vehicles (which value is determined by dividing the uniform fee revenue by 1.5%) will be included as a part of the fair market value of the taxable property in the District. See “FINANCIAL INFORMATION REGARDING KANE COUNTY SCHOOL DISTRICT, UTAH—Property Tax Matters—Uniform Fees” below.
- (2) For legal debt limit purposes, the outstanding general obligation debt as shown above is increased by the premium associated with debt issued. Thus, for accounting purposes, the total unamortized bond premium was \$1,854,056, and together with the outstanding debt of \$17,240,000, results in total outstanding debt of \$19,094,056.

(Source: the Municipal Advisor.)

No Defaulted Obligations

The District has never failed to pay principal of and interest on any of its financial obligations when due.

FINANCIAL INFORMATION REGARDING KANE COUNTY SCHOOL DISTRICT, UTAH

The accounting policies of the District conform to all generally accepted accounting principles for governmental units in general and the State’s school districts.

The accounts of the District are organized based on funds or groups of accounts, each of which is a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balances, revenues and expenditures. District resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and how spending activities are controlled. The various funds are grouped by type in the combined financial statements. See “APPENDIX A—FINANCIAL STATEMENTS OF KANE COUNTY SCHOOL DISTRICT, UTAH FOR FISCAL YEAR 2025—Notes to Basic Financial Statements—Note 1. Summary of Significant Accounting Policies” (audit page 19).

Budgets And Budgetary Accounting

The District operates within the budget requirements for school districts as specified by State law and as interpreted by the State Superintendent of Public Instruction. The superintendent of each school district is the budget officer of each respective district. For the fiscal year beginning July 1, the Business Administrator under the supervision of the Superintendent prepares a tentative budget for all funds which is presented to the Board by the Superintendent on or before June 1. State law requires budgets for all governmental fund types and the Board has adopted budgets for those funds. After a public hearing has been held, the Board, by resolution, legally adopts the final budget prior to June 30. If the tax rate in the proposed budget exceeds the “certified tax rate,” the Board shall, if required by State law, comply with the notice and hearing requirements contained in the Property Tax Act, Chapter 2, Title 59, Utah Code (the “Property Tax Act”) in adopting the budget. See in this section “Ad Valorem Tax Levy And Collection” and “Public Hearing On Certain Tax Increases” below.

Once adopted, the budget can be amended by subsequent Board action. Reductions in appropriations can be approved by the Board upon recommendation of the Superintendent; however, increased appropriations require a public hearing prior to amending the budget. Adjustments in estimated revenue and revisions of appropriations due to operational changes in categorical program funding are integrated into the amended budget approved by the Board. A final amended budget is legally approved by the Board prior to the end of the fiscal year. The total budgeted expenditures of a given fund may not exceed the revenues expected to be received for the fiscal year plus the fund balance. Control of the budget is exercised at the fund level. All governmental funds are prepared using the modified accrual basis of accounting, adjusted for encumbrances. Unencumbered appropriations lapse at year end.

Undistributed Reserve in School Board Budget. A local school board may adopt a budget with an undistributed reserve. The reserve may not exceed 5% of the maintenance and operation budget adopted by each local board in accordance with a scale developed by the State Board of Education. The scale is based on the size of the school district’s budget. Each local board may appropriate all or a part of the undistributed reserve made to any expenditure classification in the maintenance and operation budget by written resolution adopted by majority vote of such board setting forth the reasons for the appropriation. The board may not use undistributed reserves in the negotiation or settlement of contract salaries for school district employees.

Limits on Appropriations—Estimated Expendable Revenue. A local school board may not make any appropriation more than its estimated expendable revenue, including undistributed reserves, for the following fiscal year. In determining the estimated expendable revenue, any existing deficits arising through excessive expenditures from former years are deducted from the estimated revenue for the ensuing year to the extent of at least 10% of the entire tax revenue of the school district for the previous year. In the event of financial hardships, a local board may deduct from the estimated expendable revenue for the ensuing year, by fund, at least 25% of the deficit amount. All estimated balances available for appropriations at the end of the fiscal year shall revert to the funds from which they were appropriated and shall be fund balances available for appropriation in the budget of the following year. A local school board may reduce a budget appropriation at its regular meeting if notice of the proposed action is given to all board members and the district superintendent at least one week prior to the meeting.

An increase in an appropriation may not be made by a local school board unless the following steps are taken: (a) the local school board receives a written request from the district superintendent that sets forth the reasons for the proposed increase; (b) notice of the request is published in a newspaper of general circulation within the school district at least one week prior to a local school board meeting at which the request will be considered; and (c) the local school board holds a public hearing on the request prior to the board’s acting on the request.

School District Interfund Transfers. The State Board of Education may authorize school district interfund transfers for financially distressed districts if the State Board of Education determines the following: (a) the school district has a significant deficit in its maintenance and operations fund which has resulted from circumstances not subject to the administrative decisions of the school district and which cannot be reasonably reduced under Section 53G–7–305 of the Utah Code; and (b) without the transfer, the school district will not be capable of meeting statewide educational standards adopted by the State Board of Education.

Adoption of Ad Valorem Tax Levy. The governing body of each taxing entity shall, before June 22 of each year, adopt a proposed or, if the tax rate is not more than the certified tax rate, a final tax rate for the taxing entity. The governing body shall report the rate and levy, and any other information prescribed by rules of the county commission for the preparation, review, and certification of the rate, to the county auditor of the county in which the taxing entity is located.

Additional Information. See “APPENDIX A—FINANCIAL STATEMENTS OF KANE COUNTY SCHOOL DISTRICT, UTAH FOR FISCAL YEAR 2025—Notes to Basic Financial Statements—1. Summary of Significant Accounting Policies—Budgetary Data” (audit page 20).

Management’s Discussion And Analysis

The administration of the District prepared a narrative discussion, overview, and analysis of the financial activities of the District for Fiscal Year 2025. For the complete discussion see “APPENDIX A—FINANCIAL STATEMENTS OF KANE COUNTY SCHOOL DISTRICT, UTAH FOR FISCAL YEAR 2025—Management’s Discussion and Analysis” (audit page 4).

The Management’s Discussion and Analysis for Fiscal Year 2026 is not available. Under State law the Board must complete its annual financial statements for Fiscal Year 2026 by November 30, 2026.

Five–Year Financial Summaries

The summaries contained herein were extracted from the District’s annual financial statements for Fiscal Years 2025 through 2021. The summaries themselves have not been audited.

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Statement of Net Position
Primary Government

(The summary has not been audited.)

	As of June 30				
	2025	2024	2023	2022	2021
Assets					
Cash and investments	\$32,209,559	\$27,696,667	\$25,426,571	\$32,223,821	\$39,657,266
Receivables					
Property taxes	13,033,894	12,321,019	9,512,565	9,431,711	8,451,143
Local	53,435	55,451	23,964	59,521	32,243
State	281,140	255,701	587,535	337,360	55,162
Federal	8,989	148,700	1,148,651	1,120,681	124,622
Net pension asset	—	—	—	1,435,077	—
Inventories	15,524	10,681	12,059	6,878	3,989
Capital assets					
Land and water stock and construction in progress	2,421,236	1,923,709	28,967,525	17,873,376	6,885,302
Buildings and other capital assets, net of accumulated depreciation	39,030,683	39,968,723	13,348,613	14,084,512	15,211,064
Total assets	87,054,460	82,380,651	79,027,483	76,572,937	70,420,791
Deferred outflows of resources					
Related to pension	3,439,596	3,075,527	2,893,469	2,368,264	1,474,435
Total deferred outflows of resources	3,439,596	3,075,527	2,893,469	2,368,264	1,474,435
Total assets and deferred outflows of resources	\$90,494,056	\$85,456,178	\$81,920,952	\$78,941,201	\$71,895,226
Liabilities					
Accounts and contracts payable	\$292,077	\$224,910	\$2,684,073	\$1,925,241	\$1,155,206
Accrued interest	20,142	21,827	142,965	151,778	160,591
Accrued salaries and benefits	1,893,760	1,778,077	1,736,105	1,607,947	1,538,071
Unearned revenue:					
Local	42,300	42,300	19	—	1,978
State	509,975	365,730	431,462	620,135	676,723
Federal	49,340	50,787	59,309	81,263	94,035
Long-term liabilities:					
Portion due or payable within one year	1,169,908	907,786	872,241	870,180	820,681
Portion due or payable within more than one year	24,392,768	24,537,466	25,671,106	22,065,970	25,582,234
Total liabilities	28,370,270	27,928,883	31,597,280	27,322,514	30,029,519
Deferred inflows of resources					
Property taxes levied for future year	12,022,444	11,607,538	9,043,086	8,859,187	7,698,382
Related to pensions	19,127	35,120	13,661	5,717,442	2,793,325
Total deferred inflows of resources	12,041,571	11,642,658	9,056,747	14,576,629	10,491,707
Net position					
Net investment in capital assets	21,441,833	20,993,760	19,489,413	19,253,380	17,933,944
Expendable:					
Capital outlay	11,250,604	8,590,641	9,149,956	6,947,144	7,230,735
Food services	437,393	468,903	469,680	441,644	172,712
Other purposes	212,908	201,807	172,813	161,669	195,719
Unrestricted	16,739,477	15,629,526	11,985,063	10,238,221	5,840,890
Total net position	50,082,215	45,884,637	41,266,925	37,042,058	31,374,000
Total liabilities, deferred inflows of resources and net position	\$90,494,056	\$85,456,178	\$81,920,952	\$78,941,201	\$71,895,226

(Source: Information taken from the District's audited basic financial statements, compiled by the Municipal Advisor.)

Statement of Activities ⁽¹⁾
Primary Government

(The summary has not been audited.)

	Net (Expense) Revenue and Changes in Net Assets				
	Fiscal Year Ended June 30				
	2025	2024	2023	2022	2021
Governmental activities					
Instruction	\$ (6,390,744)	\$(4,669,714)	\$(4,617,335)	\$(2,878,184)	\$(4,289,431)
Supporting services:					
Students	(648,930)	(484,685)	(277,572)	(63,504)	(214,933)
Instructional staff	(310,463)	(302,397)	(322,783)	(142,391)	(248,718)
General administration	(884,576)	(915,493)	(748,714)	(537,497)	(814,603)
School administration	(1,259,062)	(1,041,355)	(982,248)	(687,047)	(733,027)
Central	(477,661)	(446,910)	(399,387)	(313,518)	(339,184)
Operation and maintenance of facilities	(2,311,008)	(1,965,962)	(1,735,482)	(1,458,669)	(1,455,488)
Student transportation	(84,231)	(145,221)	(192,245)	(134,376)	(315,977)
Food services	(75,580)	(18,024)	10,877	279,559	15,334
Contributions to other governments	(4,825)	(4,717)	(18,528)	(20,508)	(7,321)
Interest on long-term liabilities	(387,393)	(308,085)	(460,411)	(496,404)	(407,932)
Total school district	(12,834,473)	(10,302,563)	(9,743,828)	(6,452,539)	(8,811,280)
General revenues					
Property taxes:					
Basic state supported program	4,482,894	4,111,250	4,213,861	3,145,555	2,922,344
Board local program	3,129,929	3,073,801	3,000,077	2,826,774	2,812,694
Voted local program	1,826,323	1,794,514	1,760,080	1,662,135	1,644,787
Capital local for buildings and other capital needs	4,121,180	1,750,603	1,716,526	1,622,107	1,605,197
Charter schools	4,825	4,717	18,528	20,508	7,321
Federal and state aid not restricted to specific programs	2,345,861	2,809,092	2,049,543	2,461,984	2,073,768
Earnings on investments	1,381,130	1,362,845	1,059,266	137,296	129,788
Miscellaneous	254,235	13,453	150,814	244,272	351,705
Total general revenues	17,546,377	14,920,275	13,968,695	12,120,631	11,547,604
Change in net position	4,711,904	4,617,712	4,224,867	5,668,092	2,736,324
Net position—beginning, as restated	45,884,637	41,266,925	37,042,058	31,374,000	28,637,676
Net position—ending	\$50,596,541	\$45,884,637	\$41,266,925	\$37,042,092	\$31,374,000

(1) This report is presented in summary format concerning the single item of “Net (Expense) Revenue and Changes in Net Position” and is not intended to be complete.

(Source: Information taken from the District’s audited basic financial statements, compiled by the Municipal Advisor.)

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**Balance Sheet—Governmental Funds
General Fund**

(The summary has not been audited.)

	Fiscal Year Ended June 30				
	2025	2024	2023	2022	2021
Assets					
Cash and investments	\$20,090,967	\$17,950,257	\$13,577,223	\$12,312,664	\$11,164,512
Receivable					
Property taxes	9,044,229	8,592,417	7,959,017	7,905,372	6,954,785
Federal	8,989	46,777	1,148,651	59,019	124,622
State	242,339	236,007	587,535	326,484	30,949
Local	23,935	148,700	22,683	1,120,681	32,173
Total assets	<u>\$29,410,459</u>	<u>\$26,974,158</u>	<u>\$23,295,109</u>	<u>\$21,724,220</u>	<u>\$18,307,041</u>
Liabilities					
Accounts and contracts payable	\$ 191,227	\$ 91,670	\$ 184,636	\$ 114,910	\$ 48,878
Accrued salaries and benefits	1,893,760	1,778,077	1,735,230	1,607,073	1,537,050
Unearned revenue:					
Local	42,300	42,300	19	—	1,978
State	509,975	365,730	431,462	620,135	676,723
Federal	49,340	50,787	59,309	81,263	94,035
Total liabilities	<u>2,686,602</u>	<u>2,328,564</u>	<u>2,410,656</u>	<u>2,423,381</u>	<u>2,358,664</u>
Deferred inflows of resources					
Unavailable property tax revenue	636,211	403,475	299,444	382,242	405,533
Property taxes levied for future year	8,342,104	8,077,298	7,566,312	7,426,737	6,335,390
Total deferred inflows of resources	<u>8,978,315</u>	<u>8,480,773</u>	<u>7,865,756</u>	<u>7,808,979</u>	<u>6,740,923</u>
Fund balances					
Restricted for					
Other programs	101,911	101,635	96,272	100,548	100,548
Committed to					
Employee benefits obligations	150,000	194,528	230,731	278,246	229,882
Assigned					
Early retirement program	1,000,000	1,000,000	447,515	687,560	700,000
Future building projects	8,000,000	7,000,000	6,000,000	4,300,461	4,000,000
Unassigned	8,493,631	7,868,658	6,244,179	6,125,045	4,177,024
Total fund balances	<u>17,745,542</u>	<u>16,164,821</u>	<u>13,018,697</u>	<u>11,491,860</u>	<u>9,207,454</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$29,410,459</u>	<u>\$26,974,158</u>	<u>\$23,295,109</u>	<u>\$21,724,220</u>	<u>\$18,307,041</u>

(Source: Information taken from the District's audited basic financial statements, compiled by the Municipal Advisor.)

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Statement of Revenues, Expenditures, and Changes in Fund Balance ⁽¹⁾
Governmental Funds—General Fund

(The summary has not been audited.)

	Fiscal Year Ended June 30				
	2025	2024	2023	2022	2021
Revenues:					
Local sources:					
Property taxes	\$ 7,875,017	\$ 7,466,366	\$ 7,731,742	\$ 6,336,019	\$ 7,138,141
Earnings on investments	981,112	912,771	563,236	62,356	42,406
Other local revenue	259,792	219,335	192,422	167,513	285,524
State sources	13,952,588	14,125,916	10,961,478	10,788,590	9,399,110
Federal sources	610,505	1,161,875	1,281,465	1,326,867	1,249,164
Total revenues	23,679,014	23,886,263	20,730,343	18,681,345	18,114,345
Expenditures:					
Current:					
Instruction	13,131,559	12,412,381	11,584,752	10,361,394	10,440,667
Support services:					
Students	1,355,855	1,113,322	974,701	767,896	548,642
Instructional staff	869,155	1,003,657	866,326	746,928	573,615
General administration	867,888	922,295	755,294	605,371	598,530
School administration	1,582,298	1,456,213	1,318,088	1,224,868	1,174,066
Central	584,707	471,561	422,064	390,925	376,085
Operation and maintenance of facilities	2,367,181	2,466,241	1,753,173	1,615,836	1,501,343
Student transportation	873,923	781,517	1,099,572	676,396	669,889
Food services	5,170	—	—	—	9,608
Capital outlay	460,557	112,952	429,536	7,325	11,922
Total expenditures	22,098,293	20,740,139	19,203,506	16,396,939	15,904,367
Excess (deficiency) of revenues over (under) expenditures	1,580,721	3,146,124	1,526,837	2,284,406	2,209,978
Net change in fund balance	1,580,721	3,146,124	1,526,837	2,284,406	2,209,978
Fund balance—beginning, as restated	16,164,821	13,018,697	11,491,860	9,207,454	6,997,476
Fund balance—ending	\$17,745,542	\$16,164,821	\$13,018,697	\$11,491,860	\$9,207,454

(Source: Information taken from the District's audited basic financial statements, compiled by the Municipal Advisor.)

Certain Property Tax Matters

The following information with respect to certain property tax matters is included in this OFFICIAL STATEMENT to provide background information relating to a major source of general fund revenues of the District. As described herein, the 2026 Bonds are not secured by any pledge of property tax revenues and do not constitute a debt or indebtedness of the District or the Authority. See "INVESTMENT CONSIDERATIONS" above.

Ad Valorem Tax Levy And Collection

The Utah State Tax Commission (the "State Tax Commission") must assess all centrally assessed property (as defined under "Property Tax Matters" below) by May 1 of each year. County assessors must assess all locally assessed property (as defined under "Property Tax Matters" below) before May 22 of each year. The State Tax Commission apportions the value of centrally assessed property to the various taxing entities within each county and reports such values to county auditors before June 8. The governing body of each taxing entity must adopt a proposed tax rate or, if the tax rate is not more than the certified tax rate, a final tax rate before June 22; provided if the governing body has not received the taxing entity's certified tax rate at least seven days prior to June 22, the governing body of the taxing entity must, no later than 14 days after receiving the certified tax rate from the county auditor, adopt a proposed tax rate or, if the tax rate is not more than the certified tax rate, a final tax rate. County auditors must forward to the State Tax Commission a statement prepared by the legislative body of each taxing entity showing the amount and purpose of each levy. Upon determination by the State Tax Commission that the tax levies comply with applicable law and do not exceed maximum permitted rates, the State Tax Commission notifies county auditors to implement the levies. If the State Tax Commission determines that a tax levy established by a taxing entity exceeds the maximum levy

permitted by law, the State Tax Commission must lower the levy to the maximum levy permitted by law, notify the taxing entity that the rate has been lowered and notify the county auditor (of the county in which the taxing entity is located) to implement the rate established by the State Tax Commission.

On or before July 22 of each year, the county auditors must mail to all owners of real estate shown on their assessment rolls notice of, among other things, the value of the property, itemized tax information for all taxing entities and the date their respective county boards of equalization will meet to hear complaints. Taxpayers owning property assessed by a county assessor may file an application within statutorily defined time limits based on the nature of the contest with the appropriate county board of equalization for the purpose of contesting the assessed valuation of their property. The county board of equalization must render a decision on each appeal in the time frame prescribed by the Property Tax Act. Under certain circumstances, the county board of equalization must hold a hearing regarding the application, at which the taxpayer has the burden of proving that the property sustained a decrease in fair market value. Decisions of the county board of equalization may be appealed to the State Tax Commission, which must decide all appeals relating to real property by March 1 of the following year. Owners of centrally-assessed property, may, on or before the later of June 1 or a day within 30 days of the date the notice of assessment is mailed by the State Tax Commission, apply to the State Tax Commission for a hearing to contest the assessment of centrally-assessed property. A county may also contest the assessment under specified conditions. The State Tax Commission must render a written decision within 120 days after the hearing is completed and all post-hearing briefs are submitted. The county auditor makes a record of all changes, corrections and orders, and delivers before November 1 the corrected assessment rolls to the county treasurers. On or before November 1, each county treasurer furnishes each taxpayer a notice containing, among other things, the kind and value of the property assessed to the taxpayer, the street address of the property, where applicable, the amount of the tax levied on the property and the year the property is subject to a detailed review.

Taxes are due November 30 (and if a Saturday, Sunday or holiday, the next business day). Each county treasurer is responsible for collecting all taxes levied on real property within that county. There are no prior claims to such taxes. As taxes are collected, each county treasurer must pay to the State and each taxing entity within the county its proportionate share of the taxes, on or before the tenth day of each month. Delinquent taxes are subject to a penalty of 2.5% of the amount of the taxes or \$10 whichever is greater (delinquent taxes paid on or before January 31 immediately following the delinquency date the penalty is 1% of the amount of the delinquent tax or \$10 whichever is greater). Unless the delinquent taxes and penalty are paid before January 31 of the following year, the amount of delinquent taxes and penalty bears interest at the federal funds rate target established by the Federal Open Market Committee plus 6% from the January 1 following the delinquency date until paid (provided that said interest may not be less than 7% nor more than 10%). If delinquent taxes have not been paid by March 15 following the lapse of four years from the delinquency date, the affected county advertises and sells the property at a final tax sale held in May or June of the fifth year after assessment.

The process described above changes if a county or other taxing entity proposes a tax rate in excess of the certified tax rate (as described under “Public Hearing On Certain Tax Increases” below). If such an increase is proposed, the taxing entity must adopt a proposed tax rate before June 22. In addition, the county auditor must include certain information in the notices to be mailed by July 22, as described above, including information concerning the tax impact of the proposed increase on the property and the time and place of the public hearing described in “Public Hearing On Certain Tax Increases” below. In most cases, notice of the public hearing must also be advertised by publication. After the public hearing is held, the taxing entity may adopt a resolution levying a tax in excess of the certified tax rate. A resolution levying a tax in excess of the certified tax rate must be forwarded to the county auditor by August 17. The final tax notice is then mailed by November 1.

Public Hearing on Certain Tax Increases

Each taxing entity that proposes to levy a tax rate that exceeds the “certified tax rate” may do so (by resolution) only after holding a properly noticed public hearing. Generally, the certified tax rate is the rate necessary to generate the same property tax revenue that the taxing entity budgeted for the prior year, with certain exclusions. For purposes of calculating the certified tax rate, county auditors are to use the taxable value of property on the assessment rolls, exclusive of new growth. New growth is any increase in taxable value of the taxing entity from the previous calendar year to the current year less the amount of increase to locally assessed real property taxable values resulting from factoring, reappraisal, other adjustments, or changes in the method of apportioning taxable value. With certain exceptions, the certified tax rate for the minimum school levy, debt service voted on by the public and certain state and county assessing and collecting levies are the actual levies imposed for such purposes and no hearing is required for these levies.

For certain taxing entities, among other requirements, on or before July 22 of the year in which such an increase is proposed, the county auditor must mail to all property owners a notice of the public hearing. In most cases, the taxing entity must advertise the notice of public hearing by publication in a newspaper. Such notices must state, among other things, the value of the property, the time and place of the public hearing, and the tax impact of the proposed increase.

Property Tax Matters

The Property Tax Act provides that all taxable property is required to be assessed and taxed at a uniform and equal rate based on its “fair market value” as of January 1 of each year, unless otherwise provided by law. “Fair market value” is defined in the Property Tax Act as “the amount at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and both having reasonable knowledge of the relevant facts.” Pursuant to an exemption for residential property provided for under the Property Tax Act and Article XIII of the State Constitution, the “fair market value” of residential property is reduced by 45%. The residential exemption is limited to one acre of land per residential unit and to one primary residence per household, except that an owner of multiple residential properties may exempt his or her primary residence and each residential property that is the primary residence of a tenant.

The Property Tax Act provides that the State Tax Commission shall assess certain types of property (“centrally assessed property”), including (i) properties that operate as a unit across county lines that must be apportioned among more than one county or state, (ii) public utility (including railroad) properties, (iii) airline operating properties, (iv) geothermal resources and (v) mines, mining claims and appurtenant machinery, facilities, and improvements. All other taxable property (“locally-assessed property”) is required to be assessed by the county assessor of the county in which such locally-assessed property is located. Each county assessor must update property values annually based upon a systematic review of current market data by using a State mandated mass appraisal system and must also complete a detailed review of property characteristics for each parcel of property at least once every five years. The Property Tax Act requires that the State Tax Commission conduct an annual investigation in each county to determine whether all property subject to taxation is on the assessment rolls and whether the property is being assessed at its “fair market value.”

The State Tax Commission and the county assessors utilize various valuation methods, as determined by statute, administrative regulation or accepted practice, to determine the “fair market value” of taxable property.

Uniform Fees. An annual statewide uniform fee is levied on certain tangible personal property in lieu of the ad valorem tax; provided, that certain fees may be paid for a 24-month period, in which case the fees are doubled. Subject to certain exemptions, the current uniform fee on motor vehicles that weigh 14,001 pounds or more and certain watercraft is equal up to 1.5% of the market value. Motor vehicles weighing 14,000 pounds or less are subject to an “age based” fee that is due each time the vehicle is registered. Such fees range from \$7.75 to \$150. Various uniform fees are also levied against other types of tangible personal property required to be registered with the State, including recreational vehicles, in lieu of the ad valorem property tax. The revenues collected from the various uniform fees are distributed by the county of each taxing entity in which the property is located, in the same proportion in which revenue collected from ad valorem real property tax is distributed.

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Historical Property Tax Rates of the District

The maximum rate of levy applicable to the District for general operations authorized by Utah law is .002300 per dollar of taxable value of taxable property within the District. *The District may levy an unlimited tax levy to pay the principal of and interest on legally issued general obligation bonds.*

	Maximum Tax Rate ⁽¹⁾	2025-26	2024-25	2023-24	2022-23	2021-22
General Fund						
Board local levy.....	.002500 ⁽⁸⁾	0.000975	0.000982	0.001050	0.001171	0.001483
Basic school levy ⁽²⁾	formula	0.001379	0.001408	0.001406	0.001652	0.001661
Voted local levy ⁽³⁾	0.001600	0.000570	0.000573	0.000613	0.000687	0.000872
Totals		0.002924	0.002963	0.003069	0.003510	0.004016
Debt service (general obligation bonds):						
Debt service ⁽⁴⁾	none	0.000000	0.000000	0.000000	0.000000	0.000000
Capital outlay:						
Capital local levy ⁽⁵⁾	0.003000	0.001287	0.001293	0.000598	0.000670	0.000851
Charter school levy ⁽⁶⁾	(8)	0.000003	0.000002	0.000001	0.000007	0.000013
Judgment recovery levy ⁽⁷⁾	none	0.000000	0.000000	0.000000	0.000000	0.000000
Total		0.004214	0.004258	0.003668	0.004187	0.004880

- (1) Maximum tax rate where applicable under current State law.
- (2) Set by law for the District's portion of the State Minimum School Program.
- (3) General maintenance and operation revenue. Voters authorized this levy on November 5, 2013; the maximum levy allowed by the State is .002000.
- (4) This maximum limitation is not applicable to levies made to provide for payment of the principal of and interest on general obligation bonds authorized by vote of school district electors.
- (5) Construction remodeling projects and purchase of school sites/equipment, etc.
- (6) Charter school levy revenues to be directed to State Charter School program.
- (7) A "judgment levy" is levied for collecting additional revenues. The Board has the legal right to levy a "judgment levy" in the succeeding tax year to make up for any tax revenue shortfall due to tax or revaluation "judgment" circumstances that the Board had no control over.
- (8) The Board local leeway and the Charter school levy are both included in calculating the maximum tax rate for the Board local leeway of .002500.

(Source: Reports from the Utah State Tax Commission. Compiled by the Municipal Advisor.)

Comparative Ad Valorem Total Property Tax Rates

This table reflects property tax rates within Kane County, Utah. Municipal entities included in the District are highlighted in italics.

Tax Levying Entity ⁽¹⁾	Total Tax Rate Within Taxing Area (Calendar Year)				
	2025	2024	2023	2022	2021
<i>Kane County School District:</i>					
Alton Town.....	0.006879	0.008933	0.009351	0.009986	0.012162
Big Water Town.....	0.009670	0.009769	0.009765	0.010394	0.012919
Glendale Town.....	0.008122	0.008176	0.007916	0.008869	0.010827
Kanab City.....	0.014579	0.008605	0.008398	0.008481	0.010276
Orderville Town.....	0.008311	0.008381	0.008052	0.009130	0.011184
Unincorporated areas ⁽³⁾	0.006879	0.006940	0.006534	0.007383	0.008939

- (1) These tax rates represent a taxing district within the city or town with the highest combined total tax rates of all overlapping taxing districts.
- (2) These tax rates represent a taxing district within the unincorporated municipalities within the County with the highest combined total tax rates of all overlapping taxing districts.

(Source: Reports from the Utah State Tax Commission. Compiled by the Municipal Advisor.)

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Taxable and Fair Market/Market Value Of Property in the District

Calendar Year	Taxable Value	% Change Over Prior Year	Fair Market/ Market Value ⁽¹⁾	% Change Over Prior Year
2025.....	\$3,178,089,872	5.2	\$3,755,321,843	4.9
2024.....	3,019,688,759	7.8	3,580,337,597	8.9
2023.....	2,802,036,651	17.7	3,286,814,827	17.8
2022.....	2,380,954,908	32.5	2,789,477,530	33.4
2021.....	1,796,532,011	9.4	2,091,658,192	9.4

(1) Fair market values were calculated by dividing the taxable value of primary residential property by 55%, which eliminates the 45% exemption on primary residential property granted under the Property Tax Act. Does not include market valuation for SCME.

(Source: Information taken from reports of the State Tax Commission. Compiled by the Municipal Advisor.)

Historical Summaries Of Taxable Value of Property in the District

	Calendar Year					
	2025 Taxable Value	% of TV	2024 Taxable Value	2023 Taxable Value	2022 Taxable Value	2021 Taxable Value
Set by State Tax Commission (centrally assessed)						
Total centrally as- sessed	\$38,470,955	1.2	\$39,198,746	\$81,346,619	\$62,418,750	\$67,461,386
Set by County Assessor (locally assessed)						
Real property (land and buildings)						
Primary resi- dential	\$705,235,301	22.2	\$684,960,233	\$592,229,423	\$499,305,427	\$360,434,088
Secondary resi- dential	1,557,605,346	49.0	1,465,668,276	1,338,961,195	1,162,893,355	826,901,215
Commercial and industrial	352,702,712	11.1	326,421,026	297,155,146	275,053,185	258,785,317
FAA (green- belt)	3,291,392	0.1	3,078,372	2,858,257	2,857,138	2,799,106
Unimproved non FAA (vacant)	439,211,298	13.8	429,833,221	405,975,890	318,977,823	224,095,158
Agricultural	1,973,447	0.1	2,498,609	2,163,502	2,101,714	1,594,355
Total real property	3,077,756,273	96.3	2,912,459,737	2,639,343,413	2,261,188,642	1,674,609,239
Personal prop- erty						
Primary mo- bile homes	270,441	0.0	277,236	277,236	-	275,689
Secondary mobile homes	34,016	0.0	34,016	34,016	-	15,508
Other busi- ness	79,294,964	2.5	67,719,024	81,035,367	57,347,516	54,170,189
Total pers. property	79,599,421	2.5	68,030,276	81,346,619	57,347,516	54,461,386
Total locally as- sessed	3,139,618,917	98.8	2,980,490,013	2,720,690,032	2,318,536,158	1,729,070,625
Total taxable value	\$3,178,089,872	100.0	\$3,019,688,759	\$2,802,036,651	\$2,380,954,908	\$1,796,532,011

(Source: Information taken from reports of the State Tax Commission. Compiled by the Municipal Advisor.)

Tax Collection Record of the District

Ad valorem property taxes are due on November 30 of each year. *For Calendar Year 2025, ad valorem property tax payments are due November 30, 2025 and paid to the District in mid-December 2025. Final tax payments for Fiscal Year 2025 are not available.*

Tax Year End 12/31	Total Taxes Levied ⁽¹⁾	Treasurer's Relief ⁽²⁾	Net Taxes Assessed	Current Collections	Delinquent, Personal Property, and Misc. Collections ⁽³⁾	Total Collections ⁽⁴⁾	% of Current Collections to Net Taxes Assessed	% of Total Collections to Net Taxes Assessed
2025*	\$13,395,973	\$144,779	\$13,251,195	\$12,084,783	\$952,457	\$13,037,240	91.2	98.4
2024	12,817,697	129,341	12,688,356	11,407,927	701,181	12,109,109	89.9	95.4
2023	10,168,161	101,082	10,067,079	9,136,676	822,008	9,958,683	90.8	98.9
2022	10,008,800	103,218	9,905,582	9,159,246	987,629	10,146,874	92.5	102.4
2021	8,775,439	97,912	8,677,527	7,957,163	918,928	8,876,091	91.7	102.3

* Preliminary; subject to change; information not yet finalized.

- (1) In addition to the Total Collections indicated above, the District also collected Uniform Fees (fees-in-lieu payments) for tax year 2025 of \$869,051; for tax year 2024 of \$847,457; for tax year 2023 of \$723,326.4; for tax year 2022 of \$630,799; and for tax year 2021 of \$608,616; from tax equivalent property associated with motor vehicles, watercraft, recreational vehicles, and all other tangible personal property required to be registered with the State.
- (2) Excludes redevelopment agencies valuation.
- (3) Treasurer's Relief includes abatements established by statute to low-income, elderly and for hardship situations. These Treasurer's Relief items are levied against the property but are never collected and paid to the entity
- (4) Delinquent Collections include interest, sales of real and personal property, and miscellaneous delinquent collections.

(Source: Information taken from Utah State Tax Commission reports and compiled by the Municipal Advisor.)

Some of the Largest Property Tax Taxpayers within the District

Taxpayer	Type of Business	2025 Taxable Value ⁽¹⁾	% of District's 2025 Taxable Value
Canyonland Development LLP	Hotel	\$72,686,544	2.3
Best Friends Animal Society	Environ, conservation, wildlife org	46,949,653	1.5
Aramark	Food service contractors	41,067,132	1.3
Garkane Energy Coop	Other electric power generation	27,661,213	0.9
Catori Canyon Development Inc	Real estate development	19,184,370	0.6
On Point Properties	Real estate development	15,410,143	0.5
MAA Bryce Canyon Hospitality LLC	Hotel	12,189,547	0.4
UTAHDEV Inc.	Real estate development	9,791,949	0.3
Canyon Mesa LP	Real estate development	8,755,546	0.3
Ponderosa Resort LC	Hotel	8,568,467	0.3
Totals.....		<u>\$262,264,564</u>	8.2

- (1) Taxable Value used in this table *excludes* the taxable value used to determine "uniform fees" on tangible personal property.

(Source: Information taken from reports of the State Tax Commission and Kane County Assessor, compiled by the Municipal Advisor.)

LEGAL MATTERS

Absence Of Litigation Concerning The 2026 Bonds

There is no litigation pending or threatened against the 2026 Bonds questioning or in any manner relating to or affecting the validity of the 2026 Bonds.

On the date of the execution and delivery of the 2026 Bonds, certificates will be delivered by the Authority and the District to the effect that to the knowledge of the Authority and the District, there is no action, suit, proceeding or litigation pending or threatened against the Authority or the District, which in any way materially questions or affects the validity or enforceability of the 2026 Bonds or any proceedings or transactions relating to their authorization, execution, authentication, marketing, sale or delivery or which materially adversely affects the existence or powers of the Authority or the District.

A non-litigation opinion issued by Burbidge, Van Komen, Tanner & Scruggs, West Jordan, Utah, dated the date of closing, will be provided stating, among other things, that there is not now pending, or to their knowledge threatened, any action, suit, proceeding, inquiry, or any other litigation or investigation, at law or in equity, before or by any court, public board or body, challenging the creation, organization or existence of the Authority or the District, or the titles of their respective officers to their respective offices, or the ability of the Authority, the District or their respective officers to authenticate, execute or deliver the 2026 Bonds or such other documents as may be required in connection with the issuance and sale of the 2026 Bonds, or to comply with or perform their respective obligations thereunder, or seeking to restrain or enjoin the issuance, sale or delivery of the 2026 Bonds, or directly or indirectly contesting or affecting the proceedings or the authority by which the 2026 Bonds are issued, the legality of the purpose for which the 2026 Bonds are issued, or the validity of the 2026 Bonds or the issuance and sale thereof.

General

All legal matters incident to the authorization and issuance of the 2026 Bonds are subject to the approval of Gilmore & Bell, P.C., Bond Counsel to the Authority. Certain legal matters regarding this OFFICIAL STATEMENT will be passed on for the Authority by Gilmore & Bell, P.C., Disclosure Counsel. Certain legal matters will be passed upon for the Authority and the District by Burbidge, Van Komen, Tanner & Scruggs, West Jordan, Utah. The approving opinion of Bond Counsel will be delivered with the 2026 Bonds. A copy of the opinion of Bond Counsel in substantially the form set forth in “APPENDIX C—FORM OF OPINION OF BOND COUNSEL” of this OFFICIAL STATEMENT will be made available upon request from the contact persons as indicated under “INTRODUCTION—Contact Persons” above.

TAX MATTERS

The following is a summary of the material federal and State of Utah income tax consequences of holding and disposing of the 2026 Bonds. This summary is based upon laws, regulations, rulings and judicial decisions now in effect, all of which are subject to change (possibly on a retroactive basis). This summary does not discuss all aspects of federal income taxation that may be relevant to investors in light of their personal investment circumstances or describe the tax consequences to certain types of owners subject to special treatment under the federal income tax laws (for example, dealers in securities or other persons who do not hold the 2026 Bonds as a capital asset, tax-exempt organizations, individual retirement accounts and other tax deferred accounts, and foreign taxpayers), and, except for the income tax laws of the State of Utah, does not discuss the consequences to an owner under any state, local or foreign tax laws. The summary does not deal with the tax treatment of persons who purchase the 2026 Bonds in the secondary market. Prospective investors are advised to consult their own tax advisors regarding federal, state, local and other tax considerations of holding and disposing of the 2026 Bonds.

Opinion Of Bond Counsel

In the opinion of Gilmore & Bell, P.C., Bond Counsel to the Authority, under the law currently existing as of the issue date of the 2026 Bonds:

Federal Tax Exemption. The interest on the 2026 Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes.

Alternative Minimum Tax. Interest on the 2026 Bonds is not an item of tax preference for purposes of computing the federal alternative minimum tax.

State of Utah Tax Exemption. The interest on the 2026 Bonds is exempt from State of Utah individual income taxes.

Bond Counsel's opinions are provided as of the date of the original issue of the 2026 Bonds, subject to the condition that the Board comply with all requirements of the Code that must be satisfied subsequent to the issuance of the 2026 Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Board has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the inclusion of interest on the 2026 Bonds in gross income for federal income tax purposes retroactive to the date of issuance of the 2026 Bonds.

No Other Opinion. Bond Counsel is expressing no opinion regarding other federal, state or local tax consequences arising with respect to the 2026 Bonds, except as expressly provided herein.

Other Tax Consequences

Original Issue Discount. For federal income tax purposes, original issue discount is the excess of the stated redemption price at maturity of a 2026 Bond over its issue price. The stated redemption price at maturity of a 2026 Bond is the sum of all payments on the 2026 Bond other than "qualified stated interest" (i.e., interest unconditionally payable at least annually at a single fixed rate). The issue price of a 2026 Bond is generally the first price at which a substantial amount of the 2026 Bonds of that maturity have been sold to the public. Under Section 1288 of the Code, original issue discount on tax-exempt bonds accrues on a compound basis. The amount of original issue discount that accrues to an owner of a 2026 Bond during any accrual period generally equals (1) the issue price of that 2026 Bond, plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (2) the yield to maturity on that 2026 Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), minus (3) any interest payable on that 2026 Bond during that accrual period. The amount of original issue discount accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excludable from gross income for federal income tax purposes, and will increase the owner's tax basis in that 2026 Bond. Prospective investors should consult their own tax advisors concerning the calculation and accrual of original issue discount.

Original Issue Premium. For federal income tax purposes, premium is the excess of the issue price of a 2026 Bond over its stated redemption price at maturity. The stated redemption price at maturity of a 2026 Bond is the sum of all payments on the 2026 Bond other than "qualified stated interest" (i.e., interest unconditionally payable at least annually at a single fixed rate). The issue price of a 2026 Bond is generally the first price at which a substantial amount of the 2026 Bonds of that maturity have been sold to the public. Under Section 171 of the Code, premium on tax-exempt bonds amortizes over the term of the 2026 Bond using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the owner's basis in the 2026 Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to the owner, which will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of the 2026 Bond prior to its maturity. Even though the owner's basis is reduced, no federal income tax deduction is allowed. Prospective investors should consult their own tax advisors concerning the calculation and accrual of bond premium.

Sale, Exchange or Retirement of Bonds. Upon the sale, exchange or retirement (including redemption) of a 2026 Bond, an owner of the 2026 Bond generally will recognize gain or loss in an amount equal to the difference between the amount of cash and the fair market value of any property received on the sale, exchange or retirement of the 2026 Bond (other than in respect of accrued and unpaid interest) and such owner's adjusted tax basis in the 2026 Bond. To the extent a 2026 Bond is held as a capital asset, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the 2026 Bond has been held for more than 12 months at the time of sale, exchange or retirement.

Reporting Requirements. In general, information reporting requirements will apply to certain payments of principal, interest and premium paid on the 2026 Bonds, and to the proceeds paid on the sale of the 2026 Bonds, other than certain exempt recipients (such as corporations and foreign entities). A backup withholding tax will apply to such payments if the owner fails to provide a taxpayer identification number or certification of foreign or other exempt status or fails to report in full dividend and interest income. The amount of any backup withholding from a payment to an owner will be allowed as a credit against the owner's federal income tax liability.

Collateral Federal Income Tax Consequences. Prospective purchasers of the 2026 Bonds should be aware that ownership of the 2026 Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, certain applicable corporations subject to the corporate alternative minimum tax, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement

benefits, certain S corporations with “excess net passive income,” foreign corporations subject to the branch profits tax, life insurance companies, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the 2026 Bonds. Bond Counsel expresses no opinion regarding these tax consequences. Purchasers of 2026 Bonds should consult their tax advisors as to the applicability of these tax consequences and other federal income tax consequences of the purchase, ownership and disposition of the 2026 Bonds, including the possible application of state, local, foreign and other tax laws.

Bond Counsel notes that the interest on the 2026 Bonds may be included in adjustment for financial statement income of applicable corporations for purposes of determining the applicability and amount of the federal corporate alternative minimum tax.

MISCELLANEOUS

Bond Ratings

As of the date of this OFFICIAL STATEMENT, the 2026 Bonds have been rated “Aa3” by Moody’s. An explanation of this rating may be obtained from Moody’s. The Authority did not apply for a rating from Fitch or S&P Global Ratings.

Such rating does not constitute a recommendation by the rating agency to buy, sell or hold the 2026 Bonds. Such rating reflects only the views of Moody’s and any desired explanation of the significance of such rating should be obtained from the rating agency. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own.

There is no assurance that the rating given the 2026 Bonds will continue for any given period of time or that the rating will not be revised downward or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the 2026 Bonds.

Trustee

The obligations and duties of the Trustee are described in the Indenture and the Trustee has undertaken only those obligations and duties that are expressly set out in the Indenture. The Trustee has not independently passed upon the validity of the 2026 Bonds, the security therefor, the adequacy of the provisions for payment thereof or the exclusion from gross income for federal tax purposes of the interest on the 2026 Bonds. The Trustee may resign or be removed or replaced as provided in the Indenture. See “APPENDIX A—FORMS OF THE GENERAL INDENTURE OF TRUST AND THE MASTER LEASE.”

Municipal Advisor

The Authority has requested, and the Authority has entered into an agreement with the Municipal Advisor whereunder the Municipal Advisor provides financial recommendations and guidance to the Authority with respect to preparation for sale of the 2026 Bonds, timing of sale, tax-exempt bond market conditions, costs of issuance and other factors related to the sale of the 2026 Bonds. The Municipal Advisor has read and participated in the drafting of certain portions of this OFFICIAL STATEMENT and has supervised the completion and editing thereof. The Municipal Advisor has not audited, authenticated or otherwise verified the information set forth in the OFFICIAL STATEMENT, or any other related information available to the Authority, with respect to accuracy and completeness of disclosure of such information, and the Municipal Advisor makes no guaranty or warranty respecting the accuracy and completeness of the OFFICIAL STATEMENT or any other matter related to the OFFICIAL STATEMENT.

Independent Auditors

The financial statements of the Board as of June 30, 2025 and for the year then ended, included in this OFFICIAL STATEMENT, have been audited by Squire & Company, PC, Orem, Utah (“Squire”), as stated in their report in “APPENDIX B—FINANCIAL STATEMENTS OF KANE COUNTY SCHOOL DISTRICT, UTAH FOR FISCAL YEAR 2025” (audit page 1).

Squire has not participated in the preparation or review of this OFFICIAL STATEMENT. Based upon their non-participation, they have not consented to the use of their name in this OFFICIAL STATEMENT.

Additional Information

All quotations contained herein from and summaries and explanations of the State Constitution, statutes, programs, laws of the State, court decisions, the Indenture and the Master Lease do not purport to be complete, and reference is made to said State Constitution, statutes, programs, laws, court decisions, Indenture and Master Lease for full and complete statements of their respective provisions.

Any statements in this OFFICIAL STATEMENT involving matters of opinion, whether or not expressly so stated, are intended as such and not as a representation of fact.

The appendices attached hereto are an integral part of this OFFICIAL STATEMENT and should be read in conjunction with the foregoing material.

This PRELIMINARY OFFICIAL STATEMENT is in a form deemed final for purposes of paragraph (b)(1) of Rule 15c2-12 of the Securities and Exchange Commission.

This OFFICIAL STATEMENT and its distribution and use have been duly authorized by the Authority and the District.

Local Building Authority of Kane County School District, Utah

Kane County School District, Utah

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APPENDIX A

FORMS OF THE GENERAL INDENTURE OF TRUST AND THE MASTER LEASE

The following are certain of the definitions contained in the Indenture and the Master Lease and copies of the Indenture and the Master Lease.

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GENERAL INDENTURE OF TRUST

Dated as of [] 1, 2026

between

LOCAL BUILDING AUTHORITY
OF KANE COUNTY SCHOOL DISTRICT, UTAH

and

ZIONS BANCORPORATION, NATIONAL ASSOCIATION,
as Trustee

Local Building Authority
of Kane County School District, Utah
Lease Revenue Bonds

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GENERAL INDENTURE OF TRUST

THIS GENERAL INDENTURE OF TRUST dated as of [_____] 1, 2026 (the “General Indenture”), between the LOCAL BUILDING AUTHORITY OF KANE COUNTY SCHOOL DISTRICT, UTAH, a nonprofit corporation duly organized and existing under the laws of the State of Utah (the “Authority”), and Zions Bancorporation, National Association, a national banking association organized under the laws of the United States with its principal office located in Salt Lake City, Utah as trustee (the “Trustee”):

WITNESSETH:

WHEREAS, the Board of Education (the “Board”) of Kane County School District, Utah (the “District”) has organized the Authority solely for the purpose of (a) accomplishing the public purposes for which the Board exists by acquiring, constructing, improving or extending any improvements, facilities or properties (whether real or personal) and appurtenances to them which the Board is authorized or permitted by law to acquire, including, but not limited to, public buildings or other structures of every nature or any joint or partial interest in the same, which improvements, facilities, properties and appurtenances need not be situated within the boundaries of the Board (collectively, the “Projects”) and (b) financing or refinancing the costs of such Projects on behalf of the Board in accordance with the procedures and subject to the limitations of the Local Building Authority Act, Title 17D, Chapter 2, Utah Code Annotated 1953, as amended, the Local Government Bonding Act, Title 11, Chapter 14, Utah Code Annotated 1953, as amended, and the Utah Refunding Bond Act, Title 11, Chapter 27, Utah Code Annotated 1953, as amended (collectively, the “Act”), including, but not limited to, the costs of refunding and retiring existing obligations, funding debt service reserves, and paying issuance expenses to be incurred in connection with the issuance and sale of the Bonds herein authorized and defined; and

WHEREAS, the Act provides that the Authority may issue and sell its Bonds for the purposes described above; and

WHEREAS, the Bonds shall be secured by a pledge and assignment of certain base rentals (the “Base Rentals”) received by the Authority under that certain Master Lease Agreement dated as of even date herewith between the Authority, as lessor, and the Board, as lessee (the “Master Lease”), and a purchase option price (the “Purchase Option Price”), if paid by the Board, with respect to a Project under the Master Lease and will be further secured by the Security Documents (as defined herein); and

WHEREAS, pursuant to the Master Lease, the Authority has agreed to acquire, construct, improve and equip or to refinance one or more Projects and to lease the same to the Board upon the terms and conditions set forth in the Master Lease; and

WHEREAS, pursuant to the provisions of resolutions of the Board adopted on December 10, 2024 (the “Board Resolution”), the Board has authorized and approved the execution of the Master Lease and has authorized and approved certain actions to be taken by the Authority in connection with the financing or refinancing of the acquisition, construction, improvement and equipping (as applicable) of a Project or Projects, including, among other things, the execution, delivery and performance of this General Indenture and the issuance of the Bonds hereunder; and

WHEREAS, pursuant to the provisions of a resolutions of the Authority adopted on [_____, 2026] and [_____, 2026] (collectively, the “Authority Resolution”), the governing board of the Authority (the “Governing Board”) has authorized, approved and directed the execution of the Master Lease and this General Indenture and has authorized and approved certain actions to be taken by the Authority in connection with the financing or refinancing of the acquisition, construction, improvement and equipping (as applicable) of a Project or Projects, including the issuance of the Bonds hereunder; and

WHEREAS, the Authority has determined that the Bonds shall be secured by this Indenture (as hereinafter defined) and as provided herein and has ascertained and determined that the provisions herein contained for protecting and enforcing the rights and remedies of the registered owners of such Bonds are reasonable, proper and in accordance with law, and that this Indenture is necessary to the performance of its duties and the execution of its powers under law, and does deem and determine all of the provisions herein contained to be reasonable and proper for the security of the registered owners of the Bonds; and

WHEREAS, all acts and things required by law and by the Articles of Incorporation and Bylaws of the Authority necessary to make this Indenture a valid and binding trust instrument for the security of all Bonds duly issued hereunder have been done and performed and the execution and delivery of this Indenture have been in all respects duly authorized; and

WHEREAS, the Trustee has accepted the trust created and established by this Indenture and in evidence thereof has joined in the execution hereof.

NOW, THEREFORE, THIS GENERAL INDENTURE OF TRUST WITNESSETH:

GRANTING CLAUSES

That the Authority, in consideration of the premises and the acceptance of the Trustee of the trusts hereby created and of the purchase and acceptance of the Bonds by the Bondholders thereof, and of the sum of One Dollar, lawful money of the United States of America, to it duly paid by the Trustee at or before the execution and delivery of these presents, and for other good and valuable consideration, the receipt of which is hereby acknowledged, in order to secure the payment of the principal of and premium, if any, and interest on the Bonds according to their tenor and effect and to secure the performance and observance by the Authority of all the covenants expressed or implied herein and in the Bonds, does hereby grant, bargain, sell, convey, assign and pledge, and does hereby grant a security interest in, the following properties, rights, interests and privileges (collectively, the “Trust Estate”) to the Trustee, and its successors in trust and assigns forever, for the securing of the performance of the obligations of the Authority hereinafter set forth:

GRANTING CLAUSE FIRST

The Authority’s interest in the Projects, and any other interest, easements, licenses, rights and interests in real property hereafter acquired by the Authority for use in connection with the

Projects, together with all additions thereto and substitutions thereof, subject to the Permitted Encumbrances.

GRANTING CLAUSE SECOND

The improvements made as part or all of the Projects and all substitutions or replacements thereof and in general all property acquired by the Authority with the proceeds of the Bonds issued under and secured by this Indenture and substitutions and replacements thereof and any other property which under the terms of the Master Lease is to become the property of the Authority or be subjected to the lien of this Indenture or the Security Documents, subject to Permitted Encumbrances.

GRANTING CLAUSE THIRD

The equipment constituting a part of the Projects and any other interest in personal property hereafter acquired by the Authority for use in connection with the Projects, together with all additions thereto and replacements, renewals and substitutions therefor.

GRANTING CLAUSE FOURTH

The Master Lease, including all extensions and renewals of the term thereof, if any, the present and continuing right to make claim for, collect, receive and receipt for any of the Base Rentals, Additional Rentals, Purchase Option Price, if paid by the Board, as applicable, with respect to a Project or Projects, sums, amounts, income, revenues, issues and profits and any other sums of money payable or receivable under the Master Lease with respect to the Projects for deposit with the Trustee under this Indenture (except for amounts payable under Sections 6.3(d), 6.3(j), 13.3 and 14.5 thereof), to bring actions and proceedings thereunder or for the enforcement thereof, and to do any and all things which the Authority under the Master Lease or any lessor under the Master Lease is or may become entitled to.

GRANTING CLAUSE FIFTH

All moneys and securities from time to time held by the Trustee under the terms of this Indenture (except for moneys deposited with or paid to the Trustee for the payment of Bonds not then deemed Outstanding under the Indenture and the Rebate Fund) and any and all other real or personal property of every name and nature from time to time hereafter by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred, as and for additional security hereunder by the Authority or by anyone on its behalf, or with its written consent, to the Trustee which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms thereof.

TO HAVE AND TO HOLD all and singular the Trust Estate, whether now owned or hereafter acquired, unto Trustee and its respective successors (for the benefit of the Bondholders) in said Trust and assigns forever;

IN TRUST NEVERTHELESS, upon the terms, conditions and trusts herein set forth for the equal and proportionate benefit, security and protection of all present and future Bondholders of the Bonds, from time to time, issued under and secured by this Indenture without privilege,

priority or distinction as to the lien or otherwise of any of the Bonds over any of the other Bonds, except as expressly provided therein, and for all Security Instrument Issuers and second, for the equal and proportionate benefit, security and protection of all Reserve Instrument Providers;

PROVIDED, HOWEVER, that if the Authority, its successors or assigns shall well and truly pay, or cause to be paid, the principal of and premium (including any make-whole additional payments), if any, and interest on the Bonds due or to become due thereon, at the times and in the manner mentioned in the Bonds, the Security Instrument Repayment Obligations and all Reserve Instrument Repayment Obligations according to the true intent and meaning thereof, and shall cause the payments to be made on the Bonds as required under Article IV hereof, or shall provide, as permitted hereby, for the payment thereof by depositing with the Trustee the entire amount due or to become due thereon (as provided in Article VIII hereof), and shall well and truly cause to be kept, performed and observed all of its covenants and conditions pursuant to the terms of this Indenture, and shall pay or cause to be paid to the Trustee all sums of money due or to become due to it in accordance with the terms and provisions hereof, then upon the final payment thereof this Indenture and the rights hereby granted shall cease, terminate and be void; otherwise this Indenture shall be and remain in full force and effect.

THIS GENERAL INDENTURE OF TRUST FURTHER WITNESSETH, and it is expressly declared, that all Bonds issued and secured hereunder are to be issued, authenticated and delivered and all said property, rights and interests, including, without limitation, the Base Rentals, Additional Rentals, Purchase Option Price, if paid by the Board, with respect to a Project or Projects and other amounts hereby assigned and pledged are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as herein expressed, and the Authority has agreed and covenanted, and does hereby agree and covenant with Trustee and with the respective Bondholders, Security Instrument Issuers and Reserve Instrument Providers as follows (subject, however, to the provisions of Section 2.3 hereof):

ARTICLE I

DEFINITIONS

Section 1.1. Definitions. All terms defined in Article I of the Master Lease shall have the same meaning in the Indenture unless otherwise indicated. In addition, unless the context otherwise requires, the terms defined in the recitals to this General Indenture set forth above and in this Article I shall, for all purposes of the Indenture and the Master Lease, have the meaning herein specified.

“Additional Bonds” means all Bonds (other than the Initial Bonds) issued under the Indenture pursuant to Section 2.14 hereof.

“Authority Representative” means the President and Secretary-Treasurer of the Authority, and any other person or persons at any time designated to act on behalf of the Authority for purposes of performing any act on behalf of the Authority with respect to a Project by a written certificate furnished to the Board and the Trustee containing the specimen signature of such person or persons and signed on behalf of the Authority by any duly authorized officer of the Authority. Such certificate may designate an alternate or alternates. The Authority Representative may be an officer or employee of the Authority or the Board.

“Base Rentals” means that portion of the rentals payable under the Master Lease which is pledged to the payment of debt service on the Bonds and to the replenishment of the Debt Service Reserve Fund under the Indenture.

“Board Representative” means the President and the Business Administrator and any other person at any time designated to act on behalf of the Board for purposes of performing any act with respect to a Project by a written certificate furnished to the Authority and the Trustee containing the specimen signature of such person and signed on behalf of the Board or any duly authorized officer thereof. Such certificate may designate an alternate or alternates. The Board Representative may be an officer or employee of the Authority or the Board.

“Bond Documents” means the Master Lease, the Security Documents and the Indenture.

“Bond Fund” means Local Building Authority of Kane County School District, Utah, Bond Fund established under Section 5.2 hereof.

“Bond Registrar” means the Trustee (or other party designated as Bond Registrar by Supplemental Indenture), appointed as the initial registrar for the Bonds pursuant to Section 2.8 hereof, and any additional or successor registrar appointed pursuant hereto.

“Bondholder,” “Bondowner,” “Holder,” “Owner” or “Registered Owner” means the person or persons in whose name or names a Bond shall be registered on the books of the Authority kept for that purpose by the Bond Registrar in accordance with provisions of the Indenture.

“Bonds” means (i) the Initial Bonds, (ii) any Refunding Bonds issued pursuant to Section 2.13 hereof and (iii) any Additional Bonds issued pursuant to Section 2.14 hereof.

“Code” means the Internal Revenue Code of 1986, as amended.

“Construction Fund” means Local Building Authority of Kane County School District, Utah, Construction Fund established under Section 5.5 hereof.

“Cross-over Date” means with respect to Cross-over Refunding Bonds the date on which the Principal portion of the related Cross-over Refunded Bonds is to be paid or redeemed from the proceeds of such Cross-over Refunding Bonds.

“Cross-over Refunded Bonds” means Bonds or other obligations refunded by Cross-over Refunding Bonds.

“Cross-over Refunding Bonds” means Bonds issued for the purpose of refunding Bonds or other obligations if the proceeds of such Cross-over Refunding Bonds are irrevocably deposited in escrow in satisfaction of the requirements of Section 11-27-3, Utah Code, to secure the payment on an applicable redemption date or maturity date of the Cross-over Refunded Bonds (subject to possible use to pay Principal of the Cross-over Refunding Bonds under certain circumstances) and the earnings on such escrow deposit are required to be applied to pay interest on the Cross-over Refunding Bonds until the Cross-over Date.

“Debt Service Reserve Fund” means the Local Building Authority of Kane County School District, Utah, Debt Service Reserve Fund established under Section 5.4 hereof for the purpose of securing payment of Bonds issued under this Indenture.

“Debt Service Reserve Requirement” means with respect to each Series of Bonds issued pursuant to this Indenture, the amount, if any, required in the related Supplemented Indenture. Each account of the Debt Service Reserve Fund shall only be used with respect to the related Series of Bonds.

“Direct Obligations” means direct noncallable obligations of (including obligations issued or held in book-entry form on the books of) the Department of the Treasury of the United States of America, obligations unconditionally guaranteed as to principal and interest by the United States of America and evidences of ownership interests in such direct or unconditionally guaranteed obligations.

“Direct Payments” means the interest subsidy payments received by the Authority from the Internal Revenue Service pursuant to Section 6431 and 1400U-2 of the Code or other similar programs (with respect to Bonds issued hereunder).

“Event of Default” means any occurrence or event specified in and defined by Section 9.1 hereof.

“General Indenture” means this General Indenture of Trust, by and between the Authority and the Trustee.

“Indenture” means this General Indenture and any Supplemental Indentures entered into in compliance with the provisions of Article XI.

“Initial Bonds” means the first Series of Bonds issued under the Indenture.

“Interest Payment Date” means the stated payment date of an installment of interest on the Bonds.

“Investment Obligations” means any of the following securities:

(i) Direct Obligations;

(ii) Obligations of any of the following federal agencies which obligations represent full faith and credit obligations of the United States of America: the Export-Import Bank of the United States; the Government National Mortgage Association; the Federal Financing Bank; the Farmer’s Home Administration; the Federal Housing Administration; the Maritime Administration; General Services Administration, Small Business Administration; or the Department of Housing and Urban Development (PHA’s);

(iii) Money market funds rated at the time of purchase “AAAm” or “AAAm-G” or better by S&P, including money market funds from which the Trustee or its affiliates receive fees for investment, advisory or other services to the fund;

(iv) Commercial paper which is rated at the time of purchase in the single highest classification, P-1 by Moody’s or A-1+ by S&P, and which matures not more than 270 days after the date of purchase;

(v) Bonds, notes or other evidences of indebtedness rated “AAA” by S&P and “Aaa” by Moody’s issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation with remaining maturities not exceeding three years;

(vi) U.S. dollar denominated deposit accounts, federal funds and banker’s acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of “A-1” or “A-1+” by S&P and “P-1” by Moody’s and maturing no more than 360 days after the date of purchase (ratings on holding companies are not considered as the rating of the bank);

(vii) The fund held by the Treasurer for the State of Utah and commonly known as the Utah State Public Treasurer’s Investment Fund; and

(viii) Any investments or securities permitted for investment of public funds under the State Money Management Act of 1974, Title 51, Chapter 7, Utah Code Annotated 1953, as amended.

“Master Lease” means the Master Lease Agreement dated as of even date herewith by and between the Authority, as lessor and the Board, as lessee and any amendments and supplements thereto entered into in accordance with Article XII hereof.

“Moody’s” means Moody’s Investors Service, its successors and assigns, and, if such corporation shall no longer perform the functions of a securities rating agency, “Moody’s” shall

be deemed to refer to any other nationally recognized securities rating agency designated by the Authority.

“Outstanding” or “Bonds Outstanding” means all Bonds which have been authenticated and delivered by the Trustee under the Indenture, except:

- (a) Bonds delivered to the Trustee for cancellation, whether after purchase in the open market or because of payment at, or redemption prior to, maturity;
- (b) Bonds in lieu of which others have been authenticated under Sections 2.6 and 2.7 hereof; and
- (c) Bonds deemed paid under Article VIII of this General Indenture.

“Paying Agent” means the Trustee, appointed as the initial paying agent for the Bonds pursuant to Section 2.8 hereof, and any additional or successor paying agent appointed pursuant hereto.

“President” means the President (including any acting President) of the Authority.

“Project” or “Projects” means collectively each Project identified in a Supplemental Indenture to be financed or refinanced with a Series of Bonds issued under the Indenture.

“Rebatable Arbitrage” shall mean with respect to any Series of Bonds the amount (determinable as of each Rebate Calculation Date) of rebatable arbitrage payable to the United States at the times and in the amounts specified in Section 148(f)(3) of the Code and Section 1.148-3 of the Regulations.

“Rebate Calculation Date” means, with respect to an applicable Series of Bonds, the Interest Payment Date next preceding the fifth anniversary of the issue date of such Series of Bonds, each fifth anniversary of the initial Rebate Calculation Date for such Series of Bonds, and the date of retirement of the last Bond of such Series.

“Rebate Fund” means Local Building Authority of Kane County School District, Utah, Rebate Fund established by Section 5.6 hereof.

“Refunding Bonds” means all Bonds (other than the Initial Bonds) issued pursuant to Section 2.13 hereof.

“Regular Record Date” means the fifteenth day (whether or not a Business Day) next preceding each Interest Payment Date.

“Regulations” and all references thereto shall mean and include applicable final, proposed and temporary United States Treasury Regulations, promulgated with respect to Sections 103 and 141 through 150 of the Code, including all amendments thereto made hereafter.

“Required Rebate Deposit” means, with respect to an applicable Series of Bonds an amount determinable as of each Rebate Calculation Date, which when added to amounts then on deposit

in the Rebate Fund with respect to such Series of Bonds, if any, equals the aggregate amount of Rebatable Arbitrage for such Series of Bonds less the amount of Rebatable Arbitrage theretofore paid to the United States with respect to such Series of Bonds, if any.

“Reserve Instrument” means a device or instrument issued by a Reserve Instrument Provider to satisfy all or any portion of the Debt Service Reserve Requirement. The term “Reserve Instrument” includes, by way of example and not of limitation, letters of credit, bond insurance policies, surety bonds, standby bond purchase agreements, lines of credit and other devices.

“Reserve Instrument Agreement” means any agreement entered into by the Authority and a Reserve Instrument Provider pursuant to a Supplemental Indenture and providing for the issuance by such Reserve Instrument Provider of a Reserve Instrument.

“Reserve Instrument Costs” means all fees, premiums, expenses and similar costs, other than Reserve Instrument Repayment Obligations, required to be paid to a Reserve Instrument Provider pursuant to a Reserve Instrument Agreement.

“Reserve Instrument Coverage” means, as of any date of calculation, the aggregate amount available to be paid to the Trustee pursuant hereto under all Reserve Instruments.

“Reserve Instrument Fund” means the Local Building Authority of Kane County School District, Utah Reserve Instrument Fund created in Section 5.18 hereof to be held by the Trustee and administered pursuant to Section 5.19 hereof.

“Reserve Instrument Limit” means, as of any date of calculation and with respect to any Reserve Instrument, the maximum aggregate amount available to be paid under such Reserve Instrument into an account in the Debt Service Reserve Fund assuming for purposes of such calculation that the amount initially available under each Reserve Instrument has not been reduced or that the amount initially available under each Reserve Instrument has only been reduced as a result of the reduction of the Debt Service Reserve Requirement.

“Reserve Instrument Provider” means any bank, savings and loan association, savings bank, thrift institution, credit union, insurance company, surety company or other institution issuing a Reserve Instrument.

“Reserve Instrument Repayment Obligations” means, as of any date of calculation and with respect to any Reserve Instrument Agreement, those outstanding amounts payable by the Authority under such Reserve Instrument Agreement to repay the Reserve Instrument Provider for payments previously made by it pursuant to a Reserve Instrument. There shall not be included in the calculation of Reserve Instrument Repayment Obligations any Reserve Instrument Costs.

“S&P” means S&P Global Ratings, its successors and assigns, and, if such entity shall no longer perform the functions of a securities rating agency, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority, with the approval of the Trustee.

“Security Documents” means collectively the security documents described in each Supplemental Indenture.

“Security Instrument” means an instrument or other device issued by a Security Instrument Issuer to pay, or to provide security or liquidity for, a Series of Bonds. The term “Security Instrument” includes, by way of example and not of limitation, letters of credit, bond insurance policies, standby bond purchase agreements, lines of credit and other security instruments and credit enhancement or liquidity devices (but does not include a Reserve Instrument); provided, however, that no such device or instrument shall be a “Security Instrument” for purposes of this Indenture unless specifically so designated in a Supplemental Indenture authorizing the use of such device or instrument.

“Security Instrument Agreement” means any agreement entered into by the Authority and a Security Instrument Issuer pursuant to a Supplemental Indenture (including the applicable portions of a Supplemental Indenture) providing for the issuance by such Security Instrument Issuer of a Security Instrument.

“Security Instrument Costs” means, with respect to any Security Instrument, all fees, premiums, expenses and similar costs, other than Security Instrument Repayment Obligations, required to be paid to a Security Instrument Issuer pursuant to a Security Instrument Agreement or the Supplemental Indenture authorizing the use of such Security Instrument. Such Security Instrument Agreement or Supplemental Indenture shall specify any fees, premiums, expenses, and costs constituting Security Instrument Costs.

“Security Instrument Issuer” means any bank or other financial institution, insurance company, surety company or other institution issuing a Security Instrument.

“Security Instrument Repayment Obligations” means, as of any date of calculation and with respect to any Security Instrument Agreement, any outstanding amounts payable by the Authority under the Security Instrument Agreement or the Supplemental Indenture authorizing the use of such Security Instrument to repay the Security Instrument Issuer for payments previously or concurrently made by the Security Instrument Issuer pursuant to a Security Instrument. There shall not be included in the calculation of the amount of Security Instrument Repayment Obligations any Security Instrument Costs.

“Serial Bonds” means those Bonds other than Term Bonds.

“Series” means all of the Bonds authenticated and delivered on original issuance and identified pursuant to the Supplemental Indenture authorizing such Bonds as a separate Series of Bonds, and any Bonds thereafter authenticated and delivered in lieu thereof or in substitution therefor.

“Sinking Fund Account” means Local Building Authority of Kane County School District, Utah, Sinking Fund Account of the Bond Fund established by Section 5.3 hereof.

“Sinking Fund Installment” means the amount of money which is required to be deposited into the Sinking Fund Account in each year as specified in the Supplemental Indenture authorizing Term Bonds for the retirement of such Term Bonds (whether at maturity or by redemption), and including the redemption premium, if any.

“Special Record Date” means such date as may be fixed for the payment of defaulted interest on the Bonds in accordance with this General Indenture.

“State” means the State of Utah.

“Supplemental Indenture” means any indenture between the Authority and the Trustee entered into pursuant to and in compliance with the provisions of Article XI hereof.

“Tax Credit Bonds” means the interest subsidy bonds issuable by the Authority under Sections 54AA and 6431 of the Code and a “qualified bond” under Section 54AA(g)(2) of the Code or such other tax credit bonds of substantially similar nature which may be hereafter authorized.

“Tax-Exempt Bonds” means Bonds the interest on which is intended to be excludable from gross income for federal income tax purposes.

“Term Bonds” means the Bonds which shall be subject to retirement by operation of mandatory sinking fund payments or redemptions from the Sinking Fund Account.

“Trust Estate” means the property conveyed to the Trustee pursuant to the Granting Clauses hereof.

“Trustee” means Zions Bancorporation, National Association, a national banking association and its successors and any association resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor trustee at the time serving as successor trustee under the Indenture.

Section 1.2. Indenture to Constitute Contract. In consideration of the purchase and acceptance from time to time of any and all of the Bonds authorized to be issued hereunder by the Registered Owners thereof, and the issuance from time to time of any and all Reserve Instruments by Reserve Instrument Providers and all Security Instruments by Security Instrument Issuers pursuant hereto, this General Indenture shall be deemed to be and shall constitute a contract between the Authority and the Owners from time to time of the Bonds; the Security Instrument Issuers and the Reserve Instrument Providers, and the pledge made in this General Indenture and the covenants and agreements herein set forth to be performed by or on behalf of the Authority shall be for FIRST, the equal benefit, protection and security of the Owners of any and all of the Bonds and the Security Instrument Issuers of any and all of the Security Instruments all of which, regardless of the time or times of their authentication and delivery or maturity or expiration, shall be of equal rank without preference, priority or distinction of any of the Bonds or Security Instrument Repayment Obligations over any other thereof, except as expressly provided in or permitted by this General Indenture, and SECOND, for the equal benefit, protection and security of the Reserve Instrument Providers of any and all of the Reserve Instruments which, regardless of the time or times of their issuance, delivery or termination, shall be of equal rank without preference, priority or distinction of any Reserve Instrument over any other thereof.

Section 1.3. Construction. This General Indenture, except where the context by clear implication herein otherwise requires, shall be construed as follows:

(a) The terms “hereby,” “hereof,” “herein,” “hereto,” “hereunder,” and any similar terms used in this General Indenture shall refer to this General Indenture in its entirety unless the context clearly indicates otherwise.

(b) Words in the singular number include the plural, and words in the plural include the singular.

(c) Words in the masculine gender include the feminine and the neuter, and when the sense so indicates, words of the neuter gender refer to any gender.

(d) Articles, sections, subsections, paragraphs and subparagraphs mentioned by number, letter, or otherwise, correspond to the respective articles, sections, subsections, paragraphs and subparagraphs hereof so numbered or otherwise so designated.

(e) The titles or headlines applied to articles, sections and subsections herein are inserted only as a matter of convenience and ease in reference and in no way define, limit or describe the scope or intent of any provisions of this General Indenture.

ARTICLE II

TERMS AND PROVISIONS OF BONDS; ADDITIONAL BONDS AND REFUNDING BONDS

Section 2.1. Authorization of Bonds. There is hereby created for issuance hereunder an issue of Bonds which may, if and when authorized by Supplemental Indenture, be issued in one or more separate Series. Each Series of Bonds shall be authorized by a Supplemental Indenture, which shall state the purpose or purposes for which each such Series of Bonds is being issued. The aggregate principal amount of Bonds which may be issued shall not be limited except as provided herein or as may be limited by law provided that the aggregate principal amount of Bonds of each such Series shall not exceed the amount specified in the Supplemental Indenture authorizing each such Series of Bonds.

Section 2.2. Description of Bonds; Payment.

(a) The Bonds of each Series issued under the provisions hereof may be issued only as registered bonds. Unless otherwise specified in the Supplemental Indenture authorizing such Series of Bonds, Bonds of each Series shall be in the denomination of Five Thousand Dollars (\$5,000) each or any integral multiple thereof, shall be numbered consecutively from R-1 upwards and if applicable shall bear interest payable as specified in each Supplemental Indenture.

(b) The Bonds of each Series issued hereunder shall be dated, shall bear interest calculated on the basis of a 360-day year consisting of twelve 30-day months (unless otherwise specified by Supplemental Indenture) at a rate or rates not exceeding the maximum rate permitted by law on the date of initial issuance of Bonds of such Series, and be payable on the days, shall be stated to mature on the days and in the years and shall be subject to redemption prior to their respective maturities, all as set forth in the Supplemental Indenture authorizing such Series of Bonds. The Bonds of each Series shall

be designated “Local Building Authority of Kane County School District, Utah [Taxable] Lease Revenue [Refunding] Bonds, Series _____,” in each case inserting the year in which the Bonds are issued and an identifying Series letter or a project designation (if applicable).

(c) Both the principal of and the interest on the Bonds shall be payable in any coin or currency of the United States of America, as at the respective time of payment, shall be legal tender for payment of public and private debts. Payment of the interest on any Bond shall be made to the person appearing on the Bond registration books of the Bond Registrar hereinafter provided for as the Registered Owner thereof by check or draft mailed to the Registered Owner at his address as it appears on such registration books or to owners of \$1,000,000 or more in aggregate principal amount of Bonds (or owners of 100% of any Series then Outstanding) by wire transfer to a bank account within the United States designated by the Registered Owner in written instructions furnished to the Trustee. The interest on Bonds so payable, and punctually paid and duly provided for, on any Interest Payment Date will be paid to the person who is the Registered Owner thereof at the close of business on the Regular Record Date for such interest. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the registered owner of any Bond on such Regular Record Date, and may be paid to the person who is the Registered Owner thereof at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee, notice thereof to be given to such Registered Owner not less than ten days prior to such Special Record Date. The principal of and premium, if any, on Bonds are payable upon presentation and surrender thereof at the designated corporate trust office of the Trustee as Paying Agent, except as otherwise provided by Supplemental Indenture. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

(d) The Bonds of each Series may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions hereof as may be necessary or desirable to comply with custom, the rules of any securities exchange or commission or brokerage board or otherwise, as may be specified in the Supplemental Indenture authorizing such Series of Bonds.

Section 2.3. Execution; Limited Obligation. The Bonds shall be executed on behalf of the Authority with the manual or official facsimile signature of its President, countersigned with the manual or official facsimile signature of the Secretary-Treasurer, and shall have impressed or imprinted thereon the corporate seal or facsimile thereof of the Authority. In case any officer, the facsimile of whose signature shall appear on the Bonds, shall cease to be such officer before the delivery of such Bonds, such facsimile shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office until delivery.

The Bonds shall not be general obligations but shall be special, limited obligations of the Authority payable solely out of and to the extent available from the Base Rentals, and, if paid by the Board, the Purchase Option Price under the Master Lease and other amounts derived from the leasing of the Projects (except to the extent paid out of moneys attributable to the proceeds derived from the sale of the Bonds or to income from the temporary investment thereof and, under certain circumstances, to moneys held in funds or accounts by the Trustee, to Net Proceeds from insurance

policies, performance bonds, condemnation awards and liquidation proceeds with respect to the Projects and from Direct Payments) and shall be a valid claim of the respective Bondholders thereof only against the Bond Fund, the Debt Service Reserve Fund and other moneys held by the Trustee and the Base Rentals, and other amounts derived from the leasing of the Projects under the Master Lease, which Base Rentals and other amounts are hereby pledged, assigned and otherwise secured for the equal and ratable payment of the Bonds and shall be used for no other purpose than to pay the principal of, premium, if any, and interest on the Bonds (including any make whole interest payments or redemption premiums on any Bonds), except as may be otherwise expressly authorized in the Indenture or in the Master Lease. The Authority shall not be obligated to pay the principal of such Bonds or the interest thereon or other costs incident thereto except from the moneys pledged therefor under the Indenture. The Bonds and the interest thereon shall never constitute an indebtedness of the Board within the meaning of any constitutional limitation or statutory provision and shall not constitute or give rise to a pecuniary liability of the Board or a charge against the general credit or taxing power of the Board. Neither the Board, nor the Authority on its behalf, has pledged the credit of the Board to the payment of the Bonds, the interest thereon or amounts due or to become due under the Master Lease. The Board shall not be obligated to appropriate Funds for the purpose of paying Base Rentals, Additional Rentals or the Purchase Option Price under the Master Lease, and no judgment may be entered against the Board in the event of an insufficiency of moneys to pay the principal of, premium, if any, and interest on the Bonds. The payment obligations of the Board under the Master Lease are subject to annual renewal and will be terminated upon the occurrence of an Event of Nonappropriation. In such event, all payments from the Board under the Master Lease will terminate, and the Bonds and the interest thereon will be payable solely from and to the extent of such moneys, if any, as may be held by the Trustee under the Indenture (except amounts held for the payment of Bonds not deemed Outstanding and in the Rebate Fund) and, subject to the provisions of Article IX hereof, any moneys made available from a liquidation of the Authority's interest in the Project financed with such Bonds subsequent to foreclosure of the lien of the Indenture and the Security Documents. No deficiency judgment subsequent to foreclosure of the lien of the Indenture and the Security Documents may be entered against the Board, the Authority, the State, or any political subdivision thereof, and no breach of any provision of the Master Lease, the Security Documents or the Indenture shall impose any general obligation or liability upon or a charge against the Board, the Authority, the State, or any political subdivision thereof, or upon the general credit or taxing powers of the Board, the State, or any political subdivision thereof. Except as expressly provided in the Master Lease, no judgment requiring a payment of money may be entered against the Board under the Master Lease.

The provisions of this Section relating to the execution of Bonds may be modified as they apply to the Bonds of any Series by the Supplemental Indenture authorizing such Series of Bonds.

Section 2.4. Authentication and Delivery of Bonds.

(a) The Authority shall deliver executed Bonds of each Series to the Trustee for authentication. Subject to the satisfaction of the conditions for authentication of Bonds set forth herein, the Trustee shall authenticate such Bonds, and deliver them upon the order of the Authority to the purchasers thereof upon the payment by the purchasers to the Trustee for the account of the Authority of the purchase price therefor. Delivery by the Trustee shall be full acquittal to the purchasers for the purchase price of such Bonds, and such

purchasers shall be under no obligation to see to the application thereof. The proceeds of the sale of such Bonds shall, however, be disposed of only as provided herein and in the Master Lease, and in the Supplemental Indenture executed in connection therewith.

(b) No Bond shall be valid or obligatory for any purpose or entitled to any security or benefit hereunder, unless and until a certificate of authentication on such Bond substantially in the form set forth in the Supplemental Indenture authorizing such Bond shall have been duly executed by the Trustee, and such executed certificate of the Trustee upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered hereunder. The Trustee's certificate of authentication on any Bond shall be deemed to have been executed by it if signed by an authorized officer of the Trustee, but it shall not be necessary that the same officer sign the certificate of authentication on all of the Bonds issued hereunder.

(c) Prior to the authentication by the Trustee of each Series of Bonds there shall have been filed with the Trustee:

(i) A copy, duly certified by the Secretary-Treasurer of the Authority of the resolution of the Authority and a copy, duly certified by the Business Administrator, of the resolution of the Board, each approving the execution and delivery of the instruments specified in Subparagraphs (ii) and (iii) below and the execution and delivery of such Series of Bonds, together with a certificate, dated as of the date of authentication of such Series of Bonds, of the Secretary-Treasurer and the Business Administrator, respectively, that such proceedings are still in force and effect without amendments except as shown in such proceedings;

(ii) A copy, duly certified by the Secretary-Treasurer of the Authority, of (a) this General Indenture (to the extent not theretofore so filed) and the Supplemental Indenture authorizing such Series of Bonds and (b) the Master Lease (to the extent not theretofore so filed) and any amendments to the Master Lease executed in connection with such Supplemental Indenture and such Series of Bonds;

(iii) Original executed counterparts of the Security Documents identified in such Supplemental Indenture;

(iv) A request and authorization to the Trustee on behalf of the Authority and signed by the President of the Authority to authenticate and deliver the Bonds to the purchasers therein identified upon payment to the Trustee, but for the account of the Authority, of a sum specified in such request and authorization. The proceeds of such payment shall be deposited with the Trustee as provided in the Master Lease and the Supplemental Indenture;

(v) (A) In the case of the Initial Bonds, an ALTA mortgagee title policy or policies, or commitment therefor, of mortgage title insurance in an aggregate amount equal to not less than the principal amount of the Initial Bonds insuring the lien of the Security Documents identified in the Supplemental Indenture, subject

only to Permitted Encumbrances and (B) in the case of Additional Bonds and Refunding Bonds, the title insurance specified in Section 2.14(c) and Section 2.13(c) hereof, respectively; alternatively, for the situations described in both (A) and (B), the Authority may reasonably expect to be able to deliver the required mortgage title insurance following delivery of the related Series of Bonds, provided that no proceeds of such Bonds shall be drawn out of the Construction Fund until such mortgage title insurance is delivered (except for costs of issuance related to such Bonds);

(vi) A written opinion of nationally recognized bond counsel, to the effect that (a) the Authority has authorized the execution and delivery of the General Indenture and Supplemental Indenture and such Series of Bonds, (b) the General Indenture and Supplemental Indenture have been duly executed and delivered by the Authority and are valid and binding agreements of the Authority; and (c) such Series of Bonds have been duly executed and delivered to the Trustee by the Authority and, upon authentication thereof by the Trustee pursuant to the Indenture and delivery thereof by the Trustee pursuant to the request referred to in Subparagraph (iv), will be valid and binding obligations of the Authority;

(vii) A written opinion of counsel to the Board as to the legal, valid and binding nature of the Master Lease as against the Board and such other matters as may be reasonably required by the purchasers of such Series of Bonds;

(viii) A written opinion of counsel to the Authority as to the legal, valid and binding nature of the Master Lease, the General Indenture, the Supplemental Indenture and the Security Documents as against the Authority and such other matters as may be reasonably required by the purchasers of such Series of Bonds;

(ix) Evidence that upon the issuance of such Bonds there will be on deposit in the Debt Service Reserve Fund an amount (including Reserve Instruments) at least equal to the Debt Service Reserve Requirement, if any, for all Bonds to be Outstanding immediately following the issuance of such Bonds;

(x) The items required by Section 2.13 in the case of Refunding Bonds and Section 2.14 in the case of Additional Bonds; and

(xi) Such other agreements, certificates, documents and opinions as are required to be delivered to the purchasers of such Series of Bonds or to the Security Instrument Issuers.

Section 2.5. Form of Bonds. For each Series of Bonds, the text of such Bonds, and the Trustee's Authentication Certificate shall be in substantially the forms thereof set forth in the Supplemental Indenture authorizing the issuance of such Bonds, with such omissions, insertions and variations not inconsistent with the terms hereof as may be necessary, desirable, authorized and permitted hereby.

Section 2.6. Mutilated, Lost, Stolen or Destroyed Bonds. In the event any Bond is mutilated, lost, stolen or destroyed, the Authority may execute and the Trustee may authenticate a

new Bond of like date, maturity and denomination to that mutilated, lost, stolen or destroyed; provided that, in the case of any mutilated Bond, such mutilated Bond shall first be surrendered to the Trustee, and in the case of any lost, stolen or destroyed Bond, there shall be first furnished to the Authority and the Trustee evidence of such loss, theft or destruction satisfactory to the Authority and the Trustee, together in each case with an indemnity satisfactory to them. In the event any such Bond shall have matured or been redeemed or be approaching maturity, instead of issuing a duplicate Bond, the Authority may pay the same on or after the due date thereof without surrender thereof, making such requirements as it deems fit for its protection, including a lost instrument bond or other satisfactory indemnity. The Authority and the Trustee may charge the Bondholder of such Bond with their reasonable fees and expenses in this connection. Any Bond issued pursuant to this Section shall be deemed part of the Series of the Bonds in respect of which it was issued and an original additional contractual obligation of the Authority.

Section 2.7. Registration and Exchange of Bonds; Persons Treated as Owners. The Authority shall cause books for the registration and for the transfer of the Bonds to be kept by the Trustee which is hereby constituted and appointed the Bond Registrar of the Authority, provided, however, that the Authority may by Supplemental Indenture select a party other than the Trustee to act as Bond Registrar with respect to the Series of Bonds issued under said Supplemental Indenture. Any Bond may, in accordance with its terms, be transferred only upon the registration books kept by the Bond Registrar, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Bond Registrar, duly executed. No transfer shall be effective until entered on the registration books kept by the registrar. This Indenture shall constitute a "system of registration" for all purposes of the Registered Public Obligations Act, Title 15, Chapter 7, Utah Code Annotated 1953, as amended. Upon surrender for transfer of any Bond at the designated office of the Trustee, duly endorsed for transfer or accompanied by an assignment duly executed by the Bondholder or his attorney duly authorized in writing, the Authority shall execute and the Trustee shall authenticate and deliver in the name of the transferee or transferees a new, fully registered Bond or Bonds of the same Series and the same maturity for a like aggregate principal amount as the Bond surrendered for transfer. Bonds may be exchanged at the designated corporate trust office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations of the same Series and the same maturity. The execution by the Authority of any Bond of any authorized denomination shall constitute full and due authorization of such denomination, and the Trustee shall thereby be authorized to authenticate and deliver such Bond upon such exchange. The Authority and the Trustee shall not be required to transfer or exchange any Bond (i) during the period from and including any Regular Record Date, to and including the next succeeding Interest Payment Date, (ii) during the period from and including the day fifteen days prior to any Special Record Date, to and including the date of the proposed payment pertaining thereto, (iii) during the period from and including the day fifteen days prior to the mailing of notice calling any Bonds for redemption, to and including the date of such mailing, or (iv) at any time following the mailing of notice calling such Bond for redemption.

The Authority, the Bond Registrar and the Paying Agent may treat and consider the person in whose name each Bond is registered on the registration books kept by the Bond Registrar as the holder and absolute owner thereof for the purpose of receiving payment of, or on account of, the principal or redemption price thereof and interest due thereon and for all other purposes

whatsoever, and neither the Authority, nor the Bond Registrar nor the Paying Agent shall be affected by any notice to the contrary. Payment of or on account of either principal of or interest on any Bond shall be made only to or upon order of the Registered Owner thereof or such person's legal representative, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

The Trustee shall require the payment by the Bondholder requesting exchange or transfer of Bonds of any tax or other governmental charges which are required to be paid with respect to such exchange or transfer and such charges shall be paid before such new Bond shall be delivered.

Section 2.8. Designation of the Trustee as Bond Registrar and Paying Agent and Designation of Any Additional Paying Agents. The Trustee is hereby designated and agrees to act as Bond Registrar and Paying Agent for and in respect to the Bonds. The Authority hereby covenants and agrees to cause the necessary arrangements to be made through the Trustee and to be thereafter continued for the designation of any additional paying agents and for the making available of moneys hereunder for the payment of such of the Bonds as shall be presented when due at the principal office of said additional paying agent.

Section 2.9. Cancellation. All Bonds which have been surrendered for payment, redemption or exchange, and Bonds purchased from any moneys held by the Trustee hereunder or surrendered to the Trustee by the Authority, shall be canceled and destroyed by the Trustee and shall not be reissued.

Section 2.10. Nonpresentation of Bonds. Unless otherwise provided by Supplemental Indenture, in the event any Bond shall not be presented for payment when the principal thereof becomes due, either at maturity or otherwise, or at the date fixed for redemption thereof, if funds sufficient to pay such Bond shall have been made available to the Trustee, all liability of the Authority to the Registered Owner thereof for the payment of such Bond shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such fund or funds, without liability to the Registered Owner of such Bond for interest thereon, for the benefit of the Registered Owner of such Bond who shall thereafter be restricted exclusively to such fund or funds for any claim of whatever nature on his part hereunder or on, or with respect to, said Bond. If any Bond shall not be presented for payment within four (4) years following the date when such Bond becomes due, whether by maturity or otherwise, the Trustee shall, to the extent permitted by law, repay to the Authority the funds theretofore held by it for payment of such Bond, and such Bond shall, subject to the defense of any applicable statute of limitation, thereafter be an unsecured obligation of the Authority, and the Registered Owner thereof shall be entitled to look only to the Authority for payment, and then only to the extent of the amount so repaid, and the Authority shall not be liable for any interest thereon and shall not be regarded as a trustee of such money. The provisions of this Section are subject to the provisions of Title 67, Chapter 4a, Utah Code Annotated 1953, as amended.

Section 2.11. Initial Bonds. Subject to the provisions hereof, the Initial Bonds may be authenticated and delivered by the Trustee upon satisfaction of the conditions specified in Section 2.4 hereof and any additional conditions specified in the Supplemental Indenture authorizing such Series of Bonds.

Section 2.12. Reserved.

Section 2.13. Issuance of Refunding Bonds. So long as the Master Lease is in effect and no Event of Default under the Indenture or the Master Lease has occurred and is continuing and so long as no Event of Nonappropriation has occurred and is continuing, one or more Series of Refunding Bonds may be issued, authenticated and delivered for the purpose of refunding Bonds or other obligations of the Authority. The Refunding Bonds may be issued in one or more Series, shall be authenticated by the Trustee and, upon payment to the Trustee of the proceeds of said sale of Refunding Bonds, they shall be delivered by the Trustee to or upon the order of the purchasers thereof, but only upon satisfaction of the conditions specified in Section 2.4 hereof and there being filed with the Trustee:

(a) Original executed counterparts of a Supplemental Indenture, a supplement or amendment (if necessary) to the Security Documents and the Master Lease providing for the issuance of such Refunding Bonds, and further providing for a revision to the Base Rentals to be paid by the Board under the Master Lease to such amount as shall be necessary to pay, assuming that no Event of Default or Event of Nonappropriation shall occur, the principal of, premium, if any, and interest on the Bonds (including the Additional Bonds being issued and any Bonds theretofore issued and to remain Outstanding), and to extend the Lease Term if the maturity of any of the Refunding Bonds would otherwise occur after the expiration of the then current Lease Term. The date or dates of the Refunding Bonds, the rate or rates of interest on the Refunding Bonds, and the redemption provisions (if any) with respect thereto all shall be as provided in the Supplemental Indenture;

(b) Reserved;

(c) A date-down endorsement to the ALTA mortgagee title insurance policy issued in connection with the issuance of the Bonds being refunded or commitment therefor (or if the bonds or other obligations being refunded were not issued pursuant to this Indenture, an ALTA Mortgagee title insurance policy or commitment therefor), which endorsement or policy shall insure to the date of issuance of such Refunding Bonds and the recording of any supplement or amendment to the Security Documents the continuing validity of the lien thereof, as modified by any supplement or amendment to the Security Documents, as a first and prior lien on the premises thereby secured, subject only to Permitted Encumbrances, and which endorsement or policy shall increase the amount of title insurance coverage thereunder, if necessary, to an amount, which when added to the coverage provided under any other title policies delivered with respect to other Bonds then Outstanding and issued with respect to the Project financed by the Bonds or other obligations to be refunded, is at least equal to the aggregate principal amount of all Bonds to be Outstanding with respect to such Project following said refunding and naming the Trustee as an insured; alternatively, the Authority may reasonably expect to be able to deliver the required mortgage title insurance following delivery of the related Series of Bonds, provided that no proceeds of such Bonds shall be drawn out of the Construction Fund until such mortgage title insurance is delivered (except for costs of issuance related to such Bonds);

(d) (i) A report of an independent firm of certified public accountants to the effect that, upon the issuance of the Refunding Bonds, moneys and Direct Obligations will be deposited with the Trustee or an escrow agent sufficient to cause the Bonds (or other obligations) being refunded to be deemed paid under Article VIII hereof (or a comparable provision of the documents authorizing the obligations to be refunded even if not deemed paid for Cross-over Refunding Bonds); or (ii) in the event that the Bonds (or other obligations) to be refunded are to be redeemed on the date of issuance of the Refunding Bonds or within ninety (90) days thereafter, there shall be delivered to the Trustee evidence satisfactory to it that upon the issuance of the Refunding Bonds moneys and Direct Obligations will be deposited with the Trustee or an escrow agent sufficient, without taking into account investment earnings thereon, to redeem the Bonds (or other obligations); and

(e) A certificate of the Authority, stating that, as of the date of such delivery, no event or condition has happened or exists and is continuing, or is happening or existing, which constitutes, or which, with notice or lapse of time or both, would constitute, an Event of Default under the Indenture or the Master Lease and there has not occurred and is then continuing an Event of Nonappropriation; provided however that the existence of an Event of Default shall not preclude the issuance of any Refunding Bonds if: (i) the issuance of such Refunding Bonds otherwise complies with the provisions hereof and (ii) any Event of Default will cease to continue upon the issuance of such Refunding Bonds and the application of the proceeds thereof.

Each Series of Refunding Bonds issued pursuant to this Indenture shall be equally and ratably secured under the Indenture with the Initial Bonds and all other Series of Refunding Bonds and Additional Bonds, if any, theretofore issued pursuant to the Indenture, without preference, priority or distinction of any Bonds over any other thereof.

Section 2.14. Additional Bonds. So long as the Master Lease is in effect and no Event of Default under the Indenture or the Master Lease has occurred and is continuing and so long as no Event of Nonappropriation has occurred and is continuing, one or more Series of Additional Bonds may be issued, authenticated and delivered for the purpose of financing Costs of Acquisition and Construction of a Project or Projects. The Additional Bonds may be issued in one or more Series, shall be authenticated by the Trustee and, upon payment to the Trustee of the proceeds of said sale of Additional Bonds, they shall be delivered by the Trustee to or upon the order of the purchasers thereof, but only upon satisfaction of the conditions specified in Section 2.4 hereof and there being filed with the Trustee:

(a) Original executed counterparts of a Supplemental Indenture, additional Security Documents or a supplement or amendment (if necessary) to the Security Documents and Master Lease providing for the financing of a Project and for the issuance of the Additional Bonds and further providing for an increase in the Base Rentals to be paid by the Board under the Master Lease in such amount as shall be necessary to pay, assuming that no Event of Default or Event of Nonappropriation shall occur, the principal of, premium, if any, and interest on the Bonds (including the Additional Bonds being issued and any Bonds theretofore issued and Outstanding), and to extend the Lease Term if the maturity of any of the Additional Bonds would otherwise occur after the expiration of the then current Lease Term. The date or dates of the Additional Bonds, the rate or rates of

interest on the Additional Bonds, and the redemption provisions (if any) with respect thereto all shall be as provided in the Supplemental Indenture;

(b) Reserved;

(c) A date-down endorsement to the ALTA mortgagee title insurance policy issued in connection with the issuance of the Initial Bonds (or other Bonds) or commitment therefor or an additional ALTA mortgagee title insurance policy or commitment therefor, which endorsement or policy shall insure to the date of issuance of such Additional Bonds and the recording of any additional Security Documents or supplement to the Security Documents, if required, the continuing validity of the lien thereof, as modified by any supplement to the Security Documents, as a first and prior lien on the premises thereby secured, subject only to Permitted Encumbrances, and which endorsement or additional policy shall increase the amount of title insurance coverage thereunder by an amount at least equal to the aggregate principal amount of the Additional Bonds to be issued (or in the case of Additional Bonds issued to complete or extend a Project previously financed hereunder the endorsement to the original policy for such Project shall increase the coverage to at least the aggregate principal amount of Bonds issued for such Project to be Outstanding following the issuance of such Additional Bonds) and naming the Trustee as an insured. In the event that the property upon which additional projects are to be located has not been acquired at or prior to the time of issuance of the Additional Bonds, the amendment to Master Lease relating to such Additional Bonds shall require that such endorsement or additional title policy with respect to such property be delivered at the time of or prior to any disbursements being made from the Construction Fund with respect to such portion of the Project (except for costs of issuance related to such Bonds);

(d) If such Series of Additional Bonds is being issued in whole or in part for construction purposes, (i) a copy, duly certified by the Secretary-Treasurer of the Authority, of the project contract and architect's agreement with respect to such construction and the performance and payment bond covering such contract or, in the alternative, a requirement that a copy of such documents be delivered to the Trustee prior to the time that moneys are withdrawn from the Construction Fund with respect to such portions of the Project, and (ii) a certificate of the architect or engineer responsible for planning and designing any such construction which sets forth the estimated useful life of the Project or Projects, as so improved and extended, in compliance with Section 17D-2-302 of the Act; and

(e) A certificate of the Authority, stating that as of the date of such delivery no event or condition has happened or exists and is continuing, or is happening or existing, which constitutes, or which, with notice or lapse of time or both, would constitute, an Event of Default under the Indenture or the Master Lease and there has not occurred and is then continuing an Event of Nonappropriation; provided however that the existence of an Event of Default shall not preclude the issuance of any Additional Bonds if: (i) the issuance of such Additional Bonds otherwise complies with the provisions hereof and (ii) any Event of Default will cease to continue upon the issuance of such Additional Bonds and the application of the proceeds thereof.

Each Series of Additional Bonds issued pursuant to the Indenture shall be equally and ratably secured under the Indenture with the Initial Bonds and all other Series of Additional Bonds and Refunding Bonds, if any, theretofore issued pursuant to the Indenture, without preference, priority or distinction of any Bonds over any other thereof.

ARTICLE III

REDEMPTION PROVISIONS

Section 3.1. Redemption. The Bonds of a Series may be callable for redemption prior to maturity as provided in the Supplemental Indenture authorizing said Series of Bonds.

Section 3.2. Extraordinary Redemption. The Bonds of a Series shall be callable for redemption prior to maturity in whole on any date, if (i) the Project financed by such Series or a material portion thereof is damaged or destroyed or taken in a condemnation proceeding, or a material defect in the construction of said Project shall become apparent, or title to or the use of all or any material portion of said Project shall be lost by reason of a defect in title thereto, (ii) the Net Proceeds of any insurance policy, performance bond or condemnation award made available by reason of one or more such occurrences shall be insufficient to pay in full the cost of repairing or replacing such portion of said Project, and (iii) the Board elects to discharge its obligation to repair and replace such portion of said Project by depositing such Net Proceeds into the Bond Fund. Upon the deposit of such Net Proceeds in the Bond Fund, the payment obligations of the Board with respect to said Project or Projects financed by such Series of Bonds under the Master Lease shall terminate and the Board shall have no further obligation for the payment of Base Rentals and Additional Rentals with respect to said Project or Projects, and possession of said Project or Projects, as well as all right, title and interest of the Board and the Authority in any funds or accounts created under the Indenture with respect to said Project or Projects shall be surrendered to the Trustee, as trustee for the Bondholders. Thereafter, the Indenture and the Security Documents applicable to said Project or Projects may, subject to the limitations of Article IX hereof, be foreclosed and the Authority's interest in said Project or Projects liquidated and the proceeds of such liquidation and the Net Proceeds of any insurance policy, performance bond or condemnation award so deposited in the Bond Fund, as well as all other moneys on deposit in any fund created under the Indenture with respect to said Project or Projects (except moneys held in the Rebate Fund or for the payment of Bonds not then deemed outstanding), shall be applied to the redemption of the applicable Series of Bonds at the earliest date practicable, as specified in a written notice from the Authority to the Trustee. Any such redemption of said Series of Bonds shall be made upon payment of all or a prorated portion of the principal amount thereof plus accrued interest thereon to the redemption date. IN THE EVENT THE BONDS OF ANY SERIES ARE TO BE REDEEMED BY PAYMENT OF AN AMOUNT LESS THAN THE OUTSTANDING PRINCIPAL AMOUNT THEREOF, AND ACCRUED INTEREST TO THE REDEMPTION DATE, NO FURTHER CLAIM FOR PAYMENT MAY BE HAD BY THE BONDHOLDERS AGAINST THE AUTHORITY, THE BOARD, ANY SUBLESSEE OR THE TRUSTEE WITH RESPECT TO SAID SERIES OF BONDS. In the event there are moneys remaining in the Bond Fund after payment in full of all Bonds of said Series issued under the Indenture, the Trustee is authorized and directed to transfer said moneys to the Board.

Section 3.3. Other Redemption Provisions. The Term Bonds of each Series may be subject, to the extent provided in the Supplemental Indenture authorizing each such Series of Bonds, to redemption prior to maturity by operation of Sinking Fund Installments required to be made to the Sinking Fund Account. The Bonds of each Series shall further be subject to redemption prior to maturity at the option of the Authority at such times and upon such terms as shall be fixed by such Supplemental Indenture. If fewer than all of the Bonds of any one maturity of a Series shall be called for redemption, the particular Bonds or portions thereof, as determined in accordance with Section 3.7 herein, to be redeemed shall be selected by the Trustee in such manner as the Trustee, in its discretion, may deem proper in order to assure each Registered Owner of Bonds of such Series or maturity a fair opportunity to have their Bond or Bonds or portions thereof selected.

Section 3.4. Notice of Redemption.

(a) In the event any of the Bonds are to be redeemed, the Bond Registrar shall cause notice to be given as provided in this Section 3.4. Unless otherwise specified in the Supplemental Indenture authorizing the issuance of the applicable Series of Bonds, notice of such redemption (i) shall be filed with the paying agent designated for the Bonds being redeemed; and (ii) shall be mailed by first class mail, postage prepaid, to all Registered Owners of Bonds to be redeemed at their addresses as they appear on the registration books of the Bond Registrar at least thirty (30) days but not more than sixty (60) days prior to the date fixed for redemption. Such notice shall state the following information:

(i) the complete official name of the Bonds, including Series, to be redeemed, the identification numbers of Bonds and the CUSIP numbers, if any, of the Bonds being redeemed, provided that any such notice shall state that no representation is made as to the correctness of CUSIP numbers either as printed on such Bonds or as contained in the notice of redemption and that reliance may be placed only on the identification numbers contained in the notice or printed on such Bonds;

(ii) any other descriptive information needed to identify accurately the Bonds being redeemed, including, but not limited to, the Original Issue Date of, and interest rate on, such Bonds;

(iii) in the case of partial redemption of any Bonds, the respective principal amounts thereof to be redeemed;

(iv) the date of mailing of redemption notices and the redemption date;

(v) the redemption price;

(vi) that on the redemption date the redemption price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date; and

(vii) the place where such Bonds are to be surrendered for payment of the redemption price, designating the name and address of the redemption agent with the name of a contact person and telephone number.

(b) In addition to the foregoing, further notice of any redemption of Bonds hereunder shall be given by the Trustee, to at least one national information service that disseminates notices of redemption of obligations such as the Bonds (which may be the Electronic Municipal Market Access System). Such further notice shall contain the information required in clause (a) above. Failure to give all or any portion of such further notice shall not in any manner defeat the effectiveness of a call for redemption.

(c) Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number, if any, identifying, by issue and maturity, of the Bonds being redeemed with the proceeds of such check or other transfer.

(d) If at the time of mailing of any notice of optional redemption there shall not be on deposit with the Trustee moneys sufficient to redeem all the Bonds called for redemption, such notice shall state that such redemption is subject to the deposit of the redemption moneys with the Trustee not later than the opening of business on the redemption date and that such notice shall be of no effect unless such moneys are so deposited.

(e) A second notice of redemption shall be given, not later than ninety (90) days subsequent to the redemption date, to Registered Owners of Bonds or portions thereof redeemed but who failed to deliver Bonds for redemption prior to the 60th day following such redemption date. Any notice mailed shall be conclusively presumed to have been duly given, whether or not the owner of such Bonds receives the notice. Receipt of such notice shall not be a condition precedent to such redemption, and failure so to receive any such notice by any of such registered Owners shall not affect the validity of the proceedings for the redemption of the Bonds.

(f) In case any Bond is to be redeemed in part only, the notice of redemption which relates to such Bond shall state also that on or after the redemption date, upon surrender of such Bond, a new Bond in principal amount equal to the unredeemed portion of such Bond will be issued.

Section 3.5. Redemption Payments. On or prior to the date fixed for redemption, moneys shall be deposited by the Authority with the Trustee to pay to the Paying Agent, and the Paying Agent is hereby authorized and directed to apply such moneys to the payment of the Bonds, or portions thereof called, together with accrued interest thereon to the redemption date, and any required premium. Upon the giving of notice and the deposit of moneys for redemption with the Paying Agent, interest on the Bonds or portions thereof thus called shall no longer accrue after the date fixed for redemption and said Bonds shall cease to be entitled to any lien, benefit or security under the Indenture or the Security Documents, and the Bondholders of said Bonds shall have no rights in respect thereof except to receive payments of the redemption price thereof. Unless otherwise specified in a Supplemental Indenture, no payment shall be made by the Paying Agent

upon any Bond or portion thereof called for redemption until such Bond or portion thereof shall have been delivered for payment or cancellation or the Trustee shall have received the items required by Section 2.6 hereof with respect to any mutilated, lost, stolen or destroyed Bond.

Section 3.6. Cancellation. All Bonds which have been redeemed shall not be reissued but shall be canceled and destroyed by the Trustee in accordance with Section 2.9 hereof.

Section 3.7. Partial Redemption of Bonds. Unless otherwise specified in the Supplemental Indenture authorizing the issuance of the applicable Series of Bonds, in case any registered Bond shall be redeemed in part only, upon the presentation of such Bond for such partial redemption, the Authority shall execute and the Trustee shall authenticate and shall deliver or cause to be delivered to or upon the written order of the Registered Owner thereof, at the expense of the Authority, a Bond or Bonds of the same Series, interest rate and maturity, in aggregate principal amount equal to the unredeemed portion of such registered Bond. If less than all of the applicable Series of Bonds of any maturity are to be redeemed, the particular Bond or portion of Bonds of such maturity to be redeemed will be selected at random by the Bond Registrar in such manner as the Bond Registrar in its discretion may deem fair and appropriate. Unless otherwise provided by Supplemental Indenture, a portion of any Bond of a denomination of more than \$5,000 to be redeemed will be in the principal amount of \$5,000 or an integral multiple thereof and in selecting portions of such Bonds for redemption, the Trustee will treat each such Bond as representing that number of Bonds of \$5,000 denomination which is obtained by dividing the principal amount of such Bonds by \$5,000.

ARTICLE IV

GENERAL COVENANTS

Section 4.1. Payment of Principal and Premium, if any, and Interest. The Authority covenants that it will promptly pay the principal of and premium, if any, and interest on every Bond issued under this Indenture at the place, on the dates and in the manner provided herein and in the Bonds according to the true intent and meaning thereof, but solely from the Trust Estate created by the Indenture, including the Base Rentals and, if paid by the Board under the Master Lease, the Purchase Option Price with respect to a Project or Projects, and other amounts pledged therefor which are from time to time held by Trustee in the Bond Fund and the Debt Service Reserve Fund. The principal of and premium, if any, and interest on the Bonds are payable solely from the Trust Estate created by the Indenture, including the Base Rentals and, if paid by the Board under the Master Lease, the Purchase Option Price with respect to a Project or Projects, and other amounts derived from the lease of the Projects and otherwise as provided herein, in the Security Documents, and in the Master Lease, which amounts are hereby specifically pledged to the payment thereof in the manner and to the extent herein and in the Master Lease specified, and nothing in the Bonds or in the Indenture shall be construed as pledging any other funds or assets of the Authority or the Board. The Authority shall in no event be liable for the payment of the principal of and premium, if any, or interest on any of the Bonds or for the performance of any pledge, obligation or agreement undertaken by the Authority except to the extent that the moneys, properties, interests and assets constituting the Trust Estate are sufficient therefor.

Section 4.2. Performance of Covenants; Due Authority. The Authority covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions on its part contained in the Indenture, in the Master Lease, in the Security Documents, in any and every Bond executed, authenticated and delivered hereunder and in all of its proceedings pertaining hereto. The Authority represents and warrants that it is duly authorized under its Articles of Incorporation, the Constitution and laws of the State, including the Act, to issue the Bonds authorized hereby and to execute the Indenture, to assign the Master Lease and to pledge the Base Rentals, the Purchase Option Price and other amounts hereby pledged in the manner and to the extent herein set forth, that all action required on its part for the issuance of the Bonds and the execution and delivery of the Master Lease, the Security Documents and the Indenture has been duly and effectively taken, and that the Bonds are and will be valid and enforceable special, limited obligations of the Authority according to the terms thereof and hereof.

Section 4.3. Ownership; Instruments of Further Assurance. The Authority covenants that it will own the Projects, and any property becoming a part of the Projects shall be acquired and kept, free of all liens and encumbrances, except Permitted Encumbrances. The Authority will defend the title to and interest in the Projects and each part thereof to the Trustee, for the benefit of the Bondholders against the claims and demands of all persons whomsoever, except for claims and demands arising from Permitted Encumbrances as provided in the Master Lease. The Authority will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered such Supplemental Indentures and such further acts, instruments and transfers as the Trustee may reasonably require for the better assuring, transferring, conveying, pledging, assigning and confirming unto the Trustee the Projects, the Base Rentals, Purchase Option Price and other amounts pledged hereby to the payment of the principal of and premium, if any, and interest on the Bonds. The Authority, except as herein and in the Master Lease or Security Documents provided, will not sell, convey, mortgage, encumber or otherwise dispose of any part of the Projects or the Base Rentals, the Additional Rentals, the Purchase Option Price, the revenues and receipts therefrom or its rights under the Master Lease, together with any additions thereto and substitutions therefor, subject to Permitted Encumbrances.

Section 4.4. Perfection of Security Interest. The Indenture creates a valid and binding pledge and assignment of and security interest in all of the personal property pledged as part of the Trust Estate held by the Trustee under the Indenture in favor of the Trustee as security for payment of the Bonds and amounts owed to any Security Instrument Issuer or any Reserve Instrument Provider, enforceable by the Trustee in accordance with the terms thereof. Under the laws of the State, such pledge and assignment and security interest is automatically perfected by Section 11-14-501, Utah Code Annotated 1953, as amended, and is and shall be prior to any judicial lien hereafter imposed on the personal property pledged as part of the Trust Estate to enforce a judgment against the Authority on a simple contract.

Section 4.5. Inspection of Project Books. All books and records of the Authority wherever located relating to the Projects and the Base Rentals, the Additional Rentals, Purchase Option Price and other amounts derived from the Projects shall at all reasonable times be open to inspection by such accountants or other agents as the Trustee may from time to time designate.

Section 4.6. List of Bondholders. The Trustee shall keep a list of names and addresses of the Bondholders as from time to time registered on the registration books of the Authority

maintained by the Trustee as Bond Registrar, together with the principal amount and numbers of such Bonds. At reasonable times and under reasonable regulations established by the Trustee, said list may be inspected and copied by the Board or by Bondholders (or a designated representative thereof) of 15% or more in aggregate principal amount of Bonds then Outstanding, such ownership and the authority of such designated representative to be evidenced to the satisfaction of the Trustee.

Section 4.7. Rights Under Master Lease. The Master Lease, a duly executed counterpart of which has been filed with the Trustee, sets forth the covenants and obligations of the Authority and the Board, including provisions that, subsequent to the issuance of Bonds and prior to their payment in full or provision for payment thereof in accordance with the provisions hereof, the Master Lease may not be effectively amended, changed, modified or altered without the written consent of the Trustee, and reference is hereby made to the same for a detailed statement of said covenants and obligations of the Authority and the Board thereunder, and the Authority agrees that the Trustee in its name or in the name of the Authority may but shall not be obligated to enforce all rights of the Authority and all obligations of the Board under and pursuant to the Master Lease for and on behalf of the Bondholders, whether or not the Authority is in default hereunder.

Section 4.8. Payment of Taxes, Charges, Insurance, etc. The Authority shall cause the Board pursuant to the Master Lease to maintain certain insurance and pay all lawful taxes, assessments and charges at any time levied or assessed against or with respect to the Projects, the Base Rentals, the Additional Rentals, the Purchase Option Price, the Net Proceeds and any and all other amounts held pursuant to the Indenture, or any part thereof, which might impair or prejudice the lien and property of the Indenture; provided, however, that nothing contained in this Section 4.8 shall require the maintenance of insurance or payment of any such taxes, assessments or charges if the same are not required to be maintained or paid under the provisions of the Master Lease. The Authority shall maintain such insurance and pay such taxes, assessments and charges to the same extent as provided in the Master Lease as if said provisions were herein set forth in full, if and to the extent that the Board fails to maintain such insurance or pay such taxes, assessments or charges, but the liability hereby imposed on the Authority shall only be paid from the Trust Estate as herein provided.

Section 4.9. Maintenance and Repair. Pursuant to the Master Lease, the Board has agreed at its own expense to maintain, manage and operate the Projects in good order, condition and repair, and the Board may, at its own expense, make from time to time additions, modifications or improvements to the Projects under the terms and conditions set forth in the Master Lease.

Section 4.10. Warranty. The Authority has the right, power and authority to grant a mortgage lien on the Projects to the Trustee pursuant to the Security Documents and to pledge and assign a security interest in the Trust Estate to the Trustee pursuant to the Indenture, all for the uses and purposes herein set forth. The Authority warrants that there is no financing statement or other filed or recorded instrument in which the Authority is named as, or which the Authority has signed as, debtor now on file in any public office covering any of the Trust Estate excepting the financing statements or other instruments filed or to be filed in respect of and for the security interest provided for herein, or financing statements to be released in connection with the issuance of Bonds and that the lien and security interest herein created have been duly perfected and are prior to any other (other than the Permitted Encumbrances).

Section 4.11. Further Assurances. The Authority will, at the Board's expense, do, execute, acknowledge and deliver all and every act, deed, conveyance, transfer and assurance necessary or proper for the perfection of the lien and security interest being herein provided for in the Trust Estate, whether now owned or held or hereafter acquired, including, but not limited to, such financing statements and continuation statements as shall be necessary under applicable law to perfect and maintain the security interest being herein provided for in the Trust Estate.

Section 4.12. Actions with Respect to Trust Estate. The Authority will not:

(a) Declare a default or exercise the remedies of the seller or lessor, as the case may be, under, or terminate, modify or accept a surrender of, or offer or agree to any termination, waiver, modification or surrender of, the Master Lease (except as otherwise expressly provided herein or in the Master Lease) or by affirmative act consent to the creation or existence of any lien or encumbrance (other than the security interest and lien of this Indenture and the Security Documents) to secure the payment of indebtedness upon the leasehold or other estate created by the Master Lease or any part of any thereof; or

(b) Receive or collect or permit the receipt or collection of any payment under the Master Lease prior to the date for the payment thereof provided for by the Master Lease or assign, transfer or hypothecate (other than to the Trustee hereunder) any revenues or other payment then due or to accrue in the future under the Master Lease in respect of the Projects; or

(c) Sell, mortgage, transfer, assign or hypothecate (other than to the Trustee hereunder) its interest in the Projects or any part thereof or interest therein or in any amount to be received by it from the disposition of the Projects except as herein provided under Article IX, and except as provided in the Master Lease and the Security Documents.

Section 4.13. Power of Attorney in Respect of the Master Lease. The Authority does hereby irrevocably constitute and appoint the Trustee its true and lawful attorney with an interest and full power of substitution, for it and in its name, place and stead (a) to ask, demand, collect, receive and receipt for any and all rents, income and other sums which are assigned under the Granting Clauses hereof, and (b) without limiting the provisions of the foregoing clause (a) hereof, during the continuance of any Event of Default under the Indenture, to exercise any remedies available under the Master Lease and the Security Documents as fully as the Authority could itself do, and to perform all other necessary or appropriate acts with respect to any such remedies, and in its discretion to file any claim or take any other action or proceedings, either in its own name or in the name of the Authority or otherwise, which the Trustee may deem necessary or appropriate to protect and preserve the right, title and interest of the Trustee (but only to the extent specifically provided herein) in the Master Lease and to the Base Rentals, the Additional Rentals, the Purchase Option Price, the Net Proceeds and all other amounts payable under the Master Lease and other sums and the security intended to be afforded hereby, whether or not the Authority is in default hereunder.

ARTICLE V

REVENUES AND FUNDS

Section 5.1. Source of Payment of Bonds. The Bonds herein authorized and all payments by the Authority hereunder are not general obligations of the Authority but are special, limited obligations of the Authority payable solely as provided in Section 2.3 hereof.

The Projects have been leased under the Master Lease and the Base Rentals and the Purchase Option Price provided for in Sections 6.2 and 12.1, respectively, of the Master Lease are to be remitted directly to the Trustee for the account of the Authority and deposited in the Bond Fund and the Debt Service Reserve Fund along with all other moneys authorized or required to be deposited in the Bond Fund and Debt Service Reserve Fund under the Master Lease. Such Base Rentals and the Purchase Option Price are hereby pledged to such payment. Said pledge shall constitute a first and exclusive lien on the Base Rentals and the Purchase Option Price provided in the Master Lease for the payment of the principal of, and premium, if any, and interest on, the Bonds in accordance with the terms hereof and thereof.

Section 5.2. Creation of Bond Fund. There is hereby created by the Authority and ordered established in the custody of the Trustee a special trust fund to be designated "Local Building Authority of Kane County School District, Utah, Bond Fund" (herein defined as the "Bond Fund"), which shall be used to pay the principal of and premium, if any, and interest on the Bonds.

Section 5.3. Creation of Sinking Fund Account. There is hereby created by the Authority and ordered established in the custody of the Trustee a separate account within the Bond Fund to be designated "Local Building Authority of Kane County School District, Utah, Sinking Fund Account" (herein defined as the "Sinking Fund Account").

Section 5.4. Creation of Debt Service Reserve Fund. There is hereby created by the Authority and ordered established in the custody of the Trustee a special trust fund to be designated "Local Building Authority of Kane County School District, Utah, Debt Service Reserve Fund." By Supplemental Indenture, there may be established within the Debt Service Reserve Fund a separate account for each Series of Bonds. (Said Debt Service Reserve Fund and applicable accounts therein are herein referred to as the "Debt Service Reserve Fund.")

Section 5.5. Creation of Construction Fund. There is hereby created by the Authority and ordered established in the custody of the Trustee a special trust fund to be designated "Local Building Authority of Kane County School District, Utah, Construction Fund." There is hereby created and ordered established in the custody of the Trustee a separate account within the Construction Fund for each Series of Bonds. (Said Construction Fund and applicable accounts therein are herein referred to as the "Construction Fund.")

Section 5.6. Creation of Rebate Fund. There is hereby created by the Authority and ordered established in the custody of the Trustee a special trust fund to be designated "Local Building Authority of Kane County School District, Utah, Rebate Fund" (herein defined as the "Rebate Fund").

Section 5.7. Creation of Funds. Notwithstanding anything contained herein to the contrary, the Trustee need not create any of the funds or accounts referenced in this Article V until such funds or accounts shall be utilized as provided in a Supplemental Indenture authorizing a Series of Bonds. By Supplemental Indenture the Authority may authorize the creation of additional funds and accounts within any funds.

Section 5.8. Use of Bond Fund.

(a) There shall be deposited into the Bond Fund all accrued interest received, if any, at the time of the issuance, sale and delivery of the Bonds. In addition, there shall be deposited into the Bond Fund, as and when received, (i) any amount directed to be paid into the Bond Fund pursuant to the Master Lease or any amount in the Debt Service Reserve Fund directed to be paid into the Bond Fund in accordance with the provisions of Section 5.10 hereof; (ii) any Net Proceeds of any insurance policy, performance bond or condemnation award to be deposited in the Bond Fund pursuant to the Master Lease; (iii) all Base Rentals, and, if paid by the Board, that portion of the Purchase Option Price attributable to the retirement of the applicable Series of Bonds issued hereunder, as specified in the Master Lease; and (iv) any Direct Payments and all other moneys received by the Trustee under and pursuant to any of the provisions hereof or of the Master Lease which are required or which are accompanied by directions that such moneys are to be paid into the Bond Fund. The Authority hereby covenants and agrees that so long as any of the Bonds issued hereunder are Outstanding it will deposit, or cause to be paid to the Trustee for deposit in the Bond Fund for its account, any moneys which are pledged under this Indenture for the payment of the principal of and premium, if any, and interest on the Bonds and which are required to be deposited into the Bond Fund.

(b) Except as provided in Section 5.15 herein, moneys in the Bond Fund shall be used solely for the payment of the principal of and premium, if any, and interest on the Bonds and for the redemption of the Bonds prior to maturity.

(c) The Bond Fund shall be in the custody of the Trustee but in the name of the Authority, and the Authority hereby authorizes and directs the Trustee to withdraw sufficient funds from the Bond Fund to pay the principal of and premium, if any, and interest on the Bonds as the same become due and payable, which authorization and direction the Trustee hereby accepts.

Section 5.9. Use of Sinking Fund Account.

(a) As required by Supplemental Indenture, the Trustee shall apply moneys in the Sinking Fund Account to the retirement of any Term Bonds required to be retired by operation of the Sinking Fund Account under the provisions of and in accordance with the Supplemental Indenture authorizing the issuance of such Term Bonds, either by redemption in accordance with such Supplemental Indenture or, at the direction of the Authority, purchase of such Term Bonds in the open market prior to the date on which notice of the redemption of such Term Bonds is given pursuant hereto, at a price not to exceed the redemption price of such Term Bonds (plus accrued interest which will be paid from moneys in the Bond Fund other than those in the Sinking Fund Account). Sinking

Fund Installments may also be collected in the Sinking Fund Account without redemption of Bonds prior to maturity.

(b) On the maturity date of any Term Bonds, the Trustee shall apply the moneys on hand in the Sinking Fund Account for the payment of the principal of such Term Bonds.

Section 5.10. Use of Debt Service Reserve Fund

(a) Except as otherwise provided in this Section, moneys in accounts within the Debt Service Reserve Fund shall at all times be maintained in an amount not less than the Debt Service Reserve Requirement. In calculating the amount on deposit in each account of the Debt Service Reserve Fund, the amount of the Reserve Instrument Coverage will be treated as an amount on deposit therein. Each Supplemental Indenture authorizing the issuance of a Series of Bonds shall specify that the amount, if any, of the Debt Service Reserve Requirement applicable to such Series which shall be deposited immediately upon the issuance and delivery of such Series either from (a) proceeds from the sale thereof or from any other legally available source or may be built up over time as provided by the Supplemental Indenture, or (b) by a Reserve Instrument, or (c) any combination thereof. Funds on deposit in accounts within the Debt Service Reserve Fund shall be used only to make up any deficiencies in accounts within the Bond Fund with respect to the related Series of Bonds.

(b) If on any Interest Payment Date the moneys held in the Bond Fund are insufficient to pay all interest, premium, if any, and principal then becoming due on the Bonds of a Series for which an account of the Debt Service Reserve Fund has been established, the Trustee shall transfer, on or before such date, moneys from the applicable accounts within the Debt Service Reserve Fund to the Bond Fund to the extent necessary so that the amount of money so transferred plus all moneys then held in the Bond Fund for such Series of Bonds shall be sufficient to pay all interest, premium, if any, and principal payments then becoming due and payable on such date.

(c) In the event funds on deposit in the Debt Service Reserve Fund are needed to make up any deficiencies in the Bond Fund as aforementioned, and there is insufficient cash available in an account of the Debt Service Reserve Fund to make up such deficiency and a Reserve Instrument applicable to such Series of Bonds is in effect, the Trustee shall immediately make a demand for payment on such Reserve Instrument, to the maximum extent authorized by such Reserve Instrument, in the amount necessary to make up such deficiency, and immediately deposit such payment upon receipt thereof into the Bond Fund. Thereafter, the Authority shall be obligated to reinstate the Reserve Instrument from Base Rentals received from the Board under Section 6.2 of the Master Lease, including any interest owing on any draws on the Reserve Instrument.

(d) No Reserve Instrument shall be allowed to expire or terminate while the related Series of Bonds is Outstanding unless and until cash has been deposited into the related account of the Debt Service Reserve Fund, or a new Reserve Instrument has been issued in place of the expiring or terminating Reserve Instrument, or any combination

thereof in an amount or to provide coverage, as the case may be, at least equal to the amount required.

(e) In the event that the Board shall exercise its option to purchase a Project or Projects and terminate its payment obligations under the Master Lease upon payment of the Purchase Option Price with respect to said Project or Projects, the Trustee shall transfer all moneys held in the Debt Service Reserve Fund (other than any amount drawn under any Reserve Instrument) applicable to said Project or Projects to the Bond Fund in accordance with the written direction of the Board.

(f) In the event moneys are drawn from the related account of the Debt Service Reserve Fund to pay principal, premium or interest on the related Series of Bonds, such that there shall be remaining in said account an amount less than the Debt Service Reserve Requirement, the Trustee shall immediately give notice to the Authority and the Board of such deficiency. Such account shall be replenished to the Debt Service Reserve Requirement upon the deposit by the Trustee of the additional Base Rental payment to be paid by the Board pursuant to the Master Lease.

(g) Any moneys (other than any amount drawn under any Reserve Instrument) remaining in the related account of the Debt Service Reserve Fund with respect to a Series of Bonds on the final maturity of said Series of Bonds (whether at stated maturity or upon prior redemption) shall be transferred on such date into the Bond Fund.

(h) If, following the payment of principal and interest due on a Series of Bonds on each Interest Payment Date, the moneys (other than any amount drawn under any Reserve Instrument) held in the related account of the Debt Service Reserve Fund exceed the related Debt Service Reserve Requirement, all moneys in excess of said sum shall be immediately transferred to the Bond Fund. To the extent so paid, such excess shall reduce the amount of the succeeding Base Rental otherwise payable under the Master Lease.

(i) Moneys at any time on deposit in an account of the Debt Service Reserve Fund shall be used to make up deficiencies in the Bond Fund only for the Series of Bonds secured by said account and any Reserve Instrument shall only be drawn upon with respect to the Series of Bonds for which such Reserve Instrument was obtained.

Section 5.11. Use of Construction Fund; Disbursements.

(a) The moneys in the Construction Fund shall be expended in accordance with the provisions of the Master Lease and the Supplemental Indenture authorizing such Series of Bonds.

(b) The Authority covenants and agrees to take all necessary and appropriate action promptly in approving and ordering disbursements from the Construction Fund in accordance with provisions of the Master Lease. The Trustee is hereby authorized and directed to make each disbursement so requested by the Board on behalf of the Authority and to issue its checks therefor, but only in compliance with the provisions of the Master Lease. The Trustee shall keep and maintain adequate records pertaining to each account within the Construction Fund and all disbursements therefrom, and after the related Project

has been completed and a certificate of payment of all costs is, or has been, filed as provided in Section 7.4 of the Master Lease, the Trustee shall file an account thereof with the Authority and the Board.

Section 5.12. Completion of Project. Any balance remaining in the Construction Fund following the establishment of the Completion Date for a Project pursuant to the Master Lease (except amounts the Board shall have directed the Trustee to retain for any Cost of Acquisition and Construction not then due and payable) shall at the direction of the Board and the Authority, be used as provided in the related Supplemental Indenture.

Section 5.13. Rebate Fund and Arbitrage Rebate.

(a) When directed in writing to do so by the Authority, the Trustee shall establish and thereafter maintain, so long as the Bonds are Outstanding, a Rebate Fund and an account therein for each such Series, which shall be held separate and apart from all other funds and accounts established under the Indenture and from all other moneys of the Trustee.

(b) All amounts in the Rebate Fund, including income earned from investment of the fund, shall be held by the Trustee free and clear of the lien of the Indenture. In the event the amount on deposit in the Rebate Fund exceeds the aggregate amount of Rebatable Arbitrage for all Series of Bonds, as verified in writing by an independent public accountant or other qualified professional at the time the Rebatable Arbitrage is determined, less amounts of Rebatable Arbitrage theretofore paid to the United States for all Series of Bonds, the Trustee shall, upon the Authority's request, withdraw from the Rebate Fund and pay to the Authority an amount not to exceed such excess.

(c) The Authority shall determine the amount of Rebatable Arbitrage and the corresponding Required Rebate Deposit with respect to each Series of Bonds on each applicable Rebate Calculation Date. The Authority shall deposit into the Rebate Fund the Required Rebate Deposit, if any, with respect to each Series of Bonds (or instruct the Trustee to transfer to the Rebate Fund moneys representing such Required Rebate Deposit from the Funds and Accounts held under the Indenture other than the Rebate Fund) within 30 days of each such Rebate Calculation Date. The Authority shall instruct the Trustee to withdraw from the Rebate Fund and pay over to the United States Government with respect to each Series of Bonds: (1) not less frequently than once each five years commencing no later than 60 days after the first Rebate Calculation Date for such Series of Bonds and upon each fifth anniversary of such date, an amount which when added to all previous rebate payments made with respect to such Series of Bonds equals 90% of the sum of the Rebatable Arbitrage pertaining to such Series of Bonds, and (2) not later than 60 days after the retirement of the last Bond of such Series, 100% of the Rebatable Arbitrage with respect to such Series. The determination of Rebatable Arbitrage made with respect to each such payment date and with respect to any withdrawal and payment to the Authority from the Rebate Fund pursuant to the Indenture must be verified in writing by an independent public accountant or other qualified professional or properly trained District staff.

(d) The Trustee shall, at least 60 days prior to each Rebate Calculation Date, notify the Authority and the Board of the requirements of this Section. By agreeing to give this notice, the Trustee assumes no responsibility whatsoever for compliance by the Authority with the requirements of Section 148 of the Code or any successor. The Authority expressly agrees that (notwithstanding any other provision of the Indenture) any failure of the Trustee to give any such notice, for any reason whatsoever, shall not cause the Trustee to be responsible for any failure of the Authority to comply with the requirements of said Section 148 or any successor thereof.

(e) The Trustee, on behalf of the Authority shall keep and retain, until the date six years after the retirement of the last of the Bonds of each series, records with respect to each Series of the Bonds and the investment and expenditure of proceeds thereof to comply with the arbitrage rebate requirements of this Section, including without limitation a complete list of all investments and reinvestments of proceeds of each Series of the Bonds. For purposes of the computation required by this Section, the Trustee shall upon request, furnish to the Authority all information in the Trustee's control which is necessary for such computations.

(f) The Authority hereby covenants and agrees that it will not enter into any transaction or cause any transaction to be entered into with respect to the investment of proceeds of the Bonds, or otherwise, which reduces the amount which may be required to be paid to the United States pursuant to the arbitrage rebate requirements specified hereinabove, because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the yield on each Series of the Bonds not been relevant to either party.

(g) The provisions of this Section may be amended or deleted, with respect to any or all Series of the Bonds, from this Indenture upon receipt by the Authority and the Trustee of an opinion of nationally recognized bond counsel that such amendment or deletion will not adversely affect (i) the exclusion from gross income of interest in the case of Tax-Exempt Bonds or (ii) the qualification of the Bonds for tax credits or Direct Payments in the case of Tax Credit Bonds.

Section 5.14. Moneys to be Held in Trust. All moneys required to be deposited with or paid to the Trustee for account to any fund referred to in any provision of the Indenture or the Master Lease shall be held by the Trustee in trust, and except for moneys deposited with or paid to the Trustee for the payment of Bonds not then deemed Outstanding shall, while held by the Trustee, constitute part of the Trust Estate and be subject to the lien or security interest created hereby.

Section 5.15. Repayment to the Board from Bond Fund or Debt Service Reserve Fund. Any amounts remaining in the Bond Fund or the applicable account within the Debt Service Reserve Fund after payment in full of the principal of and premium, if any, and interest on the Bonds of a Series, the fees, charges and expenses of Trustee and all other amounts required to be paid hereunder (including amounts owed to a Security Instrument or a Reserve Instrument Provider) shall be paid immediately to the Board as an overpayment of Base Rentals or Additional Rentals. In the event that Direct Payments are deposited with the Trustee after the Board has made

the related payment of Base Rentals, the Board may elect to have the Trustee return to the Board an amount equal to such Direct Payments or to have the Trustee retain the Direct Payments in the Bond Fund and take the credit with respect to the next required Base Rentals payment.

Section 5.16. Custody of Separate Trust Fund. The Trustee is authorized and directed to establish a separate trust fund after the Completion Date to hold all Net Proceeds from any insurance policies, performance bonds or condemnation awards and disburse such proceeds in accordance with the Master Lease, or if the Board directs that the Net Proceeds be applied to redeem Bonds pursuant to the Master Lease, the Authority covenants and agrees to transfer all of the Net Proceeds in such fund to the Bond Fund and to redeem the Bonds as provided in the Indenture.

Section 5.17. Cost of Issuance Account. The Trustee shall establish a Cost of Issuance Account, into which shall be deposited upon delivery of a Series of Bonds, sufficient moneys to pay costs of issuance of such Series of Bonds. The Trustee shall disburse said moneys upon receipt of written authorization to pay costs of issuance executed by an Authority Representative. Any remaining moneys on deposit therein after payment in full of all costs of issuance shall be transferred by the Trustee to the Construction Fund, unless otherwise specified by Supplemental Indenture.

Section 5.18. Creation of Reserve Instrument Fund. There is hereby created and ordered established in the custody of the Trustee a special trust fund to be designated the "Local Building Authority of Kane County School District, Utah Reserve Instrument Fund" (herein defined as the "Reserve Instrument Fund"). By Supplemental Indenture, there may be established within the Reserve Instrument Fund a separate account for each Series of Bonds.

Section 5.19. Use of Reserve Instrument Fund. There shall be paid into the Reserve Instrument Fund the amounts required hereby and by a Supplemental Indenture to be so paid in order to reimburse or repay a Reserve Instrument Provider. The amounts in the Reserve Instrument Fund shall, from time to time, be applied by the Trustee on behalf of the Authority to pay the amounts which are due and payable to any Reserve Instrument Provider under any applicable Reserve Instrument Agreement.

ARTICLE VI

INVESTMENT OF MONEYS

Section 6.1. Trustee to Invest Funds. The Board will direct the Trustee in investing amounts held in the funds created hereunder. Any moneys held as part of the Construction Fund, the Bond Fund, the Debt Service Reserve Fund, the Rebate Fund or any other fund shall be invested and reinvested by the Trustee in Investment Obligations at the written direction of the Board in accordance with the provisions hereof and the Master Lease. Any such investments shall be held by or under the control of the Trustee. The Trustee shall sell and reduce to cash a sufficient amount of such investments within the Bond Fund whenever the cash balance therein is insufficient to pay the principal of and premium, if any, and interest on the Bonds when due. All income and earnings from the investment of amounts on deposit in any fund shall be retained therein; provided,

however, that any moneys held in the Debt Service Reserve Fund in excess of the Debt Service Reserve Requirement shall be transferred to the Bond Fund at least annually.

The Authority and the Board acknowledge that to the extent regulations of the comptroller of the currency or any other regulatory entity grant the Authority and the Board the right to receive brokerage confirmations of the security transactions as they occur, the Authority and the Board specifically waive receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Issuer periodic cash transaction statements which include the detail for all investment transactions made by the Trustee hereunder.

Section 6.2. Method of Valuation and Frequency of Valuation. In computing the amount in any Fund or account, Investment Obligations shall be valued at the fair market value of such Obligations, exclusive of accrued interest. All funds and accounts are to be valued on the basis of a market valuation conducted annually by the Trustee.

ARTICLE VII

RIGHTS OF THE BOARD

Section 7.1. Subordination of Master Lease to Indenture; Certain Rights to Board. As provided in the Master Lease, the Master Lease and the Board's interest in the Projects and its interest as lessee under the Master Lease shall at all times be subject to the lien of the Indenture; provided, however, that so long as no Event of Default hereunder or an Event of Nonappropriation has occurred and is then continuing, the Master Lease shall remain in full force and effect notwithstanding such subordination, and the Board shall not be disturbed by the Authority or the Trustee in its possession, use and enjoyment of the Projects during the term of the Master Lease or in the enjoyment of its rights under the Master Lease; provided further that this Indenture and the rights and privileges hereunder of the Trustee and Bondholders are specifically made subject and subordinate to the rights and privileges of the Board set forth in the Master Lease to exercise its option to purchase the Projects in the event of, and subsequent to, the occurrence of an Event of Default, but prior to the liquidation of the Authority's interest in the Projects. As a condition of the exercise of such option, the Board under the Master Lease must pay, in addition to the Purchase Option Price, any interest payment deficiencies accruing from the date of the Event of Default or Event of Nonappropriation. The Trustee agrees that it shall execute and deliver any instrument necessary or appropriate at any time to confirm, evidence or enable the Board to enjoy such rights and privileges, including without limitation, those referred to in Section 7.2 hereof.

Section 7.2. Granting of Rights in and to the Projects. Reference is made to the provisions of the Master Lease, whereby the Authority and the Board have reserved the right to grant rights in and to certain portions of the Projects and to withdraw portions of the Projects from the terms of the Master Lease and the lien of this Indenture and the Security Documents upon compliance with the terms and conditions of the Master Lease.

Section 7.3. Release of Equipment Forming a Part of the Projects. Reference is made to the provisions of the Master Lease, whereby the Board, may withdraw certain items of equipment forming a part of the Projects upon substitution of other property of comparable or greater value,

or upon deposit of sale proceeds in the Bond Fund, in conformity with the terms and conditions of the Master Lease.

Section 7.4. Release of Portions of Project Upon Payment of Related Series of Bonds. Pursuant to the Master Lease the Board has been granted the option of purchasing a Project in advance of the final maturity of the related Series of Bonds. So long as no Event of Default shall have occurred and be continuing under the Indenture and so long as no Event of Default or Event of Nonappropriation shall have occurred and be continuing under the Master Lease, a Project may be released from the lien created with respect to the related Series of Bonds and the Indenture and the Master Lease and transferred to the Board if (a) the Board shall deposit with the Trustee the Purchase Option Price for such Project; and (b) if any of the related Series of the Bonds are Tax-Exempt Bonds or Tax Credit Bonds qualifying for Direct Payments, there shall have been delivered to the Trustee an opinion of nationally recognized bond counsel to the effect that the release of the Project will not adversely affect the excludability of interest on said Bonds, if applicable, from the federal gross income of the owners thereof or affect the status of the Bonds as Tax Credit Bonds qualifying for Direct Payments.

For purposes of this Section 7.4 the Authority may, in the Supplemental Indenture authorizing a Series of Bonds, designate a subseries of such Series of Bonds with respect to any discreet portion of a Project financed with such Series of Bonds and in the Master Lease or an amendment to Master Lease provide for a separate schedule of Base Rental payments and Purchase Option Price for such subseries. The Board shall be entitled to the option to purchase such discreet portion of a Project upon payment of the related Purchase Option Price for such portion of the Project and compliance with the provisions of the preceding paragraph.

ARTICLE VIII

DISCHARGE OF LIEN

If the Authority shall pay or cause to be paid, or there shall be otherwise paid or unconditional provisions for payment made to or for the Bondholders, the principal of and premium, if any, and interest due or to become due on the Bonds at the times and in the manner stipulated therein, and shall pay or cause to be paid to the Trustee and any paying agents, all Security Instrument Issuers, and all Reserve Instrument Providers all sums of money due or to become due according to the provisions hereof and any Supplemental Indenture (including any make whole interest payment or redemption premiums), then these presents and the estate and rights hereby granted shall cease, terminate and be void, whereupon the Trustee shall cancel and discharge the lien of the Indenture, and release, assign and deliver unto the Authority and the Board any and all the estate, right, title and interest in and to any and all rights assigned to the Trustee or otherwise subject to the lien of the Indenture, including amounts in the Bond Fund and the Debt Service Reserve Fund and all rights granted under the Security Documents, except moneys or securities held by the Trustee for the payment of the principal of and premium, if any, and interest on the Bonds.

Any Bond shall be deemed to be paid within the meaning of this Article and for all purposes of the Indenture when (a) payment of the principal of and the applicable redemption premium, if any, on such Bond, plus interest thereon to the due date thereof (whether such due date be by

reason of maturity or upon redemption as provided in the Indenture, or otherwise), either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided by irrevocably depositing with or for the benefit of the Trustee, in trust, and the Trustee shall have irrevocably set aside exclusively for such payment, (1) moneys sufficient to make such payment, and/or (2) Direct Obligations maturing as to principal and interest in such amount and at such times as will insure, without reinvestment, the availability of sufficient moneys to make such payment as verified by a certified public accountant, and (b) all necessary and proper fees, compensation and expenses of the Trustee and any paying agents pertaining to the Bonds with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Trustee. At such time as a Bond shall be deemed to be paid hereunder, as aforesaid, it shall no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of any such payment from such moneys or Direct Obligations.

Notwithstanding the foregoing, no deposit under clause (a)(ii) of the immediately preceding paragraph shall be deemed a payment of such Bonds as aforesaid until: (a) proper notice of redemption of such Bonds shall have been previously given in accordance with Article III of this General Indenture, or in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty days, until the Authority shall have given the Trustee, in form satisfactory to the Trustee, irrevocable instructions to notify, as soon as practicable, the Bondholders of the Bonds, in accordance with Article III hereof, that the deposit required by (a)(ii) above has been made with or for the benefit of the Trustee and that said Bonds are deemed to have been paid in accordance with this Article VIII, and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or redemption price, if applicable, on said Bonds and to call for redemption pursuant to the Indenture any Bonds to be redeemed prior to maturity; or (b) the maturity of such Bonds.

All moneys so deposited with or for the benefit of the Trustee as provided in this Article VIII may at the direction of the Authority also be invested and reinvested in Direct Obligations, maturing in the amounts and at times as hereinbefore set forth, and all income from all Direct Obligations pursuant to this Article VIII which is not required for the payment of the Bonds and interest and premium, if any, thereon with respect to which such moneys shall have been so deposited, shall be deposited in the Bond Fund as and when realized and collected for use and application as are other moneys deposited in that fund.

The Authority hereby covenants that no deposit will be made hereunder and no use made of any such deposit which would cause the Tax-Exempt Bonds to be treated as arbitrage bonds within the meaning of Section 148 of the Code.

Notwithstanding any provision of any other Article of the Indenture which may be contrary to the provisions of this Article, all moneys or Direct Obligations set aside and held in trust pursuant to the provisions of this Article VIII for the payment of Bonds (including interest and premium thereon, if any) shall be applied to and used solely for the payment of the particular Bonds (including interest and premium thereof, if any) with respect to which such moneys and Direct Obligations have been so set aside in trust.

ARTICLE IX

DEFAULT PROVISIONS AND REMEDIES OF THE TRUSTEE AND BONDHOLDERS

Section 9.1. Events of Default. If any of the following events occur, it is hereby declared to constitute an "Event of Default" under this Indenture:

- (a) Failure to pay when due interest on any Bond;
- (b) Failure to pay when due the principal of, or premium, if any, on any Bond, whether at the stated maturity thereof, or upon proceedings for redemption thereof (other than the event contemplated in Section 3.4(d) herein, which shall not be an Event of Default);
- (c) Failure to perform or observe any other of the covenants, agreements or conditions on the part of the Authority contained in the Indenture or in the Bonds and failure to remedy the same after notice thereof pursuant to Section 9.13 hereof;
- (d) The occurrence of an event of default under the terms of any of the Bond Documents on the part of either the Authority or the Board;
- (e) The Authority shall for any reason be rendered incapable of fulfilling its obligations hereunder;
- (f) The Authority (1) is adjudged insolvent by a court of competent jurisdiction, (2) admits in writing its inability to pay its debts generally as they become due, (3) files a petition in bankruptcy, (4) makes an assignment for the benefit of creditors, or (5) consents to the appointment of a receiver of itself or property with respect to the Projects;
- (g) An order, judgment or decree shall be entered by any court of competent jurisdiction appointing, without the consent of the Authority, a receiver of the Authority or of the property with respect to the Projects, and such order, judgment or decree shall not be vacated or set aside or stayed within sixty days from the date of such appointment;
- (h) A court of competent jurisdiction shall enter an order, judgment or decree approving a petition filed against the Authority under the provisions of any bankruptcy act and such order, judgment or decree shall not be vacated or set aside or stayed within sixty days from the date of entry of such order, judgment or decree;
- (i) Under the provisions of any other law now or hereafter existing for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Authority or of the property with respect to the Projects or any part thereof, and such custody or control shall not be terminated within sixty days from the date of assumption of such custody or control; or

(j) Subject to the limitations contained in the Master Lease, the Authority shall unreasonably delay or fail to carry on with reasonable dispatch, or shall discontinue construction of any substantial part of a Project.

Section 9.2. Acceleration, Limitation on Remedies. Upon the occurrence and continuation of an Event of Default, the Trustee shall (subject to the rights of any Security Instrument Issuer contained in a Supplemental Indenture) have all the rights and remedies with respect to the Trust Estate as the Authority, as lessor, has against the Projects and the Board under the pertinent provisions of the Master Lease; and the Trustee may, and upon the written request of Bondholders of not less than 25% in aggregate principal amount of the Bonds Outstanding shall, by notice in writing delivered to the Authority, declare the principal of all Bonds then Outstanding and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable without further action. Such amounts of principal and interest shall bear interest from the date of acceleration, as herein provided, until paid at the same rate borne by the accelerated Bonds prior to acceleration.

Upon any sale made either under the power of sale given in this Article IX or given in the Security Documents or under a judgment, order or decree made in any judicial proceedings for the foreclosure or enforcement of this Indenture and/or the Security Documents, the principal of all Bonds then outstanding, if not previously due, shall at once become and be immediately due and payable without declaration or notice by the Trustee or the Bondholders.

Notwithstanding anything to the contrary contained in the Indenture, no deficiency judgment subsequent to foreclosure of the lien of the Indenture and the Security Documents may be entered against the Board, the Authority, the State, or any political subdivision thereof, and no breach of any provision of the Master Lease, the Security Documents or the Indenture shall impose any general obligation or liability upon or a charge against the Board, the Authority, the State, or any political subdivision thereof, or upon the general credit or taxing powers of the Board, the State, or any political subdivision thereof. Additionally, no judgment requiring a payment of money may be entered against the Board by reason of an Event of Default or an Event of Nonappropriation under the Master Lease; provided to the extent permitted by law that the Trustee may, subject to compliance with the applicable provisions of the "one action rule" set forth in Title 78B, Chapter 6, Utah Code Annotated 1953, as amended, recover from the Board (a) the portion of Base Rentals and Additional Rentals (including amounts owed to any Security Instrument Issuer and any Reserve Instrument Provider) which are or would otherwise have been payable under the Master Lease during any period in which the Board continues to use, occupy and operate a Project or Projects or any portion thereof; and (b) Base Rentals and Additional Rentals which are or would otherwise have been payable by the Board under the Master Lease during the remainder, after the Board vacates the applicable Project or Projects, of the then-current annual term of the Master Lease in which such Event of Default occurs for which term the Board had lawfully appropriated moneys for purposes of paying such Base Rentals and Additional Rentals; provided, however, that the Authority shall be obligated to the Board to use its best efforts to lease or sublease the Project or Projects for the remainder of such annual term, and the Net Proceeds of such leasing shall be offset against the amount recoverable from the Board under this clause (b).

Notwithstanding anything contained herein to the contrary, the rights and privileges of the Trustee and the Bondholders are subject to the right of the Board to purchase the Project or Projects

as set forth in the Master Lease and the Trustee shall make no final sale or other final disposition of any interest in said Project or Projects pursuant to any available foreclosure remedy without notifying the Board in writing of the occurrence of an Event of Default, and allowing the Board ninety days from the mailing of such notice to exercise its option and purchase the Project or Projects.

Section 9.3. Surrender of Possession of Projects; Rights and Duties of Trustee in Possession. Subject to Section 9.2 hereof, upon the occurrence and continuation of an Event of Default under the Indenture, the Authority, upon demand of the Trustee, shall forthwith surrender, and it shall be lawful for the Trustee, by such officer or agent as it may appoint, to take possession of all or any part of the Projects together with the books, papers and accounts of the Authority pertaining thereto, and including the rights and the position of the Authority with respect to the Projects under the Master Lease and to make all needful repairs and improvements as the Trustee shall deem wise. Upon the occurrence and continuation of an Event of Default, the Trustee may execute a written notice of default and an election to cause the Authority's interest in the Projects or any portion thereof to be sold (subject to any reversionary rights of the Board which may be retained in the Project site or sites in the event any ground lease may be executed between the Authority and the Board) to satisfy the obligations of the Authority under the Indenture in accordance with the provisions of the Security Documents and/or may cause a sale of personal property as provided by law. The Trustee may also lease or otherwise dispose of the Authority's interest in the Projects in the name and for the account of the Authority and in such manner as the Trustee, in its sole discretion, may elect. In connection with any such sale or leasing of the Projects, the Trustee may collect, receive and sequester the rental payments, revenues, earnings, income, products and profits therefrom, and out of the same and any moneys received from any receiver pay, or set up the proper reserve for the payment of, all proper costs and expenses of so taking, holding, leasing, selling and managing the same, including reasonable compensation to the Trustee, its agents and counsel, and any charges of the Trustee hereunder, and any taxes and assessments and other charges prior to the lien of the Indenture and the Security Documents which the Trustee may deem it wise to pay, and all expenses of such repairs and improvements, and apply the remainder of the moneys so received in accordance with the provisions of Section 9.8 hereof. Whenever all that is due upon the Bonds and all other obligations secured hereby shall have been paid and all defaults made, cured or waived, the Trustee shall surrender whatever possession the Trustee shall retain to the Authority; the same right of entry, however, to exist upon any subsequent Event of Default.

While in possession of such property the Trustee shall render annually to the Authority and the Board and, at the request and at the expense of any Bondholder, at its address set forth in the registration book required by Section 4.6 hereof, a summarized statement of income and expenditures in connection therewith.

While any Bonds are Outstanding, the Authority shall not exercise any of the remedies on default specified in the Master Lease without the prior written consent of the Trustee and any Security Instrument Issuer.

Section 9.4. Other Remedies; Rights of Bondholders. Except as otherwise limited by the provisions of the Indenture and subject to the rights of any Security Instrument Issuer, upon the occurrence of an Event of Default under the Indenture, the Trustee may, upon being

indemnified to its satisfaction, pursue any available remedy that it deems to be in the best interest of the Bondholders by suit at law or in equity to enforce the payment of the principal of and premium, if any, and interest on the Bonds then Outstanding.

Subject to Section 9.5, if an Event of Default shall have occurred under the Indenture, and if requested so to do by the Bondholders of 25% in aggregate principal amount of Bonds then Outstanding and indemnified as provided in Section 10.1 hereof, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by this Section 9.4 and by Section 9.2 hereof, as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Bondholders.

No remedy by the terms of the Indenture conferred upon or reserved to the Trustee (or the Bondholders) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Bondholders hereunder or now or hereafter existing at law or in equity.

No delay or omission to exercise any right or power accruing upon any default or Event of Default under the Indenture shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or acquiescence therein; and such right and power may be exercised from time to time as often as may be deemed expedient. Every power or remedy given by the Indenture, the Master Lease or the Security Documents or to which the Trustee may be otherwise entitled, may be exercised, concurrently or independently, from time to time and as often as may be deemed expedient by the Trustee, and the Trustee may pursue inconsistent remedies.

No waiver of any default or Event of Default hereunder, whether by the Trustee or by the Bondholders, shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereon.

Notwithstanding anything contained herein or in the Security Documents to the contrary, upon the occurrence and continuance of an Event of Default, before taking any foreclosure action or any action which may subject the Trustee to liability under any Environmental Law, the Trustee may require that a satisfactory indemnity bond, indemnity or environmental impairment insurance be furnished for the payment or reimbursement of all expenses to which it may be put and to protect it against all liability resulting from any claims, judgments, damages, losses, penalties, fines, liabilities (including strict liability) and expenses which may result from such foreclosure or other action. The term "Environmental Laws" shall mean all federal, state and local environmental, land use, zoning, health, chemical use, safety and sanitation laws, statutes, ordinances and codes relating to the protection of the environment or governing the use, storage, treatment, generation, transportation, processing, handling, production or disposal of Hazardous Substances and the rules, regulations, policies, guidelines, interpretations, decisions, orders and directives of federal, state and local governmental agencies and authorities with respect thereto. The term "Hazardous Substances" shall mean any chemical, substance or material classified or designated as hazardous, toxic or radioactive, or other similar term, and now or hereafter regulated under any Environmental Law, including without limitation, asbestos, petroleum and hydrocarbon products. The Trustee shall not be required to take any foreclosure action if the approval of a government regulator shall be a condition precedent to taking such action.

Section 9.5. Right of Bondholders to Direct Proceedings. The Bondholders of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for the appointment of a receiver or any other proceedings hereunder; provided that such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture and such bondholders have provided the Trustee indemnification as it is provided in Article X. The Trustee shall have the right to decline to follow any direction of Bondowners that in the sole discretion of the Trustee would be unjustly prejudicial to the Trustee or to Bondowners not parties to such direction, that would expose the Trustee to unreasonable liability or financial exposure or that is not in accordance with law or the provisions of this Indenture, shall be entitled to rely without further investigation or inquiry upon any direction given by the Owners of a majority in aggregate principal amount of the Bonds Outstanding, and shall not be responsible for the propriety of or liable for the consequences of following any such direction. Notwithstanding anything to the contrary contained herein, the Trustee shall not be required to foreclose the lien of the Security Documents or bid on behalf of Bondowners at any foreclosure sale (a) if, in the Trustee's sole discretion, such action would subject the Trustee to personal liability for the cost of investigation, removal and/or other remedial activity with respect to Hazardous Substances (as defined in the Security Documents) or (b) if the presence of Hazardous Substances on the property subject to the lien of the Security Documents results in such property having no or nominal value. It is acknowledged and agreed that the Trustee has no authority to manage, own or operate the Project, or any portion thereof, except as necessary to exercise remedies upon default.

Section 9.6. Appointment of Receivers. Upon the occurrence of an Event of Default under the Indenture and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Bondholders under the Indenture, the Trustee shall be entitled to the appointment of a receiver or receivers of the Trust Estate and of the rents, revenues, earnings, income, products and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer.

Section 9.7. Waiver. Upon the occurrence of an Event of Default under the Indenture, to the extent that such rights may then lawfully be waived, neither the Authority, nor anyone claiming through or under it, shall set up, claim or seek to take advantage of any appraisal, valuation, stay, extension or redemption laws now or hereafter in force, in order to prevent or hinder the enforcement of the Indenture, and the Authority, for itself and all who may claim through or under it, hereby waives, to the extent that it lawfully may do so, the benefit of all such laws.

Section 9.8. Application of Moneys. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article shall, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee, including any Trustee fees and the fees and expenses of its counsel, be deposited in the Bond Fund and all moneys in the Bond Fund (except as otherwise provided herein or in a Supplemental Indenture) shall be applied as follows:

(a) Unless the principal of all the Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied:

FIRST—To the payment to the persons entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege; and

SECOND—To the payment to the persons entitled thereto of the unpaid principal of and premium, if any, on any of the Bonds which shall have become due (other than Bonds matured or called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), in the order of their due dates, with interest on such Bonds from the respective dates upon which they became due (with interest on overdue installments of interest, at the same rate as the rate of the respective Bond or Bonds which are past due) and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled thereto without any discrimination or privilege; and

THIRD—To be held for the payment of the persons entitled thereto as the same shall become due of the principal of and premium, if any, and interest on the Bonds which may thereafter become due either at maturity or upon call for redemption prior to maturity and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with interest then due and owing thereon, payment shall be made ratably according to the amount of principal due on such date to the persons entitled thereto without any discrimination or privilege.

(b) If the principal of all the Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege, plus, to the extent permitted by law, interest on overdue installments of interest or principal at the same rate as the rate of the respective Bond or Bonds which are past due.

(c) If the principal of all the Bonds shall have been declared due and payable, and if such declarations shall thereafter have been rescinded and annulled under the provisions of this Article IX then, subject to the provisions of Section 9.8(b) hereof in the event that the principal of all the Bonds shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of Section 9.8(a) hereof.

(d) Following the payment of amounts due with respect to the Bonds, remaining amounts shall be applied to the payment of all obligations then due and payable to any

Security Instrument Issuer or Reserve Instrument Provider in connection with any Security Instrument or applicable Reserve Instrument, respectively.

Whenever moneys are to be applied pursuant to the provisions of this Section 9.8, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Setting aside such moneys in trust for the proper purpose shall constitute proper application by the Trustee, and the Trustee shall have no liability whatsoever to the Authority, to any Bondholder, or to any other person for any delay in applying any such moneys, so long as the Trustee acts with reasonable diligence, having due regard for the circumstances, and ultimately applies the same in accordance with the circumstances known at the time of the application by the Trustee. Whenever the Trustee shall apply such moneys, it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Bondholder of any Bond until such Bond shall be presented to Trustee for appropriate endorsement or for cancellation if fully paid (unless otherwise specified by Supplemental Indenture).

Whenever the principal of and premium, if any, and interest on all Bonds and all Reserve Instrument Repayment Obligations have been paid under the provisions of this Section 9.8 and all fees, expenses and charges of the Trustee and its counsel have been paid, any balance remaining in the Bond Fund shall be paid to the Board as provided in Section 5.15 of this General Indenture as overpayment of Base Rentals.

Section 9.9. Remedies Vested in the Trustee. All rights of action (including the right to file proof of claims) under the Indenture or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceeding relating thereto and any such suit or proceeding instituted by the Trustee shall be brought in its name as the Trustee without the necessity of joining as plaintiffs or defendants any Bondholders, and any recovery of judgment shall be for the equal and ratable benefit of the Bondholders of the Outstanding Bonds.

Section 9.10. Rights and Remedies of Bondholders. No Bondholder shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of the Indenture or for the execution of any trust hereof or for the appointment of a receiver or any other remedy hereunder, unless a default has occurred of which the Trustee has been notified as provided in Section 10.1(h) hereof, or of which by said subsection it is deemed to have notice, nor unless also such default shall have become an Event of Default under the Indenture and the Bondholders of 25% in aggregate principal amount of Bonds then Outstanding shall have made written request to the Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in their own name or names, nor unless also they have offered to the Trustee indemnity as provided in Section 10.1(l) hereof, nor unless the Trustee shall thereafter fail or refuse to exercise the powers hereinbefore granted, or to institute such action, suit or proceeding in its own name; and such notification, request and offer of indemnity are hereby declared in every case at the option of the Trustee to be

conditions precedent to the execution of the powers and trusts of the Indenture, and to any action or cause of action for the enforcement of the Indenture, or for the appointment of a receiver or for any other remedy hereunder; it being understood and intended that no one or more Bondholders shall have any right in any manner whatsoever to affect, disturb or prejudice the lien of the Indenture by its, his, her or their action or to enforce any right hereunder except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal and ratable benefit of the Bondholders of all Bonds then Outstanding. However, nothing contained in the Indenture shall affect or impair the right of any Bondholder to enforce the payment of the principal of and premium, if any, and interest on any Bond at and after the maturity thereof or the redemption date established therefor, or the obligation of the Authority to pay the Bonds issued hereunder to the respective Bondholders thereof at the time, place, from the source and in the manner in the Bonds expressed.

Section 9.11. Termination of Proceedings. In case the Trustee shall have proceeded to enforce any right under the Indenture by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case the Authority, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder respectively, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

Section 9.12. Waivers of Events of Default. The Trustee may, with the consent of all Security Instrument Issuers and upon the written direction of Security Instrument Issuers insuring a majority of the Bonds then Outstanding or, if some Bonds are uninsured, any combination of Bondholders and Security Instrument Issuers are representing a majority of the Bonds then Outstanding, waive any Event of Default under the Indenture and its consequences and rescind any declaration of maturity of the principal of the Bonds; provided, however, that there shall not be waived (1) any Event of Default under the Indenture in the payment of the principal of any Outstanding Bonds at the date of maturity specified therein, or (2) any Event of Default in the payment when due of the interest on any such Bonds, unless prior to such waiver or rescission, all arrears of interests (including interest on overdue installments of interest) or all arrears of payments of principal when due, as the case may be, both with interest at the same rate as the rate of the respective Bond or Bonds which are past due, and all fees and expenses of the Trustee and its counsel, in connection with such Event of Default shall have been paid or provided for, and in cases of any such waiver or rescission, or in case any proceeding taken by Trustee, the Security Instrument Issuers on account of any such Event of Default shall have been discontinued or abandoned or determined adversely, then and in every such case the Authority, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder respectively, but no such waiver or rescission shall extend to any subsequent or other Event of Default, or impair any right consequent thereon.

Section 9.13. Notice of Events of Default under Section 9.1(c); Opportunity of the Authority and the Board to Cure Such Events of Default. Anything herein to the contrary notwithstanding, no default under Section 9.1(c) hereof shall constitute an Event of Default under the Indenture until actual notice of such default by registered or certified mail shall be given to the Authority and the Board by the Trustee or by the Bondholders of not less than 25% in aggregate principal amount of all Bonds Outstanding, and the Authority and the Board shall have had thirty days after receipt of such notice to correct said default or cause said default to be corrected, and

shall not have corrected said default or caused said default to be corrected within the applicable period; provided, however, that, if said default be such that it cannot be corrected within the applicable period, it shall not constitute an Event of Default under the Indenture if corrective action is instituted by the Authority and the Board within the applicable period and diligently pursued, to the satisfaction of the Trustee until the default is corrected (provided that no such grace period shall exceed 90 days unless the Security Instrument Issuers shall have consented thereto).

With regard to any default concerning which notice is given to the Authority and the Board under the provisions of this Section 9.13, the Authority hereby grants the Board full authority for account of the Authority to perform any covenant or obligation alleged in said notice to constitute a default, in the name and stead of the Authority with full power to do any and all things and acts to the same extent that the Authority could do and perform any such things and acts and with power of substitution.

Section 9.14. Cooperation of Authority. The Authority covenants and agrees that should there be an Event of Default under the Master Lease with the result that the right of possession of the Projects is returned to the Authority, the Authority shall fully cooperate with the Trustee and with the Bondholders to fully protect the rights and security of the Bondholders and shall diligently proceed in good faith and, if requested by the Trustee or any Bondholder, shall use its best efforts to secure a purchaser or another lessee of the Projects so that at all times sufficient rents and other amounts will be derived from the Projects promptly to meet and pay the principal of and premium, if any, and interest on the Bonds as the same become due and payable, as well as to cover the cost of all Additional Rentals with respect to the Projects required under the Master Lease. Nothing herein shall be construed as requiring the Authority to operate the Projects or to use any funds or revenues from any source other than the rents and other amounts derived from the Projects.

ARTICLE X

THE TRUSTEE

Section 10.1. Acceptance of Trusts. The Trustee hereby accepts the trusts imposed upon it by the Indenture, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Trustee, prior to the occurrence of an Event of Default under the Indenture and after the curing of all Events of Default under the Indenture which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the Indenture. In case an Event of Default has occurred under the Indenture (which has not been cured or waived) the Trustee shall exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a corporate trustee would exercise or use under the circumstances in the conduct of its own affairs.

No provision of the Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that (i) prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred:

(A) The duties and obligations of the Trustee shall be determined solely by the express provisions of the Indenture, and the Trustee shall be liable only for the performance of such duties and obligations as are specifically set forth in the Indenture, and no implied covenant or obligation shall be read into the Indenture against the Trustee; and

(B) In the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Trustee conforming to the requirements of the Indenture; but in the case of any such certificate or opinion which by any provision hereof is specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of the Indenture;

and (ii) the Trustee shall not be liable for any other judgment made in good faith by a responsible officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

(b) The Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents, receivers or employees but shall not be answerable for the conduct of the same appointed in accordance with the standard specified above, and shall be entitled to advice of counsel (including its own in-house counsel) concerning its duties hereunder, and may in all cases pay such reasonable compensation to all such attorneys, agents, receivers and employees as may reasonably be employed in connection with the trusts hereof. The Trustee may act upon the opinion or advice of any attorney (who may be the attorney or attorneys for the Authority or the Board), approved by the Trustee in the exercise of reasonable care. The Trustee shall not be responsible for any loss or damage resulting from any action or inaction in good faith in reliance upon such opinion or advice.

(c) The Trustee shall not be responsible for any recital herein or in any official statement or in the Bonds (except with respect to the certificate of the Trustee endorsed on the Bonds), or for insuring the Projects or collecting any insurance moneys, or for the validity of the execution by the Authority of the Indenture, or of any supplements thereto or instruments of further assurance, or for the sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby, or for the value of title of the Projects or any lien waivers with respect to the Projects; provided, however, that the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any covenants, conditions or agreements on the part of the Authority or on the part of the Board under the Master Lease in connection with the matters referred to in Article XIV of the Master Lease, except as hereinafter set forth; but the Trustee may require of the Authority or the Board full information and advice as to the performance of the covenants, conditions and agreements aforesaid and as to the condition of the property herein conveyed and the Trustee shall not be responsible for any loss suffered in connection with any investment of funds made by it in accordance with Article VI hereof.

(d) The Trustee shall not be accountable for the use of any Bonds authenticated or delivered hereunder.

(e) The Trustee shall be protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document believed to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken by the Trustee pursuant to the Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Bondholder of any Bonds, shall be conclusive and binding upon all future owners of the same Bond and upon Bonds issued in exchange therefor or in place thereof.

(f) As to the existence or nonexistence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon a certificate signed by the Authority Representative or the Board Representative as sufficient evidence of the facts therein contained and prior to the occurrence of a default of which the Trustee has been notified as provided in Section 10.1(h) hereof, or of which by said Section 10.1(h) it is deemed to have notice, shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed by it to be necessary or advisable, but shall in no case be bound to secure the same. The Trustee may accept a certificate of any of the officers of the Authority who have executed the Bonds (or their successors), and of any member of the governing body of the Board, to the effect that a resolution in the form therein set forth has been adopted by the Authority or the Board, as the case may be, as conclusive evidence that such resolution has been duly adopted, and is in full force and effect.

(g) The permissive right of the Trustee to do things enumerated in the Indenture shall not be construed as a duty and it shall not be answerable for other than its gross negligence or willful misconduct.

(h) The Trustee shall not be required to take notice or be deemed to have notice of any Event of Default under the Indenture except an Event of Default under Section 9.1(a) or 9.1(b) hereof or the failure by the Authority to cause to be made any of the payments to the Trustee required to be made by Article IV hereof or failure by the Authority, any Security Instrument Issuer or the Board to file with the Trustee any document required by the Indenture or the Master Lease to be so filed subsequent to the issuance of the Bonds, unless the Trustee shall be specifically notified in writing of such default by the Authority or by the Holders of at least 25% in aggregate principal amount of any Series of Bonds then Outstanding, and all notices or other instruments required by the Indenture to be delivered to the Trustee, must, in order to be effective, be delivered at the principal office of the Trustee, and in the absence of such notice so delivered, the Trustee may conclusively assume there is no Event of Default except as aforesaid.

(i) At any and all reasonable times the Trustee, and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, shall have the right fully to inspect any and all of the property herein conveyed, including all books and records of the

Authority pertaining to the Projects and the Bonds, and to take such memoranda from and with regard thereto as may be desired.

(j) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

(k) Notwithstanding anything elsewhere in the Indenture with respect to the authentication of any Bonds, the withdrawal of any cash or the taking of any action whatsoever, within the purview of the Indenture, the Trustee shall have the right, but shall not be required, to demand any showings, certifications, opinions, appraisals or other information, or corporate action or evidence thereof, in addition to that by the terms hereof required as a condition of such action, by the Trustee deemed desirable for the purpose of establishing the right of the Authority to the authentication of any Bonds, the withdrawal of any cash or the taking of any other action by the Trustee.

(l) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request, order or direction of any of the Bondholders, pursuant to the provisions of the Indenture, unless such Bondholders shall have offered to the Trustee security or indemnity acceptable to it against the fees, costs, expenses and liabilities, including fees and expenses of its counsel, which may be incurred therein or thereby.

(m) All moneys received by the Trustee shall, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received but need not be segregated from other funds except to the extent required by law. Neither the Trustee nor any Paying Agent shall be under any liability for interest on any moneys received hereunder except such as may be agreed upon.

Section 10.2. Fees, Charges and Expenses of the Trustee. The Trustee shall be entitled to payment and reimbursement for reasonable fees for its services rendered hereunder and all advances, counsel fees and other expenses reasonably and necessarily made or incurred by the Trustee in connection with such services and such other compensation as may be authorized under the Master Lease. Upon an Event of Default under the Indenture, but only upon such an Event of Default, the Trustee shall have a first lien with right of payment, prior to payment on account of principal of and premium, if any, and interest on any Bond, upon the Trust Estate for the foregoing fees, charges and expenses incurred by it.

Section 10.3. Notice to Bondholders. The Trustee shall give to the Bondholders notice of each default hereunder known to the Trustee (or of which the Trustee is deemed to have notice by Section 10.1(h) hereof) within ninety days after the occurrence thereof, unless such default shall have been remedied or cured before the giving of such notice; provided that, except in the case of default in the payment of principal of or premium, if any, or interest on any of the Bonds, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors or responsible officers of the Trustee in good faith determines that the withholding of such notice is in the interest of the Bondholders. Each such notice of default shall be given by the Trustee by mailing written notice thereof to all

Bondholders of Bonds then outstanding whose names appear on the list of Bondholders as provided in Section 4.6 hereof.

Section 10.4. Intervention by the Trustee. In any judicial proceeding to which the Authority is a party and which, in the opinion of the Trustee and its counsel, has a substantial bearing on the interest of owners of the Bonds, the Trustee may intervene on behalf of Bondholders and shall do so if requested in writing by the Bondholders of at least 25% of the aggregate principal amount of Bonds then Outstanding.

Section 10.5. Successor Trustee. Any corporation or association into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, shall be and become successor to the Trustee hereunder and vested with all of the title to the Trust Estate and all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

Section 10.6. Resignation by the Trustee. The Trustee and any successor to the Trustee may at any time resign from the trusts herein created by giving sixty days' written notice by registered or certified mail to the Authority and to the Bondholders of each Bond as shown by the list of Bondholders required by Section 4.6 hereof to be kept by the Trustee, and such resignation shall take effect only upon the appointment of a successor Trustee by the Bondholders or by the Authority; provided, however that if no successor Trustee has been appointed within 60 days of the date of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice, if any, as it deems proper and prescribes, appoint a successor Trustee.

Section 10.7. Removal of the Trustee. The Trustee may be removed by the Authority at any time, by an instrument or concurrent instruments in writing delivered to the Trustee, provided that such instrument or instrument concurrently appoint a successor Trustee meeting the qualifications set forth herein.

Section 10.8. Appointment of Successor Trustee. In case the Trustee hereunder shall resign or be removed, or be dissolved, or shall be in course of dissolution or liquidation, or otherwise become incapable of acting hereunder, or in case it shall be taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor may be appointed by the Authority by an instrument or concurrent instruments executed by its President and attested by its Secretary-Treasurer under its seal (or, if an Event of Default exists, by the Registered Owners of a majority in aggregate principal amount of Bonds then Outstanding, by an instrument or concurrent instruments in writing signed by such Owners, or by their attorneys in fact, duly authorized; provided, nevertheless, that in case of such vacancy the Authority by an instrument executed by the President and attested by the Secretary-Treasurer under its seal, may appoint a temporary Trustee to fill such vacancy until a successor Trustee shall be appointed by the Registered Owners in the manner above provided; and any such temporary Trustee so appointed by the Authority shall immediately and without further act be superseded by the Trustee so

appointed by such Registered Owners). The original Trustee and every such Trustee appointed pursuant to the provisions of this Section 10.8 shall be a trust company or bank in good standing located in or incorporated under the laws of the State duly authorized to exercise trust powers and subject to examination by federal or state authority, having a reported capital and surplus of not less than Seventy-Five Million Dollars (\$75,000,000).

Section 10.9. Concerning Any Successor Trustee. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Authority and the Board an instrument in writing accepting such appointment hereunder, and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessors; but such predecessor shall, nevertheless, on the written request of the Authority, or of its successor, execute and deliver an instrument transferring to such successor all the estates, properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all securities and moneys held by it as Trustee hereunder to its successor. Should any instrument in writing from the Authority be required by any successor Trustee for more fully and certainly vesting in such successor the estate, rights, powers and duties hereby vested or intended to be vested in the predecessor, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Authority. The resignation of any Trustee and the instrument or instruments removing any Trustee and appointing a successor hereunder, together with all other instruments provided for in this Article X, shall be filed or recorded by the successor Trustee in each recording office where the Indenture shall have been filed or recorded. Additionally, all substitutions of Trustee under the Security Documents shall be filed or recorded in accordance with the laws of the State.

In the event of a change in the office of Trustee, the predecessor Trustee which has resigned or been removed shall cease to be Trustee hereunder and Bond Registrar for the Bonds and Paying Agent for principal of, premium, if any, and interest on the Bonds, and the successor Trustee shall become such Trustee, Bond Registrar and Paying Agent for the Bonds.

Section 10.10. Right of the Trustee to Pay Taxes and Other Charges. In case any tax, assessment, governmental or other charge upon, or insurance premium with respect to, any part of a Project or Projects is not paid as required herein or in the Master Lease or the Security Documents, the Trustee may pay such tax, assessment, governmental or other charge, or insurance premium, without prejudice, however, to any rights of the Trustee or the Bondholders arising in consequence of such failure; and any amount at any time so paid under this Section 10.10, with interest thereon from the date of payment at a rate per annum equal to the then prevailing base rate of the Trustee as of the date of payment shall become so much additional indebtedness secured by the Indenture, and the same shall be given a preference in payment over any of the Bonds, and shall be paid out of the proceeds of Base Rentals or Additional Rentals collected from the Projects, if not otherwise caused to be paid; but the Trustee shall not be under any obligation to make any such payment unless it shall have been requested to do so by the Bondholders of at least 25% of the aggregate principal amount of Bonds then Outstanding and shall have been provided with adequate funds for the purpose of such payment.

Section 10.11. Appointment of Co-Trustee. It is the purpose of the Indenture that there shall be no violation of any law of any jurisdiction (including particularly the laws of the State)

denying or restricting the right of banking corporations or associations to transact business as the Trustee in such jurisdiction. It is recognized that in case of litigation under the Indenture, the Master Lease, or the Security Documents, and in particular in case of the enforcement of either upon an Event of Default, or in case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to the Trustee or hold title to the properties, in trust, as herein granted, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an additional individual or institution as a separate or Co-Trustee. The following provisions of this Section 10.11 are adapted to these ends.

The Trustee may appoint an additional individual or institution as a separate or Co-Trustee, in which event each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by the Indenture to be exercised by or vested in or conveyed to the Trustee with respect thereto shall be exercisable by and vested in such separate or Co-Trustee, but only to the extent necessary to enable such separate or Co-Trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate or Co-Trustee shall run to and be enforceable by either of them.

Should any deed, conveyance or instrument in writing from the Authority be required by the separate or Co-Trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to it such properties, rights, powers, trusts, duties and obligations, any and all such deeds, conveyances and instruments in writing shall, on request, be executed, acknowledged and delivered by the Authority. In case any separate or Co-Trustee, or a successor to either, shall die, become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate or Co-Trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new Trustee or successor to such separate or Co-Trustee.

Section 10.12. Trustee Not Responsible for Actions of Authority. The Trustee shall not be liable or responsible because of the failure of the Authority or of any of its officers, employees or agents to make any collections or deposits, or to perform any act herein required of the Authority or its officers, directors, employees or agents. The Trustee shall not be responsible for the application of any of the proceeds of the Bonds or any other moneys deposited with it and paid out, invested, withdrawn or transferred in accordance with the provisions of the Indenture. The immunities and exemptions from liability of the Trustee hereunder shall extend to its directors, officers, employees and agents.

Section 10.13. Trustee's Right to Own and Deal in Bonds. The bank or trust company acting as Trustee under the Indenture, and its directors, officers, employees or agents, may in good faith buy, sell, own, hold and deal in any of the Bonds issued hereunder and secured by the Indenture, and may join in any action which any Bondholder may be entitled to take with like effect as if such bank or trust company were not the Trustee under the Indenture.

Section 10.14. Requirements as to Trustee's Records. So long as any of the Bonds shall remain outstanding:

(a) the records of the Trustee pertaining to the Bonds and to the Trustee hereunder shall be available to and open for inspection at all reasonable times by the Authority, the Board and all other governmental bodies legally entitled to inspect such records, and

(b) the Trustee shall retain in its possession all financial statements furnished to it pursuant to the Indenture. The Trustee shall transfer to any successor trustee copies of the records of the Trustee pertaining to the Bonds and to the Trustee.

Section 10.15. Trustee's Own Funds. No provision of the Indenture or of the Bond Documents shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it has reasonable grounds for believing that the repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

Section 10.16. Direct Payment Authorization. (a) The Authority hereby authorizes and directs the Trustee to take all necessary actions to effectively carry out the duties required to apply for and accept Direct Payments from the Internal Revenue Service on behalf of the Authority under Sections 54AA, 1400U-2, and 6431 of the Code or such other tax provisions of substantially similar nature which may be hereafter authorized. In connection with such application and acceptance of Direct Payments, the Authority shall provide to the Trustee (i) a copy of the executed Form 8038-TC filed in connection with the issuance of the Bonds, (ii) an incumbency certificate listing the officers of the Authority authorized to act on behalf of the Authority under this Indenture and (iii) such other instruments, opinions and certificates as the Trustee may reasonably request. Upon receipt of any Direct Payments, the Trustee shall promptly deposit such payment in the Bond Fund for use in paying debt service on the Bonds. Failure by the Trustee to prepare or file the Form 8038-CP shall not affect any payment obligations of the Authority hereunder. The Authority hereby authorizes and directs the Trustee to prepare and file the IRS Form 8038-CP as may be required from time to time under the Code as are within its power and are requested by and at the expense of the Authority and agreed to by the Trustee, to request the Direct Payments. The Form 8038-CP shall authorize the Direct Payments requested in accordance with this clause (a) to be paid to the Trustee.

(b) For fixed rate bonds, at least ninety (90) days prior to each Interest Payment Date with respect to the Bonds, the Trustee shall deliver to the Authority by a delivery method that provides the Trustee with evidence of delivery a completed Form 8038-CP, which is to be signed by an Authority Representative. The form and the certification shall be sent to the attention of an Authority Representative for the Authority's signature. The Authority shall return such signed Form 8038-CP to the Trustee not later than eighty (80) days prior to each Interest Payment Date with respect to the Bonds, by a delivery method which provides the Authority with evidence of delivery. Not more than ninety (90) and not less than seventy (70) days prior to each Interest Payment Date for the Bonds, the Trustee shall file, or cause to be filed a Form 8038-CP with the Internal Revenue Service Center, Ogden, Utah 84201, or any successor location specified by the Internal Revenue Service, or take such other or additional actions as may be required from time to time under the Code as are within its power and are requested by the Authority and agreed to by the Trustee, to request the Direct Payments with respect to such Interest Payment Date. Upon

completion of filing, the Trustee shall deliver a copy of such Form 8038-CP to the Authority.

(c) For variable rate bonds, no more than five (5) days after the last Interest Payment Date within the calendar quarter period for which reimbursement is being requested, the Trustee shall deliver to the Authority by a delivery method that provides the Trustee with evidence of delivery a completed Form 8038-CP, which is to be signed by an Authority Representative. The form and certification shall be sent to the attention of an Authority Representative. The Authority shall return such signed Form 8038-CP to the Trustee not later than twenty (20) days after the last Interest Payment Date within the calendar quarter period for which reimbursement is being requested with respect to the Bonds, by a delivery method which provides the Authority with evidence of delivery. Not more than 35 days after the last Interest Payment Date within the calendar quarter period for which reimbursement is being requested, the Trustee shall file or cause to be filed a Form 8038-CP with the Internal Revenue Service Center, Ogden, Utah 84201, or any successor location specified by the Internal Revenue Service, or take such other or additional actions as are within its power and are requested by the Authority and agreed to by the Trustee, to request the Direct Payments with respect to such prior Interest Payment Dates. Upon completion and filing, the Trustee shall deliver a copy of such Form 8038-CP to the Authority.

ARTICLE XI

SUPPLEMENTAL INDENTURES

Section 11.1. Supplemental Indentures Not Requiring Consent of Bondholders. The Authority and the Trustee may (subject to the rights of any Security Instrument Issuer under any Supplemental Indenture), without consent of, or notice to, any of the Bondholders enter into an indenture or indentures supplemental to the Indenture which shall not be inconsistent with the general terms and provisions hereof for any one or more of the following purposes:

(a) To cure any ambiguity or formal defect or omission in the Indenture;

(b) To grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondholders or the Trustee;

(c) To subject to the Indenture additional revenues, properties or collateral;

(d) To modify, amend or supplement the Indenture or any indenture supplemental hereto in such matter as to permit the qualification hereof and thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of any of the states of the United States of America;

(e) To evidence the appointment of a separate Trustee or a Co-Trustee or paying agent or the succession of a new Trustee or paying agent hereunder;

(f) To issue the Initial Bonds, Refunding Bonds or Additional Bonds in accordance with the Indenture and the Master Lease; and

(g) To make any other change which, in the judgment of the Trustee is not materially adverse of the Trustee or, as evidenced by an opinion of counsel delivered to the Trustee, the holders of the Bonds.

Section 11.2. Supplemental Indentures Requiring Consent of Bondholders. Exclusive of Supplemental Indentures covered by Section 11.1 hereof and subject to the terms and provisions contained in this Section 11.2, and not otherwise, the Bondholders of not less than 66 2/3% in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding, to consent to and approve the execution by the Authority and the Trustee of such Supplemental Indentures hereto as shall be deemed necessary and desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any Supplemental Indenture; provided, however, that nothing in this Section 11.2 or in Section 11.1 hereof contained shall permit, or be construed as permitting, (i) an extension of the maturity of the principal of, or the interest on, any Bond issued hereunder, or (ii) a reduction in the principal amount of, or redemption premium on, any Bond or the rate of interest thereon, or (iii) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (iv) a reduction in the aggregate principal amount of the Bonds required for consent to such Supplemental Indentures, or (v) permit the creation of any lien ranking prior to or on a parity with the lien of the Indenture and the Security Documents on the Trust Estate or any part thereof (except in connection with the issuance of Refunding Bonds or Additional Bonds), or (vi) deprive the Bondholder of any Bond then Outstanding of the lien hereby created on any material portion of the Trust Estate, without the prior consent of the Bondholders of 100% of the Bonds affected by such action. The Trustee may, but shall not be obligated to, enter into any such Supplemental Indenture which adversely affects the Trustee's rights, deeds or immunities under the Indenture or the Master Lease.

If at any time the Authority shall request the Trustee to enter into any such Supplemental Indenture for any of the purposes of this Section 11.2, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such Supplemental Indenture to be given by registered or certified mail to the Bondholder of each Bond shown by the list of Bondholders required by the terms of Section 4.6 hereof to be kept at the office of the Trustee. Such notices shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the designated office of the Trustee for inspection by all Bondholders. If the Bondholders of not less than 66 2/3% in aggregate principal amount of the Bonds Outstanding at the time of the execution of any such Supplemental Indenture shall have consented to and approved the execution thereof as herein provided, no holder of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Authority from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such Supplemental Indenture as in this Article XI permitted and provided, the Indenture shall be and be deemed to be modified and amended in accordance therewith.

Anything therein to the contrary notwithstanding, so long as no Event of Default or Event of Nonappropriation with respect to the Projects shall have occurred and be continuing under the Master Lease, a Supplemental Indenture under this Article shall not become effective unless and until the Board shall have consented to the execution and delivery of such Supplemental Indenture. In this regard and except with respect to Supplemental Indentures for which the Board has otherwise been notified, the Trustee shall cause notice of the proposed execution of any such Supplemental Indenture together with a copy of the proposed Supplemental Indenture to be mailed by certified or registered mail to the Board at least fifteen days prior to the proposed date of execution and delivery of any such Supplemental Indenture. The Board shall be deemed to have consented to the execution and delivery of any such Supplemental Indenture if the Trustee does not receive a letter of protest or objection thereto signed by or on behalf of the Board on or before the fifteenth day after the mailing of said notice.

ARTICLE XII

AMENDMENT OF MASTER LEASE

Section 12.1. Amendments, etc., to Master Lease Not Requiring Consent of Bondholders. The Authority and the Trustee shall without the consent of or notice to the Bondholders (subject to the rights of any Security Instrument Issuer under any Supplemental Indenture) consent to any amendment, change or modification of the Master Lease as may be required (i) by the provisions of the Indenture and the Master Lease (including those provisions applicable to the issuance of the Initial Bonds, Refunding Bonds and Additional Bonds), (ii) for the purpose of curing any ambiguity or formal defect or omission, (iii) so as to more precisely identify the Projects, or the Project sites or substitute or add additional improvements or equipment to the Projects or additional rights or interests in property acquired in accordance with the provisions of the Master Lease, or (iv) in connection with any amendment to the Indenture pursuant to Section 11.1 hereof, or (v) in connection with any other change therein which, in the judgment of the Trustee is not materially adverse to the Trustee or, as evidenced by an opinion of counsel delivered to the Trustee, the holders of the Bonds.

Section 12.2. Amendments, etc., to the Master Lease Requiring Consent of Holders of the Bonds. Except for the amendments, changes or modifications as provided in Section 12.1 hereof, neither the Authority nor the Trustee shall consent to any other amendment, change or modification of the Master Lease without mailing of notice and receipt of the written approval or consent of the Holders of not less than 66 2/3% in aggregate principal amount of the Bonds at the time outstanding given as in this Section 12.2 provided and the consent of any Security Instrument Provider as provided in any Supplemental Indenture. If at any time the Authority and the Board shall request the consent of the Trustee to any such proposed amendment, change or modification of the Master Lease, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of such proposed amendment, change or modification to be given as required by the Indenture. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the principal office of Trustee for inspection by all Holders of the Bonds. No such amendment, change or modification of the Master Lease shall reduce the aggregate principal amount of the Bonds the Bondholders of which are required to consent to any amendment, change or modification of such Master Lease, or materially reduce or postpone payments required to be

made under the Master Lease without the consent of all of the Holders of the Bonds Outstanding. Approval or consent shall be evidenced in a manner acceptable to the Trustee and the Authority.

ARTICLE XIII

MISCELLANEOUS

Section 13.1. Consents, etc. of Bondholders. Any consent, request, direction, approval, objection or other instrument required by the Indenture to be signed and executed by the Bondholders may be in any number of concurrent documents and may be executed by such Bondholders in person or by agent appointed in writing. Proof of the execution of any such consent, request, direction, approval, objection or other instrument or of the writing appointing any such agent and of the ownership of Bonds, if made in the following manner, shall be sufficient for any of the purposes of the Indenture, and shall be conclusive in favor of the Trustee with regard to any action taken by it under such request or other instrument, namely:

(a) The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such writing acknowledged before him the execution thereof, or by an affidavit of any witness to such execution.

(b) The fact of ownership of Bonds and the amount or amounts, numbers and other identification of such Bonds, and the date of holding the same, shall be proved by the registration books of the Authority maintained by the Trustee pursuant to Section 4.6 of the Indenture.

Section 13.2. Limitation of Rights. With the exception of any rights herein expressly conferred, nothing expressed or mentioned in or to be implied from the Indenture or the Bonds is intended or shall be construed to give to any person or company other than the parties hereto, any Security Instrument Provider, any Reserve Provider, and the holders of the Bonds, any legal or equitable right, remedy or claim under or with respect to the Indenture or any covenants, conditions and provisions herein contained; the Indenture and all of the covenants, conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of the parties hereto, the Board, any security Instrument Provider, any Reserve Provider and the Bondholders as herein provided.

Section 13.3. Severability. If any provision of the Indenture shall be held or deemed to be or shall, in fact, be illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatsoever.

Section 13.4. Notices. Any notice, request, complaint, demand, communication or other paper shall be sufficiently given and shall be deemed given when delivered or mailed by registered or certified mail, postage prepaid, or sent by facsimile addressed as follows: If to the Authority, to the Local Building Authority of Kane County School District, Utah, 746 South 175 East, in Kanab, 84741, Attention: President; if to the Trustee, to Zions Bancorporation, National

Association, _____, _____, Utah, _____, Attention: Corporate Trust Department; if to the Board, 746 South 175 East, in Kanab, 84741, Attention: Superintendent. A duplicate copy of each notice required to be given hereunder by the Trustee to either the Authority or the Board shall also be given to the others. The Authority, the Board, and the Trustee may designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 13.5. Payments Due on Days other than Business Days. In any case where the date of maturity of interest on or principal of the Bonds or the date fixed for redemption of any Bonds shall be other than a Business Day, then payment of principal and premium, if any, or interest need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest shall accrue for the period after such date.

Section 13.6. Governmental Entity Provisions. The parties hereto acknowledge and agree that the Authority is a governmental entity under the Governmental Immunity Act of Utah, Section 63G-7-101, et seq., Utah Code Annotated 1953, as amended (the "Immunity Act"). Nothing in this General Indenture shall be construed as a waiver by the Authority of any protections, rights, or defenses applicable to the Authority under the Immunity Act, including without limitation, the provisions of Section 63G-7-604 regarding limitation of judgments. It is not the intent of the Authority to incur by contract any liability for the operations, acts, or omissions of the Trustee or any third-party and nothing in this General Indenture shall be so interpreted or construed. Without limiting the generality of the foregoing, and notwithstanding any provisions to the contrary in this General Indenture, any indemnity obligations of the Authority contained in this General Indenture are subject to the Immunity Act and are further limited only to claims that arise directly and solely from the negligent acts or omissions of the Authority.

Section 13.7. Counterparts. This General Indenture may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 13.8. Applicable Provisions of Law. The Indenture shall be governed by and construed in accordance with the laws of the State.

IN WITNESS WHEREOF, the Authority has caused these presents to be signed in its corporate name and with its official seal hereunto affixed and attested by its duly authorized officers, and to evidence its acceptance of the trust hereby created, the Trustee has caused these presents to be executed in its corporate name with its corporate seal hereunto affixed all by its duly authorized officers, as of the date first above written.

LOCAL BUILDING AUTHORITY OF KANE
COUNTY SCHOOL DISTRICT, UTAH

(SEAL)

By: _____
President

ATTEST AND COUNTERSIGN:

By: _____
Secretary-Treasurer

ZIONS BANCORPORATION, NATIONAL
ASSOCIATION, as Trustee

By: _____

Title: _____

MASTER LEASE AGREEMENT

Dated as of _____ 1, 2026

between

LOCAL BUILDING AUTHORITY
OF KANE COUNTY SCHOOL DISTRICT, UTAH,
as Lessor

A Nonprofit Corporation Organized Under the Laws of
the State of Utah

and

BOARD OF EDUCATION OF THE
KANE COUNTY SCHOOL DISTRICT, UTAH,
as Lessee

A Body Corporate Existing Within
the State of Utah

Various interests of the Local Building Authority of Kane County School District, Utah, in this Master Lease Agreement have been assigned to Zions Bancorporation, National Association, as Trustee under the General Indenture of Trust, as supplemented by a First Supplemental Indenture of Trust, each dated as of the date hereof and each by and between the Local Building Authority of Kane County School District, Utah, and Zions Bancorporation, National Association, as Trustee, and is subject to the security interest of Zions Bancorporation, National Association, as Trustee under said Indenture.

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MASTER LEASE AGREEMENT

THIS MASTER LEASE AGREEMENT (the “Master Lease”) dated as of _____ 1, 2026, entered into by and between the LOCAL BUILDING AUTHORITY OF KANE COUNTY SCHOOL DISTRICT, UTAH (the “Authority”), as lessor hereunder, a nonprofit corporation duly organized, existing and in good standing under the laws of the State of Utah, and also acting as grantor under a General Indenture of Trust of even date herewith (the “General Indenture”), and the BOARD OF EDUCATION (the “Board”) OF KANE COUNTY SCHOOL DISTRICT, UTAH (the “District”), as lessee hereunder, a body corporate duly existing as such within the State under the Constitution and laws of the State of Utah:

WITNESSETH:

WHEREAS, the Board is a body corporate duly existing as such within the State under the Constitution and laws of the State; and

WHEREAS, the Board has previously authorized and directed the creation of the Authority pursuant to the provisions of a resolution adopted on September 10, 2024 (the “Creating Resolution”) by the Board; and

WHEREAS, the Authority has been duly and regularly created, established and is organized and existing as a nonprofit corporation under and by virtue of the provisions of the laws of the State of Utah, including, in particular, the provisions of the Utah Local Building Authority Act, Title 17D, Chapter 2 Utah Code Annotated 1953, as amended (the “Building Authority Act”), and the Utah Revised Nonprofit Corporation Act, Title 16, Chapter 6a, Utah Code Annotated 1953, as amended (the “Nonprofit Corporation Act”); and

WHEREAS, under the articles of incorporation of the Authority (the “Articles”) and the Building Authority Act, the objects and purposes for which the Authority has been founded and incorporated are to acquire, construct, improve or extend any improvements, facilities or properties (whether real or personal) and appurtenances to them which the Board is authorized or permitted by law to acquire, including, but not limited to, public buildings or other structures of every nature or any joint or partial interest in the same, which improvements, facilities, properties and appurtenances need not be situated within the boundaries of the District (collectively, the “Projects”) and to finance or refinance the costs thereof on behalf of the Board in accordance with the procedures and subject to the limitations of the Building Authority Act, the Local Government Bonding Act, Title 11, Chapter 14, Utah Code Annotated 1953, as amended and the Utah Refunding Bond Act, Title 11, Chapter 27, Utah Code Annotated 1953, as amended (collectively, the “Act”) in order to accomplish the public purposes for which the Board exists; and

WHEREAS, the Authority is possessed under the Articles and the Act of all powers set forth in the Act, the Constitution and other laws of the State of Utah, including, without limitation, the power to acquire, own, hold, lease and improve real and personal property and to enter into agreements providing for a lease, mortgage or other conveyance of real and personal property; and

WHEREAS, the Authority and the Board desire to finance all or a portion of the costs of renovation and improvements to Valley High School and all related improvements (collectively, the “Project”); and

WHEREAS, the Authority desires to issue its Lease Revenue Bonds, Series 2026 (the “Series 2026 Bonds”) in the aggregate principal amount of \$_____ to (i) finance the Project and (ii) pay costs associated with the issuance of the Series 2026 Bonds; and

WHEREAS, the Board has reviewed and approved (i) the estimated costs of the Project, and (ii) the plans and specifications for the Project; and

WHEREAS, the Board is the owner of the fee simple title to the site of the Project and has agreed to lease to the Authority such site (the “Property”) described in and pursuant to a Ground Lease Agreement dated as of _____ 1, 2026 (the “Ground Lease”);

WHEREAS, the Board desires to lease, as lessee, the Project and any other Projects hereafter acquired by the Authority for lease to the Board and the Authority desires to lease, as lessor, the Project and any other Projects hereafter acquired under the terms and provisions set forth in this Master Lease; and

WHEREAS, under the provisions of a resolution adopted on _____, 2026 (the “Board Resolution”), the Board has authorized and approved the execution of this Master Lease, the General Indenture and a First Supplemental Indenture of Trust of even date herewith (the “First Supplemental Indenture” and collectively with the General Indenture, the “Indenture”) between the Authority and Zions Bancorporation, National Association, as trustee, and the issuance of the Series 2026 Bonds; and

WHEREAS, pursuant to the provisions of resolutions adopted on _____, 2026 and _____, 2026 (collectively, the “Authority Resolution”), the governing board of the Authority (the “Governing Board”) has authorized, approved and directed the execution of this Master Lease and the Indenture and the issuance of the Series 2026 Bonds; and

WHEREAS, pursuant to and in accordance with the provisions of the Act and the Articles, the Authority proposes to undertake the financing or refinancing of Projects and the leasing of such Projects to the Board under the terms and provisions of this Master Lease; and

WHEREAS, the Authority may finance or refinance all or a portion of the Costs of Acquisition and Construction of other Projects through the issuance of its Bonds under the General Indenture; and

WHEREAS, all Bonds issued under the General Indenture will be secured as provided in the General Indenture including by means of the Security Documents and a pledge and assignment of this Master Lease and certain revenues and receipts derived by the Authority from the Projects, all as more fully set forth in the Indenture.

NOW, THEREFORE, for and in consideration of the mutual promises and covenants herein contained, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

All terms defined in Article I of the General Indenture, unless the context otherwise requires, shall have the same meaning in this Master Lease. In addition, unless the context otherwise requires, the terms defined in this Article I shall, for all purposes of this Master Lease and the Indenture, have the meaning herein specified.

“Act” means collectively, the Building Authority Act, the Local Government Bonding Act, the Nonprofit Corporation Act and, to the extent applicable, the Refunding Bond Act.

“Additional Rentals” means the cost of all taxes, insurance premiums and expenses payable by, and fees and expenses of, the Trustee and its counsel with respect to the Bonds and other charges and costs which the Board assumes or agrees to pay exclusively from Board Funds under Section 6.3 of this Master Lease, together with all interest and penalties that may accrue thereon in the event that the Board shall fail to pay the same, as specifically set forth herein, including all Security Instrument Repayment Obligations, Security Instrument Costs, Reserve Instrument Repayment Obligations and Reserve Instrument Costs.

“Amendment to Master Lease” means any amendment to this Master Lease between the Authority, as lessor, and the Board, as lessee, entered into pursuant to and in compliance with the provisions of Section 15.6 of this Master Lease and Article XII of the General Indenture.

“Authority” means the Local Building Authority of Kane County School District, Utah, a nonprofit corporation organized under the laws of the State, acting in the capacity of lessor under this Master Lease and as grantor under the Indenture, and any successor to the duties and functions of the Authority.

“Authority Representative” means the President, Secretary-Treasurer and any other person or persons at any time designated to act on behalf of the Authority for purposes of performing any act on behalf of the Authority with respect to a Project by a written certificate furnished to the Board and the Trustee containing the specimen signature of such person or persons and signed on behalf of the Authority by any duly authorized officer of the Authority. Such certificate may designate an alternate or alternates. The Authority Representative may be an officer or employee of the Authority or the Board.

“Base Rentals” means the payments payable by the Board exclusively from Board Funds pursuant to Section 6.2 hereof during the Lease Term hereof, which constitute the payments payable by the Board for and in consideration of the right of use of the Projects during such Lease Term and the purchase option granted herein.

“Board” means the Board of Education of Kane County School District, a body corporate duly established and existing under and by virtue of the Constitution and laws of the State, and any entity succeeding to its rights and obligations under this Master Lease. Any reference herein to the “governing body” of the Board or the District shall refer to the Board of Education and to any successor governing body as authorized by applicable law.

“Board Funds” means all funds of the Board available to pay costs relating to the Project, including, without limitation, funds of the Board legally available therefor, all to the extent the same are budgeted and appropriated by the Board for the purpose of paying Base Rentals, Additional Rentals or the Purchase Option Price hereunder during the Lease Term in which this Master Lease may be in effect.

“Board Representative” means the President or Business Administrator of the Board and any other person at any time designated to act on behalf of the Board for purposes of performing any act with respect to a Project by a written certificate furnished to the Authority and the Trustee containing the specimen signature of such person and signed on behalf of the Board or any duly authorized officer thereof. Such certificate may designate an alternate or alternates. The Board Representative may be an officer or employee of the Authority or the Board.

“Building Authority Act” means the Local Building Authority Act, Title 17D, Chapter 2, Utah Code Annotated 1953, as amended.

“Business Administrator” means the Business Administrator of the Board.

“Business Day” means a legal business day on which banking business is transacted in the cities in which the Trustee or Paying Agent has its principal corporate trust offices.

“Completion Date” means the date of completion of acquisition and/or construction of a Project, within the meaning of Section 17D-2-401(2) of the Building Authority Act, and of final acceptance by the Board of such Project.

“Construction Contract” means any contract or agreement relating to the acquisition, development or construction of a Project or portion thereof.

“Contractor” means that party to a Construction Contract or Design Contract providing services related to a Project or portion thereof.

“Costs of Acquisition and Construction” means:

- (1) obligations of the Board or the Authority incurred for labor, materials and equipment in connection with a Project or the cost of acquiring a Project;
- (2) the cost of payment, performance or other bonds and any and all types of insurance (including but not limited to title insurance) that may be necessary or appropriate to have in effect during the course of a Project;
- (3) all costs of planning and designing a Project, including architectural, planning, engineering, legal and fiscal advisors’ fees and the costs incurred by the Board or the Authority for test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, and for supervising construction, as well as for the performance of all other duties required by or consequent to the proper and timely completion of such Project;

(4) payment of expenses incurred in seeking to enforce any remedy against any contractor or subcontractor in respect of any default under a contract relating to the acquisition and construction of a Project;

(5) the cost of equipment and furnishings for a Project, the cost of acquiring a site for a Project (or any interest therein) and all other costs authorized by the Building Authority Act which are considered to be a part of the costs of a Project in accordance with generally accepted accounting principles, including but not limited to interest accruing on the Bonds during the period required to complete the acquisition and construction of such Project and for not more than twelve (12) months after the Completion Date;

(6) any sums required to reimburse the Authority or the Board for advances by either of them for any of the above items or for any other costs incurred and for work done by either of them which are properly chargeable to a capital account in respect of a Project;

(7) such amounts as the governing body of the Authority shall find to be necessary to provide necessary working capital in connection with a Project; and

(8) all expenses connected with the authorization, sale and issuance of a series of Bonds and the refunding of any Bonds, including the initial fees of the Trustee, escrow agent, rating agency fees, bond insurance premiums, fees for outside attorneys or accountants, whose opinions are required to obtain the issuance of the Bonds, financial advisors' fees and commissions and printing costs, those amounts as the Authority shall find necessary to establish reserves and maintenance, repair, replacement, and contingency funds and accounts, and the interest on Bonds for a reasonable time prior to, during, and for a reasonable period of time after completion of a Project.

"Design Contract" means any contract or agreement relating to the architecture, design, engineering or planning of a Project or portion thereof.

"District" means Kane County School District, Utah a body corporate duly established and existing under and by virtue of the Constitution and laws of the State, and any entity succeeding to its rights and obligations under this Master Lease.

"Event of Default" means one or more events of default as defined in Section 14.1 herein.

"Event of Nonappropriation" means a failure by the Board to renew this Master Lease by failing or refusing to budget and appropriate sufficient Board Funds for the payment of all or any part of the Base Rentals and Additional Rentals for any Renewal Term hereof as set forth in Section 4.1 and Section 6.6 hereof. The existence or nonexistence of an Event of Nonappropriation shall be determined as of the date on which the Board fails or refuses to adopt a final budget in accordance with applicable law which appropriates sufficient moneys to pay such Base Rentals and reasonably estimated Additional Rentals for the next succeeding Renewal Term as contemplated by Section 4.1 hereof or on any earlier or later date on which the Trustee receives written notice from the Board that the Board has failed or refused to make such appropriations and the term of this Master Lease will not be renewed; provided, however, that the Trustee with the consent of any Security Instrument Issuer, may waive any Event of Nonappropriation which is cured by the Board within a reasonable time if, in the Trustee's judgment, such waiver is in the

best interests of the Bondholders, except as otherwise provided in Section 4.1 hereof or as otherwise provided by Supplemental Indenture. Notwithstanding anything herein to the contrary, the Board's failure or refusal to adopt a final budget in accordance with applicable law within the time provided by Section 4.1 hereof which appropriates sufficient moneys to pay such Base Rentals and reasonably estimated Additional Rentals for the next succeeding Renewal Term shall constitute an Event of Nonappropriation.

"Fiscal Year" means the twelve-month period used from time to time by the Board for its financial accounting purposes.

"Force Majeure" means, without limitation, the following: acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies and terrorists; orders or restraints of any kind of the government of the United States of America or of the State or any of their departments, agencies or officials, or any civil or military authority; insurrections; riots; landslides; earthquakes; storms; droughts; floods; explosions; breakage or accidents to machinery, transmission pipes or canals; or any other cause or event not reasonably within the control of the Board and not due to its negligence.

"Ground Lease" means the Ground Lease Agreement dated as of _____ 1, 2026, by and between the Board and the Authority.

"Independent Counsel" means an attorney duly admitted to the practice of law before the highest court of the State and who is not a full-time employee of the Authority, the Board or the Trustee.

"Lease Term" means the duration of the leasehold estate created in the Projects as provided in Article IV of this Master Lease.

"Local Government Bonding Act" means the Local Government Bonding Act, Title 11, Chapter 14, Utah Code Annotated 1953, as amended.

"Net Proceeds", when used with respect to (i) proceeds from policies of insurance required hereby (including any self-insurance), (ii) any condemnation award, (iii) proceeds resulting from a default under a contract relating to the acquisition and construction of a Project (including liquidated damages, if any), or (iv) the proceeds of any liquidation of all or portions of a Project, means the amount remaining after deducting all expenses (including, without limitation, attorneys' fees and costs) incurred in the collection of such proceeds or award from the gross proceeds thereof.

"Nonprofit Corporation Act" means the Utah Revised Nonprofit Corporation Act, Title 16, Chapter 6a, Utah Code Annotated 1953, as amended.

"Original Term" means the portion of the Lease Term which terminates on _____.

"Permitted Encumbrances" means, as of any particular time, (i) liens for taxes and assessments not then delinquent, or which the Board may, pursuant to the provisions of Article IX of this Master Lease, permit to remain unpaid; (ii) this Master Lease, including any security interests granted herein or therein; (iii) utility access and other easements and rights of way,

restrictions and exceptions which the Board Representative and the Authority Representative certify in writing to the Trustee will not interfere with the operation of the Projects or impair the marketability of title to the Projects or the general security provided for the Bondholders of the Bonds; (iv) the Indenture, the Security Documents and related financing statements; (v) the ownership interests of the Board in any real or personal property which is the subject of any lease between the Board, as lessor and the Authority, as lessee that is entered into in furtherance of any Project; (vi) any mechanic's laborer's materialmen's, supplier's or vendor's lien or right in respect thereof if payment is not yet due under the contract in question; (vii) such minor defects, irregularities, encumbrances and clouds on title as normally exist with respect to property of the general character of the Projects and as do not materially impair the operation or marketability of title to the Projects; and (viii) any items contained in a Title Insurance Policy delivered in accordance with Sections 2.4, 2.13 or 2.14 of the General Indenture.

"Project" means, with respect to the Series 2026 Bonds, the construction of school facilities, improvements and equipment and related improvements, and the Authority's interest in the Property for lease to the Board, as more fully described in Exhibit A hereto.

"Projects" has the meaning ascribed to that term in the Indenture and includes the Project.

"Property" means the real property, as more fully described in Exhibit B hereof, where the Project is to be constructed.

"Purchase Option Price" means an amount payable, at the option of the Board, at any time for the purpose of terminating the payment obligation of the Board under this Master Lease with respect to a Project and purchasing the Authority's interest in such Project, which amount, when added to the amounts then on deposit in the Bond Fund and the subaccount within the Debt Service Reserve Fund with respect to such Project (other than moneys held by the Trustee for the payment of the Bonds under the Indenture not deemed Outstanding), shall be sufficient (i) to pay, defease, retire and/or redeem all the Outstanding Bonds of the Series of Bonds issued to finance or refinance the particular Project in accordance with the provisions of the Indenture (including, without limiting the generality of the foregoing, the principal of and interest to maturity or earliest applicable redemption date of the relevant Bonds and premium, if any, thereon, the expenses of defeasance and/or redemption, including escrow agent fees, if any, and fee and expenses of the Board, the Authority and the Trustee and all Security Instrument Costs, Security Instrument Repayment Obligations, Reserve Instrument Costs and Reserve Instrument Repayment Obligations); (ii) in case of redemption, to make arrangements satisfactory to the Trustee for the giving of the required notice of redemption; and (iii) to make any necessary payment of rebate with respect to any Bonds to be paid, defeased, retired and/or redeemed.

"Refunding Bond Act" means the Utah Refunding Bond Act, Title 11, Chapter 27, Utah Code Annotated 1953, as amended.

"Renewal Terms" means the optional Renewal Terms of the Lease Term as provided in Article IV of this Master Lease.

"Rentals" means all Base Rentals and Additional Rentals payable during the Lease Term under this Master Lease.

"Series 2026 Bonds" means the Authority's Lease Revenue Bonds, Series 2026, originally issued in the aggregate principal amount of \$ _____.

ARTICLE II

REPRESENTATIONS, COVENANTS AND WARRANTIES

Section 2.1. Representations, Covenants and Warranties of the Board. The Board represents, covenants and warrants for the benefit of the Authority and the Trustee as follows:

(a) The Board is a body corporate duly existing as such within the State under the Constitution and laws of the State. Under the provisions of the Constitution and laws of the State, the Board is authorized to enter into the transactions contemplated by this Master Lease and to carry out its obligations hereunder. The Board has duly authorized and approved the execution and delivery of this Master Lease. The Board agrees that it will do or cause to be done all things necessary to preserve and keep in full force and effect its existence.

(b) The Authority has by this Master Lease leased the Project and may pursuant to this Master Lease lease other Projects to the Board as hereinafter provided. It is understood by the parties hereto that the Authority has all rights, title and interest in the Project, subject to Permitted Encumbrances.

(c) During the Lease Term, the Project will at all times be used for purposes which are within and consistent with the legal rights, powers and authority of the Authority and the Board under the Constitution and laws of the State.

(d) The Board is not in default under any of the provisions of the laws of the State which default would affect its existence or its powers referred to in this Section 2.1(a) hereof. Neither the execution and delivery of this Master Lease nor the issuance and sale by the Authority of its Bonds, nor the performance by the Board of its obligations under this Master Lease will constitute on the part of the Board a breach of or a default under, any existing law, court or administrative regulation, decree, order or any material agreement, indenture, mortgage, lease or any other instrument to which the Board is subject or by which it is or may be bound.

(e) There is no action, suit or proceeding pending or, to the best knowledge of the Board, threatened, or any basis therefor, before any court or administrative agency which may adversely affect the Board or ability of the Board to perform its obligations under this Master Lease. All authorizations, consents and approvals of governmental bodies or agencies required in connection with the execution and delivery by the Board of this Master Lease or in connection with the carrying out by the Board of its obligations under this Master Lease have been obtained.

(f) The Project constitutes a "project" within the meaning of the Building Authority Act.

(g) The acquisition and construction of the Project will be accomplished in accordance with all applicable laws and the construction and financing of the Project is necessary and appropriate for accomplishing one or more of the authorized functions or public purposes of the Board and is suitable for such purpose and in furtherance of the purposes of the Board and the best interests of the citizens of the District.

(h) No voter approval was sought on the question of whether general obligation bonds of the Board should be issued to finance the Project.

(i) The Board has complied in all material respects with Section 11-14a-1 of the Utah Code as far as such Section applies to the Project.

Section 2.2. Representations, Covenants and Warranties of the Authority. The Authority represents, covenants and warrants for the benefit of the Board and the Trustee as follows:

(a) The Authority is a nonprofit corporation duly incorporated and in good standing under the laws of the State and is duly qualified to transact business in the State, is not in violation of any provision of its Articles of Incorporation or its Bylaws, has the corporate power and authority to enter into this Master Lease and has duly authorized and approved the execution and delivery of this Master Lease by proper corporate action.

(b) The Authority agrees that, so long as this Master Lease has not been terminated, it will maintain its corporate existence, will continue to be a corporation in good standing under the laws of the State, will not dissolve or otherwise dispose of all or substantially all of its assets, except as provided in this Master Lease (or similar leases), and will not consolidate with or merge into another corporation or permit one or more other corporations to consolidate with or merge into it.

(c) The Authority will lease the Project to the Board as hereinafter provided. It is understood by the parties hereto that the Authority shall have all rights, title and interest in the Project, subject to Permitted Encumbrances.

(d) The Authority will not pledge the Base Rentals, the Additional Rentals, Purchase Option Price or any of its other rights under this Master Lease and will not assign its interest in or encumber the Project except as provided hereunder or under the Indenture and the Security Documents. All property and moneys received by the Authority from the Board will, so long as no Event of Nonappropriation or no Event of Default shall occur, be applied for the benefit of the Board, and all property and moneys received by the Authority under this Master Lease with respect to the Project and under the Indenture for the Bondholders of the Bonds will be applied for the proportionate benefit of said Bondholders.

(e) Neither the execution and delivery hereof, nor the fulfillment of or compliance with the terms and conditions hereof, nor the consummation of the transactions contemplated hereby conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the Authority is now a party or by which the Authority is bound, or constitutes a default under any of the foregoing or results in the creation or imposition of any lien, charge or encumbrance

whatsoever upon any of the property or assets of the Authority except Permitted Encumbrances.

(f) Except as otherwise provided in this Master Lease, the Indenture and the Security Documents, the Authority will not assign this Master Lease, its rights to payments from the Board or its duties and obligations under this Master Lease to any other person, firm or corporation so as to impair or violate the representations, covenants and warranties contained in this Section 2.2.

(g) The Authority will not use any of the proceeds of the sale of the Series 2026 Bonds in a manner not authorized by the terms of this Master Lease, the Indenture or the exhibits hereto and thereto.

(h) There is no action, suit or proceeding pending or, to the best knowledge of the Authority, threatened, or any basis therefor, before any court or administrative agency which might adversely affect the Authority or the ability of the Authority to perform its obligations under this Master Lease, the Indenture and the Security Documents. All authorizations, consents and approvals of governmental bodies or agencies required in connection with the execution and delivery by the Authority of this Master Lease, the Indenture, the Security Documents or in connection with the carrying out by the Authority of its obligations under this Master Lease, the Indenture and the Security Documents have been obtained.

(i) The Authority gave notice of its intent to issue the Series 2026 Bonds and no petition meeting the requirements of Section 17D-2-502 of the Building Authority Act was submitted during the 30-day period following publication of such notice. The Authority gave notice of a public hearing and held such public hearing with respect to the issuance of the Series 2026 Bonds all in accordance with the provisions of Section 11-14-318 of the Act.

ARTICLE III

DEMISING CLAUSE

The Authority hereby demises and leases the Project, and the Board leases the same from the Authority, subject only to Permitted Encumbrances in accordance with the provisions of this Master Lease, to have and to hold under this Master Lease unless sooner terminated as expressly provided herein. Nothing in this Master Lease shall be construed to require the Board to operate the Project other than as the lessee hereunder or to exercise its right to purchase any or all of the Project or any portion thereof as provided in Article XII of this Master Lease.

The Trustee shall be empowered, after an Event of Nonappropriation or an Event of Default and the foreclosure of the security afforded under this Master Lease, the Indenture or the Security Documents, to collect the amount of the Base Rentals and Additional Rentals allocable to any sublease from any and all sublessees, and apply the net amount collected to the Base Rentals and Additional Rentals required herein, but no such collection shall be deemed a waiver of any

agreement, term, covenant or condition hereof, or the acceptance of any sublessee as lessee hereunder.

The Authority warrants and covenants that it will acquire the Project for the exclusive use of the Board, subject to Permitted Encumbrances. The Authority will cause to be furnished to the Trustee at the time of delivery of the Series 2026 Bonds, a commitment for title insurance policy which meets the requirements of Section 2.4 of the General Indenture.

ARTICLE IV

LEASE TERM

Section 4.1. Commencement of Lease Term. The Lease Term shall commence as of the date of delivery of the Series 2026 Bonds and shall terminate at midnight on _____. The Lease Term may be continued, solely at the option of the Board, beyond the expiration of the Original Term for an additional one year, (the first "Renewal Term") and for additional Renewal Terms thereafter each of one year in duration (except that the final Renewal Term shall commence _____ and end on _____), upon the Board having adopted a final budget in accordance with applicable law prior to the end of the then-current Original Term or Renewal Term, as the case may be, that appropriates specifically with respect to this Master Lease sufficient Board Funds for the payment of Base Rentals and reasonably estimated Additional Rentals to become due during the next following Renewal Term, it being understood that by budgeting and appropriating such amounts, the Board shall have elected to continue the Lease Term for the next following Renewal Term and shall have given adequate notice thereof as contemplated by Section 17D-2-402(1)(b) of the Building Authority Act. The terms and conditions during any Renewal Term shall be the same as the terms and conditions during the Original Term, except that the Base Rentals shall be as otherwise specified in Exhibit C attached hereto, for each such Renewal Term, as such Schedule may be revised as provided in Section 6.2 hereof. The first appropriation by the Board is expected to be made for the Fiscal Year commencing _____ and no appropriation is required to extend the term of the lease prior to such date.

Within five (5) days after the adoption of such final budget, the Board shall deliver written notice to the Trustee stating that the Board has extended the term of this Master Lease for the succeeding Renewal Term, describing in reasonable detail the actions taken by the governing body of the Board (if such actions are then required to pay any Rentals hereunder or, if no such actions are then required, explaining the reasons therefor) to appropriate funds sufficient for the purpose of paying the Base Rentals and reasonably estimated Additional Rentals (as provided in Sections 6.2 and 6.3 hereof) to become due during such succeeding Renewal Term. Unless the Trustee shall have previously received the foregoing notice applicable to the next succeeding Renewal Term, the Trustee shall, at least 20 days prior to the last day of each Fiscal Year, make written inquiry of the Board as to whether the Board has extended the term of this Master Lease and whether the governing body of the Board shall have made the appropriation necessary to pay the Base Rentals and reasonably estimated Additional Rentals to become due during such succeeding Renewal Term. The Board shall deliver written notice to the Trustee as soon as practicable, but in no event later than the expiration of the Original Term or the then current Renewal Term, stating (as the case may be) that: (i) the governing body of the Board has failed or refused to appropriate, specifically with respect to this Master Lease, moneys sufficient to pay such Base Rentals and

reasonably estimated Additional Rentals for the next succeeding Renewal Term and stating what actions the Board and its officials propose to take with respect to this Master Lease, the Projects and any budgetary procedures for any Base Rentals and Additional Rentals that may thereafter accrue; or (ii) that the Board is precluded from adopting its final budget for the fiscal year in question due to the procedural requirements of State law described below.

In the event the governing body of the Board is precluded, solely as a result of notice, hearing or other procedural requirements imposed by State law in connection with the adoption of a final budget, from adopting a final budget on or prior to the last day of any Fiscal Year, no Event of Nonappropriation shall be deemed to have occurred as a result of the failure to so adopt a final budget, provided that: (i) prior to the last day of such Fiscal Year, the governing body of the Board shall have adopted a tentative budget which includes a tentative appropriation of Board Funds sufficient to pay the Base Rentals and reasonably estimated Additional Rentals to become due during the succeeding Renewal Term; (ii) prior to the last day of such Fiscal Year, the Board shall have delivered to the Trustee and any Security Instrument Issuer, a copy of the tentative budget adopted by its governing body and a notice stating that it is the intention of the governing body to renew the Lease Term upon the adoption of the final budget; (iii) any Base Rentals or Additional Rentals described in the preceding paragraph, and provided further that any Rentals which become due and payable pursuant to the terms of this Master Lease prior to the adoption of such final budget shall be paid by the Board in accordance with the tentative budget adopted by the governing body of the Board; and (iv) the governing body of the Board shall adopt a final budget on or before the last date allowable under applicable law that includes the appropriation of Board Funds required under this Section 4.1 to renew the Lease Term. The Board shall promptly file a copy of the final budget so adopted by its governing body with the Trustee.

Section 4.2. Termination of Lease Term. The Lease Term shall terminate upon the first to occur of the following events:

- (a) the exercise by the Board of its option to purchase the Authority's interest in all of the Projects, granted under the provisions of this Master Lease;
- (b) an Event of Default and the election of the Authority or the Trustee to terminate this Master Lease under Article XIV hereof;
- (c) the discharge of the lien of the Indenture under Article VIII thereof;
- (d) the expiration or termination of the Lease Term pursuant to an Event of Nonappropriation or Section 10.3 of this Master Lease under the conditions provided therein; or
- (e) the last day of the Lease Term of this Master Lease, upon payment of all Base Rentals and Additional Rentals required hereunder.

Section 4.3. Effect on the Board of Expiration or Termination of the Term of this Master Lease. The expiration or termination of the term of this Master Lease as to the Board's right of possession and use of the Projects pursuant to Section 4.2(b) or (d) hereof shall terminate all obligations of the Board under this Master Lease (except to the extent of legally available Board Funds from the Project) and shall terminate the Board's rights of use, occupancy and operation of

the Projects; provided, however, that all other terms of this Master Lease and the Indenture, including all obligations of the Trustee with respect to the Bondholders and the receipt and disbursement of funds, shall be continuing until the lien of the Indenture is discharged or foreclosed, as provided in the Indenture, except that all obligations of the Board to pay any amounts to the Bondholders and the Trustee hereunder shall thereafter be satisfied only as provided in the Indenture. The termination or expiration of the term of this Master Lease as to the Board's right of possession and use pursuant to Section 4.2(b) or (d) hereof, in and of itself, shall not discharge the lien of the Indenture.

Section 4.4. Revised Schedule of Base Rentals and Option Price. Upon partial redemption of any Series of Bonds pursuant to the Indenture, or the issuance of Additional Bonds or Refunding Bonds pursuant to the Indenture, the Authority shall provide the Board and the Trustee with a revised schedule of Base Rentals which schedule shall take into account such redemption or issuance and shall be and become for all purposes thereafter Exhibit C to this Master Lease setting forth the Base Rentals.

ARTICLE V

ENJOYMENT OF PROJECTS

The Authority hereby covenants to provide the Board during the Lease Term with quiet use and enjoyment of the Projects, and the Board shall, by keeping and performing the agreements and covenants on its part contained in this Master Lease, during the Lease Term peaceably and quietly have and hold and enjoy the Projects, without suit, trouble or hindrance from the Authority, the Trustee or the Bondholders, except as expressly set forth herein and in the Indenture and the Security Documents. Neither the Authority, the Trustee nor any Bondholder shall interfere with such quiet use and enjoyment during the Lease Term so long as no Event of Default or Event of Nonappropriation shall have occurred. The Authority shall, at the request of the Board and at the cost of the Board, join in any legal action in which the Board asserts its right to such possession and enjoyment, to the extent that the Authority may lawfully do so. In addition, the Board may at its own expense join in any legal action affecting its possession and enjoyment of the Projects and shall be joined as a party in any action affecting its liabilities hereunder.

The Authority and the Trustee and their respective designated representatives shall have the right at all reasonable times during business hours (and in emergencies at all times) to enter into and upon the Projects for the purpose of inspecting the same, for any purpose related to the Authority's obligations or rights under this Master Lease or for any other lawful purpose.

ARTICLE VI

PAYMENTS BY THE BOARD

Section 6.1. Payments to Constitute Current Expenses of the Board. The Board and the Authority acknowledge and agree that the obligation of the Board to pay Base Rentals and Additional Rentals under this Master Lease constitutes current expenses of the Board payable exclusively from Board Funds and shall not in any way be construed to be an obligation or indebtedness of the Board within the meaning of Sections 3 or 4 of Article XIV of the Utah

Constitution, or any other constitutional or statutory limitation or requirement applicable to the Board concerning the creation of indebtedness. No provision of this Master Lease shall be construed or interpreted (i) to require the governing body of the Board to appropriate any money to pay the Base Rentals, the Additional Rentals or the Purchase Option Price, or (ii) as a lending of the credit of the Board within the meaning of Section 29 of Article VI of the Utah Constitution. Neither the Board, nor the Authority on its behalf, has pledged the credit of the Board to the payment of the Base Rentals, the Additional Rentals, the Purchase Option Price, the Bonds or the interest thereon, and neither this Master Lease, the Indenture nor the Bonds shall directly or contingently obligate the Board to apply money, or to levy or pledge any form of taxation, to the payment of the Base Rentals, the Additional Rentals, the Purchase Option Price or the Bonds or any interest thereon except as expressly provided herein. If the Board fails to pay any Base Rentals or Additional Rentals due under this Master Lease it shall immediately quit and vacate the Projects and its obligation to pay Base Rentals or Additional Rentals hereunder shall terminate.

Section 6.2. Payment of Base Rentals.

(a) The Board shall pay Base Rentals exclusively from Board Funds. The Board shall pay Base Rentals during the Lease Term in such amounts as shall be sufficient to pay principal and interest when due on the Bonds. The Base Rentals shall be payable directly to the Trustee in periodic payments at the times and manner and in the amounts as specified in the schedule of Base Rental payments attached as Exhibit C hereto as shall equal the interest payments falling due on the Bonds on the next succeeding Interest Payment Date and the principal payments falling due on the Bonds either by regularly scheduled maturities or by mandatory sinking fund installment or redemption, on the next succeeding principal payment date, such that there shall be on deposit with the Trustee at least fifteen days prior to each principal and/or interest payment date on the Bonds an amount sufficient to make such payment. At the time of execution of this Master Lease Base Rental payments for each payment date will equal the amounts set forth in Exhibit C hereto. The Board understands that the Base Rental Payment Schedule attached as Exhibit C may be revised from time to time based on the redemption of Bonds (other than mandatory sinking fund redemptions) or the issuance of any Additional Bonds or Refunding Bonds allowed under the Indenture. The Board hereby agrees to pay the Base Rentals in accordance with the Base Rental Payment Schedule attached hereto as Exhibit C hereto as it may be revised from time to time by such amounts as are necessary to reflect the redemption of the principal of certain Bonds or to pay the principal of the Additional Bonds or Refunding Bonds and interest on such Additional Bonds or Refunding Bonds.

In addition, in the event the market value of the amount on deposit in the Debt Service Reserve Fund is, for any reason, reduced below the Debt Service Reserve Requirement, the Board shall, in the event it elects to renew this Master Lease during the following Renewal Term, and as a condition of renewal (but solely from Board Funds), pay to the Trustee in two substantially equal semiannual payments additional Base Rentals during the Lease Term, in an amount sufficient to replenish the Debt Service Reserve Fund to the Debt Service Reserve Requirement. Notwithstanding anything contained herein to the contrary, no payment of Base Rentals or Additional Rentals shall be required to be paid prior to the Completion Date of any one Project with respect to which such Rentals are being paid, provided however, that the Board may appropriate any of such Rentals and

covenants to consider the appropriation of them in the same manner as other Rentals as described herein.

(b) Reserved.

(c) In the event that less than all of any one Project is initially made available for use, occupancy and operation and the Board accepts a portion of any one Project for its use, occupancy and operation pending final completion of the remainder of any one such Project, any Base Rentals paid by the Board with respect to any one such Project shall be prorated in a manner so as to reflect the fair rental value of that portion of the Project then available for use, occupancy and operation by the Board and so used, occupied and operated.

(d) The amount of the Base Rentals otherwise payable by the Board hereunder shall be reduced by an amount equal to (i) any earnings on the investment of the Bond Fund (including the Sinking Fund Account therein), (ii) any moneys transferred to the Bond Fund from the Debt Service Reserve Fund pursuant to the last paragraph of Section 5.10 of the General Indenture (other than from draws on a Reserve Instrument), and (iii) any Direct Payments on deposit with the Trustee in the Bond Fund. In the event that Direct Payments are deposited with the Trustee after the Board has made the related payment of Base Rentals, the Board may elect to have the Trustee return to the Board an amount equal to such Direct Payments (so long as the amount remaining on deposit in the Bond Fund continues to be sufficient to pay principal and interest next due on the Bonds, if such payment is requested prior to the related Interest Payment Date) or to have the Trustee retain the Direct Payments in the Bond Fund and take the credit with respect to the next required Base Rentals payment. Each payment of Base Rentals shall be in consideration for the use of the Projects by the Board during the applicable period commencing on the Bond Payment Date next preceding the Bond Payment Date to which such Base Rental payment is attributable and for the option to purchase the Projects granted herein.

(e) The payments of Base Rentals and Additional Rentals under this Master Lease for each Renewal Term during the term of this Master Lease shall constitute the total Rentals which are payable for said Renewal Term and shall be paid by the Board for and in consideration of the right of use, occupancy and operation of the Projects and the continued quiet use and enjoyment of the Projects for and during said Renewal Term. The parties hereto agree that such total Rentals will represent the fair rental value of the Projects. In making such determination, the parties will give consideration to the costs of financing the Costs of Acquisition and Construction of the Projects, the uses and purposes of the Projects and the benefits therefrom which will accrue to the parties to this Master Lease and the general public by reason of the Projects.

(f) Notwithstanding the foregoing, the Board may not elect to renew this Master Lease in part and in the event it desires to renew this Master Lease must continue to pay Board Funds in an amount sufficient to pay Base Rentals attributable to all of the Projects which have been delivered for occupancy (or any portion thereof, in proportion to such available portion).

(g) It is understood and agreed by the Board that, subject to the terms of this Master Lease and the Indenture, all Base Rentals payable under this Section 6.2 by the Board, as well as the Purchase Option Price, if paid with respect to any or all of the Projects, are assigned by the Authority to the Trustee for the benefit of the Bondholders as set forth in the Indenture. The Board assents to such assignment. The Authority hereby directs the Board, and the Board hereby agrees to pay to the Trustee at its principal office in Salt Lake City, Utah, or such other office as designated by the Trustee, all Base Rentals payable by the Board pursuant to this Section 6.2 and, if paid, the Purchase Option Price.

(h) The amount of the Base Rentals and Purchase Option Price otherwise payable shall be reduced as appropriate to reflect any redemption of Bonds and/or the purchase of Bonds and the cancellation thereof in advance of their maturity. If at any time the amounts held by the Trustee in the Bond Fund and the Debt Service Reserve Fund (other than moneys held for the payment of Bonds not deemed Outstanding) shall be sufficient to pay at the times required the principal of and interest and premium, if any, on all of the Bonds then Outstanding, the Board shall not be obligated to pay any further Base Rentals hereunder.

Section 6.3. Payment of Additional Rentals with Respect to the Projects. In addition to the Base Rentals and as part of the total consideration for the use of the Projects and the option to purchase any or all of the Projects, and commencing upon the execution and delivery of this Master Lease and continuing throughout the period that the Board pays Base Rentals, the Board shall pay or shall cause to be paid the following Additional Rentals, exclusively from Board Funds, during the Lease Term thereof as hereinafter provided:

(a) the annual fee of the Trustee for the ordinary services of the Trustee rendered and their ordinary expenses incurred under the Indenture;

(b) the reasonable fees and expenses of the Trustee and any paying agent appointed under the Indenture with respect to the Bonds for acting as paying agent as provided in the Indenture;

(c) the reasonable fees and expenses of the Trustee for extraordinary services rendered by it and extraordinary expenses, including the fees and expenses of its counsel, incurred as Trustee under the Indenture;

(d) the reasonable out-of-pocket expenses of the Authority relating to the Projects not otherwise required to be paid by the Board under the terms of this Master Lease;

(e) the costs of maintenance and repair of the Projects as required under Section 9.1 hereof;

(f) the costs of taxes, governmental charges, utility charges, management and operations expenses, liens and encumbrances with respect to the Projects as required under Section 9.3 hereof;

(g) the costs of casualty, public liability and property damage and worker's compensation insurance with respect to the Projects as required under Sections 9.4, 9.5 and 9.6 hereof;

(h) the amount of any tax or excise on the Base Rentals, Additional Rentals, Purchase Option Price or any other tax, however described, levied, assessed or imposed by the United States Government, the State or any political subdivision or any taxing authority thereof against the Authority;

(i) an amount equal to any franchise, succession, capital levy or transfer tax or any income, excess profits or revenue tax, or any other tax, assessment, charge or levy upon the Base Rentals, Additional Rentals or the Purchase Option Price payable by the Board pursuant to this Master Lease;

(j) any amounts required to be deposited to the Rebate Fund established with respect to a Series of Bonds;

(k) Security Instrument Costs, Security Instrument Repayment Obligations, Reserve Instrument Costs and Reserve Instrument Repayment Obligations; and

(l) during the Original Term or any Renewal Term in which there is an insufficiency of Net Proceeds as described in Section 10.2 hereof, an amount equal to the insufficiency of Net Proceeds required to repair, replace, restore or modify the affected Project or Projects.

The Additional Rentals specified in subsections (a), (b), (c), (k) and (l) shall be payable to the Trustee and shall be due and payable within ten days after notice in writing from said Trustee to the Board stating the amount of Additional Rentals then due and payable and the purpose thereof. Except as otherwise provided herein or in the Indenture, the Additional Rentals specified in subsections (d), (e), (f), (g), (h), and (i), shall be payable to the Authority or directly to the person or entity with respect to which such costs or fees were incurred and shall be due and payable at such time as the Authority or such person or entity shall require. Additional Rentals specified in subsection (j) shall be determined by, or at the direction of, the Board and deposited with the Trustee as required by Section 148 of the Code.

Section 6.4. Manner of Payment. The Base Rentals, Additional Rentals and, if paid, the Purchase Option Price, shall be paid exclusively from Board Funds and in lawful money of the United States of America. The obligation of the Board to make payment of the Base Rentals and Additional Rentals required under this Article VI and other sections hereof and to perform and observe the other covenants and agreements contained herein shall be absolute and unconditional in all events except as expressly provided hereunder. Notwithstanding any dispute between the Board and the Authority, the Trustee, any Bondholder, any contractor or subcontractor retained with respect to the construction and equipping of a Project, any supplier of labor or materials in connection therewith or any other person, the Board shall pay all payments of Base Rentals and Additional Rentals, from and to the extent of available Board Funds, when due, and shall not withhold any Base Rentals or Additional Rentals pending final resolution of such dispute, nor shall the Board assert any right of set-off or counterclaim against its obligation to make such payments

required hereunder. The obligation of the Board to pay Base Rentals and Additional Rentals during the Original Term or any Renewal Term shall be absolute and unconditional in all events, except as expressly provided herein, and payment of the Base Rentals and Additional Rentals shall not be abated through accident or unforeseen circumstances.

Section 6.5. Expression of Need for the Project by the Board; Determination of Purchase Price.

(a) The Board hereby finds as of the date of this Master Lease, that it has an essential need for the Project to carry out and give effect to the public purposes of the Board. The Board and the Authority hereby agree and determine that the Base Rentals and items of Additional Rentals with respect to the Project are reasonable and that the Purchase Option Price with respect to the Project represents, as of the end of the Lease Term, a reasonable purchase price for the Project. In making such determination the Board and the Authority have given consideration to the costs of the Project, the cost of financing the Project, the uses and purposes for which the Project will be employed by the Board and the benefit to the citizens of the District by reason of the Board's use and occupancy of the Project pursuant to the provisions of this Master Lease.

(b) The Board must find that, as of the date of the execution of an Amendment to this Master Lease relating to a Project, the Board then has an essential need for such Project which is the subject of the Amendment to Master Lease to carry out and give effect to the public purposes of the Board. At the time of execution of such Amendment to Master Lease, the Board and the Authority must agree and determine that the Base Rentals and Additional Rentals payable with respect to such Project that is the subject of such Amendment to Master Lease are reasonable and that the Purchase Option Price represents, as of the end of the Lease Term, a reasonable purchase price for such Project. In making such determination the Board and the Authority will give consideration to the costs of such Project, the cost of financing such Project, the uses and purposes for which such Project will be employed by the Board and the benefit to the citizens of the District by reason of the Board's use and occupancy of such Project pursuant to the provisions of this Master Lease.

Section 6.6. Nonappropriation. In the event that sufficient Board Funds shall not be budgeted and appropriated by the Board, in a final budget adopted within the time permitted by Section 4.1 hereof, for the payment of the (i) Base Rentals becoming due during such Renewal Term, and (ii) such Additional Rentals becoming due during such Renewal Term which can be determined with reasonable accuracy, then an Event of Nonappropriation shall be deemed to have occurred as of the first day of such Renewal Term and the Board shall not be obligated to make payment of the Base Rentals or Additional Rentals provided for herein beyond the last day of the Renewal Term preceding such Event of Nonappropriation. Subject to the provisions of the next succeeding sentence, once the Board has elected to continue this Master Lease for a Renewal Term by budgeting and appropriating sufficient Board Funds for the payment of Base Rentals and Additional Rentals hereunder the Board shall, as of the first day of such Renewal Term, be obligated to pay such Base Rentals and Additional Rentals during such Renewal Term. If the Board fails to pay any Base Rentals or Additional Rentals due under this Master Lease, or upon an Event of Nonappropriation the Board shall immediately quit and vacate the Projects and its

obligation to pay Base Rentals or Additional Rentals hereunder shall terminate. The Trustee shall, upon the occurrence of an Event of Nonappropriation, have all rights and remedies to take possession of the Projects as trustee for the benefit of the Bondholders of the Bonds and the Trustee shall be further entitled to all moneys then on hand and being held in all funds created under the Indenture, less any moneys then due and owing to the Trustee for services performed as trustee thereunder. All property, funds and rights acquired by the Trustee by reason of an Event of Nonappropriation as provided herein shall be held by the Trustee under the Indenture for the benefit of the Bondholders as set forth in said Indenture until the principal of, premium, if any, and interest on the Bonds are paid in full and other amounts payable under the Indenture are paid in full and any excess shall thereafter be paid to the Board.

Section 6.7. Application of Base Rentals, Additional Rentals and Purchase Option Price. All Base Rentals, the Additional Rentals specified in subsections (a), (b), (c), (j) and (k) of Section 6.3 hereof, and, if paid by the Board, the Purchase Option Price shall be paid to the Trustee for application in accordance with the Indenture.

Section 6.8. Request for Appropriation. During the Lease Term, the Board covenants and agrees as follows:

(a) to include in its annual tentative budget prepared by the appropriate officials acting on behalf of the Board in accordance with applicable law an item for expenditure of an amount necessary (after taking into account any and all Board Funds then legally available for such purpose), to pay the Base Rentals and reasonably estimated Additional Rentals (calculated pursuant to Section 6.3 hereof) for the Projects during the next succeeding Renewal Term; and

(b) to take such further action (or cause the same to be taken) as may be necessary or desirable to assure that the final budget submitted to the Board for its consideration seeks an appropriation of Board Funds sufficient to pay such Base Rentals and Additional Rentals for each such Renewal Term, including all such actions for such purpose as may be required under State law.

The next inclusion in the Board's annual tentative budget shall be made under applicable law prior to the fiscal year commencing _____, so that the Base Rentals and the reasonably estimated Additional Rentals payable during such Renewal Term will have been appropriated for such purpose, and subsequent inclusions in each respective tentative budget for appropriations by the Board shall be made in each fiscal year thereafter so that the Base Rentals and Additional Rentals to be paid during the succeeding Renewal Term will be available for such purposes as long as the Board determines to approve such amount in the final budget as adopted. To effect the covenants set forth in (a) above, the Board hereby directs its budget officer, or any other officer at the time charged with the responsibility of formulating budget proposals, to include in the tentative budget prepared annually by such budget officer or other officer and submitted to the Board, in any year in which this Master Lease is in effect, items for all payments required for the ensuing Renewal Term under this Master Lease. It is hereby expressed as the intention of the Board that the decision to renew or not to renew the term of this Master Lease is to be made solely by the Board at the time it considers for adoption of the final budget for each of its fiscal years and corresponding Renewal Terms hereunder, and not by any official of the Board, acting in his or her

individual capacity as such. In this connection, the Board hereby covenants and agrees that such budget officer or other officer shall not amend, modify or otherwise change the appropriations made in any finally adopted budget for the payment of any Base Rentals or Additional Rentals without the express prior approval of the Board.

ARTICLE VII

ACQUISITION AND CONSTRUCTION OF PROJECTS

Section 7.1. Agreement to Acquire and Construct the Projects. The Board and the Authority agree that the Authority shall cause the Projects to be acquired and constructed as herein provided, all of which construction, shall be made in accordance with the plans and specifications for such Projects as approved by the Board. The Board hereby agrees that in order to effectuate the purposes of this Master Lease, it authorizes the Authority Representative or the Board Representative on behalf of the Authority, to make, execute, acknowledge and transmit any other contracts, orders, receipts, writings and instructions with any other persons, firms or corporations and in general do all things which may be requisite or proper, all for the carrying out and furtherance of the acquisition and construction of the Projects.

The Authority agrees to carry out or to cause to be carried out the acquisition, construction and equipping of any Project through the application of moneys to be disbursed from the Construction Fund by the Trustee utilizing a requisition request complying with the requirements of Section 7.3 herein.

The Authority agrees to cause all Projects to be constructed with all reasonable dispatch, subject only to delays caused by Force Majeure excepted.

The Board hereby covenants, to the extent permitted by applicable law, to use other legally available funds and to seek additional legally available funds to the extent necessary to complete the acquisition, construction and equipping of any Project as herein required, or to make certain design changes in such Projects to the extent necessary to complete the acquisition, construction and equipping of such Projects with moneys then available for such purposes in the Construction Fund.

Section 7.2. Application of Proceeds of Series 2026 Bonds. The proceeds from the sale of the Series 2026 Bonds shall be applied as set forth in the First Supplemental Indenture.

Section 7.3. Disbursements From the Construction Fund. The Authority has, in the Indenture, authorized and directed the Trustee to make payments from the Construction Fund under the Indenture to pay the Costs of Acquisition and Construction of the Projects. So long as the Trustee has not received notice nor is deemed to have received notice pursuant to Section 10.1(h) of the General Indenture that an Event of Nonappropriation or Event of Default has occurred and is continuing, the Trustee is hereby authorized to disburse the amounts on deposit in the Construction Fund, as provided herein.

Other than for payment of capitalized interest on the Bonds, which shall be paid by the Trustee without further direction (as prescribed in the First Supplemental Indenture), such payments shall be made upon receipt by the Trustee of a requisition in substantially the form

attached hereto as Exhibit D and signed by the Board Representative on which requisition the Trustee is entitled to conclusively rely.

Section 7.4. Establishment of Completion Date; Disbursement of Balance of Construction Fund. The Completion Date with respect to any one Project shall be evidenced to the Trustee by a certificate signed by the Board Representative and the Authority Representative stating that, except for amounts retained by the Trustee at the direction of the Authority for any Costs of Acquisition and Construction not then due and payable, (i) the acquisition, construction, installation and improvement of such Project has been completed in accordance with the plans and specifications and all labor, services, materials and supplies used in such acquisition, construction, installation and improvement have been paid for; (ii) all other facilities necessary in connection with such Project have been constructed, acquired and installed to their satisfaction; (iii) such Project is suitable and sufficient for its intended purposes; and (iv) all costs and expenses incurred in the acquisition, construction and equipping of such Project have been paid. Notwithstanding the foregoing, such certificate shall state that it is given without prejudice to any rights against third parties which exist at the date of such certificate or which may subsequently come into being. Upon receipt of such certificate, the Trustee shall retain in the applicable Construction Fund account an aggregate sum equal to the amount estimated by the Board Representative and the Authority Representative to be necessary for payment of the Cost of Acquisition and Construction not then due and payable. All moneys then on hand in such Construction Fund account in excess of the amount to be retained shall be transferred by the Trustee, as set forth in a written direction of the Authority and the Board, to the Bond Fund to be used by the Trustee as provided in the related Supplemental Indenture.

Section 7.5. Investment of Construction Fund, Bond Fund, Rebate Fund and Debt Service Reserve Fund Monies. Subject to the provisions of Article VI of the General Indenture, any moneys held as a part of the Construction Fund, the Bond Fund, the Debt Service Reserve Fund or the Rebate Fund or any other fund created under the Indenture shall be invested and reinvested by the Trustee upon the written direction of the Authority in Investment Obligations (as defined in the Indenture) unless otherwise provided by Supplemental Indenture.

The Authority and the Board acknowledge that to the extent regulations of the comptroller of the currency or any other regulatory entity grant the Authority and the Board the right to receive brokerage confirmations of the security transactions as they occur, the Authority and the Board specifically waive receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Issuer periodic cash transaction statements which include the detail for all investment transactions made by the Trustee hereunder.

Section 7.6. Design Contracts and Construction Contracts.

(a) The Board agrees that upon the occurrence of an Event of Nonappropriation or an Event of Default and upon receipt of a written request from the Trustee, it will assign to the Trustee all of its right, title and interest in and to all Design Contracts and other Project documents. The Board shall have and keep on file and available for inspection by the Authority and the Trustee copies of the Design Contracts as soon after the commencement of the Lease Term as such Design Contracts shall become available to the Board and throughout the Lease Term.

(b) Each Construction Contract executed in connection with a Project must provide that, upon an Event of Nonappropriation or Event of Default, the Construction Contract will be fully and freely assignable to the Trustee without the consent of any other person; and that, if the Construction Contract is assumed by the Trustee, the Contractor will perform the agreements contained in the Construction Contract for the Trustee. Each Construction Contract must also provide that, upon an Event of Nonappropriation, an Event of Default or damage to, or destruction or condemnation of, the Project as described in Section 10.1 hereof, the Trustee may terminate such Contract, and the contractor shall then be entitled to payment only from amounts available therefor in the Construction Fund and only for work done prior to such termination. The Board agrees that upon the occurrence of an Event of Nonappropriation or an Event of Default and upon receipt of a written request from the Trustee, it will assign to the Trustee all of its right, title and interest in and to all Construction Contracts and other Project documents. Each Construction Contract shall be for a fixed price and shall require the contractor to provide 100% payment and performance bonds as provided in Section 7.8 hereof. In the event of any change order resulting in the performance of additional work in connection with the construction of the Project, the amount of such bonds pertaining thereto shall be increased to include the cost of such additional work or materials or fixtures to be incorporated in the Project. The Board shall have and keep on file and available for inspection by the Authority and the Trustee copies of the Project documents as soon after the commencement of the Lease Term as such Project documents shall become available to the Board and throughout the Lease Term.

(c) The Board may enter into Design Contracts and Construction Contracts on behalf of the Authority and may serve as construction agent for the Authority.

Section 7.7. Defaults Under Design Contracts or Construction Contracts In the event of any material default under any Design Contract or Construction Contract, or in the event of a material breach of warranty thereunder with respect to any materials, workmanship or performance, the Board and the Authority shall promptly proceed, either separately or in conjunction with others, to pursue diligently their remedies against the Contractor in default and/or against each surety on any bond securing the performance of such contracts. The Net Proceeds of any amounts recovered by way of damages, refunds, adjustments or otherwise in connection with the foregoing, after deduction of expenses incurred in such recovery (including, without limitation, attorneys' fees and costs) and, after reimbursement to the Board or the Authority of any amounts theretofore paid by the Board or the Authority and not previously reimbursed to the Board or the Authority for correcting or remedying the default which gave rise to the proceedings against the contractor or surety, shall be paid into the applicable Construction Fund account if received before the Completion Date, and shall be used for Costs of Acquisition and Construction of the related Project, or, at the direction of the Authority, shall be transferred by the Trustee into the Bond Fund created under the Indenture to pay principal and/or interest next coming due on the related Series of Bonds.

Section 7.8. Contractor's Performance and Payment Bonds. Each Contractor retained by the Board or the Authority in connection with a Construction Contract shall be required to furnish a performance bond and a labor and material payment bond on forms acceptable to the Board. Such bond shall be made payable to the Trustee and shall be executed by a corporate surety

licensed to transact business in the State and shall be in the full amount of the contract price for such contractor's portion of such Project. If, at any time during the construction of a Project, the surety on such bond shall be disqualified from doing business in the State, an alternate surety shall be selected by the Authority.

Section 7.9. Contractor's General Public Liability and Property Damage Insurance. Each Contractor and subcontractor retained by the Board or the Authority in connection with a Construction Contract shall be required to procure and maintain comprehensive general public liability and property damage insurance as applicable, at his own cost and expense, in an amount that is consistent with prudent practice during the duration of such Construction Contract. Such policies shall carry loss payable endorsements in favor of the Trustee under the Indenture. Such insurance shall include a provision prohibiting cancellation or amendment without ten (10) days' prior notice by certified mail to the Trustee. Such insurance shall provide protection from all claims for bodily injury, including death, and all claims for destruction of or damage to the respective Project arising out of or in connection with such contractor's performance of his contract, whether such operations be by himself or by any subcontractor under him or anyone directly or indirectly employed by the contractor or such subcontractor. All limitations of liability contained in such insurance policy or policies and set forth on such certificate of insurance, and any exclusions provided therein, shall be approved by the Board. The requirements of this Section 7.9 may be met with respect to subcontractors by contractually obligating a Contractor to ensure that the subcontractors it retains comply with such requirements.

Section 7.10. Contractor's Builder's Risk Completed Value Insurance. Unless otherwise obtained by the Board or the Authority, each Contractor and subcontractor retained by the Board or the Authority in connection with a Construction Contract shall be required to procure and maintain during the term of his contract and until such Project is accepted and insured by the Authority and the Board, builder's risk completed value insurance upon the building, facilities or improvements constructed or to be constructed, in whole or in part, by such contractor or subcontractor, insuring against loss or damage caused by fire, malicious mischief, vandalism and such other hazards as may be insured against in the standard extended coverage provisions of such policies used in the State. Such policies may contain deductible amounts of not more than the amount that is then customary for such policies. Such insurance coverage shall be in an amount at least equal to the contract price for such contractor's or subcontractor's work. In the event of any change order resulting in the performance of additional work in connection with a Project, the amount of such insurance shall be increased to include the cost of such additional work, as well as materials and fixtures to be incorporated in such Project.

Such builder's risk completed value insurance policies shall carry loss payable endorsements in favor of the Trustee under the Indenture. No agency or employee of the Board or the Authority shall have the power to adjust or settle any loss with respect to a Project without the prior written consent of the Trustee. Such insurance shall contain provisions prohibiting cancellation or amendment without ten (10) days' prior written notice to the Authority and the Trustee.

Section 7.11. Contractor's Worker's Compensation Insurance. Each contractor and subcontractor retained in connection with a Construction Contract shall be required to procure and

maintain worker's compensation insurance during the term of his contract as required by the laws of the State, covering his employees working thereunder, which coverage shall also include occupational disease. Such insurance, if issued by a private carrier, shall contain a provision that such coverage shall not be canceled or amended without ten (10) days' prior written notice to the Board. Each Construction Contract shall also provide that each subcontractor of any contractor who is a party to such contract shall be required to furnish similar worker's compensation insurance, including occupational disease coverage. The requirements of this Section 7.11 may be met with respect to subcontractors by contractually obligating a Contractor to ensure that the subcontractors it retains comply with such requirements.

Section 7.12. Proceeds of Certain Insurance Policies and Performance Bonds. The Net Proceeds of any performance or payment bond or insurance policy required by Section 7.8, Section 7.9 and Section 7.10 of this Master Lease shall be deposited with the Trustee and applied as provided in Section 10.2 of this Master Lease and Section 5.16 of the General Indenture.

ARTICLE VIII

TITLE TO THE PROJECTS; SECURITY INTEREST

Section 8.1. Title to the Projects. A fee simple interest or leasehold interest, as applicable, in the site of the Projects and title to the Projects and any and all additions, repairs, replacements or modifications thereto, shall be held in the name of the Authority, subject to Permitted Encumbrances, at all times until conveyed to the Board as provided in Section 12.1 of this Master Lease. The Board shall not have any right, title or interest in a Project or any additions, repairs, replacements, modifications or fixtures thereto except as expressly set forth herein.

Section 8.2. Security Interest. To secure the payment of all of the obligations of the Authority under the Indenture, the Authority shall grant to the Trustee a security interest in the Projects and the Base Rentals received by the Authority under this Master Lease. Upon execution of this Master Lease, the Board and the Authority agree that the Authority shall execute the Security Documents and the Indenture. The Authority agrees that the Authority Representative shall, on its behalf, execute such additional documents, including affidavits, notices and similar instruments, in form satisfactory to the Authority or the Trustee, which the Authority or the Trustee reasonably deems necessary or advisable to establish and maintain the security interests to be granted pursuant to this Section 8.2. The Authority, the Board and the Trustee, when directed by the Authority in writing, shall execute from time to time such continuation statements as will be necessary to preserve and protect the security interest granted under the provisions in this Section 8.2.

ARTICLE IX

MAINTENANCE; TAXES; INSURANCE AND OTHER CHARGES

Section 9.1. Maintenance of the Projects by the Board. The Board shall, at its own expense from available Board Funds, operate, manage, keep and maintain the Projects (or cause the Projects to be operated, managed, kept and maintained) in good working order, condition and repair, including replacements of a capital nature when necessary, and including periodic painting

as reasonably determined by the Authority and in accordance with all operating and maintenance manuals and all applicable laws, rules, ordinances, orders and regulations as shall be in effect from time to time of: (1) any federal, state, county, municipal, or other governmental or quasi-governmental agencies and bodies having or claiming jurisdiction thereof and all their respective departments, bureaus, and officials; (2) the insurance underwriting board or insurance inspection bureau having or claiming jurisdiction thereof; and (3) all insurance companies insuring all or any part of the Projects. The foregoing shall not be construed to prohibit the Board from challenging the validity or applicability of such laws, rules, ordinances, orders and regulations and to defer compliance until the challenge has been completed.

It is understood and agreed that in consideration of the payment by the Board of the Base Rentals and Additional Rentals herein provided for, the Authority is only obligated to provide the Projects in the manner, at the times and to the extent herein provided, and neither the Authority, the Trustee nor any owner of any Bond shall have any obligation to incur any expense of any kind or character in connection with the management, operation or maintenance of the Projects during the term of this Master Lease.

Without limiting the generality of the foregoing, the Board shall, as if the Board were the absolute owner thereof, assume all responsibility for the Projects (including all surfaces of the buildings and entrances thereto, foundations, ceilings, roof, all glass and show window moldings and all partitions, doors, fixtures, equipment, and appurtenances thereto, including lighting and plumbing systems and fixtures, sewage facilities, electric motors and heating, ventilating and air-conditioning systems, and all landscaping, parking lots, driveways, fences and signs located on the sites where the Projects are located and all sidewalks and parkways located adjacent to the sites where the Projects are located) and pay all costs or cause the payment of all costs of any kind (including operating costs and costs of repair, whether of a capital nature or otherwise) associated therewith.

Section 9.2. Modification of the Projects. The Board shall have the privilege of remodeling any Project or making substitutions, additions, modifications and improvements thereto, at its own cost and expense, and the same shall be subject to this Master Lease, the Indenture and the Security Documents, and shall also be included under the terms hereof and thereof; provided, however, that such remodeling, substitutions, additions, modifications and improvements shall not in any way damage such Project or cause it to be used for purposes other than those authorized under the provisions of this Master Lease, and the Constitution and laws of the State; and provided, however, that such Project, as remodeled, improved or altered upon completion of such remodeling, substitutions, additions, modifications and improvements made pursuant to this Article IX shall be of a fair rental value not less than the fair rental value of such Project immediately prior to the remodeling or the making of substitutions, additions, modifications and improvements. The Board shall not permit any mechanic's or other lien to be established or remain against the Projects for labor or materials furnished in connection with any remodeling, substitutions, additions, modifications, improvements, repairs, renewals or replacements so made by the Board; provided, however, that if the Board shall first notify the Trustee of the intention of the Board so to do, the Board may in good faith contest any mechanic's or other lien filed or established against the Projects, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom unless the Trustee shall notify the Board that, in the opinion of Independent Counsel,

by nonpayment of any such items the security afforded pursuant to the terms hereof and pursuant to the Indenture and the Security Documents will be materially endangered or the Projects or any part thereof will be subject to loss or forfeiture, in which event the Board shall promptly pay and cause to be satisfied and discharged all such unpaid items. The Trustee will cooperate fully with the Board in any such contest, upon the request and at the expense of the Board. Any property for which a substitution or replacement is made pursuant to this Section 9.2 may be disposed of by the Board in any manner and in the sole discretion of the Board.

Section 9.3. Taxes, Other Governmental Charges and Utility Charges. In the event that a Project or any portion thereof shall, for any reason, be deemed subject to taxation, assessments or charges lawfully made by any governmental body which may be secured by a lien against such Project, an Additional Rental, from and to the extent of Board Funds, shall be paid, or cause to be paid, by the Board equal to the amount of all such taxes, assessments and governmental charges then due. With respect to special assessments or other governmental charges which may be lawfully paid in installments over a period of years, the Board shall be obligated to provide for Additional Rentals only for such installments as are required to be paid during that period that the Board is obligated to pay Base Rentals. The Board shall not allow any liens for taxes, assessments or governmental charges to exist (including, without limitation, any taxes levied which, if not paid, will become a charge on the rentals and receipts prior to or on a parity with the charge thereon and the pledge and assignment thereof to be created and made in the Indenture), or any interest therein (including the interest of the Authority) on the rentals and revenues derived therefrom or hereunder. The Board shall also pay, or shall cause to be paid, as Additional Rentals, from and to the extent of available Board Funds, as the same respectively become due, all gas, water, steam, electricity, heat, power, telephone, utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Projects.

As long as the Board is in possession of the Projects and except as otherwise provided herein, it shall keep it free and clear of all liens, charges and encumbrances (except Permitted Encumbrances and any encumbrances arising through the Authority) and shall have the responsibility for all management, operations, maintenance and repair of the Projects. The Board in its discretion may discharge its responsibility hereunder by: (1) using its own employees; or (2) contracting for services; or (3) subleasing all or portions of the Projects, subject to the provisions of this Master Lease and the Indenture; or (4) any combination of such methods. No such contract or sublease shall place a greater burden on the Authority than provided herein, nor infringe upon rights granted to or retained by the Authority hereunder, nor violate or in any way impair the Authority's obligations under the Indenture or any other instrument, if any, securing any debt or borrowings by the Authority, all or substantially all the proceeds of which are to be used to finance Projects.

The Board may, at the expense and in the name of the Board, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom provided the Board shall first deposit with the Trustee, or in court, a bond or other security satisfactory to the Trustee pursuant to the Security Documents unless the Trustee shall notify the Board that, in the opinion of Independent Counsel, by nonpayment of any such items the security afforded pursuant to the terms hereof and pursuant to the Indenture and the Security Documents will be materially endangered or the Projects or any portion thereof will be

subject to loss or forfeiture, in which event such taxes, assessments or charges shall be paid forthwith. In the event that the Board shall fail to pay any of the foregoing items required by this Section 9.3 to be paid by the Board, the Trustee may (but shall be under no obligation to) pay the same, which amounts, together with interest thereon at a rate per annum equal to the Base Rate, the Board agrees to pay from and to the extent of available Board Funds.

Section 9.4. Provisions Respecting Insurance. The Board agrees to insure or cause to be insured the Projects against loss or damage of the kinds usually insured against by public bodies similarly situated, including, without limitation, policies of casualty and property damage, by means of policies issued by reputable insurance companies duly qualified to do such business in the State with a uniform standard coverage endorsement limited only as may be provided in the standard form of extended coverage endorsement at that time in use in the State, in amounts that are not less than full insurable value of the Projects. The term "full insurable value" as used herein shall mean the actual replacement value, or at the option of the Board any lesser amount which is equal to or greater than the principal amount of all of the Bonds then Outstanding of the Series which financed said Project (or applicable portions thereof in case said Series of Bonds financed more than one Project). Alternatively, the Board may insure or cause to be insured under a blanket insurance policy or policies which cover not only the Projects but other properties in the amounts required by the previous sentence.

Any insurance policy issued pursuant to the preceding paragraph of this Section 9.4 shall be so written or endorsed as to make losses, if any, payable to the Trustee. The Net Proceeds of the insurance required in this Section 9.4 shall be applied as provided in Section 10.2 hereof or, at the option of the Board, Section 10.3 hereof. Each insurance policy provided for in this Section 9.4 shall contain a provision to the effect that the insurance company shall not cancel the policy or modify it materially and adversely to the interest of the Board, the Authority or the Trustee without first giving written notice thereof to the Board, the Authority and the Trustee at least thirty days in advance of such cancellation or modification. Certificates evidencing all insurance policies issued pursuant to this Section 9.4 or Section 9.5 hereof shall be deposited with Trustee. The Trustee shall have no obligation to review the sufficiency or form of any insurance required hereunder.

Section 9.5. Public Liability Insurance. The Board agrees to carry or cause to be carried public liability insurance with one or more reputable insurance companies in amounts that are typically carried by governmental entities of the same size as the Board for property damage for any occurrence. In the event that the limits on governmental liability established by Title 63G, Chapter 7, Utah Code Annotated 1953, as amended, are increased, the amounts required by this Section 9.5 shall be deemed to be increased to such higher amounts. If self-insurance is not utilized, the Authority and the Trustee shall be made additional insureds under such policies. The insurance required by this Section 9.5 may be by blanket insurance policy or policies or self-insurance meeting the following requirements: (i) such program must provide for disbursements therefrom without action (other than a ministerial action) of the governing body of the Board and (ii) such program shall be reviewed at least annually by an actuarial consultant (including professional staff of the Board), to insure that the reserves established are sufficient for the risks intended to be covered by such program. If self-insurance is not utilized, the policies may have a deductible clause in such amount as shall be approved by the Authority. The Board may not self-insure for property/casualty insurance without the prior consent of any Security Instrument Issuer.

Section 9.6. Worker's Compensation Coverage. At all times from the date hereof until the end of the Lease Term, the Board shall, either by a policy of insurance or by self-insurance, maintain or cause to be maintained worker's compensation coverage with respect to officers, agents and employees of the Board working in, on or about the Projects, including coverage for occupational diseases.

Section 9.7. Advances. In the event the Board shall fail to maintain the full insurance coverage required by this Master Lease or to keep the Projects in good repair and operating condition, the Trustee may take out the required policies of insurance and pay the premiums on the same or may make such repairs or replacements as are necessary and provide for payment thereof; which amounts, together with interest thereon at a rate per annum equal to the Base Rate, the Board agrees to pay, from and to the extent of available Board Funds.

Section 9.8. Failure to Provide Insurance. In the event the Authority is required under Security Documents to reimburse the Trustee for any insurance policies required by this Article IX, the Board will promptly pay directly to the Trustee all premiums for said insurance, and until payment is made by the Board therefor, the amount of all such premiums which have been paid by the Trustee shall bear interest at the Base Rate. The Board shall, upon the Authority's reasonable request, deposit with the Trustee on the first of each month, monthly installments each in an amount equal to one-twelfth of the estimated aggregate annual insurance premiums on all policies of insurance required by this Article IX. The Board further agrees, upon the Authority's request, to cause all bills, statements or other documents relating to the foregoing insurance premiums to be sent or mailed directly to the Trustee. If at any time and for any reason the funds deposited with the Trustee are or will be insufficient to pay such amounts as may then or subsequently be due, the Authority shall notify the Board and the Board shall immediately deposit an amount equal to such deficiency with the Trustee. The Board shall pay to the Trustee, all reasonable fees for extraordinary services rendered by the Trustee pursuant to this Section 9.8.

Section 9.9. Evidence and Notice Regarding Insurance. Evidence of the insurance required by Sections 9.4, 9.5 and 9.6 hereof shall be provided by the Board to the Trustee annually on or before the anniversary date of issuance of the Series of Bonds which financed the applicable Project. Unless self-insurance is provided, policies providing said insurance shall require that notice of cancellation of any said insurance must be furnished to the Trustee by the insurance carrier thirty (30) days in advance of cancellation.

ARTICLE X

DAMAGE, DESTRUCTION AND CONDEMNATION; USE OF NET PROCEEDS

Section 10.1. Damage, Destruction and Condemnation. If, prior to the termination of the Lease Term and the payment in full of the Bonds (or the making of provisions for the payment thereof in accordance with the Indenture) (i) the Projects or any material portion thereof shall be destroyed (in whole or in part), or damaged by fire or other casualty; or (ii) title to, or the temporary or permanent use of the Projects or any material portion thereof or the Projects or any material portion thereof shall be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority; or

(iii) a material defect in construction of a Project shall become apparent; or (iv) title to or the use of all or any material portion of the Projects shall be lost by reason of a defect in title thereto, the Board shall be obligated, from and to the extent of Board Funds and subject to the provisions of Section 10.3 of this Master Lease, to continue to pay the amounts specified in Sections 10.2, 6.2 and 6.3 of this Master Lease regardless of whether said Project or Projects shall have been accepted.

Section 10.2. Obligation of the Board to Repair and Replace a Project or Projects. Subject to the provisions of Section 10.3 of this Master Lease, the Board, the Authority, and the Trustee shall cause the Net Proceeds of any insurance policies, performance bonds or condemnation awards with respect to a Project or Projects to be deposited in the applicable Construction Fund account(s) if received before the Completion Date and in a separate trust fund under the Indenture if received thereafter. All Net Proceeds so deposited shall be applied to the prompt repair, restoration, modification or improvement of said Project or Projects by the Board upon receipt of a requisition acceptable to the Trustee signed by the Board Representative, stating with respect to each payment to be made: (i) the requisition number; (ii) the name and address of the person, firm or corporation to whom payment is due; (iii) the amount to be paid; (iv) that each obligation mentioned therein has been properly incurred, is a proper charge against the applicable Construction Fund account(s) or separate trust fund, and has not been the basis of any previous withdrawal and specifying in reasonable detail the nature of the obligation, accompanied by a bill or a statement of account for such obligation; and (v) such other documents and information as the Trustee requires. The balance of any such Net Proceeds remaining after such repair, restoration, modification or improvement has been completed shall be transferred to the Bond Fund to be applied to the payment of the principal of, premium, if any, and interest on the applicable Series of Bonds, or if said Bonds shall have been fully paid (or provision for payment thereof has been made in accordance with the provisions of the Indenture), any balance remaining in such Construction Fund account(s) or separate trust fund shall be paid to the Board. If the Net Proceeds shall be insufficient to pay in full the cost of any repair, restoration, modification or improvement, the Board shall, from and to the extent of available Board Funds, complete the work and pay any cost in excess of the amount of the Net Proceeds. The Board agrees that, if by reason of any such insufficiency of the Net Proceeds, the Board shall make any payments pursuant to the provisions of this Section 10.2, the Board shall not be entitled to any reimbursement therefor from the Authority, the Trustee or the Bondholders of the Bonds nor shall the Board be entitled to any diminution of the Base Rentals and Additional Rentals payable under Section 6.2 and Section 6.3 of this Master Lease. The Board further agrees that any repair, restoration, modification or improvement paid for in whole or in part from such Net Proceeds shall be subject to the security afforded by the Indenture, this Master Lease and the Security Documents, and shall be included under the terms hereof.

Section 10.3. Covenant to Seek Appropriation of Insufficiency of Net Proceeds; Discharge of the Obligation of the Board to Repair and Replace the Projects. In the event that the Net Proceeds of any insurance policy, performance bond or condemnation award shall be insufficient to pay in full the cost of any repair, restoration, or modification of a Project or Projects required under Section 10.2 of this Master Lease, the appropriate budget officers of the Board shall, within 30 days of notice of such insufficiency, seek an appropriation from the Board for an amount equal to any such insufficiency. In the event that the Board shall fail to appropriate, by the first day of the next Renewal Term following such request for an appropriation, an amount at

least equal to such insufficiency for such purpose, the obligation to repair and replace said Project or Projects under Section 10.2 of this Master Lease may be discharged by depositing the Net Proceeds of the insurance policies, performance bonds or condemnation awards made available by reason of such occurrence into the Bond Fund. Upon the deposit of such Net Proceeds in said Bond Fund, the Board shall have no further obligation for the payment of Base Rentals and Additional Rentals hereunder with respect to said Project or Projects, and possession of said Project or Projects as well as all rights created pursuant to this Master Lease and the interest of the Board and the Authority therein and in any funds or accounts created under the Indenture with respect to said Project or Projects (except for moneys held in the Rebate Fund and for the payment of Bonds not then deemed Outstanding), shall be surrendered to the Trustee, as trustee for the Bondholders of the applicable Series of Bonds. Thereafter, the Authority's interest in said Project or Projects may be liquidated pursuant to the provisions of and subject to the limitations set forth in the Indenture, Security Documents and the proceeds of such liquidation and the Net Proceeds of any insurance policy, performance bond or condemnation award so deposited in the Bond Fund, as well as all other moneys on deposit in any fund created under the Indenture with respect to said Project or Projects (except moneys held in the Rebate Fund or for the payment of Bonds not then deemed Outstanding), shall be applied to the redemption of the applicable Series of Bonds on the next succeeding redemption date. Such redemption of the applicable Series of Bonds shall be made upon full or partial payment of the principal amount of said Bonds then Outstanding and accrued interest thereon all in accordance with the Indenture.

Section 10.4. Cooperation of the Authority and the Trustee. The Authority and the Trustee shall cooperate fully with the Board at the expense of the Board in filing any proof of loss with respect to any insurance policy or performance bond covering the events described in Section 10.1 of this Master Lease and in the prosecution or defense of any prospective or pending condemnation proceeding with respect to a Project or Projects or any portion thereof or any property of the Board in connection with which a Project or Projects is used and will, to the extent it may lawfully do so, and shall permit the Board to litigate in any proceeding resulting therefrom in the name and behalf of the Authority and the Trustee. In no event will the Authority or the Trustee voluntarily settle, or consent to the settlement of, any proceeding arising out of any insurance claim or any prospective or pending condemnation proceeding or any part thereof without the written consent of the Board Representative.

Section 10.5. Condemnation of Property Owned by the Board. The Board shall be entitled to the Net Proceeds of any condemnation award or portion thereof made for destruction of, damage to or taking of its property not included in the Projects.

ARTICLE XI

DISCLAIMER OF WARRANTIES; COMPLIANCE WITH LAWS AND RULES; OTHER COVENANTS

Section 11.1. Disclaimer or Warranties. NEITHER THE AUTHORITY NOR THE TRUSTEE MAKE ANY WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR FITNESS FOR USE OF THE PROJECTS OR ANY OF THE EQUIPMENT OR FIXTURES THEREIN OR ANY OTHER REPRESENTATION OR

WARRANTY. In no event shall the Authority or the Trustee be liable for any incidental, indirect, special or consequential damage in connection with or arising out of this Master Lease or the existence, furnishing, functioning or the use by the Board of any item, product or service provided for herein.

Section 11.2. Further Assurances and Corrective Instruments. The Board and the Authority agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Projects hereby leased or intended so to be or for carrying out the intention hereof.

Section 11.3. Board and Authority Representatives. Whenever under the provisions hereof the approval of the Board or the Authority is required, or the Board or the Authority is required to take some action at the request of the other, such approval or such request shall be given for the Board by the Board Representative and for the Authority by the Authority Representative, and any party hereto and the Trustee shall be authorized to act on any such approval or request.

Section 11.4. Requirements of Law. During the Lease Term, the Board and the Authority shall observe and comply promptly with all current and future laws, ordinances, orders, rules and regulations as the same become effective, of the federal, state, county and city governments and of all courts or other governmental authorities having jurisdiction over the Projects or any portion thereof and of all their respective departments, bureaus and officials, and of the insurance regulatory agencies having jurisdiction over the Projects, or any portion thereof, or any other body exercising similar functions, and of all insurance companies writing policies covering the Projects or any portion thereof, whether the same are in force at the commencement of the Lease Term or may in the future be passed, enacted or directed.

Section 11.5. Inspection of the Projects. The Board and the Authority agree that the Trustee and their duly authorized agents shall have the right at all reasonable times to enter upon the Projects and to examine and inspect the same. The Trustee and their duly authorized agents shall also be permitted, at all reasonable times, to examine the books, records, reports and other papers of the Board and the Authority with respect to the Projects.

Section 11.6. Granting of Easements and Releases. As long as no Event of Default with respect to the Projects shall have happened and be continuing, the Board may at any time or times grant easements, licenses, rights of way and other rights or privileges in the nature of easements with respect to any property or rights included in this Master Lease and the Indenture, free from the security interest afforded by or under this Master Lease, the Indenture and the Security Document or the Board may release portions of the sites on which a Project or Projects is located or existing easements, licenses, rights of way and other rights and privileges with or without consideration, and the Authority agrees that it shall execute and deliver and will cause and direct the Trustee to execute and deliver, any instrument necessary or appropriate to confirm and grant or release such portion of the Property or any such easement, license, right of way or other grant or privilege upon receipt of: (i) a copy of the instrument of grant or release; (ii) a written application signed by the Board Representative requesting such instrument and stating that such grant or release will not impair the effective use or interfere with the operation of such Project or Projects

or any material portion thereof; and (iii) an opinion of counsel to the Board that such grant or release will not materially weaken, diminish or impair the security granted to the Bondholders and contemplated hereby or under this Master Lease, the Indenture or the Security Documents. Notwithstanding anything to the contrary, the Board shall have the authority to revise the initial metes and bounds description of a Project to conform the same to the subdivision plat enforceable in law and equity related to the Project (including any easement, license, right of way or other grant or privilege related to the Property or Project) without compliance with the conditions listed immediately above in (ii) or (iii).

Section 11.7. Issuance of Refunding Bonds. Refunding Bonds may be issued by the Authority in accordance with the provisions of Section 2.13 of the General Indenture and with a corresponding effect on the Base Rentals and Additional Rentals due under this Master Lease as provided in Section 4.4 hereof.

Section 11.8. Issuance of Additional Bonds. Additional Bonds may be issued by the Authority in accordance with the provisions of Section 2.14 of the General Indenture and with a corresponding effect on the Base Rentals and Additional Rentals due under this Master Lease as provided in Section 4.4 hereof.

ARTICLE XII

CONVEYANCE OF THE PROJECTS

Section 12.1. Conveyance of the Projects.

(a) The Authority's right and interest in and to all of the Projects shall be transferred, conveyed and assigned by the Authority to the Board:

(i) Upon payment by the Board to the Trustee of the then applicable Purchase Option Price and upon giving not less than thirty days prior written notice to the Authority and the Trustee; or

(ii) Upon payment by the Board to the Trustee of all Base Rentals and Additional Rentals required to be paid under this Master Lease during the Lease Term; or

(iii) Upon the discharge of the lien of the General Indenture under Article VIII thereof.

Under the Indenture, the Trustee agrees to execute such documents and instruments as shall be necessary to effect a release of the security interest granted by said Indenture or the Security Documents upon the payment in full of all of the Bonds.

(b) The Board understands that the Purchase Option Price may be revised from time to time based on certain redemptions of Bonds (other than mandatory sinking fund redemptions) or the issuance of any Additional Bonds or Refunding Bonds authorized under the Indenture. In the event the Board so elects to purchase all of the Projects as provided herein, the Board hereby agrees to pay such applicable Purchase Option Price

(together with the other amounts constituting the purchase price for the Projects as provided herein) as it may be revised from time to time by such amounts as are necessary to reflect the redemption of the Bonds or the issuance of Additional Bonds or Refunding Bonds. Nothing herein shall be construed to create any obligation of the Board to purchase the Projects.

Section 12.2. Release of a Project Upon Payment of Related Series of Bonds. In addition to the purchase option set forth above, the Board is hereby granted the option of purchasing a Project in advance of the final maturity of the related Series of Bonds. So long as no Event of Default shall have occurred and be continuing under the Indenture and so long as no Event of Default or Event of Nonappropriation shall have occurred and be continuing under this Master Lease and the Security Instrument Issuer for the related Series of Bonds shall have consented thereto (which consent shall not be unreasonably withheld) unless the related Series of Bonds have been legally defeased or refunded, a Project may be released from the lien created with respect to the Bonds and the Indenture and this Master Lease and transferred to the Board (subject to Permitted Encumbrances and liens and encumbrances resulting from the failure of the Board to perform or observe the agreements on its part contained in this Master Lease or otherwise consented to by the Board), if (i) the Board shall deposit with the Trustee the Purchase Option Price for such Project; and (ii) there shall have been delivered to the Trustee an opinion of nationally recognized bond counsel to the effect that the release of such Project will not adversely affect the excludability of interest on the Tax-Exempt Bonds from federal gross income of the owners thereof or the status of the Bonds as Tax Credit Bonds, if applicable. The Board shall be obligated to pay all costs of the Trustee and the Authority in providing for the transfer and release of any Project or portion thereof.

Section 12.3. Conveyance on Purchase of Projects. At the closing of any purchase of any or all of the Projects pursuant to the option to purchase granted in this Master Lease, the Authority shall, upon receipt by the Trustee of the Purchase Option Price, or upon the payment by the Board of all Base Rentals and Additional Rentals required, or upon discharge of the lien of the Indenture as the case may be, deliver to the Board the following:

(a) If necessary, a release by the Trustee of the lien under the Indenture and Security Documents, together with any other instrument necessary or appropriate to release any security interest granted by this Master Lease with respect to the Project or Projects to be released, the Indenture and the Security Documents.

(b) All necessary documents conveying to the Board good and marketable title to the Project or Projects to be released as it then exists subject to the following: (i) the right, title and interest of the Board in such Project or Projects; (ii) those liens and encumbrances created by the Board or to the creation or suffering of which the Board consented; (iii) those liens and encumbrances resulting from the failure of the Board to perform or observe any of the agreements on its part contained in this Master Lease; and (iv) Permitted Encumbrances, other than the Indenture, this Master Lease, the Security Documents and any financing statements filed by the Authority pursuant to this Master Lease with respect to the Project or Projects to be released or the Indenture.

Section 12.4. Relative Position of Option and Indenture. The purchase option granted to the Board in Section 12.1 hereof with respect to all of the Projects shall be and remain prior and superior to the Indenture and may be exercised whether or not an Event of Nonappropriation or Event of Default shall have occurred and be continuing hereunder or under the Indenture; provided, however, that such option must be exercised before the later of (i) ninety days after notification in writing by the Trustee to the Board of the occurrence of an Event of Default under the Indenture, or (ii) the ultimate disposition of the Project or Projects upon exercise of any available foreclosure remedy, and further provided that, as a condition of the exercise of such option, the Board must pay, in addition to the Purchase Option Price, any interest payment deficiencies accruing from the date of the Event of Default and all Security Instrument Costs, Security Repayment Obligations, Reserve Instrument Costs and Reserve Instrument Repayment Obligations.

ARTICLE XIII

ASSIGNMENT, SUBLEASING, INDEMNIFICATION AND SELLING

Section 13.1. The Authority to Grant Security Interest to Trustee. The parties hereto agree that pursuant to the Indenture, the Authority shall assign to the Trustee, in order to secure payment of the Bonds, all of the Authority's right, title and interest in the Master Lease, except the Authority's rights to compensation from the Board for expenses of the Authority under Section 6.3(d) of this Master Lease, the Authority's rights to indemnification from the Board under Section 13.3 of this Master Lease and the obligation of the Board to pay any attorneys' fees and expenses incurred by the Authority under Section 14.5 of this Master Lease.

Section 13.2. Assignment and Subleasing by the Board. This Master Lease may not be assigned by the Board for any reason. All or portions of a Project may be subleased by the Board without the necessity of obtaining the consent of the Authority or any Bondholder; subject, however, to each of the following conditions:

(a) a Project may only be subleased to a municipality, school district, agency or other political subdivision of the District or the State, or to a private party if the Authority or the Board intends to own such Project through the useful life of such Project, and the Authority or the Board determines that such ownership of such Project furthers a legitimate public purpose;

(b) this Master Lease and the obligations of the Board to make payment of Base Rentals and Additional Rentals under this Master Lease shall at all times during the Lease Term remain obligations of the Board notwithstanding any sublease;

(c) the Board shall, prior to the execution of a sublease, furnish or cause to be furnished to the Authority and the Trustee a true and complete copy of each sublease;

(d) any such sublease shall be expressly subordinate to the rights of the Trustee and the Bondholders under the Indenture, this Master Lease and the Security Documents;

(e) receipt by the Trustee of an opinion of bond counsel to the effect that such sublease will not in and of itself cause interest on the Tax-Exempt Bonds (if any) issued to

finance such Project to be included in gross income of the owners thereof (if such bonds were issued as Tax-Exempt Bonds), and if such bonds were issued as Tax Credit Bonds that such sublease will not adversely affect the status of such Bonds; and

(f) receipt by the Board of the Trustee's and the Security Instrument Issuer's written consent to such sublease, which consent shall not be unreasonably withheld.

After an Event of Default or an Event of Nonappropriation and the foreclosure of the security afforded under this Master Lease, the Indenture or the Security Documents, the Trustee may collect the amount of the Base Rentals and Additional Rentals allocable to any sublease from any and all sublessees.

Section 13.3. Release and Indemnification Covenants. To the extent of the Net Proceeds of the insurance coverage of the Board, the Board shall and hereby agrees to indemnify and save the Authority and the Trustee harmless against and from all claims, by or on behalf of any person, firm, corporation or other legal entity arising from any work or thing done on, the Projects during the Lease Term from: (i) any condition of the Projects; and (ii) any act or negligence of the Board or of any of its agents, contractors or employees or any violation of law or the breach of any covenant or warranty hereunder. The Board shall indemnify and save the Authority and the Trustee harmless, from and to the extent of available moneys as set forth above, from any such claim arising as aforesaid from (i) or (ii) above, or in connection with any action or proceeding brought thereon and, upon notice from the Authority or the Trustee, shall defend them or either of them in any action or proceeding.

In exchange for the Board's agreement to indemnify the Trustee and the Authority as provided in this Section 13.3, the Authority and Trustee hereby agree to cooperate with the Board in asserting any cause of action that they might individually or as a group have against any third parties with respect to the Project. Furthermore, in no event will the Authority or Trustee voluntarily settle or consent to the settlement of any proceeding arising out of any claim applicable to the Projects without the written consent of the Board Representative and any Security Instrument Issuer, which consent shall not be unreasonably withheld.

Section 13.4. References to Bonds Ineffective After Bonds Paid. Upon payment in full of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and all fees and charges of Trustee, all references in this Master Lease to said Bonds and Trustee shall be ineffective and neither the Trustee nor the Bondholders shall thereafter have any rights hereunder, saving and excepting those that shall have theretofore vested.

Section 13.5. Installation of the Furnishings and Machinery of the Board. The Board, or any sublessee of the Board may, from time to time in its sole discretion and at its own expense, install machinery, equipment and other tangible property in a Project or Projects. All such machinery, equipment and other tangible property, except any machinery, equipment and other tangible property substituted for machinery, equipment and tangible property purchased with proceeds of the Bonds as provided in Section 13.6 hereof, shall remain the sole property of the Board or sublessee of the Board, as applicable, in which neither the Authority nor the Trustee shall have any interest and may be removed by the Board or sublessee of the Board, as applicable, at any time; provided, however, that the Board or sublessee of the Board, as applicable, shall be

obligated to repair any damage to the Project or Projects, at its own cost and expense, resulting from any such removal.

Section 13.6. Equipment Purchased with Proceeds of the Bonds. Any item of equipment shall be labeled, to the extent practicable, to indicate that it is owned by the Authority, subject to the Indenture, the Security Documents and this Master Lease. Equipment financed with proceeds of the Bonds may not be relocated by the Board from the Projects. Any item of such equipment which shall be determined by the Board to be no longer usable in connection with the operation of the Projects may be sold by the Board after written notice to the Trustee and upon (i) substitution of equipment of comparable or greater value or (ii) deposit of the proceeds thereof in the Bond Fund. Upon any such sale, the equipment so sold shall be released from the Indenture, this Master Lease, the Security Documents and the security interest created thereunder and hereunder. The parties hereto recognize a \$25,000 aggregate de minimis exception to this Section 13.6 for equipment making up a portion of the Project.

ARTICLE XIV

EVENTS OF DEFAULT AND REMEDIES

Section 14.1. Events of Default Defined. Any one of the following shall be an "Event of Default" under this Master Lease:

(a) Failure by the Board to pay any Base Rentals or Additional Rentals required to be paid under Sections 6.2 and 6.3 of this Master Lease at the time specified therein, in the absence of an Event of Nonappropriation; or

(b) Failure by the Board to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in (a), for a period of thirty days after written notice, specifying such failure and requesting that it be remedied, given to the Board by the Trustee, unless the Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, that if the failure stated in the notice cannot be corrected within the applicable period, the Trustee shall not unreasonably withhold their consent to an extension of such time if corrective action shall be instituted by the Board within the applicable period and diligently pursued until the default is corrected; or

(c) The Board shall abandon any material portion of a Project; or

(d) The Board's interest in this Master Lease or any part thereof shall be assigned or transferred without the written consent of the Authority, either voluntarily or by operation of law, except as permitted hereunder; or

(e) The Board shall file any petition or institute any proceedings wherein or whereby the Board seeks to be adjudicated a bankrupt, or to be discharged from any and all of its debts or obligations, or offers to the Board's creditors to effect a composition or extension of time to pay the Board's debts, or seeks a reorganization or a readjustment of the Board's debts, or for any other similar release, or any such petition or any such proceedings of the same or similar kind or character shall be filed, or instituted or taken

against the Board and the same shall not have been dismissed or otherwise resolved in favor of the Board within sixty days from the filing or institution thereof.

The foregoing provisions of this Section 14.1 are subject to the following limitations: (i) the obligations of the Board to make payments of the Base Rentals and Additional Rentals as provided in Section 6.2 and Section 6.3 of this Master Lease shall be subject to the occurrence of an Event of Nonappropriation; and (ii) if, by reason of Force Majeure, the Board shall be unable, in whole or in part, to carry out any agreement on its part herein contained, other than the obligations on the part of the Board contained in Article VI hereof, the Board shall not be deemed in default during the continuance of such inability. The Board agrees, however, to remedy with all reasonable dispatch the cause or causes preventing the Board from carrying out its agreement; provided, however, that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the Board, and the Board shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is, in the judgment of the Board, unfavorable to the Board.

Section 14.2. Remedies on Default. Whenever any Event of Default referred to in Section 14.1 of this Master Lease shall have happened and be continuing, subject to the limitations contained in the Indenture and the rights of any Security Instrument Issuer (so long as the Security Instrument Issuer is not in default under its Security Instrument), the Trustee or the Authority with the written consent of the Trustee, shall have the right, at their or its option without any further demand or notice, to take one or any combination of the following remedial steps:

- (a) Immediately reenter and take possession of the Projects;
- (b) Exercise any rights or remedies as the Trustee may have under the Indenture or the Security Documents; or
- (c) Take whatever action at law or in equity may appear necessary or desirable to enforce their or its rights in and to the Projects, including, without limitation, the right to terminate the Lease Term.

Upon the occurrence of an Event of Default, the Board shall immediately quit and vacate the Projects and its obligation to pay Base Rentals or Additional Rentals hereunder shall terminate. Any moneys collected pursuant to action taken under this Section 14.2 shall be paid into the Bond Fund and applied in accordance with the provisions of the Indenture.

Section 14.3. Limitations on Remedies. No judgment requiring a payment of money may be entered against the Board by reason of an Event of Default under this Master Lease, except as expressly provided herein. In the event the security interest created under the Indenture, this Master Lease or the Security Documents shall be foreclosed subsequent to the occurrence of an Event of Default, no deficiency judgment subsequent to foreclosure of the lien of the Indenture and the Security Documents may be entered against the Board, the Authority, the State, or any political subdivision thereof, and no breach of any provision of the Master Lease, the Security Documents or the Indenture shall impose any general obligation or liability upon or a charge

against the Board, the Authority, the State, or any political subdivision thereof, or upon the general credit or taxing powers of the Board, the State, or any political subdivision thereof.

Section 14.4. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Authority and the Trustee is intended to be exclusive, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon an Event of Default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority and the Trustee to exercise any remedy reserved in this Article XIV, it shall not be necessary to give any notice, other than such notice as may be required in this Article XIV.

Section 14.5. Agreement to Pay Attorneys' Fees and Expenses. In the event that either party hereto shall default under any of the provisions hereof and the nondefaulting party shall employ attorneys or incur other expenses for the collection of Base Rentals and Additional Rentals, or the enforcement of performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it shall on demand therefor pay to the nondefaulting party the fees of such attorneys and such other expenses so incurred by the nondefaulting party, to the extent that such attorneys' fees and expenses may be determined to be reasonable by a court of competent jurisdiction; provided, however, that the obligation of the Board under this Section 14.5 shall be subject to the availability of Board Funds and the obligation of the Authority shall be limited to amounts legally available therefor.

Section 14.6. No Additional Waiver Implied by One Waiver. In the event that any agreement contained herein should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

ARTICLE XV

MISCELLANEOUS

Section 15.1. Lease Term. This Master Lease shall remain in effect from the date hereof until the termination of the Lease Term as provided in Section 4.2 of this Master Lease.

Section 15.2. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when delivered or mailed by registered or certified mail, postage prepaid, addressed as follows: if to the Authority, the Local Building Authority of Kane County School District, Utah, 746 South 175 East, Kanab, Utah, 84741, Attention: President; if to the Board, Board of Education of Kane County School District, 746 South 175 East, Kanab, Utah, 84741, Attention: President; if to the Trustee, Zions Bancorporation, National Association, _____, _____, Utah, _____, Attention: Corporate Trust Department. A duplicate copy of each notice, certificate or other communication given hereunder by the Authority and the Board shall also be given to the Trustee. The Authority, the Board and the Trustee may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 15.3. Binding Effect. This Master Lease shall inure to the benefit of and shall be binding upon the Authority, the Board and their respective successors and assigns, subject, however, to the limitations contained in Sections 2.2(f) and 13.2 of this Master Lease.

Section 15.4. Severability. In the event any provision of this Master Lease (other than the obligation of the Board to pay Base Rentals or Additional Rentals) shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof and in the event any provision of this Master Lease were to invalidate the Bonds, such provision shall be rendered invalid and unenforceable, but shall not invalidate or render unenforceable any other provision hereof.

Section 15.5. Amounts Remaining in the Bond Fund and Debt Service Reserve Fund: Dissolution. It is agreed by the parties hereto that any amounts remaining in the Bond Fund and the Debt Service Reserve Fund upon expiration or sooner termination of the Lease Term, as provided in this Master Lease, after payment in full of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and the fees and expenses of Trustee and any paying agents in accordance with the Indenture and all other amounts due under the Indenture and payment of all Security Instrument Costs, Security Instrument Repayment Obligations, Reserve Instrument Costs and Reserve Instrument Repayment Obligations, shall belong to and be paid to the Board by the Trustee as an overpayment of Base Rentals and Additional Rentals. Upon dissolution of the Authority, after payment in full of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and payment in full of other obligations of the Authority, Security Instrument Costs, Security Instrument Repayment Obligations, Reserve Instrument Costs and Reserve Instrument Repayment Obligations any assets and net earnings of the Authority shall be paid to the Board in accordance with the Building Authority Act.

Section 15.6. Amendments, Changes and Modifications. Subsequent to the issuance of the Bonds and prior to their payment in full (or provision for the payment thereof having been made in accordance with the provisions of the Indenture), and except as otherwise herein expressly provided, this Master Lease may not be effectively amended, changed, modified, altered or terminated without the written consent of the Trustee and any Security Instrument Issuer in accordance with provisions of the Indenture.

Section 15.7. Execution in Counterparts. This Master Lease may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 15.8. Net Lease. This Master Lease shall be deemed and construed to be a “net lease,” and the Board shall pay absolutely net during the Lease Term the Base Rentals, Additional Rentals and all other payments required hereunder, free of any deductions, and without abatement, deduction or setoff, other than those herein expressly provided.

Section 15.9. Applicable Law. This Master Lease shall be governed by and construed in accordance with the laws of the State.

Section 15.10. Captions. The captions or headings in this Master Lease are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Sections of this Master Lease.

Section 15.11. No Personal Liability. No person executing this Master Lease or any of the Bonds, the Indenture or the Security Documents shall be subject to personal liability or accountability by reason of such action or the issuance of the Bonds.

Section 15.12. Governmental Entity Provisions. The parties hereto acknowledge and agree that the Board and the Authority are governmental entities under the Governmental Immunity Act of Utah, Section 63G-7-101, *et seq.*, Utah Code Annotated 1953, as amended (the “Immunity Act”). Nothing in this Master Lease shall be construed as a waiver by the Board or the Authority of any protections, rights, or defenses applicable to the Board or the Authority under the Immunity Act, including without limitation, the provisions of Section 63G-7-604 regarding limitation of judgments. It is not the intent of the Board or the Authority to incur by contract any liability for the operations, acts, or omissions of any third-party and nothing in this Master Lease shall be so interpreted or construed. Without limiting the generality of the foregoing, and notwithstanding any provisions to the contrary in this Master Lease, any indemnity obligations of the Board or the Authority contained in this Master Lease are subject to the Immunity Act and are further limited only to claims that arise directly and solely from the negligent acts or omissions of the Board or the Authority.

IN WITNESS WHEREOF, the Authority has caused this Master Lease to be executed in its corporate name with its corporate seal hereunto affixed and attested by a duly authorized officer. The Board has executed this Master Lease in its name with its seal hereunto affixed and attested by a duly authorized officer. All of the above occurred as of the date first above written.

LOCAL BUILDING AUTHORITY OF KANE
COUNTY SCHOOL DISTRICT, UTAH

(SEAL)

By: Daniel Little
Its: President

ATTEST AND COUNTERSIGN:

By: [Cary Reese]
Its: Secretary-Treasurer

KANE COUNTY SCHOOL DISTRICT, UTAH

(SEAL)

By: Daniel Little
Its: President

ATTEST AND COUNTERSIGN:

By: [Cary Reese]
Its: Business Administrator

STATE OF UTAH)
)
COUNTY OF KANE)

On _____, 2026, Daniel Little and [Cary Reese], the President and Secretary-Treasurer, respectively, of the Local Building Authority of Kane County School District, Utah, personally appeared before me, whose identity is personally known to me (or proved to me on the basis of satisfactory evidence) to be the persons whose names are subscribed to on this instrument, and acknowledged that they executed the same.

NOTARY PUBLIC

STATE OF UTAH)
)
COUNTY OF KANE)

On _____, 2026, Daniel Little and [Cary Reese], the President and Business Administrator, respectively, of the Board of Education of Kane County School District, Utah, personally appeared before me, whose identity is personally known to me (or proved to me on the basis of satisfactory evidence) to be the persons whose names are subscribed to on this instrument, and acknowledged that they executed the same.

NOTARY PUBLIC

EXHIBIT A

PROJECT DESCRIPTION

The Authority and the Board desire to finance all or a portion of the costs of renovation and improvements to Valley High School and all related improvements (collectively, the “Project”).

EXHIBIT B

PROPERTY

All real property located or the land located in Kane County, Utah, described as follows:

[legal description of property to be added]

EXHIBIT C

BASE RENTAL PAYMENT SCHEDULE

Payment Date	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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EXHIBIT D

FORM OF REQUISITION

RE: The Local Building Authority of Kane County School District, Utah Lease Revenue
[Refunding] Bonds, Series ____ in the sum of \$ _____

Zions Bancorporation, National Association
Corporate Trust Department

You are hereby authorized to disburse from the Series ____ Construction Fund Account
with regard to the above-referenced bond issue the following:

REQUISITION NUMBER: _____

NAME AND ADDRESS OF PAYEE: _____

AMOUNT: \$ _____

PURPOSE FOR WHICH EXPENSE HAS BEEN INCURRED (bill or statement of account or
summary of expenses to be reimbursed to District attached; partial release from all contractors,
subcontractors and suppliers who have provided services or materials to the Series ____ Project
on file with the District):

Each obligation, item of cost, or expense mentioned herein has been properly incurred, is a proper
charge against [the _____ Subaccount of] the Series ____ Construction Fund Account, has
not been the basis for a previous withdrawal, constitutes a Cost of Acquisition and Construction
of the Series ____ Project and will be used to acquire, purchase, construct, install or improve the
Series ____ Project.

There has not been filed or served upon the Authority or the District, notice of any lien, right to
lien, attachment upon, or claim affecting the right to receive payment of, any of the moneys
payable to any of the persons named in this Requisition, which has not been released or will not
be released simultaneously with such payment, other than materialmen's or mechanics' liens
accruing by operation of law which will not be released until final payment is made.

Performance, labor, materials and other bonds as required in the Master Lease have been obtained
by each contractor or subcontractor to whom payment is to be made pursuant to this Requisition.

DATED _____

LOCAL BUILDING AUTHORITY OF KANE
COUNTY SCHOOL DISTRICT, UTAH

By: _____

Its: _____

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APPENDIX B

FINANCIAL STATEMENTS OF KANE COUNTY SCHOOL DISTRICT, UTAH FOR FISCAL YEAR 2025

The Financial Statements of the Board for Fiscal Year 2025 is contained herein. Copies of current and prior financial reports are available upon request from the contact persons as indicated under “INTRODUCTION—Contact Persons” above.

The District’s basic financial statements for Fiscal Year 2026 must be completed under State law by November 30, 2026.

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KANE COUNTY SCHOOL DISTRICT

Financial Statements

Year Ended June 30, 2025

KANE COUNTY SCHOOL DISTRICT

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Independent Auditor's Report

Board of Education
Kane County School District

Report on the Basic Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kane County School District (the District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2025, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of District 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 opinions.

Emphasis of Matter

As discussed in Notes 1 to the basic financial statements, in 2025, the District adopted Government Accounting Standards Board Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

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 District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's 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 auditor's report that includes our opinions. 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 District'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 District'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of the District's proportionate share of the net pension liability (asset) – Utah Retirement Systems, the schedules of District contributions – Utah Retirement Systems, and the related notes to the required supplementary information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States

of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information section does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Squire & Company, PC

Orem, Utah
October 13, 2025

Management's Discussion and Analysis

This section of our financial report of Kane County School District (the District) presents management's discussion and analysis of the District's financial performance during the year ended June 30, 2025.

Financial Highlights

- The District's net position was \$50.1 million at the close of the most recent fiscal year.
- For the year, expenses were \$4.7 million less than the \$31.8 million generated in taxes and other revenues for governmental activities.
- The District is dependent on revenues from property taxes and state and federal grants:
 - Property tax revenues totaled \$13.6 million in 2025, an increase of \$2.9 million compared to the prior year.
 - State and federal revenues totaled \$15.4 million in 2025, a decrease of \$0.5 million compared to the prior year.
- The District implemented Government Accounting Standards Board Statement No. 101, *Compensated Absences*. The District restated beginning net position due to the implementation of this new standard.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: a) government-wide financial statements, b) fund financial statements, and c) notes to the basic financial statements. This report also contains information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a consolidated broad overview of the District's finances, in a manner like a private-sector business.

The *statement of net position* presents information on all our assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the remainder being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the District's financial position is improving or deteriorating.

The *statement of activities* presents information showing how our net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (such as, uncollected taxes and unpaid employee benefit obligations).

The District's government-wide financial statements are reported as *governmental activities*. Basic services are included here, such as instruction, various supporting services, and food services. Property taxes and state and federal grants finance most of these activities.

The government-wide financial statements can be found on pages 12 and 13 of this report.

Fund Financial Statements

A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are categorized as governmental funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the *general fund* and the *capital projects fund*, each of which are considered to be major funds. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the governmental funds is provided in the *combining and individual statements and schedules* section of this report.

The District adopts an annual appropriated budget for its *general fund*. A budgetary comparison statement has been provided for the *general fund* to demonstrate compliance with this budget.

The basic governmental fund financial statements and reconciliations can be found on pages 14 through 18 of this report.

Notes to Basic Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 19 through 34 of this report.

Additional Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the District's proportionate share of the unfunded obligations of the defined benefit pension plans administered by Utah Retirement Systems and its progress in funding obligations to provide pension benefits to its employees. This required supplementary information and accompanying notes can be found on pages 35 through 37 of this report.

The individual and combining statements and schedules referred to earlier in connection with governmental funds are presented as supplementary information on pages 38 through 46 of this report.

To provide comparative and supportive data, selected financial and property tax information is provided as other information. This other information can be found on pages 47 through 50 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$50.1 million at the close of the most recent fiscal year.

KANE COUNTY SCHOOL DISTRICT'S Net Position June 30, 2025 and 2024 (in millions of dollars)

	Governmental activities		Total change
	2025	2024	2025-2024
Current and other assets	\$ 45.6	\$ 40.5	\$ 5.1
Capital assets	41.5	41.9	(0.4)
Total assets	87.1	82.4	4.7
Deferred outflows of resources	3.4	3.1	0.3
Current and other liabilities	2.8	2.5	0.3
Long-term liabilities outstanding	25.6	25.4	0.2
Total liabilities	28.4	27.9	0.5
Deferred inflows of resources	12.0	11.7	0.3
Net position:			
Net investment in capital assets	21.4	21.0	0.4
Restricted	11.9	9.3	2.6
Unrestricted	16.8	15.6	1.2
Total net position	\$ 50.1	\$ 45.9	\$ 4.2

- The largest portion of the District's net position (\$21.4 million or 42.7%) reflects its investment in capital assets (e.g., land, water stock, construction in progress, buildings and improvements, and equipment and buses, net of accumulated depreciation) less any related debt (general obligation bonds less unspent bond proceeds) used to acquire those assets. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.
- An additional portion of the District's net position (\$11.9 million or 23.8%) represents resources that are subject to external restrictions on how they may be used. Most of the restricted balance is for capital projects.
- The remaining net position (\$16.8 million or 33.5%) is unrestricted. This balance is net of District obligations for employee benefits, including the District's proportionate share of net pension liability and related deferred outflows and inflows, totaling \$2.2 million at June 30, 2025.

Governmental Activities

The District's net position increased by \$4.7 million during the current year. The following discussion and analysis on governmental activities focuses on this increase.

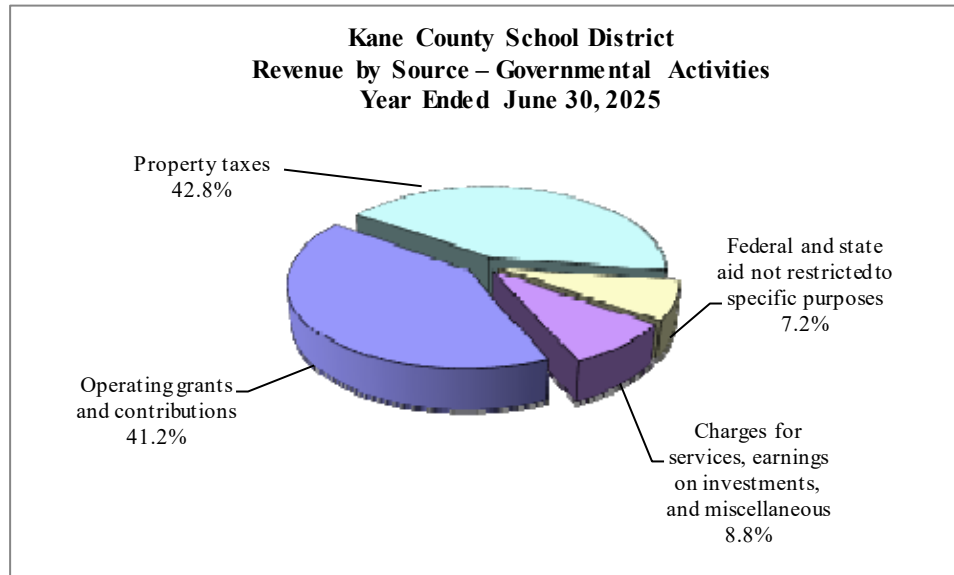
KANE COUNTY SCHOOL DISTRICT'S Changes in Net Position Years Ended June 30, 2025 and 2024 (in millions of dollars)

	Governmental activities		Total change
	2025	2024	2025-2024
Revenues:			
Program revenues:			
Charges for services	\$ 1.1	\$ 0.9	\$ 0.2
Operating grants and contributions	13.1	13.1	-
General revenues:			
Property taxes	13.6	10.7	2.9
Federal and state aid not restricted to specific purposes	2.3	2.8	(0.5)
Earnings on investments	1.4	1.4	-
Miscellaneous	0.3	-	0.3
Total revenues	<u>31.8</u>	<u>28.9</u>	<u>2.9</u>
Expenses:			
Instruction	16.9	14.9	2.0
Supporting services:			
Students	1.4	1.1	0.3
Instructional staff	0.9	1.0	(0.1)
General administration	0.9	0.9	-
School administration	1.7	1.4	0.3
Central	0.6	0.5	0.1
Operation and maintenance of facilities	2.5	2.5	-
Student transportation	1.0	0.9	0.1
Food services	0.8	0.8	-
Interest on long-term liabilities	0.4	0.3	0.1
Total expenses	<u>27.1</u>	<u>24.3</u>	<u>2.8</u>
Increase in net position	4.7	4.6	0.1
Net position - beginning	45.9	41.3	4.6
Net effect of restatement	<u>(0.5)</u>	<u>-</u>	<u>(0.5)</u>
Net position - ending	<u>\$ 50.1</u>	<u>\$ 45.9</u>	<u>\$ 4.2</u>

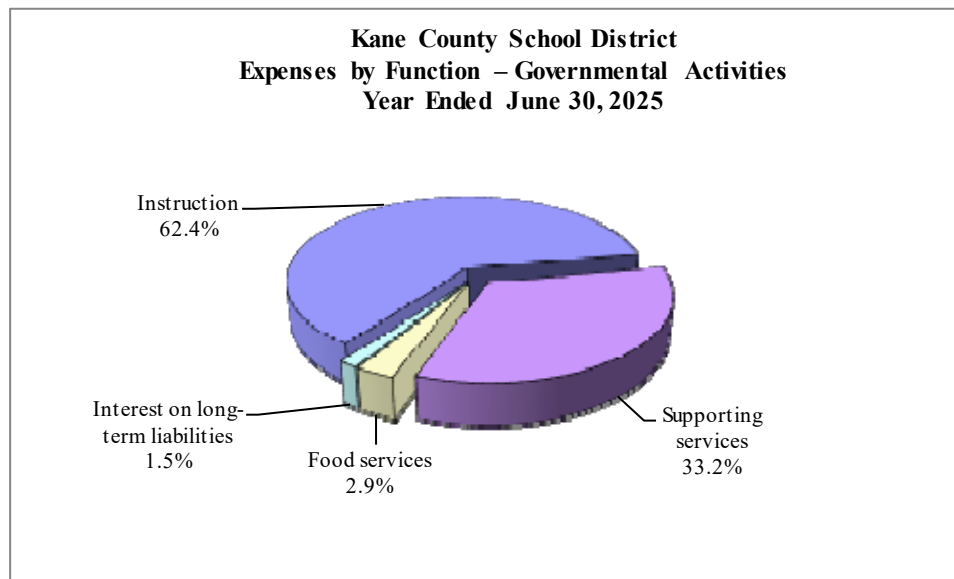
The District implemented Government Accounting Standards Board Statement No. 101, *Compensated Absences*, during the year ended June 30, 2025. The District has restated beginning net position for the year ended June 30, 2025. Additional information on restatement can be found in Note 1 to the financial statements.

- One of the District's primary revenue sources is property taxes totaling \$13.6 million in 2025, an increase of \$2.9 million compared to the prior year primarily due to increased capital rate.

- State aid is based primarily on weighted pupil units (WPU) and other appropriations. If a student is in membership a full 180 days, the state awards the District one WPU. Certain students receive a weighting greater than one. The state guarantees that if local taxes do not provide money equal to the WPU, the state will make up the difference with state funding. The value of the WPU increased by 5.0% during the year ended June 30, 2025 (\$4,494 during 2025 as compared to \$4,280 in 2024).



- Instruction represents the largest dollar portion of expense of \$16.9 million primarily for teacher salaries and related benefits.



Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. As the District completed the year, its governmental funds reported a combined fund balance of \$29.9 million, \$4.0 million more than the previous year. Included in this year's change in the combined fund balance is an increase in the *general fund* of \$1.6 million primarily due to increased local revenue. The *capital projects fund* reported an increase in fund balance of \$2.5 million primarily due to increased property tax revenue. In addition, the following other changes in fund balances should be noted:

- Expenditures for general purposes totaled \$22.1 million. Instruction represents 59.4% of *general fund* expenditures.
- *General fund* salaries totaled \$12.7 million while the associated employee benefits of retirement, social security, and insurance added \$5.1 million to arrive at 80.7% of total *general fund* expenditures.

Governmental funds report the differences between their assets and liabilities and deferred inflows of resources as fund balance, which is divided into nonspendable, restricted, and unrestricted portions. *Nonspendable* includes inventories and an endowment that are not expected to be converted to cash. *Restricted* includes the District's net fund resources that are subject to external constraints due to state or federal laws, or externally imposed conditions by grantors or creditors. Restrictions include tax revenues levied for specific purposes. *Committed* balances reflect the District's self-imposed limitation on the use of otherwise available expendable financial resources in governmental funds. *Assigned* balances in the *general fund* and other governmental funds are those that do not meet the requirements of restricted or committed but that are intended to be used for specific purposes. *Unassigned* balances in the *general fund* are all other available net fund resources. At June 30, 2025, the District's combined governmental fund balance is \$29.9 million (\$0.1 million in nonspendable, \$11.5 million in restricted, \$0.2 million in committed, \$9.6 million in assigned, and \$8.5 million in unassigned fund balances).

General Fund Budgetary Highlights

During the year, the Board revised the District's budget. Budget amendments were to reflect changes in programs and related funding. The difference between the original budget and the final amended budget was an increase of \$2.3 million in total *general fund* revenues to reflect anticipated increases in earnings on investments, other local revenues, and state revenues.

Actual expenditures were \$6.2 million less than final budgeted amounts. Other variances normally result from expenditure-driven federal and state grants that are included in the budgets at their full amounts. Such grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met; unspent grant amounts are carried forward and included in the succeeding year's budget. Therefore, actual grant revenues and expenditures are normally less than the amounts budgeted.

Capital Asset and Long-term Debt

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2025 amounts to \$41.5 million (net of accumulated depreciation). This investment in capital assets includes land, water stock, construction in progress, buildings and improvements, and equipment and buses. The total decrease in capital assets for the current year was \$0.4 million, or 1.0%.

Capital assets at June 30, 2025 and 2024 are outlined below:

KANE COUNTY SCHOOL DISTRICT'S Capital Assets
June 30, 2025 and 2024
(net of accumulated depreciation, in millions of dollars)

	Governmental activities		Total change
	2025	2024	2025-2024
Land, water stock, and construction in progress	\$ 2.4	\$ 1.9	\$ 0.5
Buildings and improvements	37.5	38.4	(0.9)
Equipment and buses	1.6	1.6	-
Total capital assets	<u>\$ 41.5</u>	<u>\$ 41.9</u>	<u>\$ (0.4)</u>

During 2025, the District acquired capital assets totaling \$1.5 million and disposed of capital assets with a net book value of \$0.1 million. Depreciation expense for 2025 was \$1.8 million.

Refer to Note 5 to the basic financial statements for additional information on the District's capital assets.

Long-term Debt

At June 30, 2025 and 2024, the outstanding balances of debt are summarized below:

KANE COUNTY SCHOOL DISTRICT'S Outstanding Debt
June 30, 2025 and 2024
(in millions of dollars)

	Governmental activities		Total change
	2025	2024	2025-2024
General obligation bonds	\$ 18.1	\$ 18.9	\$ (0.8)
Unamortized bond issuance premiums	1.9	2.0	(0.1)
Net bonds payable	<u>\$ 20.0</u>	<u>\$ 20.9</u>	<u>\$ (0.9)</u>

Refer to Note 8 to the basic financial statements for additional information on long-term debt.

Enrollment

The District anticipates student enrollment to moderately increase. The following enrollment information is based on the annual October 1 count:

KANE COUNTY SCHOOL DISTRICT'S Enrollment October 1 Count

<u>School Year</u>	<u>Enrollment</u>	<u>Change</u>
2024-25	1,408	-1.3%
2023-24	1,426	0.1%
2022-23	1,424	1.6%
2021-22	1,402	8.9%
2020-21	1,287	1.0%

Contacting the District's Management

This financial report is designed to provide citizens, taxpayers, students, and investors and creditors with a general overview of Kane County School District's finances and to demonstrate its accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Office of the Business Administrator at Kane County School District, 746 South 175 East, Kanab, Utah 84741.

Basic Financial Statements

KANE COUNTY SCHOOL DISTRICT**Statement of Net Position**

June 30, 2025

	Governmental Activities
Assets:	
Cash and investments	\$ 32,209,559
Receivables:	
Property taxes	13,033,894
Local	53,435
State	281,140
Federal	8,989
Inventories	15,524
Capital assets:	
Land, water stock, and construction in progress	2,421,236
Buildings and other capital assets, net of accumulated depreciation	39,030,683
Total assets	<u>87,054,460</u>
Deferred outflows of resources:	
Related to pensions	3,439,596
Liabilities:	
Accounts and contracts payable	292,077
Accrued interest	20,142
Accrued salaries and benefits	1,893,760
Unearned revenue:	
Local	42,300
State	509,975
Federal	49,340
Long-term liabilities:	
Portion due or payable within one year	1,169,908
Portion due or payable after one year	24,392,768
Total liabilities	<u>28,370,270</u>
Deferred inflows of resources:	
Property taxes levied for future year	12,022,444
Related to pensions	19,127
Total deferred inflows of resources	<u>12,041,571</u>
Net position:	
Net investment in capital assets	21,441,833
Restricted for:	
Capital outlay	11,250,604
Food services	437,393
Other purposes	212,908
Unrestricted	16,739,477
Total net position	<u>\$ 50,082,215</u>

The accompanying notes are an integral part of this financial statement.

KANE COUNTY SCHOOL DISTRICT

Statement of Activities

Year Ended June 30, 2025

Activities / Functions	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instruction	\$ 16,933,658	\$ 909,920	\$ 9,632,994	\$ (6,390,744)
Supporting services:				
Students	1,366,152	-	717,222	(648,930)
Instructional staff	882,284	-	571,821	(310,463)
General administration	887,355	-	2,779	(884,576)
School administration	1,650,210	-	391,148	(1,259,062)
Central	594,533	-	116,872	(477,661)
Operation and maintenance of facilities	2,511,369	-	200,361	(2,311,008)
Student transportation	1,016,488	12,771	919,486	(84,231)
Food services	820,472	186,654	558,238	(75,580)
Contributions to other governments	4,825	-	-	(4,825)
Interest on long-term liabilities	387,393	-	-	(387,393)
Total school district	<u>\$ 27,054,739</u>	<u>\$ 1,109,345</u>	<u>\$ 13,110,921</u>	<u>(12,834,473)</u>
General revenues:				
Property taxes levied for:				
Basic state supported program				4,482,894
Board local program				3,129,929
Voted local program				1,826,323
Capital local for buildings and other capital needs				4,121,180
Charter schools				<u>4,825</u>
Total property taxes				13,565,151
Federal and state aid not restricted to specific purposes				2,345,861
Earnings on investments				1,381,130
Other local				<u>254,235</u>
Total general revenues				<u>17,546,377</u>
Change in net position				4,711,904
Net position – beginning, as previously stated				45,884,637
Implementation of GASB Statement No. 101, <i>Compensated Absences</i>				<u>(514,326)</u>
Net position – beginning, as restated				<u>45,370,311</u>
Net position – ending				<u>\$ 50,082,215</u>

The accompanying notes are an integral part of this financial statement.

KANE COUNTY SCHOOL DISTRICT**Balance Sheet – Governmental Funds**

June 30, 2025

	Major Funds		Other	Total
	General	Capital Projects	Governmental Funds	Governmental Funds
Assets:				
Cash and investments	\$ 20,090,967	\$ 10,895,547	\$ 1,223,045	\$ 32,209,559
Receivables:				
Property taxes	9,044,229	3,980,573	9,092	13,033,894
Local	23,935	29,500	-	53,435
State	242,339	-	38,801	281,140
Federal	8,989	-	-	8,989
Inventories	-	-	15,524	15,524
Total assets	<u>\$ 29,410,459</u>	<u>\$ 14,905,620</u>	<u>\$ 1,286,462</u>	<u>\$ 45,602,541</u>
Liabilities:				
Accounts and contracts payable	\$ 191,227	\$ 14,123	\$ 86,727	\$ 292,077
Accrued salaries and benefits	1,893,760	-	-	1,893,760
Unearned revenue:				
Local	42,300	-	-	42,300
State	509,975	-	-	509,975
Federal	49,340	-	-	49,340
Total liabilities	<u>2,686,602</u>	<u>14,123</u>	<u>86,727</u>	<u>2,787,452</u>
Deferred inflows of resources:				
Unavailable property tax revenue	636,211	280,028	533	916,772
Property taxes levied for future year	<u>8,342,104</u>	<u>3,671,781</u>	<u>8,559</u>	<u>12,022,444</u>
Total deferred inflows of resources	<u>8,978,315</u>	<u>3,951,809</u>	<u>9,092</u>	<u>12,939,216</u>
Fund balances:				
Nonspendable:				
Inventories	-	-	15,524	15,524
Endowment	-	-	27,520	27,520
Restricted for:				
Capital outlay	-	10,939,688	-	10,939,688
Other purposes	101,911	-	505,346	607,257
Committed to:				
Employee benefit obligations	150,000	-	-	150,000
Assigned to:				
Early retirement program	1,000,000	-	-	1,000,000
Future building projects	8,000,000	-	-	8,000,000
Students	-	-	328,400	328,400
Foundation	-	-	313,853	313,853
Unassigned	<u>8,493,631</u>	<u>-</u>	<u>-</u>	<u>8,493,631</u>
Total fund balances	<u>17,745,542</u>	<u>10,939,688</u>	<u>1,190,643</u>	<u>29,875,873</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 29,410,459</u>	<u>\$ 14,905,620</u>	<u>\$ 1,286,462</u>	<u>\$ 45,602,541</u>

The accompanying notes are an integral part of this financial statement.

KANE COUNTY SCHOOL DISTRICT

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

June 30, 2025

Total fund balances for governmental funds	\$ 29,875,873
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Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land, water stock, and construction in progress	\$ 2,421,236	
Buildings and improvements, net of \$22,162,071 accumulated depreciation	37,441,951	
Equipment and buses, net of \$3,448,041 accumulated depreciation	<u>1,588,732</u>	41,451,919

Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows of resources in the funds.	916,772
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Long-term employee benefit obligations and related deferrals are not due and payable in the current period and therefore are not reported in the funds; these accounts are reported in the statement of net position.

Net pension liability	(5,006,765)	
Deferred outflows of resources related to pensions	3,439,596	
Deferred inflows of resources related to pensions	<u>(19,127)</u>	(1,586,296)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. All liabilities – both current and long-term portions – are reported in the statement of net position. These and related balances at year end are:

General obligation bonds	(18,105,000)	
Bond premiums, net of \$538,272 accumulated amortization	(1,854,056)	
Accrued interest	(20,142)	
Compensated absences liability	(532,053)	
Early retirement liability	<u>(64,802)</u>	(20,576,053)

Total net position of governmental activities	<u><u>\$ 50,082,215</u></u>
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The accompanying notes are an integral part of this financial statement.

KANE COUNTY SCHOOL DISTRICT**Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds**

Year Ended June 30, 2025

	Major Funds		Other	Total
	General	Capital Projects	Governmental Funds	Governmental Funds
Revenues:				
Local:				
Property taxes	\$ 7,875,017	\$ 5,348,620	\$ 4,825	\$ 13,228,462
Earnings on investments	981,112	387,389	12,629	1,381,130
Other	259,792	160,318	1,106,730	1,526,840
State	13,952,588	41,359	135,650	14,129,597
Federal	610,505	294,634	422,046	1,327,185
Total revenues	<u>23,679,014</u>	<u>6,232,320</u>	<u>1,681,880</u>	<u>31,593,214</u>
Expenditures:				
Current:				
Instruction	13,131,559	-	948,127	14,079,686
Supporting services:				
Student	1,355,855	-	-	1,355,855
Instructional staff	869,155	-	-	869,155
General administration	867,888	-	-	867,888
School administration	1,582,298	-	-	1,582,298
Central	584,707	-	-	584,707
Operation and maintenance of facilities	2,367,181	-	-	2,367,181
Student transportation	873,923	-	-	873,923
Food services	5,170	-	775,860	781,030
Contributions to other governments	-	-	4,825	4,825
Capital outlay	460,557	2,400,336	-	2,860,893
Debt service:				
Principal retirement	-	820,000	-	820,000
Interest and other charges	-	508,694	-	508,694
Total expenditures	<u>22,098,293</u>	<u>3,729,030</u>	<u>1,728,812</u>	<u>27,556,135</u>
Excess (deficiency) of revenues over (under) expenditures / net change in fund balances	1,580,721	2,503,290	(46,932)	4,037,079
Fund balances – beginning	<u>16,164,821</u>	<u>8,436,398</u>	<u>1,237,575</u>	<u>25,838,794</u>
Fund balances – ending	<u>\$ 17,745,542</u>	<u>\$ 10,939,688</u>	<u>\$ 1,190,643</u>	<u>\$ 29,875,873</u>

The accompanying notes are an integral part of this financial statement.

KANE COUNTY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year Ended June 30, 2025

Net change in fund balances for governmental funds	\$	4,037,079
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 for land, equipment and buses and \$50,000 for buildings and improvements are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. The net effect of transactions involving capital assets is as follows:

Capital outlay	\$	1,492,124	
Loss on disposal of capital assets		(163,260)	
Depreciation expense		<u>(1,769,377)</u>	(440,513)

The issuance of bonds provides current financial resources to governmental funds, while the repayment of the principal of bonds consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Principal repayment of general obligation bonds	820,000	
Amortization on bond premium	119,616	
Interest expense	<u>1,685</u>	941,301

Certain revenue sources are collected several months after our fiscal year end are not considered available revenues in the governmental funds and are, instead, counted as deferred inflows of resources at year end. They are, however, recorded as revenues in the statement of activities.

336,689

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds; long-term employee benefit obligations are reported in the governmental funds when paid.

Compensated absences expense	82,012	
Early retirement expense	29,987	
Pension expense	<u>(274,651)</u>	<u>(162,652)</u>

Change in net position of governmental activities	\$	<u><u>4,711,904</u></u>
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The accompanying notes are an integral part of this financial statement.

KANE COUNTY SCHOOL DISTRICT**Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – *General Fund***

Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Local:				
Property taxes	\$ 7,788,581	\$ 7,762,212	\$ 7,875,017	\$ 112,805
Earnings on investments	604,000	930,750	981,112	50,362
Other	116,448	515,058	259,792	(255,266)
State	15,799,709	17,333,874	13,952,588	(3,381,286)
Federal	619,476	680,191	610,505	(69,686)
Total revenues	<u>24,928,214</u>	<u>27,222,085</u>	<u>23,679,014</u>	<u>(3,543,071)</u>
Expenditures:				
Current:				
Instruction	12,316,103	13,449,853	13,131,559	318,294
Supporting services:				
Students	1,339,716	1,770,421	1,355,855	414,566
Instructional staff	898,152	1,140,459	869,155	271,304
General administration	1,590,267	1,705,140	867,888	837,252
School administration	1,434,003	1,480,308	1,582,298	(101,990)
Central	3,268,889	3,293,360	584,707	2,708,653
Operation and maintenance of facilities	2,086,691	2,598,497	2,367,181	231,316
Student transportation	758,068	833,418	873,923	(40,505)
Food services	-	5,170	5,170	-
Capital outlay	<u>35,000</u>	<u>2,039,779</u>	<u>460,557</u>	<u>1,579,222</u>
Total expenditures	<u>23,726,889</u>	<u>28,316,405</u>	<u>22,098,293</u>	<u>6,218,112</u>
Excess (deficiency) of revenues over (under) expenditures / net change in fund balances	1,201,325	(1,094,320)	1,580,721	2,675,041
Fund balances – beginning	<u>16,164,821</u>	<u>16,164,821</u>	<u>16,164,821</u>	<u>-</u>
Fund balances – ending	<u>\$ 17,366,146</u>	<u>\$ 15,070,501</u>	<u>\$ 17,745,542</u>	<u>\$ 2,675,041</u>

The accompanying notes are an integral part of this financial statement.

KANE COUNTY SCHOOL DISTRICT

Notes to the Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Kane County School District (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's more significant accounting policies are described below.

Reporting Entity

The Board of Education, comprised of five elected individuals, is the primary governing authority of the District. As required by GAAP, these financial statements present the District and its blended component unit, Kane Schools Foundation for Students (the Foundation), for which the District is financially accountable. The Foundation exclusively benefits the District and its students. The District provides some of the administrative costs of the Foundation. A blended component unit, although a legally separate entity, is in substance part of District operations.

Government-Wide and Fund Financial Statements

The *government-wide financial statements* (the statement of net position and the statement of changes in net position) display the District's information and financial activities. As a rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities are primarily financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a function and, therefore, are clearly identifiable to a function. Depreciation expense for capital assets that can specifically be identified with a function are included in its direct expenses. Depreciation expense for "shared" capital assets (for example, a school building is used primarily for instruction, school administration, operation and maintenance of facilities, and food services) are ratably included in the direct expenses of the appropriate functions. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Interest on general long-term liabilities is considered an indirect expense and is report in the statement of activities as a separate line item. Program revenues include 1) fees and charges paid by students and other recipients of goods or services offered by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a function. Revenues that are not classified as program revenues, including property taxes, are presented as general revenues.

The *fund financial statements* provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

- The *general fund* is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *capital projects fund* accounts for resources accumulated and payments made for the acquisition and improvement of sites, construction and remodel of facilities, and procurement of equipment necessary for providing educational programs for all students within the District.

KANE COUNTY SCHOOL DISTRICT

Notes to the Basic Financial Statements

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The *government-wide financial statements* are reported using the economic resources measurement focus and are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District receives value without directly giving equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within thirty days after year-end. Expenditures generally are recorded when the related fund liability is incurred, except for pension benefits, early retirement, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds.

Property taxes and interest associated with the current fiscal period are susceptible to accrual and so have been recognized as revenues in the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. All other revenue items are considered measurable and available only when the District receives cash.

Budgetary Data

The District operates within the budget requirements for school districts as specified by Utah state law and as interpreted by the Utah State Superintendent of Public Instruction. Budgets are presented on the modified accrual basis of accounting for all governmental funds. All annual appropriations lapse at fiscal year-end except for contractual obligations. The following procedures are used in establishing the budgetary data reflected in the financial statements.

- By June 1 of each year, the District's business administrator prepares a proposed annual budget (for the fiscal year beginning July 1) for all applicable funds. The budget is presented to the Board of Education by the superintendent. This budget includes proposed expenditures and the means of financing them. Also included is a final budget for the current fiscal year ending June 30.
- Copies of the proposed budget are made available for public inspection and review by District patrons.
- If the District does not exceed the certified tax rate, a public hearing is held prior to June 30 at which time the budget is legally adopted by resolution of the Board after obtaining taxpayer input. If the District exceeds the certified tax rate, the budget is adopted in August when data is available to set the rates.
- Once adopted, the budget can be amended by subsequent Board action. The Board, upon recommendation of the superintendent, can approve reductions in appropriations but increases in appropriations by fund require a public hearing prior to amending the budget. In accordance with state law, interim adjustments may be made by administrative transfer of money from one appropriation to another within any given fund.

KANE COUNTY SCHOOL DISTRICT

Notes to the Basic Financial Statements

- Certain interim adjustments in estimated revenue and expenditures during the current year have been included in the final budget approved by the Board, as presented in the financial statements.
- Expenditures may not legally exceed budgeted appropriations at the fund level.

Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the District for the purpose of increasing earnings through investment activities and providing efficient management of temporary investments. The pool's investments are reported at fair value at year-end. Changes in the fair value of investments are recorded as investment earnings. Earnings on pooled funds are apportioned and paid or credited to the funds based on the average balance of each participating fund.

Inventories

Inventories are valued at cost or, if donated, at acquisition value when received, stated at the lower of average cost or market. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Donated food commodities are recorded as revenue when received.

Capital Assets

Capital assets, which include land, water stock, construction in progress, buildings and improvements, and equipment and buses, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 for land, water stock, equipment and buses and \$50,000 for buildings and improvements. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at estimated acquisition value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. District buildings and improvements and equipment and buses are depreciated using the straight-line method over the estimated useful lives as follows:

<u>Asset Class</u>	<u>Years</u>
Buildings and improvements	20 to 40
Equipment and buses	5 to 15

Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Utah Retirement Systems (URS) and additions to/deductions from URS's fiduciary net position have been determined on the same basis as they are reported by URS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension plan investments are reported at fair value.

Compensated Absences

During the year ended June 30, 2025, the District adopted Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*. The new standard requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means. A liability is recognized if the leave is attributable to services already rendered, accumulates, and is more likely than not to be used for time off or paid out upon separation. The District restated the beginning net position due to implementing this standard.

KANE COUNTY SCHOOL DISTRICT

Notes to the Basic Financial Statements

Under Board policy, certain employees earn personal, vacation, and sick leave based on years of service and qualifying for retirement under the provisions of the Utah Retirement Systems. No payout is made for unused personal or vacation leave. Upon separation, an employee receives a payout for accumulated sick days. The District records expenditures in the governmental funds for compensated absence benefits when paid. An expense and related liability are recorded in the government-wide financial statements as these benefits are earned.

Long-Term Liabilities

In the government-wide financial statements, long-term liabilities (employee benefit obligations and net pension liability) are reported as liabilities in the statement of net position.

In the fund financial statements, governmental fund types recognize expenditures when paid; long-term liabilities are not reported as liabilities in the governmental funds.

Early Retirement

The District provides an early retirement program. Eligibility is restricted to teachers and administrators with a minimum of twelve years of service with the District, working an average of 30 or more hours per week, receiving health insurance paid by the District, and qualifying for retirement under the provisions of the Utah Retirement Systems. Benefits (covering from 1 to 5 years) are in the form of salary or health care premiums and are based on years worked and expire when the retiree becomes eligible for Medicare. For the early retirement program, a liability and expense are recorded in the government-wide financial statements at the time the employee elects to retire early; expenditures are recorded in the governmental funds as the District pays the benefit. The benefit is paid from the *general fund*.

Deferred Outflows of Resources

In addition to assets, financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Deferred Inflows of Resources

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Net Position/Fund Balances

The residual of all other elements presented in a statement of net position is *net position* on the government-wide financial statements and the residual of all other elements presented in a balance sheet on the governmental fund financial statements is *fund balance*.

Net position is divided into three components: investment in capital assets, restricted, and unrestricted. Net position is reported as restricted when constraints are placed upon it by external parties or are imposed by constitutional provisions or enabling legislation.

KANE COUNTY SCHOOL DISTRICT

Notes to the Basic Financial Statements

The governmental fund financial statements present fund balances based on a hierarchy that shows, from highest to lowest, the level or form of constraints on fund balance resources and the extent to which the District is bound to honor them. The District first determines and reports nonspendable balances, then restricted, then committed, and so forth.

Fund balance classifications are summarized as follows:

Nonspendable – This category includes fund balance amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact. Fund balance amounts related to inventories and an endowment are classified as nonspendable.

Restricted – This category includes net fund resources that are subject to external constraints that have been placed on the use of the resources either a) imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation. Restricted fund balance amounts primarily include the unspent tax revenue for specific purposes (capital outlay).

Committed – This category includes amounts that can only be used for specific purposes established by formal action of an entity's highest level of decision-making authority. The Board is the highest level of decision-making authority that can, by adoption of a resolution prior to the end of the fiscal year, commit the District's fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The District's committed fund balance includes amounts specified for employee benefit obligations (unpaid compensated absences and early retirement incentives).

Assigned – The District has assigned resources held in the *general fund* that the District intends to be used for a specific purpose but are neither restricted nor committed. Unlike commitments, assignments generally only exist temporarily. Also, residual balances in other governmental funds are classified as assigned fund balances.

Unassigned – Residual balances in the *general fund* are classified as unassigned.

Net Position/Fund Balance Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report in each category of net position and fund balance, a flow assumption must be made about the order in which the resources are applied.

Net Position – It is District policy to consider restricted net position to have been depleted before unrestricted net position.

Fund Balance – It is District policy to consider restricted fund balance to have been depleted before using any components of unrestricted fund balance. Further, when components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

KANE COUNTY SCHOOL DISTRICT

Notes to the Basic Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS

A reconciliation of cash and investments at June 30, 2025, as shown on the financial statements, is as follows:

Carrying amount of deposits	\$ 6,478,108
Carrying amount of investments	25,731,451
Total	<u>\$ 32,209,559</u>

The District complies with the State Money Management Act (*Utah Code* Title 51, Chapter 7) (the Act) and related Rules of the Money Management Council (the Council) in handling its depository and investing transactions. District funds are deposited in qualified depositories as defined by the Act. The Act also authorizes the District to invest in the Utah Public Treasurers' Investment Fund (PTIF), certificates of deposit, U.S. Treasury obligations, U.S. agency issues, first-tier commercial paper, banker's acceptances, repurchase agreements, corporate bonds, money market mutual funds, and obligations of governmental entities within the State of Utah.

The Act and Council rules govern the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. The District considers the rules of the Council to be necessary and enough for adequate protection of its uninsured bank deposits.

Deposits

The District's carrying amount of bank deposits at June 30, 2025 is \$6,478,108. The bank balance is \$6,892,518 of which \$448,750 is covered by federal depository insurance.

Custodial Credit Risk – Custodial credit risk for deposits is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. At June 30, 2025, the uninsured amount of District bank deposits was uncollateralized nor is it required by state law.

Investments

At June 30, 2025, the District and Foundation's investments are summarized as follows:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	5-10	More Than 10
District:					
Utah Public Treasurers' Investment Fund (PTIF)	\$ 25,477,742	\$ 25,477,742	\$ -	\$ -	\$ -
Foundation:					
Mutual funds	253,709	253,709	-	-	-
Total investments	<u>\$ 25,731,451</u>	<u>\$ 25,731,451</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The PTIF is an external local government investment pool managed by the Utah State Treasurer. The PTIF is authorized and makes investments in accordance with the Act. The Council provides regulatory oversight for the PTIF. Participant accounts with the PTIF are not insured or otherwise guaranteed by the state. Participants in the PTIF share proportionally in the income, costs, gains, and losses from investment activities. The degree of risk of the PTIF depends upon the underlying portfolio, which

KANE COUNTY SCHOOL DISTRICT

Notes to the Basic Financial Statements

consists of debt securities held by the state or in the state's name by the state's custodial banks, including investment-grade corporate bonds and notes, money market mutual funds, first-tier commercial paper, and certificates of deposit. The portfolio has a weighted average of 90 days or less. The majority of the PTIF's corporate bonds and notes are variable-rate securities, which reset every three months to the prevailing market interest rates. The PTIF is not rated. The reported value of the pool is the same as the fair value of the pool shares and is not required to be reported in the fair value hierarchy.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to interest rate risk by complying with the Act, which requires that the remaining term to maturity of investments to not exceed the period of availability of the funds invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, and fixed-rate securities from 270 to 15 months. In addition, variable-rate securities may not have a remaining term to final maturity exceeding three years.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. District policy for reducing its exposure to credit risk is to comply with the Act and related rules. The Act and related rules limit investments in commercial paper to a first-tier rating and investments in fixed-income and variable-rate securities to a rating of A or higher as rated by Moody's Investors Service or by Standard & Poor's.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. District policy for managing this risk is to comply with the Act and related rules. The Act limits investments in commercial paper and corporate obligations to 5% of its total portfolio with a single user.

Custodial Credit Risk – Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. District policy for managing this risk is to comply with the Act and related rules.

NOTE 3 – FAIR VALUE MEASUREMENTS

The District and Foundation categorize their fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Foundation has the following recurring fair value measurements as of June 30, 2025:

- Mutual funds investing in marketable securities are valued using quoted market prices (Level 1 inputs).

NOTE 4 – PROPERTY TAXES

The District's property tax revenue is collected and distributed by the county treasurer as its agent. Utah statutes establish the process by which taxes are levied and collected. The county assessor is required to assess real property as of January 1 (the legal lien date) and complete the tax rolls by May 15. By July 21, the county auditor is to mail assessed value and tax notices to property owners. A taxpayer may then petition the County Board of Equalization between August 1 and August 15 for a revision of the assessed

KANE COUNTY SCHOOL DISTRICT

Notes to the Basic Financial Statements

value. The county auditor makes approved changes in assessed value by November 1 and on this same date the county auditor is to deliver the completed assessment rolls to the county treasurer. Tax notices are mailed with a due date of November 30.

Legislation requires motor vehicles be subject to an age-based fee that is due each time a vehicle is registered. The revenue collected in each county from motor vehicle fees is distributed by the county to each taxing entity in which the property is located, in the same proportion in which revenue collected from ad valorem real property tax is distributed. The District recognizes motor vehicle fees as property tax revenue when collected.

As of June 30, 2025, property taxes receivable includes uncollected taxes assessed as of January 1, 2025, or earlier. It is expected that all assessed taxes (including delinquencies plus accrued interest and penalties) will be collected within a five-year period, after which time the county treasurer may force sale of property to collect the delinquent portion.

Per *Utah Code* 53F-2-703, a portion of the board local levy is paid to the statewide charter school levy account. The portion is based on the number of charter school students residing within the boundaries of the District. In 2025, the amount collected by the county and paid directly to the state was \$4,825; The District reports this amount in its *pass-through taxes fund*.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2025 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,871,126	\$ 114,650	\$ -	\$ 1,985,776
Water stock	33,500	-	-	33,500
Construction in progress	19,083	382,877	-	401,960
Total capital assets not being depreciated	1,923,709	497,527	-	2,421,236
Capital assets being depreciated:				
Buildings and improvements	59,411,378	587,158	(394,514)	59,604,022
Equipment and buses	5,127,191	407,439	(497,857)	5,036,773
Total capital assets being depreciated	64,538,569	994,597	(892,371)	64,640,795
Accumulated depreciation for:				
Buildings and improvements	(21,010,118)	(1,446,429)	294,476	(22,162,071)
Equipment and buses	(3,559,728)	(322,948)	434,635	(3,448,041)
Total accumulated depreciation	(24,569,846)	(1,769,377)	729,111	(25,610,112)
Total capital assets being depreciated, net	39,968,723	(774,780)	(163,260)	39,030,683
Governmental activities capital assets, net	<u>\$ 41,892,432</u>	<u>\$ (277,253)</u>	<u>\$ (163,260)</u>	<u>\$ 41,451,919</u>

KANE COUNTY SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the year ended June 30, 2025, depreciation expense was charged to functions as follows:

Governmental activities:	
Instruction	\$ 1,415,502
Supporting services:	
General administration	10,616
School administration	40,696
Central	1,769
Operation and maintenance of facilities	123,856
Student transportation	141,550
Food services	35,388
Total depreciation expense, governmental activities	<u>\$ 1,769,377</u>

The District is obligated at June 30, 2025 under construction commitments as follows:

<u>Project</u>	<u>Project Authorized</u>	<u>Costs to Date</u>	<u>Costs to Complete</u>
Kanab High School HVAC	\$ 8,000,000	\$ 387,847	\$ 7,612,153
Valley High School Remodel	20,000,000	14,113	19,985,887
Total	<u>\$ 28,000,000</u>	<u>\$ 401,960</u>	<u>\$ 27,598,040</u>

NOTE 6 – STATE RETIREMENT PLANS

Description of Plans

Eligible employees of the District are provided with the following plans through the Utah Retirement Systems (the URS) administered by the URS:

Defined Benefit Pension Plans (cost-sharing, multiple-employer plans):

- *Public Employees Noncontributory Retirement System* (Tier 1 Noncontributory System)
- *Tier 2 Public Employees Contributory Retirement System* (Tier 2 Contributory System)

Defined Contribution Plans (individual account plans):

- *401(k) Plan* which includes the *Tier 2 Public Employees Defined Contribution Plan* (Tier 2 Defined Contribution Plan)
- *457 Plan* and other individual plans

District employees qualify for membership in the retirement systems if a) employment, contemplated to continue during a fiscal or calendar year, normally requires an average of 20 or more hours per week and the employee receives benefits normally provided by the District as approved by the Utah State Retirement Board, b) the employee is a classified school employee whose employment normally requires an average of 20 hours or more per week regardless of benefits, c) the employee is a teacher who teaches half-time or more and receives benefits normally provided by us as approved by the Utah State Retirement Board, or d) the employee is an appointed officer.

The Tier 2 systems became effective July 1, 2011. All eligible employees beginning on or after July 1, 2011, who have no previous service credit with any of the systems, are members of the Tier 2 systems.

KANE COUNTY SCHOOL DISTRICT

Notes to the Basic Financial Statements

The plans are established and governed by the respective sections of Title 49 of the *Utah Code*. The plans are amended statutorily by the Utah State Legislature. Title 49 provides for the administration of the plans under the direction of the Utah State Retirement Board, whose members are appointed by the Governor.

The URS (a component unit of the State of Utah) issues a publicly available financial report that can be obtained at www.urs.org.

Benefits Provided

The URS provides retirement, disability, and death benefits to participants in the defined benefit pension plans.

Retirement benefits in the defined benefit plans are determined from 1.50% to 2.00% of the employee's highest 3 or 5 years of compensation times the employee's years of service depending on the pension plan; benefits are subject to cost-of-living adjustments up to 2.50% or 4.00%, limited to the actual Consumer Price Index increase for the year. Employees are eligible to retire based on years of service and age.

Defined contribution plans are available as supplemental plans to the basic retirement benefits of the defined benefit pension plans and as a primary retirement plan for some Tier 2 participants. Participants in the defined contribution plans are fully vested in employer and employee contributions at the time the contributions are made, except Tier 2 required contributions and associated earnings are vested during the first four years of employment. If an employee terminates prior to the vesting period, employer contributions and associated earnings for that employee are subject to forfeiture. Forfeitures are used to cover a portion of the plan's administrative expenses paid by participants. Benefits depend on amounts contributed to the plans plus investment earnings. Individual accounts are provided for each employee and are available at termination, retirement, death, or unforeseeable emergency.

Contributions

As a condition of participation in the plans, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the Utah State Retirement Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable), is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability.

For the year ended June 30, 2025, required contribution rates for the plans were as follows:

	Defined Benefit Plans Rates		District Rates		
	District	Amortization	for 401(k)	Paid by	
	Contribution *	of UAAL **	Plan	Employee	Totals
Tier 1 Noncontributory System	12.25%	9.44%	1.50%	0.00%	23.19%
Tier 2 Contributory System	10.08%	9.44%	0.00%	0.70%	20.22%
Tier 2 Defined Contribution Plan	0.08%	9.44%	10.00%	0.00%	19.52%

* District contributions includes 0.08% of covered-employee payroll of the Tier 2 plans for death benefits.

** Required contributions include an additional amount to finance any unfunded actuarial accrued liability in the Tier 1 plans.

KANE COUNTY SCHOOL DISTRICT

Notes to the Basic Financial Statements

Employees can make additional contributions to defined contribution plans subject to limitations.

For the year ended June 30, 2025, District and employee contributions to the plans were as follows:

	<u>District Contributions *</u>	<u>Employee Contributions</u>
Tier 1 Noncontributory System	\$ 1,298,687	\$ 52
Tier 2 Contributory System	761,852	22,913
Tier 2 Defined Contribution Plan	32,059	118
401(k) Plan	147,138	309,424
457 Plan and other individual plans	-	74,148

* A portion of required contributions in the Tier 2 plans is used to finance the unfunded actuarial accrued liability in the Tier 1 plans.

Pension Assets and Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2025, the District reported a net pension asset of zero and a net pension liability of \$5,006,765 for the following plans:

	<u>Net Pension Asset</u>	<u>Net Pension Liability</u>
Tier 1 Noncontributory System	\$ -	\$ 4,613,769
Tier 2 Contributory System	-	392,996
Total	<u>\$ -</u>	<u>\$ 5,006,765</u>

The net pension liability (asset) was measured as of December 31, 2024, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of January 1, 2024, rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability (asset) is equal to the ratio of its actual contributions compared to the total of all employer contributions during the plan year. The following presents the District's proportion (percentage) of the collective net pension liability (asset) at December 31, 2024 and the change in its proportion since the prior measurement date for each plan:

	<u>Proportionate Share 2024</u>	<u>Change</u>
Tier 1 Noncontributory System	0.2039576%	0.0047256 %
Tier 2 Defined Contribution Plan	0.1317723%	(0.0068527)%

KANE COUNTY SCHOOL DISTRICT
Notes to the Basic Financial Statements

For the year ended June 30, 2025, the District recognized pension expense for the plans as follows:

	Pension Expense
Defined benefit pension plans:	
Tier 1 Noncontributory System	\$ 1,934,462
Tier 2 Contributory System	429,464
Total	<u>\$ 2,363,926</u>
Defined contribution plans:	
Tier 2 Defined Contribution Plan	\$ 32,059
401(k) Plan	147,138
Total	<u>\$ 179,197</u>

At June 30, 2025, the District reported deferred outflows of resources related to defined benefit pension plans from the following sources:

	Deferred Outflows of Resources Related to Pensions		
	Tier 1	Tier 2	
	Noncontributory System	Contributory System	Total
Differences between expected and actual experience	\$ 1,127,653	\$ 169,896	\$ 1,297,549
Changes of assumptions	159,753	131,256	291,009
Net difference between projected and actual earnings on pension plan investments	696,506	25,118	721,624
Changes in proportion and differences between District contributions and proportionate share of contributions	10,583	62,396	72,979
Contributions subsequent to the measurement date	<u>654,939</u>	<u>401,496</u>	<u>1,056,435</u>
Total	<u>\$ 2,649,434</u>	<u>\$ 790,162</u>	<u>\$ 3,439,596</u>

At June 30, 2025, the District reported deferred inflows of resources related to defined benefit pension plans from the following sources:

	Deferred Inflows of Resources Related to Pensions		
	Tier 1	Tier 2	
	Noncontributory System	Contributory System	Total
Differences between expected and actual experience	\$ -	\$ 2,707	\$ 2,707
Changes of assumptions	-	41	41
Changes in proportion and differences between District contributions and proportionate share of contributions	<u>10,567</u>	<u>5,812</u>	<u>16,379</u>
Total	<u>\$ 10,567</u>	<u>\$ 8,560</u>	<u>\$ 19,127</u>

The \$1,056,435 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date of December 31, 2024 will be recognized as a reduction of the net pension liability (asset) in the year ending June 30, 2026.

KANE COUNTY SCHOOL DISTRICT

Notes to the Basic Financial Statements

The other amounts reported as deferred outflows of resources and deferred inflows of resources related to defined benefit pension plans will be recognized in pension expense as follows:

Year Ending June 30,	Tier 1 Noncontributory System	Tier 2 Contributory System	Total
2026	\$ 999,131	\$ 45,545	\$ 1,044,676
2027	1,308,066	70,176	1,378,242
2028	(274,059)	30,249	(243,810)
2029	(49,208)	37,073	(12,135)
2030	-	87,844	87,844
Thereafter	-	109,218	109,218

Actuarial Assumptions

The total pension liability (asset) in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.50% to 9.50%, average, including inflation
Investment rate of return	6.85%, net of pension plan investment expense, including inflation

Mortality rates were based on actual experience and mortality tables, considering gender, occupation, and age, as appropriate, with adjustments for future improvement in mortality based on Scale AA, a model developed by the Society of Actuaries.

The actuarial assumptions used in the January 1, 2023 valuation were based on an actuarial experience study for the period ending December 31, 2022. Assumptions remained unchanged that affect measurement of the total pension liability (asset) since the prior measurement date.

The long-term expected rate of return on defined benefit pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class and is applied consistently to each defined benefit pension plan. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity securities	35%	2.45%
Debt securities	20%	0.51%
Real assets	18%	0.98%
Private equity	12%	1.21%
Absolute return	15%	0.65%
Cash and cash equivalents	0%	0.00%
Total	100%	

KANE COUNTY SCHOOL DISTRICT

Notes to the Basic Financial Statements

Discount Rate

The discount rate used to measure the total pension liability (asset) was 6.85%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates, actuarially determined and certified by the Utah State Retirement Board. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

Sensitivity of the District's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability (asset) calculated using the discount rate of 6.85%, as well as what its proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.85%) or 1-percentage-point higher (7.85%) than the current rate:

	<u>1% Decrease (5.85%)</u>	<u>Discount Rate (6.85%)</u>	<u>1% Increase (7.85%)</u>
District's proportionate share of the net pension (asset) liability:			
Tier 1 Noncontributory System	\$ 11,830,983	\$ 4,613,769	\$ (1,442,525)
Tier 2 Contributory System	<u>1,173,785</u>	<u>392,996</u>	<u>(214,380)</u>
Totals	<u>\$ 13,004,768</u>	<u>\$ 5,006,765</u>	<u>\$ (1,656,905)</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued URS financial report.

Payables to the Pension Plans

At June 30, 2025, the District reported payables of \$809,553 for contributions to the defined benefit and defined contribution plans.

NOTE 7 – RISK MANAGEMENT

The District maintains insurance coverage for general, automobile, personal injury, errors and omissions, employee dishonesty, and malpractice liability up to \$10.0 million per occurrence through policies administered by the Utah State Risk Management Fund. The District pays an annual premium to the Fund. The District also insures its buildings, including those under construction, and contents against all insurable risks of direct physical loss or damage with the Utah State Risk Management Fund. This all-risk insurance coverage provides for repair or replacement of damaged property at a replacement cost basis subject to a deductible of \$1,000 per occurrence. The District also maintains its public treasurer's fidelity bond with the Utah State Risk Management Fund.

KANE COUNTY SCHOOL DISTRICT
Notes to the Basic Financial Statements

All District employees are covered for workers compensation by the Utah School Boards Risk Management Mutual Association. The District covers unemployment claims on a pay-as-you-go basis. Settled claims for the past three years have been insignificant.

NOTE 8 – LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2025 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Portion Due or Payable Within One Year
General obligation bonds	\$ 18,925,000	\$ -	\$ (820,000)	\$ 18,105,000	\$ 865,000
Unamortized bond premium	1,973,672	-	(119,616)	1,854,056	-
Net general obligation bonds	20,898,672	-	(939,616)	19,959,056	865,000
Compensated absences liability	614,065	-	(82,012) *	532,053	266,027
Early retirement liability	94,789	23,455	(53,442)	64,802	38,881
Net pension liability	4,352,052	6,684,120	(6,029,407)	5,006,765	-
Total long-term liabilities	<u>\$ 25,959,578</u>	<u>\$ 6,707,575</u>	<u>\$ (7,104,477)</u>	<u>\$ 25,562,676</u>	<u>\$ 1,169,908</u>

* The change in the compensated absences liability is presented as a net change.

The annual requirements to service general obligation bonds outstanding (principal and interest) as of June 30, 2025 are listed as follows:

Year Ending June 30,	Principal	Interest	Total
2026	\$ 865,000	\$ 468,488	\$ 1,333,488
2027	905,000	424,238	1,329,238
2028	955,000	377,738	1,332,738
2029	1,000,000	328,863	1,328,863
2030	1,055,000	277,488	1,332,488
2031 - 2035	5,765,000	886,900	6,651,900
2036 - 2040	6,240,000	413,799	6,653,799
2041	1,320,000	13,200	1,333,200
Total	<u>\$ 18,105,000</u>	<u>\$ 3,190,714</u>	<u>\$ 21,295,714</u>

General obligation bonds payable at June 30, 2025 are comprised of the following individual issues:

Description / Purpose	Final Maturity	Remaining Interest Rates	Outstanding Amount
\$21,150,000 Series 2020 school building bonds	December 15, 2040	1.2% to 5.0%	\$ 18,105,000

KANE COUNTY SCHOOL DISTRICT

Notes to the Basic Financial Statements

General Obligation Bonds

The District issues general obligation bonds to provide funds for the construction of new facilities, acquisition of property, renovation and improvement of facilities, and procurement of new school equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the taxpayers. Debt service payments on the general obligation bonds are made by the *capital projects fund* from property tax revenues.

The District's general obligation bonded debt is limited by state law to 4% of the fair market value of the total taxable property in the District. The legal debt limit at June 30, 2025 is \$143.2 million with net general obligation debt outstanding of \$20.0 million, resulting in a legal debt margin of \$123.2 million.

NOTE 9 – LITIGATION AND COMPLIANCE

At certain times, claims or lawsuits are pending in which the District is involved. The District's legal counsel and insurance carriers estimate that its potential obligations resulting from such claims or litigation would not materially affect its financial statements.

All funds balances are positive at June 30, 2025.

The District receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by its independent auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of its *general fund* or other applicable fund. Based on prior experience, District administration believes such disallowance, if any, would be insignificant.

Required Supplementary Information

KANE COUNTY SCHOOL DISTRICT

Schedules of the District's Proportionate Share of the Net Pension Liability (Asset) –

Utah Retirement Systems

Last Ten Plan (Calendar) Years

	District's Proportion of Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Tier 1 Noncontributory System:					
2024	0.2039576 %	\$ 4,613,769	\$ 5,920,445	77.93 %	92.1 %
2023	0.1992320 %	4,082,235	5,512,479	74.05 %	92.5 %
2022	0.2019138 %	4,359,874	5,361,184	81.32 %	91.6 %
2021	0.2015327 %	(1,376,961)	5,346,097	(25.76)%	102.7 %
2020	0.2003081 %	2,670,351	5,187,096	51.48 %	94.3 %
2019	0.1987207 %	4,414,981	5,056,289	87.32 %	90.1 %
2018	0.1863269 %	6,932,324	5,057,105	137.08 %	84.1 %
2017	0.1847836 %	4,518,628	5,012,784	90.14 %	89.2 %
2016	0.1832551 %	5,939,146	5,138,128	115.59 %	84.9 %
2015	0.1845304 %	5,796,628	5,256,132	110.28 %	84.5 %
Tier 2 Contributory System:					
2024	0.1317723 %	\$ 392,996	\$ 3,916,510	10.03 %	87.4 %
2023	0.1386250 %	269,817	3,583,925	7.53 %	89.6 %
2022	0.1418448 %	154,454	3,115,418	4.96 %	92.3 %
2021	0.1373131 %	(58,116)	2,559,670	(2.27)%	103.8 %
2020	0.1401831 %	20,162	2,246,670	0.90 %	98.3 %
2019	0.1403662 %	31,569	1,954,652	1.62 %	96.5 %
2018	0.1403588 %	6,013	1,649,453	0.36 %	90.8 %
2017	0.1461758 %	12,888	1,436,495	0.90 %	97.4 %
2016	0.1452997 %	16,208	1,191,575	1.36 %	95.1 %
2015	0.1493029 %	(326)	963,972	(0.03)%	100.2 %

Refer to accompanying notes.

KANE COUNTY SCHOOL DISTRICT**Schedules of District Contributions – Utah Retirement Systems**

Last Ten Reporting (Fiscal) Years

	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
Tier 1 Noncontributory System:					
2025	\$ 1,298,687	\$ 1,298,687	\$ -	\$ 6,002,210	21.64 %
2024	1,266,151	1,266,151	-	5,760,753	21.98 %
2023	1,175,646	1,175,646	-	5,431,946	21.64 %
2022	1,137,163	1,137,163	-	5,237,499	21.71 %
2021	1,160,464	1,160,464	-	5,365,024	21.63 %
2020	1,111,938	1,111,938	-	5,141,258	21.63 %
2019	1,089,423	1,089,423	-	5,052,092	21.56 %
2018	1,070,160	1,070,160	-	4,995,880	21.42 %
2017	1,075,848	1,075,848	-	5,064,600	21.24 %
2016	1,074,108	1,074,108	-	5,234,933	20.52 %
Tier 2 Contributory System:					
2025	\$ 761,852	\$ 761,852	\$ -	\$ 3,891,558	19.58 %
2024	782,498	782,498	-	3,944,040	19.84 %
2023	653,954	653,954	-	3,306,936	19.78 %
2022	549,714	549,714	-	2,834,294	19.40 %
2021	449,046	449,046	-	2,348,308	19.12 %
2020	404,368	404,368	-	2,131,340	18.97 %
2019	338,219	338,219	-	1,794,681	18.85 %
2018	277,396	277,396	-	1,505,581	18.42 %
2017	248,812	248,812	-	1,364,100	18.24 %
2016	195,042	195,042	-	1,069,045	18.24 %
Tier 2 Defined Contribution Plan:					
2025	\$ 32,059	\$ 32,059	\$ -	\$ 336,115	9.54 %
2024	8,407	8,407	-	83,905	10.02 %
2023	4,062	4,062	-	40,541	10.02 %
2022	3,681	3,681	-	36,733	10.02 %
2021	3,544	3,544	-	35,373	10.02 %
2020	4,002	4,002	-	39,944	10.02 %
2019	12,984	12,984	-	126,348	10.28 %
2018	12,868	12,868	-	121,903	10.56 %
2017	9,639	9,639	-	96,202	10.02 %
2016	8,479	8,479	-	60,884	13.93 %

Refer to accompanying notes.

KANE COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information

NOTE A – CHANGES IN ASSUMPTIONS – UTAH RETIREMENT SYSTEMS

The information presented was determined as part of actuarial valuations performed. Over time the actuarial assumptions are periodically changed. Amounts reported in the current and prior plan years include the following significant actuarial assumption changes:

Plan Year	Discount Rate	Payroll Growth Rate	Wage Inflation Rate	Inflation Rate
2024	6.85%	2.90%	3.50 to 9.50%	2.50%
2023	6.85%	2.90%	3.50 to 9.50%	2.50%
2022	6.85%	2.90%	3.25 to 9.25%	2.50%
2021	6.85%	2.90%	3.25 to 9.25%	2.50%
2020	6.95%	2.90%	3.25 to 9.25%	2.50%
2019	6.95%	3.00%	3.25 to 9.25%	2.50%
2018	6.95%	3.00%	3.25 to 9.25%	2.50%
2017	6.95%	3.00%	3.25 to 9.25%	2.50%
2016	7.20%	3.25%	3.35 to 9.35%	2.60%
2015	7.50%	3.25%	3.50 to 9.50%	2.75%

NOTE B – SCHEDULES OF DISTRICT CONTRIBUTIONS – UTAH RETIREMENT SYSTEMS

Contributions as a percentage of covered payroll may be different than the Utah State Retirement Board certified rate due to rounding or other administrative issues. A portion of the required contributions in the Tier 2 plans is used to finance the unfunded actuarial accrued liability of the Tier 1 plans.

**Combining and Individual Fund
Statements and Schedules**

KANE COUNTY SCHOOL DISTRICT**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – *General Fund***

Year Ended June 30, 2025 with Comparative Totals for 2024

	2025			2024
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues:				
Local:				
Property taxes	\$ 7,762,212	\$ 7,875,017	\$ 112,805	\$ 7,466,366
Earnings on investments	930,750	981,112	50,362	912,771
Other	515,058	259,792	(255,266)	219,335
State	17,333,874	13,952,588	(3,381,286)	14,125,916
Federal	680,191	610,505	(69,686)	1,161,875
Total revenues	<u>27,222,085</u>	<u>23,679,014</u>	<u>(3,543,071)</u>	<u>23,886,263</u>
Expenditures:				
Current:				
Salaries	12,862,636	12,685,631	177,005	11,852,816
Employee benefits	5,321,166	5,142,741	178,425	5,089,538
Purchased services	3,729,604	2,082,165	1,647,439	1,580,034
Supplies	2,005,123	1,980,773	24,350	2,036,882
Property	446,798	114,244	332,554	93,673
Other	3,951,078	92,739	3,858,339	87,196
Total expenditures	<u>28,316,405</u>	<u>22,098,293</u>	<u>6,218,112</u>	<u>20,740,139</u>
Excess (deficiency) of revenues over (under) expenditures / net change in fund balances	(1,094,320)	1,580,721	2,675,041	3,146,124
Fund balances – beginning	<u>16,164,821</u>	<u>16,164,821</u>	<u>-</u>	<u>13,018,697</u>
Fund balances – ending	<u>\$ 15,070,501</u>	<u>\$ 17,745,542</u>	<u>\$ 2,675,041</u>	<u>\$ 16,164,821</u>

KANE COUNTY SCHOOL DISTRICT**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual –
Capital Projects Fund**

Year Ended June 30, 2025 with Comparative Totals for 2024

	2025			2024
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues:				
Local:				
Property taxes	\$ 5,266,529	\$ 5,348,620	\$ 82,091	\$ 3,042,135
Earnings on investments	330,000	387,389	57,389	431,746
Other	132,000	160,318	28,318	214,912
State	41,359	41,359	-	-
Federal	294,634	294,634	-	-
Total revenues	6,064,522	6,232,320	167,798	3,688,793
Expenditures:				
Capital outlay:				
Purchased services	3,234,432	1,748,589	1,485,843	1,972,810
Supplies	-	-	-	2,352
Property	671,947	651,747	20,200	154,531
Debt service:				
Principal retirement	780,000	820,000	(40,000)	780,000
Interest and other charges	589,112	508,694	80,418	548,839
Total expenditures	5,275,491	3,729,030	1,546,461	3,458,532
Excess of revenues over expenditures / net change in fund balances	789,031	2,503,290	1,714,259	230,261
Fund balances – beginning	8,436,398	8,436,398	-	8,206,137
Fund balances – ending	<u>\$ 9,225,429</u>	<u>\$ 10,939,688</u>	<u>\$ 1,714,259</u>	<u>\$ 8,436,398</u>

KANE COUNTY SCHOOL DISTRICT
Combining Balance Sheet – Nonmajor Governmental Funds
June 30, 2025

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Food Services	Student Activities	Pass-Through Taxes	Foundation	
Assets:					
Cash and investments	\$ 383,068	\$ 407,771	\$ -	\$ 432,206	\$ 1,223,045
Receivables:					
Property taxes	-	-	9,092	-	9,092
State	38,801	-	-	-	38,801
Inventories	15,524	-	-	-	15,524
Total assets	<u>\$ 437,393</u>	<u>\$ 407,771</u>	<u>\$ 9,092</u>	<u>\$ 432,206</u>	<u>\$ 1,286,462</u>
Liabilities:					
Accounts and contracts payable	\$ -	\$ 79,371	\$ -	\$ 7,356.0	86,727
Deferred inflows of resources:					
Unavailable property tax revenue	-	-	533	-	533
Property taxes levied for future year	-	-	8,559	-	8,559
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>9,092</u>	<u>-</u>	<u>9,092</u>
Fund balances:					
Nonspendable:					
Inventories	15,524	-	-	-	15,524
Endowment	-	-	-	27,520	27,520
Restricted for:					
Food services	421,869	-	-	-	421,869
Scholarships	-	-	-	83,477	83,477
Assigned to:					
Students	-	328,400	-	-	328,400
Foundation	-	-	-	313,853	313,853
Total fund balances	<u>437,393</u>	<u>328,400</u>	<u>-</u>	<u>424,850</u>	<u>1,190,643</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 437,393</u>	<u>\$ 407,771</u>	<u>\$ 9,092</u>	<u>\$ 432,206</u>	<u>\$ 1,286,462</u>

KANE COUNTY SCHOOL DISTRICT**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –****Nonmajor Governmental Funds**

Year Ended June 30, 2025

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Food Services	Student Activities	Pass-Through Taxes	Foundation	
Revenues:					
Local:					
Property taxes	\$ -	\$ -	\$ 4,825	\$ -	\$ 4,825
Earnings on investments	-	-	-	12,629	12,629
Lunch sales	186,654	-	-	-	186,654
Other	-	823,944	-	96,132	920,076
State	135,650	-	-	-	135,650
Federal	422,046	-	-	-	422,046
Total revenues	744,350	823,944	4,825	108,761	1,681,880
Expenditures:					
Current:					
Instruction	-	849,845	-	-	849,845
Food services	775,860	-	-	-	775,860
Other	-	-	-	98,282	98,282
Contributions to other governments	-	-	4,825	-	4,825
Total expenditures	775,860	849,845	4,825	98,282	1,728,812
Excess (deficiency) of revenues over (under) expenditures / net change in fund balances	(31,510)	(25,901)	-	10,479	(46,932)
Fund balances – beginning	468,903	354,301	-	414,371	1,237,575
Fund balances – ending	\$ 437,393	\$ 328,400	\$ -	\$ 424,850	\$ 1,190,643

KANE COUNTY SCHOOL DISTRICT**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual –*****Food Services Fund***

Year Ended June 30, 2025 with Comparative Totals for 2024

	2025			2024
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues:				
Local:				
Lunch sales	\$ 181,100	\$ 186,654	\$ 5,554	\$ 178,639
State	180,000	135,650	(44,350)	179,482
Federal	460,700	422,046	(38,654)	439,768
Total revenues	821,800	744,350	(77,450)	797,889
Expenditures:				
Current:				
Salaries	274,600	292,564	(17,964)	287,830
Employee benefits	81,247	84,307	(3,060)	81,023
Purchased services	12,900	12,081	819	2,922
Supplies	22,900	60,132	(37,232)	84,311
Food	332,000	318,724	13,276	310,201
Property	-	6,438	(6,438)	-
Other	155,000	1,614	153,386	32,379
Total expenditures	878,647	775,860	102,787	798,666
Excess (deficiency) of revenues over (under) expenditures / net change in fund balances	(56,847)	(31,510)	25,337	(777)
Fund balances – beginning	468,903	468,903	-	469,680
Fund balances – ending	<u>\$ 412,056</u>	<u>\$ 437,393</u>	<u>\$ 25,337</u>	<u>\$ 468,903</u>

KANE COUNTY SCHOOL DISTRICT**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual –
Student Activities Fund**

Year Ended June 30, 2025 with Comparative Totals for 2024

	2025			2024
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues:				
Local:				
Student fees	\$ 1,500,000	\$ 823,944	\$ (676,056)	\$ 686,134
Expenditures:				
Current:				
Supplies	1,500,000	849,845	650,155	653,464
Excess (deficiency) of revenues over (under) expenditures / net change in fund balances	-	(25,901)	(25,901)	32,670
Fund balances – beginning	354,301	354,301	-	321,631
Fund balances – ending	\$ 354,301	\$ 328,400	\$ (25,901)	\$ 354,301

KANE COUNTY SCHOOL DISTRICT**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual –*****Pass-Through Taxes Fund***

Year Ended June 30, 2025 with Comparative Totals for 2024

	2025			2024
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues:				
Local:				
Property taxes	\$ 11,000	\$ 4,825	\$ (6,175)	\$ 4,717
Expenditures:				
Current				
Contribution to other government	11,000	4,825	6,175	4,717
Excess of revenues over expenditures / net change in fund balances	-	-	-	-
Fund balances – beginning	-	-	-	-
Fund balances – ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

KANE COUNTY SCHOOL DISTRICT**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual –*****Kane Schools Foundation for Students Fund***

Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Revenues:		
Local:		
Contributions	\$ 91,564	\$ 94,607
Earnings on investments	12,629	18,328
Other	<u>4,568</u>	<u>5,786</u>
Total revenues	<u>108,761</u>	<u>118,721</u>
Expenditures:		
Current:		
Focus area programs	27,905	33,237
Scholarships	38,900	26,850
General and administrative	<u>31,477</u>	<u>26,993</u>
Total expenditures	<u>98,282</u>	<u>87,080</u>
Excess of revenues over expenditures / net change in fund balances	10,479	31,641
Fund balances – beginning	<u>414,371</u>	<u>382,730</u>
Fund balances – ending	<u><u>\$ 424,850</u></u>	<u><u>\$ 414,371</u></u>

Other Information

KANE COUNTY SCHOOL DISTRICT
Comparative Balance Sheets (Modified Accrual Basis) – General Fund
Last Five Fiscal Years

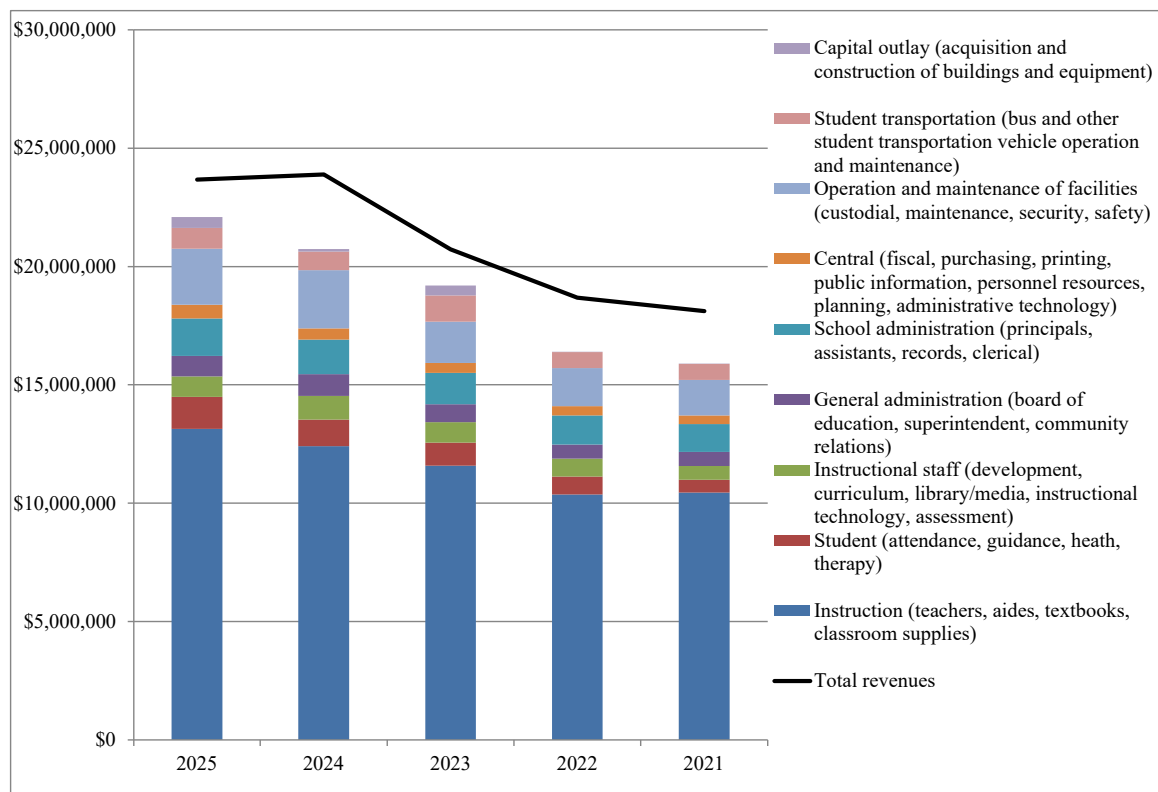
	2025	2024	2023	2022	2021
Assets:					
Cash and investments	\$ 20,090,967	\$ 17,950,257	\$ 13,577,223	\$ 12,312,664	\$ 11,164,512
Receivables:					
Property taxes	9,068,164	8,639,194	7,981,700	7,964,391	6,986,958
State and federal	251,328	384,707	1,736,186	1,447,165	155,571
Total assets	<u>\$ 29,410,459</u>	<u>\$ 26,974,158</u>	<u>\$ 23,295,109</u>	<u>\$ 21,724,220</u>	<u>\$ 18,307,041</u>
Liabilities:					
Accounts and contracts payable	\$ 191,227	\$ 91,670	\$ 184,636	\$ 114,910	\$ 48,878
Accrued salaries and benefits	1,893,760	1,778,077	1,735,230	1,607,073	1,537,050
Unearned revenue	601,615	458,817	490,790	701,398	772,736
Total liabilities	<u>2,686,602</u>	<u>2,328,564</u>	<u>2,410,656</u>	<u>2,423,381</u>	<u>2,358,664</u>
Deferred inflows of resources					
Unavailable property tax revenue	636,211	403,475	299,444	382,242	405,533
Property taxes levied for future year	8,342,104	8,077,298	7,566,312	7,426,737	6,335,390
Total deferred inflows of resources	<u>8,978,315</u>	<u>8,480,773</u>	<u>7,865,756</u>	<u>7,808,979</u>	<u>6,740,923</u>
Fund balances:					
Restricted for:					
Other purposes	101,911	101,635	96,272	100,548	100,548
Committed to:					
Employee benefit obligations	150,000	194,528	230,731	278,246	229,882
Assigned to:					
Early retirement program	1,000,000	1,000,000	447,515	687,560	700,000
Future building projects	8,000,000	7,000,000	6,000,000	4,300,461	4,000,000
Unassigned	8,493,631	7,868,658	6,244,179	6,125,045	4,177,024
Total fund balances	<u>17,745,542</u>	<u>16,164,821</u>	<u>13,018,697</u>	<u>11,491,860</u>	<u>9,207,454</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 29,410,459</u>	<u>\$ 26,974,158</u>	<u>\$ 23,295,109</u>	<u>\$ 21,724,220</u>	<u>\$ 18,307,041</u>

KANE COUNTY SCHOOL DISTRICT

Comparative Statements of Revenues, Expenditures, and Changes in Fund Balances (Modified Accrual Basis) – General Fund

Last Five Fiscal Years

	2025	2024	2023	2022	2021
Revenues:					
Local:					
Property taxes	\$ 7,875,017	\$ 7,466,366	\$ 7,731,742	\$ 6,336,019	\$ 7,138,141
Earnings on investments	981,112	912,771	563,236	62,356	42,406
Other	259,792	219,335	192,422	167,513	285,524
State	13,952,588	14,125,916	10,961,478	10,788,590	9,399,110
Federal	610,505	1,161,875	1,281,465	1,326,867	1,249,164
Total revenues	23,679,014	23,886,263	20,730,343	18,681,345	18,114,345
Expenditures:					
Current:					
Instruction	13,131,559	12,412,381	11,584,752	10,361,394	10,440,667
Supporting services:					
Student	1,355,855	1,113,322	974,701	767,896	548,642
Instructional staff	869,155	1,003,657	866,326	746,928	573,615
General administration	867,888	922,295	755,294	605,371	598,530
School administration	1,582,298	1,456,213	1,318,088	1,224,868	1,174,066
Central	584,707	471,561	422,064	390,925	376,085
Operation and maintenance of facilities	2,367,181	2,466,241	1,753,173	1,615,836	1,501,343
Student transportation	873,923	781,517	1,099,572	676,396	669,889
Food services	5,170	-	-	-	9,608
Capital outlay	460,557	112,952	429,536	7,325	11,922
Total expenditures	22,098,293	20,740,139	19,203,506	16,396,939	15,904,367
Excess of revenues over expenditures / net change in fund balances	1,580,721	3,146,124	1,526,837	2,284,406	2,209,978
Fund balances – beginning	16,164,821	13,018,697	11,491,860	9,207,454	6,997,476
Fund balances – ending	\$ 17,745,542	\$ 16,164,821	\$ 13,018,697	\$ 11,491,860	\$ 9,207,454



KANE COUNTY SCHOOL DISTRICT
Historical Summaries of Taxable Values of Property
Last Five Tax (Calendar) Years

	2024		2023	2022	2021	2020
	Taxable Value	% of TV	Taxable Value	Taxable Value	Taxable Value	Taxable Value
Set by County Assessor-Locally Assessed						
Real property:						
Primary residential	\$ 684,960,233	22.3 %	\$ 592,229,423	\$ 499,305,427	\$ 360,434,088	\$ 330,003,046
Secondary residential	1,465,668,276	47.6	1,338,961,195	1,162,893,355	826,901,215	730,753,093
Commercial and industrial	326,421,026	10.6	297,155,146	275,053,185	258,785,317	254,423,289
Agricultural and Farmland Assessment Act (FAA)	5,576,981	0.2	5,021,759	4,958,852	4,393,461	4,299,746
Unimproved non FAA	429,833,221	14.0	405,975,890	318,977,823	224,095,158	210,985,486
Total real property	2,912,459,737	94.7	2,639,343,413	2,261,188,642	1,674,609,239	1,530,464,660
Personal property:						
Primary mobile homes	277,236	0.0	277,236	-	275,689	273,814
Secondary mobile homes	34,016	0.0	34,016	-	15,508	19,757
Other business personal	67,719,024	2.2	81,035,367	57,347,516	54,170,189	47,939,396
Total personal property	68,030,276	2.2	81,346,619	57,347,516	54,461,386	48,232,967
Fee in lieu	56,230,495	1.8	48,221,760	42,053,236	40,574,402	29,574,826
Total locally assessed	3,036,720,508	98.7	2,768,911,792	2,360,589,394	1,769,645,027	1,608,272,453
Set by State Tax Commission-Centrally Assessed	39,198,746	1.3	39,926,586	62,418,750	67,209,997	62,764,200
Total taxable value	<u>\$ 3,075,919,254</u>	<u>100.0 %</u>	<u>\$ 2,808,838,378</u>	<u>\$ 2,423,008,144</u>	<u>\$ 1,836,855,024</u>	<u>\$ 1,671,036,653</u>
Total taxable value (less fee in lieu)	<u>\$ 3,019,688,759</u>		<u>\$ 2,760,616,618</u>	<u>\$ 2,380,954,908</u>	<u>\$ 1,796,280,622</u>	<u>\$ 1,641,461,827</u>

Source: Utah State Tax Commission.

KANE COUNTY SCHOOL DISTRICT**Tax Rates and Revenue**

Last Five Fiscal Years

	2025		2024		2023		2022		2021	
	Tax Rate	Revenue	Tax Rate	Revenue	Tax Rate	Revenue	Tax Rate	Revenue	Tax Rate	Revenue
Basic	0.001408	\$ 4,374,737	0.001406	\$ 4,029,166	0.001652	\$ 4,263,517	0.001661	\$ 3,171,597	0.001628	\$ 2,952,723
Voted local	0.000573	1,780,344	0.000613	1,756,671	0.000687	1,773,024	0.000872	1,665,041	0.000914	1,657,733
Board local	0.000982	3,051,131	0.001050	3,008,979	0.001171	3,022,142	0.001483	2,831,715	0.001563	2,834,832
Charter school levy	0.000002	4,825	0.000001	4,717	0.000007	18,528	0.000013	20,508	0.000005	7,321
Capital local	0.001293	4,017,425	0.000598	1,713,685	0.000670	1,729,150	0.000851	1,624,942	0.000892	1,617,831
Total tax rates / revenue	0.004258	\$ 13,228,462	0.003668	\$ 10,513,218	0.004187	\$ 10,806,361	0.004880	\$ 9,313,802	0.005002	\$ 9,070,440

Notes:

Tax rates are levied for the calendar year. For example, calendar year 2024 tax rates apply to the District's fiscal year ending June 30, 2025.

Revenue include current taxes, redemptions (delinquent taxes collected in the current year), and fees in lieu of taxes (primarily motor vehicle fees) measured using the modified accrual basis of accounting.

Redemptions of prior-year taxes are allocated using current tax rates.

APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon the issuance of the Series 2026 Bonds, Gilmore & Bell, P.C., Bond Counsel to the Authority, proposes to issue its approving opinion in substantially the following form:

Re: \$20,960,000 Local Building Authority of Kane County School District, Utah Lease Revenue Bonds, Series 2026

We have acted as bond counsel to the Local Building Authority of Kane County School District, Utah (the “Issuer”), in connection with the issuance by the Issuer of the above-captioned bonds (the “Series 2026 Bonds”). In this capacity, we have examined the law and such certified proceedings, certifications and other documents as we have deemed necessary to give the opinions below.

The Series 2026 Bonds are being issued pursuant to (i) the Local Building Authority Act, Title 17D, Chapter 2, Utah Code Annotated 1953, as amended (the “Building Authority Act”), and the Local Government Bonding Act, Title 11, Chapter 14, Utah Code Annotated 1953, as amended (the “Bonding Act” and together with the Building Authority Act, the “Act”), and other provisions of state law (ii) resolutions adopted on April 14, 2026 by the governing body of the Issuer and the Board of Education of Kane County School District, Utah (the “District”), and (iii) a General Indenture of Trust dated as of [July 1], 2026 (the “General Indenture”), as supplemented by a First Supplemental Indenture of Trust dated as of [July 1], 2026 (the “First Supplemental Indenture” and together with the General Indenture, the “Indenture”), each between the Issuer and Zions Bancorporation, National Association, as trustee.

Capitalized terms used and not otherwise defined in this opinion have the meanings assigned to those terms in the Indenture.

The Series 2026 Project has been leased by the Issuer to the District on an annually renewable basis and with an option to purchase, exercisable by the District, pursuant to the terms of a Master Lease Agreement dated as of February 1, 2026 (the “Lease”) between the Issuer and the District. Payments by the District under the Lease may be made only from funds which are budgeted and appropriated by the District for such purpose. Except to the extent payable from the proceeds of the Series 2026 Bonds and income from the investment thereof, the proceeds of certain insurance policies, performance bonds, condemnation awards and liquidation proceeds, if any, the Series 2026 Bonds are payable solely from, and are secured by a pledge of, rentals derived by the Issuer under the Lease. The Indenture provides that the Series 2026 Bonds and the interest thereon (i) are not general obligations, but are special, limited obligations of the Issuer, (ii) do not constitute an indebtedness of the District within the meaning of any constitutional provision or statutory limitation, and (iii) do not constitute or give rise to a pecuniary liability of the District or a charge against the general credit or taxing powers of the District. Neither the District nor the Issuer on its behalf has pledged the credit of the District to the payment of the Series 2026 Bonds or the interest thereon or rentals under the Lease.

Regarding questions of fact material to the opinions below, we have relied on the representations of the Issuer contained in the Indenture, on the certified proceedings and other certifications of representatives of the Issuer and the District and the certifications of others furnished to us without undertaking to verify them by independent investigation.

Based on the foregoing, we are of the opinion that:

1. The Issuer is a validly existing nonprofit corporation incorporated and existing pursuant to the Utah Revised Nonprofit Corporation Act, Title 16, Chapter 6a, the Utah Code Annotated 1953, as amended and as provided in the Local Building Authority Act Title 17D, Chapter 2, Utah Code Annotated 1953, as amended with the power to execute the Indenture and perform the agreements on its part contained therein, and issue the Series 2026 Bonds.

2. The Indenture has been authorized, executed and delivered by the Issuer and constitutes a valid and binding obligation enforceable against the Issuer.

3. The Lease has been authorized, executed and delivered by the District and the Issuer, and constitutes a valid and binding obligation enforceable against the District and the Issuer.

4. The Series 2026 Bonds have been duly authorized and executed by the Issuer and are valid and binding limited obligations of the Issuer and the Series 2026 Bonds do not constitute a general obligation indebtedness of the Issuer or the District within the meaning of any State constitutional or statutory provision, limitation, or restriction. The Issuer has no taxing power.

5. The interest on the Series 2026 Bonds (including any original issue discount properly allocable to an owner thereof) (i) is excludable from gross income for federal income tax purposes and (ii) is not an item of tax preference for purposes of computing the federal alternative minimum tax. The opinions set forth in this paragraph are subject to the condition that the Issuer and the District comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Series 2026 Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Issuer and the District have covenanted to comply with all of these requirements. Failure to comply with certain of these requirements may cause the interest on the Series 2026 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2026 Bonds.

6. The interest on the Series 2026 Bonds is exempt from State of Utah individual income taxes.

The rights of the owners of the Series 2026 Bonds and the enforceability of the Series 2026 Bonds and the Indenture may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the rights and remedies of creditors, and by equitable principles, whether considered at law or in equity.

We express no opinion regarding (a) the accuracy, adequacy or completeness of the Official Statement or other offering material relating to the Series 2026 Bonds, except as may be set forth in our supplemental opinion of even date herewith, (b) the attachment, perfection, or priority of the lien on the rentals derived by the Issuer under the Lease or other funds created by the Indenture, or (c) the tax consequences arising with respect to the Series 2026 Bonds other than as expressly set forth in this opinion letter.

The opinions given in this opinion letter are given as of the date set forth above, and we assume no obligation to revise or supplement them to reflect any facts or circumstances that may later come to our attention, or any changes in law that may later occur.

Respectfully submitted,

APPENDIX D

PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the “Disclosure Undertaking”) is executed and delivered by Kane County School District, Utah (the “District”) in connection with the issuance of the Local Building Authority of Kane County School District, Utah Lease Revenue Bonds, Series 2026 in the aggregate principal amount of \$20,960,000 (the “Series 2026 Bonds”). The Series 2026 Bonds are being issued pursuant to a General Indenture of Trust dated as of [July 1], 2026, and a First Supplemental Indenture of Trust dated as of [July 1], 2026 (collectively, the “Indenture”) by and between the Local Building Authority of Kane County School District, Utah (the “Issuer”) and Zions Bancorporation, National Association, as trustee (the “Trustee”), a resolution of the Issuer adopted on April 14, 2026, and a resolution of the District adopted on April 14, 2026.

The District covenants and agrees as follows:

Section 1. Purpose of the Disclosure Undertaking. This Disclosure Undertaking is being executed and delivered by the District for the benefit of the Bondholders and Beneficial Owners of the Series 2026 Bonds and in order to assist the Participating Underwriter in complying with the Rule (each as defined below). The District acknowledges that the Issuer has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Disclosure Undertaking, and has no liability to any person, including any holder or Beneficial Owner of the Series 2026 Bonds, with respect to any such reports, notices or disclosures. The District represents that it will be the only obligated person with respect to the Series 2026 Bonds at the time the Series 2026 Bonds are delivered to the Participating Underwriter and that no other person is expected to become so committed at any time after issuance of the Series 2026 Bonds.

Section 2. Definitions. In addition to the definitions set forth in the Indenture or parenthetically defined herein, which apply to any capitalized terms used in this Disclosure Undertaking unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

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

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2026 Bonds (including persons holding Series 2026 Bonds through nominees, depositories, or other intermediaries) or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Dissemination Agent” shall mean, initially, the District, or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

“Financial Obligation” means a (a) debt obligation, (b) 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) in this definition; provided however, the term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Listed Events” shall mean any of the events listed in Section 5 of this Disclosure Undertaking.

“MSRB” shall mean the Municipal Securities Rulemaking Board, the address of which is the address of which is currently 1300 I Street, NW, Suite 1000, Washington D.C. 20005; Telephone (202) 838-1500; the current website address of which is www.msrb.org and www.emma.msrb.org (for municipal disclosures and market data).

“Official Statement” shall mean the Official Statement of the Issuer dated [June 18], 2026 relating to the Series 2026 Bonds.

“Participating Underwriter” shall mean any of the original underwriters of the Series 2026 Bonds required to comply with the Rule in connection with the offering of the Series 2026 Bonds.

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

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than 210 days after the end of each fiscal year of the Issuer (presently June 30) commencing with the fiscal year ending June 30, 2026, provide to the MSRB in electronic format an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Undertaking. Not later than 15 business days prior to said date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Undertaking; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report.

(b) If the District is unable to provide an Annual Report to the MSRB by the date required in subsection (a) or the Dissemination Agent has not received a copy to file by such date, the District or the Dissemination Agent shall, in a timely manner, provide a notice of failure to file the Annual Report to the MSRB in an electronic format.

(c) The District or the Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the website address to which the MSRB directs the Annual Report to be submitted; and

(ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Undertaking, stating the date it was provided and listing the website address to which it was provided.

Section 4. Content of Annual Reports.

(a) The Annual Report shall contain or incorporate by reference the following:

(i) A copy of the District’s annual financial statements prepared in accordance with generally accepted accounting principles audited by a firm of certified public accountants. If the District’s audited annual financial statements are not available by the time specified in 3(a) above, unaudited financial statements will be provided as part of the Annual Report and audited financial statements will be provided when and if available.

(ii) An update of the information of the type contained in the Official Statement in the tables under the headings, “LOCAL BUILDING AUTHORITY OF KANE COUNTY SCHOOL DISTRICT, UTAH—Debt Issuance,” “DEBT STRUCTURE OF KANE COUNTY SCHOOL DISTRICT, UTAH—Overlapping and Underlying General Obligation Debt of the District,” “—Debt Ratios Regarding General Obligations Debt of the District,” “FINANCIAL INFORMATION REGARDING KANE COUNTY SCHOOL DISTRICT, UTAH—Source of General Fund Revenues,” “—Five-Year Financial Summaries,” and “—Certain Property Tax Matters.”

(b) Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the District is an “obligated person” (as defined by the Rule), which have been submitted to the public on the Internet website of the MSRB or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each such document incorporated by reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5(a), the District shall give or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Series 2026 Bonds in a timely manner not more than ten (10) business days after the event:

- (i) Principal and interest payment delinquencies;
- (ii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iii) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (iv) Substitution of credit or liquidity providers, or their failure to perform;
- (v) Adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701–TEB) or other material notices or determinations with respect to the tax status of the Series 2026 Bonds;
- (vi) Defeasances;
- (vii) Tender offers;
- (viii) Bankruptcy, insolvency, receivership or similar proceedings;
- (ix) Rating changes; or
- (x) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District or the Issuer, any of which reflect financial difficulties.

(b) Pursuant to the provisions of this Section 5(b), the District shall give or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Series 2026 Bonds in a timely manner not more than 10 business days after the Listed Event, if material:

- (i) Mergers, consolidations, acquisitions, the sale of all or substantially all of the assets of the obligated persons or their termination;

(ii) Appointment of a successor or additional trustee or paying agent or the change of the name of a trustee or paying agent;

(iii) Non-payment related defaults;

(iv) Modifications to the rights of the owners of the Series 2026 Bonds;

(v) Series 2026 Bond calls;

(vi) Release, substitution or sale of property securing repayment of the Series 2026 Bonds; or

(vii) Incurrence of a Financial Obligation of the District or Issuer or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District or the Issuer, any of which affect security holders.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event under Section 5(b), whether because of a notice from the Trustee or otherwise, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the District has determined that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the District shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f).

(e) If the District determines that the Listed Event under Section 5(b) would not be material under applicable federal securities laws, the District shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by the District to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB in an electronic format in a timely manner not more than ten (10) business days after the Listed Event.

Section 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Undertaking shall terminate upon the earlier of: (i) the date of legal defeasance, prior redemption or payment in full of all of the Series 2026 Bonds; (ii) the date that the District shall no longer constitute an "obligated person" within the meaning of the Rule; or (iii) the date on which those portions of the Rule which require this written Agreement are held to be invalid by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Series 2026 Bonds.

Section 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

Section 8. Amendment, Waiver. Notwithstanding any other provision of this Disclosure Undertaking, the District and the Dissemination Agent may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, without the consent of the holders of the Series 2026 Bonds, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver does not, in and of itself, cause the Agreements herein to violate the Rule, but taking into account any subsequent change in or official interpretation of the Rule. The District will provide notice of such amendment or waiver to the MSRB.

Section 9. Additional Information. Nothing in this Disclosure Undertaking shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Undertaking. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Undertaking, the District shall have no obligation under this Disclosure Undertaking to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the District or the Dissemination Agent to comply with any provision of this Disclosure Undertaking, any holder or Beneficial Owner of the Series 2026 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District or Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an event of default under the Indenture, and the sole remedy under this Disclosure Undertaking shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Undertaking, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2026 Bonds.

Section 12. Beneficiaries. This Disclosure Undertaking shall inure solely to the benefit of the Issuer, the District, the Dissemination Agent, the Participating Underwriter and the Holders and Beneficial Owners from time to time of the Series 2026 Bonds and shall create no rights in any other person or entity.

Section 13. Counterparts. This Disclosure Undertaking may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Date: _____, 2026.

(SEAL)

KANE COUNTY SCHOOL DISTRICT, UTAH

President

ATTEST:

Business Administrator

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APPENDIX E

BOOK-ENTRY SYSTEM

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has an S&P 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 <http://www.dtcc.com>.

Purchases of 2026 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2026 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2026 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2026 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2026 Bonds, except in the event that use of the book-entry system for the 2026 Bonds is discontinued.

To facilitate subsequent transfers, all 2026 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 2026 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2026 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2026 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 2026 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2026 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of 2026 Bonds may wish to ascertain that the nominee holding the 2026 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2026 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2026 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns

Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2026 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2026 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 detailed information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2026 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, 2026 Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2026 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 Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

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