

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2018

\$37,050,000⁽¹⁾

Oregon Education Districts

Full Faith and Credit Pension Obligations, Series 2018

(Federally Taxable)

DATED: December 20, 2018 (estimated "Date of Delivery")

DUE: June 30, as shown on the inside cover

MOODY'S RATING — Applied for. See "Rating" herein.

ISSUER AND PURPOSE — The \$37,050,000⁽¹⁾ Full Faith and Credit Pension Obligations, Series 2018 (Federally Taxable) (the "Series 2018 Obligations") are being issued by certain Oregon school districts (the "Series 2018 Issuers") the proceeds of which are to be used to finance all or a portion of the unfunded actuarial liability ("UAL") of each Series 2018 Issuer with the Oregon Public Employees Retirement System ("PERS"), as more fully described herein, and to pay costs of issuing and selling the Series 2018 Pension Bonds and Series 2018 Obligations. See "Purpose and Use of Proceeds" herein. The Series 2018 Issuers and U.S. Bank National Association (the "Series 2018 Trustee") will enter into a Trust Agreement at closing to provide for the issuance and payment of the Series 2018 Obligations (the "Series 2018 Trust Agreement").

THE SERIES 2018 OBLIGATIONS — The Series 2018 Obligations represent undivided proportionate interests of the Owners thereof in the Pension Bond Payments to be made by the Series 2018 Issuers pursuant to the Series 2018 Trust Agreement.

BOOK-ENTRY ONLY SYSTEM — The Series 2018 Obligations will be issued, executed and delivered in fully registered form under a book-entry only system and registered in the name of Cede & Co., as owner and nominee for The Depository Trust Company ("DTC"). DTC will act as initial securities depository for the Series 2018 Obligations. Individual purchases of the Series 2018 Obligations will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in the Series 2018 Obligations purchased.

PRINCIPAL AND INTEREST PAYMENTS — The interest component of the Pension Bond Payments evidenced and represented by the Series 2018 Obligations ("Interest") is payable on June 30, 2019 and semiannually thereafter on June 30 and December 30 of each year to the maturity of the Series 2018 Obligations. The principal and interest components of the Pension Bond Payments evidenced and represented by the Series 2018 Obligations will be payable by the Series 2018 Trustee to DTC which, in turn, will remit such principal and interest components to the DTC participants for subsequent disbursement to the Owners of the Series 2018 Obligations at the address appearing upon the registration books on the 15th day of the month preceding a payment date (the "Record Date").

MATURITY SCHEDULE — See inside front cover.

REDEMPTION — The Series 2018 Obligations may be subject to redemption prior to their stated maturities as further described herein.

SECURITY — Each Series 2018 Issuer has pledged its full faith and credit and taxing power within the limitations of Sections 11 and 11b of Article XI of the Oregon Constitution to pay amounts due under its Series 2018 Pension Bond (the "Pension Bond Payments"). Each Series 2018 Issuer's Pension Bond will be payable from any and all of its legally available taxes, revenues and other funds as authorized by ORS 238.692 to 238.698, including any amendments thereto, and ORS Chapter 287A. The Pension Bond Payments are not subject to annual appropriation by the Series 2018 Issuers. The Series 2018 Issuers are not authorized to levy additional taxes to pay the Pension Bond Payments.

The Series 2018 Pension Bonds are further secured by an Intercept Agreement, defined herein, under which an amount equal to each Series 2018 Issuer's Pension Bond Payments is required to be diverted from State Education Revenues, defined herein, to the Series 2018 Trustee for the purpose of paying such Series 2018 Issuer's Pension Bond Payments. The Series 2018 Issuers are authorized to issue Future Pension Bonds and to require that State Education Revenues be diverted under the Intercept Agreement for payments with respect to such Future Pension Bonds. Neither the Series 2018 Pension Bonds, nor the Series 2018 Obligations constitute a debt or indebtedness of the Oregon Department of Education, the State of Oregon or any political subdivision thereof other than the Series 2018 Issuers.

THE OBLIGATION OF THE SERIES 2018 ISSUERS TO PAY THE PENSION BOND PAYMENTS IS NOT SUBJECT TO ANNUAL APPROPRIATION BY THE SERIES 2018 ISSUERS, AND THE PENSION BOND PAYMENTS AND PAYMENTS DUE ON THE SERIES 2018 OBLIGATIONS ARE NOT SUBJECT TO ACCELERATION. EACH SERIES 2018 ISSUER IS OBLIGATED ONLY TO MAKE THE PAYMENTS REQUIRED BY ITS SERIES 2018 PENSION BOND. NO SERIES 2018 ISSUER IS REQUIRED TO PAY ANY PORTION OF ANOTHER SERIES 2018 ISSUER'S SERIES 2018 PENSION BONDS.

Each Series 2018 Issuer is required to pay or cause to be paid its Pension Bond Payments, and the Series 2018 Trustee is required to deposit these Pension Bond Payments into an appropriate subaccount in the Trust Fund, which is part of the Trust Estate pledged to the benefit of the Owners of the Series 2018 Obligations.

TAX MATTERS — *The interest component of the Pension Bond Payments evidenced and represented by the Series 2018 Obligations ("Interest") is included in gross income for federal income tax purposes. In the opinion of Hawkins Delafield & Wood LLP, Special Counsel to the Series 2018 issuers ("Special Counsel"), Interest is exempt from State of Oregon personal income tax under existing law. See "Tax Matters" herein.*

DELIVERY — The Series 2018 Obligations are offered for sale to the original purchaser subject to the final approving legal opinion of Special Counsel. It is expected that the Series 2018 Obligations will be available for delivery to the Series 2018 Trustee for Fast Automated Securities Transfer on behalf of DTC, on or about the Date of Delivery.

(1) Preliminary, subject to change.

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

Oregon Education Districts

Full Faith and Credit Pension Obligations, Series 2018 (Federally Taxable)

DATED: Date of Delivery

DUE: June 30, as shown below

MATURITY SCHEDULE –

Due June 30	Amounts ⁽¹⁾	Interest Rates	Yields	CUSIP®	Due June 30	Amounts ⁽¹⁾	Interest Rates	Yields	CUSIP®
2019	\$ 195,000				2027	\$ 1,485,000			
2020	575,000				2028	1,655,000			
2021	675,000				2029	1,850,000			
2022	790,000				2030	2,040,000			
2023	905,000				2031	2,260,000			
2024	1,040,000				2032	2,490,000			
2025	1,170,000				2033	2,735,000			
2026	1,325,000								
\$15,860,000 ____% Term Bond due June 30, 2038 @ ____% Yield ⁽¹⁾ ; CUSIP No. _____									

(1) Preliminary, subject to change.

Piper Jaffray & Co. (the "Underwriter") has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The Series 2018 Issuers make no representation regarding the accuracy or completeness of the information provided for matters relating to DTC and its book-entry system, the Series 2018 Trustee and the information under the heading "Underwriting."

The CUSIP® numbers herein are provided by CUSIP Global Services (CGS), which is managed on behalf of the American Bankers Association by S&P Capital IQ, a division of S&P Global Inc. CUSIP is a registered trademark of the American Bankers Association. CUSIP numbers are provided for convenience of reference only. CUSIP numbers are subject to change. Neither the Series 2018 Issuers nor the Underwriter take any responsibility for the accuracy of such CUSIP numbers.

No website mentioned in this Official Statement is part of this Official Statement, and readers should not rely upon any information presented on any such website in determining whether to purchase the Series 2018 Obligations. Any references to any website mentioned in this Official Statement are not hyperlinks and do not incorporate such websites by reference.

No dealer, broker, salesman or other person has been authorized by the Series 2018 Issuers or the Underwriter to give information or to make any representations with respect to the Series 2018 Obligations, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon. 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 Series 2018 Obligations by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The prices at which the Series 2018 Obligations are offered to the public by the Underwriter (and the yields resulting therefrom) may vary from the initial public offering prices appearing on this inside cover page hereof. In addition, the Underwriter may allow concessions or discounts from such initial public offering prices to dealers and others. In connection with the offering of the Series 2018 Obligations, the Underwriter may effect transactions that stabilize or maintain the market price of the Series 2018 Obligations at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The Series 2018 Obligations have not been registered under the Securities Act of 1933, as amended, and the Resolution and the Series 2018 Trust Agreement have not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in such acts. The registration or qualification of the Series 2018 Obligations in accordance with applicable provisions of securities laws of the States in which the Series 2018 Obligations have been registered or qualified and the exemption from the registration or qualification in other states cannot be regarded as a recommendation thereof. Neither these States nor any of their agencies have passed upon the merits of the Series 2018 Obligations or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

This Preliminary Official Statement has been "deemed final" by the Series 2018 Issuers, pursuant to Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, except for information which is permitted to be excluded from this Official Statement under said rule 15c2-12.

Series 2018 Issuers

1. Junction City School District No. 69, Lane County
2. Monument School District No. 8, Grant County
3. Parkrose School District No. 3, Multnomah County
4. Prairie City School District No. 4, Grant County

Special Counsel

Hawkins Delafield & Wood LLP
Portland, Oregon
(503) 402-1320

Series 2018 Trustee, Paying Agent, and Registrar

U.S. Bank National Association
Global Corporate Trust Services
Portland, Oregon
503-464-3757

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OFFICIAL STATEMENT
Oregon Education Districts

\$37,050,000⁽¹⁾

Full Faith and Credit Pension Obligations, Series 2018
(Federally Taxable)

The Oregon school districts shown on the inside cover page of this Official Statement (collectively the “Series 2018 Issuers”) are furnishing this Official Statement to provide information in connection with the offering of \$37,050,000⁽¹⁾ aggregate principal amount of Full Faith and Credit Pension Obligations, Series 2018 (Federally Taxable) (the “Series 2018 Obligations”). The Series 2018 Obligations are being issued pursuant to a Trust Agreement, to be dated as of the Date of Delivery, between U.S. Bank National Association, as trustee, paying agent and registrar (the “Series 2018 Trustee”) and each of the Series 2018 Issuers (the “Series 2018 Trust Agreement”). Proceeds received from the sale of the Series 2018 Obligations are to be applied by the Series 2018 Trustee to purchase an equal aggregate principal amount of the Series 2018 Issuer’s Full Faith and Credit Pension Bonds, Series 2018 (the “Series 2018 Pension Bonds”).

The net proceeds received from the sale to the Series 2018 Trustee of the Series 2018 Pension Bonds are to be applied to finance all or a portion of the unfunded actuarial liability (“UAL”) of each Series 2018 Issuer with the Oregon Public Employees Retirement System (“PERS”), as more fully described herein, and to pay costs of selling and issuing the Series 2018 Pension Bonds and the Series 2018 Obligations.

Certain statements contained in this Official Statement do not reflect historical facts, but are forecasts and “forward-looking statements.” No assurance can be given that the future results discussed herein will be achieved, and actual results may differ materially from the forecasts described herein. In this respect, words such as “estimated,” “projected,” “anticipate,” “expect,” “intend,” “plan,” “believe” and similar expressions are intended to identify forward-looking statements. All projections, assumptions and other forward-looking statements are expressly qualified in the entirety by the cautionary statements set forth in this Official Statement.

Piper Jaffray & Co. (the “Underwriter”) has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. Special Counsel has reviewed this document only to confirm that the portions of it describing the Series 2018 Obligations and the authority to issue them conform to the Series 2018 Obligations and the applicable laws under which they are issued.

This Official Statement, which includes the cover page, inside cover and appendices, provides information concerning the Series 2018 Issuers, the Series 2018 Pension Bonds and the Series 2018 Obligations. Certain capitalized words and phrases used in this Official Statement have the meanings as defined in the Series 2018 Trust Agreement, described herein and attached as Appendix E hereto, and the Intercept Agreement (as defined herein), described herein and attached as Appendix D hereto.

Description of the Obligations

Security and Sources of Payment of the Series 2018 Obligations

Each Series 2018 Issuer has pledged its full faith and credit and taxing power within the limitations of Sections 11 and 11b of Article XI of the Oregon Constitution to pay amounts due under its Series 2018 Pension Bond (the “Pension Bond Payments”). Each Series 2018 Issuer’s Pension Bond will be payable from any and all of its legally available taxes, revenues and other funds as authorized by ORS 238.692 to 238.698, including any amendments thereto, and ORS Chapter 287A. The Pension Bond Payments are not subject to annual

(1) Preliminary, subject to change.

appropriation by the Series 2018 Issuers. **The Series 2018 Issuers are not authorized to levy additional taxes to pay the Pension Bond Payments.**

Payment of the Series 2018 Pension Bonds is also secured by an Intercept Agreement (as defined herein), pursuant to which an amount of State Education Revenues equal to each Series 2018 Issuer's Pension Bond Payments, which would otherwise be paid by the Oregon Department of Education (the "Agency") to the Series 2018 Issuer, is diverted to the Series 2018 Trustee for the purpose of paying the Pension Bond Payments. "State Education Revenues" means any State funding for school districts and education service districts legally available to pay debt service on pension bonds issued under and in compliance with the Intercept Agreement. Pursuant to ORS 238.698, the Agency and Series 2018 Issuers have entered into the Intercept Agreement to provide for the diversion of State Education Revenues to pay the Pension Bonds. Under the Intercept Agreement and Oregon law, the diversion of State Education Revenues to pay Pension Bonds has priority over all other claims against money provided by the State to a school district except for intercepted payments to reimburse the State for payments made pursuant to the Oregon School Bond Guarantee program under ORS 328.246 ("OSBG"; see "Available State Education Revenues" herein) and for payments made for the costs of criminal background checks pursuant to ORS 326.603 (see "Security for the Series 2018 Obligations-Intercept Agreement" herein). The Series 2018 Issuers have covenanted not to enter into any other agreement with the Agency whereby State Education Revenues would be diverted in time or priority before diversion for the Pension Bonds. The Series 2018 Trustee is required to deposit all State Education Revenues transferred by the Agency to the Series 2018 Trustee into the Trust Fund, which is part of the Trust Estate pledged to secure the payment of the Series 2018 Obligations (see "Authorization for Issuance" and "Security for the Series 2018 Obligations" herein). The Series 2018 Issuers are authorized to issue Future Pension Bonds and to require that the State Education Revenues be diverted under the Intercept Agreement with respect to such Future Pension Bonds. EXCEPT FOR THE PAYMENT OF ITS PENSION BOND PAYMENTS AND ADDITIONAL CHARGES WHEN DUE IN ACCORDANCE WITH THE SERIES 2018 TRUST AGREEMENT AND SERIES 2018 PENSION BONDS, NO SERIES 2018 ISSUER HAS ANY OBLIGATION OR LIABILITY (1) FOR ANY PAYMENT IN RESPECT OF THE SERIES 2018 OBLIGATIONS; OR (2) FOR THE TERMS, EXECUTION, DELIVERY OR TRANSFER OF THE SERIES 2018 OBLIGATIONS, OR THE DISTRIBUTION OF PENSION BOND PAYMENTS TO THE OWNERS BY THE SERIES 2018 TRUSTEE. ADDITIONALLY, NO SERIES 2018 ISSUER HAS ANY OBLIGATION OR LIABILITY FOR THE PAYMENTS TO BE MADE BY THE OTHER SERIES 2018 ISSUERS OR OTHER PARTIES UNDER THE SERIES 2018 TRUST AGREEMENT AND THE SERIES 2018 PENSION BONDS. See "Security for the Series 2018 Obligations" herein.

Principal Amount, Date, Interest Rates and Maturities

The Series 2018 Obligations will be issued in the aggregate principal amount posted on the inside cover of this Official Statement and will be dated and bear interest from the Date of Delivery. The Series 2018 Obligations will mature on the dates and in the amounts set forth on the inside cover of this Official Statement. Interest on the Series 2018 Obligations is payable semiannually on June 30 and December 30 of each year, commencing June 30, 2019, until the maturity or earlier redemption of the Series 2018 Obligations and will be computed on the basis of a 360-day year consisting of twelve 30-day months.

Oregon Education Districts
Full Faith and Credit Pension Obligations, Series 2018 (Federally Taxable)
Projected Debt Service Requirements

Fiscal Year	Series 2018 Pension Obligations ⁽¹⁾		Total Debt Service ⁽¹⁾
	Principal	Interest	
2019	\$ 195,000	\$ 954,899	\$ 1,149,899
2020	575,000	1,783,533	2,358,533
2021	675,000	1,762,315	2,437,315
2022	790,000	1,736,125	2,526,125
2023	905,000	1,704,154	2,609,154
2024	1,040,000	1,666,623	2,706,623
2025	1,170,000	1,621,529	2,791,529
2026	1,325,000	1,569,628	2,894,628
2027	1,485,000	1,509,460	2,994,460
2028	1,655,000	1,441,283	3,096,283
2029	1,850,000	1,363,647	3,213,647
2030	2,040,000	1,275,939	3,315,939
2031	2,260,000	1,178,202	3,438,202
2032	2,490,000	1,068,796	3,558,796
2033	2,735,000	947,010	3,682,010
2034	3,000,000	811,873	3,811,873
2035	3,290,000	658,303	3,948,303
2036	3,585,000	489,888	4,074,888
2037	3,920,000	306,372	4,226,372
2038	2,065,000	105,707	2,170,707
	<u>\$ 37,050,000</u>	<u>\$ 23,955,287</u>	<u>\$ 61,005,287</u>

(1) Principal and interest are provided for illustrative purposes only; amounts and structure are preliminary, subject to change.

NOTE: Columns may not foot due to rounding. Debt service schedules for each of the Series 2018 Issuer's Series 2018 Pension Bonds are provided in each Series 2018 Issuer's appendix.

Disbursement Features

Pension Bond Payments. The Pension Bond Payments will be payable by the Series 2018 Trustee to the Depository Trust Company ("DTC"), which, in turn, is obligated to remit such principal and interest components to its participants ("DTC Participants") for subsequent disbursement to the persons in whose names such Series 2018 Obligations are registered (the "Owners") as further described in Appendix B attached hereto.

Book-Entry System. The Series 2018 Obligations will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co. as owner and as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2018 Obligations. Individual purchases and sales of the Series 2018 Obligations may be made in book-entry form only in minimum denominations of \$5,000 within a single maturity and integral multiples thereof. Purchasers will not receive certificates representing their interest in the Series 2018 Obligations. See "Appendix B - Book-Entry Only System" for additional information.

Procedure in the Event of Revisions of Book-Entry Transfer System. Series 2018 Issuers representing 51 percent or more of the then Outstanding Principal amount of Series 2018 Pension Bonds may direct the Series 2018 Trustee to discontinue maintaining the Series 2018 Obligations in book-entry only form at any time. The Series 2018 Trustee shall discontinue maintaining the Series 2018 Obligations in book-entry only form if DTC determines not to continue to act as securities depository for the Series 2018 Obligations, or fails to perform satisfactorily as depository, and a satisfactory substitute depository cannot reasonably be found. If the Series

2018 Obligations cease to be in book-entry only form, the Series 2018 Trustee shall mail by first class mail, postage prepaid, each interest payment on the interest Payment Date (or the next Business Day if the Payment Date is not a Business Day) to the name and address of the Owners as they appear on the Series 2018 Obligation register as of the Record Date. If payment is so mailed, neither the Series 2018 Trustee nor the Series 2018 Issuers shall have any further liability to any party for such payment. Principal of each Series 2018 Obligation shall be paid only on or after the stated maturity date thereof or date fixed for earlier redemption thereof, and then only upon presentation and surrender of such Series 2018 Obligation to the Series 2018 Trustee at its principal corporate trust office in Oregon.

Redemption Provisions

Optional Redemption. The Series 2018 Obligations maturing in years ____ through ____, inclusive, are not subject to optional redemption prior to maturity. A Series 2018 Issuer reserves the right to direct the Series 2018 Trustee to redeem all or any portion of the Series 2018 Obligations maturing on or after June 30, 20__ at the option of such Series 2018 Issuer on June 30, 20__ and on any date thereafter in whole or in part, in any order of maturity with maturities selected by such Series 2018 Issuer, at a price of par, plus accrued interest to the date of redemption. [A Term Obligation subject to optional redemption and redeemed in part will have the principal amount within the respective mandatory redemption dates selected by the Series 2018 Issuer.]

For as long as the Series 2018 Obligations are in book-entry only form, if fewer than all of the Series 2018 Obligations of a maturity are called for redemption, the selection of Series 2018 Obligations within a maturity to be redeemed shall be made by DTC in accordance with its operational procedures then in effect. See Appendix B attached hereto. If the Series 2018 Obligations are no longer held in book-entry only form, then the Series 2018 Trustee would select Series 2018 Obligations for redemption by lot.

[Mandatory Redemption. If not previously redeemed under the provisions for optional redemption, the Term Series 2018 Obligations maturing on [Principal Date] in the years ____ and ____ are subject to mandatory redemption (in such manner as the Series 2018 Trustee and DTC will determine or by lot by the Series 2018 Trustee) on [Principal Date] of the following years in the following principal amounts, at a price of par plus accrued interest to the date of redemption.]

[TO BE PROVIDED IN FINAL OFFICIAL STATEMENT]

Notice of Redemption (Book-Entry). So long as the Series 2018 Obligations are in book-entry only form and unless DTC consents to a shorter period, the Series 2018 Trustee shall notify DTC of any optional redemption not less than 20 days and not more than 60 days prior to the date fixed for redemption, and shall provide such information in connection therewith as required by a letter of representation submitted to DTC in connection with the issuance of the Series 2018 Obligations. Unless waived by the Series 2018 Trustee, official written notice of redemption will be given by the Series 2018 Issuers to the Series 2018 Trustee at least five calendar days prior to the date the notice is scheduled to be sent to DTC. The Series 2018 Issuers reserve the right to rescind any redemption notice as allowed in the Series 2018 Trust Agreement.

Notice of Redemption (No Book-Entry). During any period in which the Series 2018 Obligations are not in book-entry only form, unless waived by any Owner of the Series 2018 Obligations to be redeemed, official notice of any redemption of Series 2018 Obligations shall be given by the Series 2018 Trustee by mailing a copy of an official redemption notice by first class mail, postage prepaid, at least 30 days and not more than 60 days prior to the date of redemption, to the Owners of the Series 2018 Obligations to be redeemed at the address shown on the Series 2018 Obligation register or at such other address as is furnished in writing by such Owner to the Series 2018 Trustee. Unless waived by the Series 2018 Trustee, official written notice of redemption will be given by the Series 2018 Issuers to the Series 2018 Trustee at least five calendar days prior to the date the notice is scheduled to be sent to Owners of the Series 2018 Obligations. The Series 2018 Issuers reserve the right to rescind any redemption notice as allowed in the Series 2018 Trust Agreement.

Conditional Notice. Any notice of optional redemption to the Series 2018 Trustee or to the Owners may state that the optional redemption is conditional upon receipt by the Series 2018 Trustee of moneys sufficient to pay the redemption price of such Series 2018 Obligations or upon the satisfaction of any other condition, and/or that such notice may be rescinded upon the occurrence of any other event, and any conditional notice so given may

be rescinded at any time before payment of such redemption price if any such condition so specified is not satisfied or if any such other event occurs. Notice of such rescission or of the failure of any such condition shall be given by the Series 2018 Trustee to affected Owners of Series 2018 Obligations as promptly as practicable upon the failure of such condition or the occurrence of such other event.

Defeasance

All or any portion of the Outstanding Series 2018 Obligations may be paid and discharged in any one or more of the following ways:

(A) By payment of the Pension Bond Payments attributable to such Series 2018 Obligations as and when the same become due and payable;

(B) By irrevocably depositing with the Series 2018 Trustee, in trust, before maturity, money which, together with the amounts then on deposit in the Obligation Account and the Redemption Account, is fully sufficient to pay all Pension Bond Payments attributable to such Series 2018 Obligations; or

(C) (i) By irrevocably depositing with the Series 2018 Trustee, in trust, Defeasance Obligations which have been calculated to be sufficient, together with the interest to accrue thereon, to pay all Pension Bond Payments attributable to such Series 2018 Obligations, as and when the same become due and payable, (ii) a report of an independent firm of nationally recognized certified public accountants verifying the sufficiency of the escrow established to pay such Series 2018 Obligations in full on the date of redemption of the Series 2018 Obligations ("Verification"), (iii) an Escrow Deposit Agreement, (iv) an opinion of nationally recognized bond counsel to the effect that such Series 2018 Obligations are no longer Outstanding, and (v) a certificate of discharge of the Series 2018 Trustee with respect to such Series 2018 Obligations; each Verification and defeasance opinion shall be acceptable in form and substance, and addressed to the Series 2018 Issuers and the Series 2018 Trustee.

Events of Default

The occurrence of one or more of the following shall constitute an Event of Default under the Series 2018 Trust Agreement:

- a. If default shall be made in the due and punctual payment of any principal or interest scheduled to be paid on the Series 2018 Obligations; or
- b. The occurrence of any Pension Bond Default. "Pension Bond Default" means:
 - (1) failure by a Series 2018 Issuer to pay Series 2018 Pension Bond principal, interest or premium when due;
 - (2) except as provided in (1), failure by a Series 2018 Issuer to observe and perform any other covenant, condition or agreement which the Resolution requires the Series 2018 Issuer to observe or perform for the benefit of the Series 2018 Trustee, which failure continues for a period of 60 days after written notice to the Series 2018 Issuer by the Series 2018 Trustee specifying such failure and requesting that it be remedied; provided, however, that if the failure stated in the notice cannot be corrected within such 60 day period, it shall not constitute a Pension Bond Default so long as corrective action is instituted by the Series 2018 Issuer within the 60 day period and diligently pursued, and the default is corrected as promptly as practicable after the written notice is provided; or
 - (3) the Series 2018 Issuer is adjudged insolvent by a court of competent jurisdiction, admits in writing its inability to pay its debts generally as they become due, files a petition in bankruptcy, or consents to the appointment of a receiver for the installment payments.

The occurrence of any Pension Bond Default by a Series 2018 Issuer does not constitute a Pension Bond Default of other Series 2018 Issuers.

Remedies

Upon the occurrence and continuance of any Event of Default, the Series 2018 Trustee may, and if the Owners of not less than fifty-one percent (51%) in Outstanding Principal amount of Series 2018 Obligations so request, shall take whatever action at law or in equity may appear necessary or desirable to enforce or to protect any of the rights vested in the Series 2018 Trustee or the Owners of Series 2018 Obligations by this Series 2018 Trust Agreement, the Intercept Agreement or the Series 2018 Pension Bonds, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in the Series 2018 Trust Agreement or the Intercept Agreement or in aid of the exercise of any power granted in the Series 2018 Trust Agreement or the Intercept Agreement or for the enforcement of any other legal or equitable right vested in the Series 2018 Trustee by the Series 2018 Trust Agreement or the Intercept Agreement or by law; provided that in no event shall the Series 2018 Trustee have the right to accelerate the Pension Bond Payments or the payments of the Series 2018 Obligations. The Series 2018 Trustee shall not exercise remedies against a Series 2018 Issuer that has not caused a Pension Bond Default.

The Series 2018 Trustee

The Series 2018 Issuers have appointed U.S. Bank National Association, a national banking association organized under the laws of the United States, to serve as Trustee, Paying Agent and Registrar for the Series 2018 Pension Bonds and the Series 2018 Obligations (the "Series 2018 Trustee"). The Series 2018 Trustee is to carry out those duties assignable to it under the Series 2018 Trust Agreement. Except for the contents of this section, the Series 2018 Trustee has not reviewed or participated in the preparation of this Official Statement and does not assume any responsibility for the nature, completeness, contents or accuracy of the Official Statement.

Furthermore, the Series 2018 Trustee has no oversight responsibility, and is not accountable, for the use or application by the Series 2018 Issuer of any of the Series 2018 Pension Bonds authenticated or delivered pursuant to the Series 2018 Trust Agreement or for the use or application of the proceeds of such Series 2018 Pension Bonds by the Series 2018 Issuer. The Series 2018 Trustee has not evaluated the risks, benefits, or propriety of any investment in the Series 2018 Pension Bonds and makes no representation, and has reached no conclusions, regarding the value or condition of any assets pledged or assigned as security for the Series 2018 Pension Bonds, or the investment quality of the Series 2018 Pension Bonds, about all of which the Series 2018 Trustee expresses no opinion and expressly disclaims the expertise to evaluate.

Additional information about the Series 2018 Trustee and its services may be found at U.S. Bank's website at <http://www.usbank.com/corporatetrust>. The U.S. Bank website is not incorporated into this Official Statement by such reference and is not a part hereof.

Authorization for Issuance

The Series 2018 Pension Bonds. The Series 2018 Pension Bonds are authorized and are being issued under the resolutions listed in the following table (the "Resolutions"), adopted by the applicable Series 2018 Issuer's governing body (the "Board of Directors"). The Series 2018 Pension Bonds are being issued pursuant to Oregon Revised Statutes ("ORS") 238.692 to 238.698, inclusive (the "Pension Bonding Act"), which authorizes public bodies, such as school districts, to issue limited tax bonds to finance their pension liabilities, and pursuant to ORS 287A.315 and other applicable provisions of ORS 287A, which permits the Series 2018 Issuers to pledge their full faith and credit and taxing power within the limitations of Sections 11 and 11b of Article XI of the Oregon Constitution to pay the Series 2018 Pension Bonds.

Pension Bond Authorizing Resolutions

	Series 2018 Issuer	Resolution Number	Resolution Adopted
1.	Junction City School District No. 69	2018-19 #14	06/25/18
2.	Monument School District No. 8	2018-19 #1	09/20/18
3.	Parkrose School District No. 3	N/A	06/25/18
4.	Prairie City School District No. 4	2018-19-1	09/18/18

The Series 2018 Obligations. The Series 2018 Obligations represent proportionate and undivided interests in and the right to receive the Pension Bond Payments. Each Series 2018 Issuer is required to pay the Pension Bond Payments or to cause such payments to be made on its behalf through the Intercept Agreement, and the Series 2018 Trustee is required to deposit these payments into appropriate subaccounts in the Obligation Account in the Trust Fund, which is part of the Trust Estate pledged to the benefit of the Owners and defined herein. See “Security for the Series 2018 Obligations – Intercept Agreement” herein.

The Series 2018 Issuers and the Series 2018 Trustee are required to enter into a Trust Agreement at closing to provide for the issuance and payment by the Series 2018 Trustee of the Series 2018 Obligations. The Series 2018 Trust Agreement provides that it constitutes an intergovernmental agreement among the Series 2018 Issuers as authorized by the Pension Bonding Act, and that the Series 2018 Issuers agree that the Series 2018 Pension Bonds and Series 2018 Obligations will be collectively issued, administered and paid as provided in the Series 2018 Trust Agreement.

Purpose and Use of Proceeds

Purpose

The Series 2018 Pension Bonds. Each Series 2018 Issuer is issuing its Series 2018 Pension Bonds to finance all or a portion of its estimated UAL with PERS and to pay costs of issuing and selling the Series 2018 Pension Bonds and the Series 2018 Obligations. Each Series 2018 Issuer’s estimated UAL is that Series 2018 Issuer’s allocated portion of the total School Pool UAL as of the December 31, 2017 School Pool Valuation, as calculated by Milliman, the actuary for PERS (the “PERS Actuary”). School districts are pooled for actuarial purposes by PERS into the School Pool. See “Pension System” herein.

The Series 2018 Obligations. The Series 2018 Trustee is required to either transfer the Series 2018 Obligation proceeds from the Proceeds Account to PERS to finance the UAL for each Series 2018 Issuer, or hold funds in the Proceeds Account on behalf of the Issuers to be sent to PERS at a future date. All Series 2018 Issuers intend to transfer their proceeds to PERS on the Closing date. See “Security for the Series 2018 Obligations – Funds and Accounts” herein.

The following table presents information regarding each Series 2018 Issuer’s use of Series 2018 Pension Bond proceeds to pay its estimated PERS UAL in whole or in part. The Allocated Share of Total UAL as of December 31, 2017 and 2018 Lump Sum Payments shown below were prepared by the PERS Actuary.

December 31, 2017 UAL and Pension Bond Principal

Issuer	Allocated Share of School Pool UAL as of 12/31/17 ⁽¹⁾	Allocated Share of School Pool UAL Brought Forward to 12/31/18 ⁽²⁾	December 2018 Lump Sum Payment ⁽³⁾	2018 Principal Amount ⁽⁴⁾
1 Junction City School District No. 69	\$ 19,933,264	\$ 20,292,432	\$ 13,000,000	\$ 13,170,000
2 Monument School District No. 8	1,073,294	1,092,633	1,092,633	1,160,000
3 Parkrose School District No. 3	40,784,025	41,518,894	20,000,000	20,230,000
4 Prairie City School District No. 4	2,373,358	2,416,122	2,416,122	2,490,000
Total:	\$ 64,163,941	\$ 65,320,081	\$ 36,508,755	\$ 37,050,000

(1) Source: PERS Actuary; PERS. The amounts in this column represent the School Pool UAL determined by the PERS Actuary allocated as of December 31, 2017.

(2) Source: PERS Actuary; PERS. The amounts in this column represent the School Pool UAL determined by the PERS Actuary brought forward from the valuation to the anticipated payoff date of December 31, 2018.

(3) Source: PERS Actuary; PERS. The lump sum payment that is expected to be made on December 21, 2018 with Series 2018 Pension Bond proceeds for each Series 2018 Issuer. Preliminary, subject to change.

(4) Represents the principal of the Series 2018 Pension Bonds for each Series 2018 Issuer. Preliminary, subject to change.

Source: Each Series 2018 Issuer (except as otherwise noted).

Sources and Uses of Funds

The proceeds of the Series 2018 Obligations are to be applied by the Series 2018 Trustee to purchase the Series 2018 Pension Bonds. The proceeds to be received by the Series 2018 Issuers from the sale of their Series 2018 Pension Bonds are expected to be applied as follows

Estimated Sources and Uses of Funds

Sources of Funds ⁽¹⁾	
Par Amount of Series 2018 Pension Bonds	\$ 37,050,000 ⁽²⁾
Original Issue Premium/(Discount)	
Total Sources of Funds	\$
Uses of Funds ⁽¹⁾	
Transfer to PERS	\$
Underwriting, Issuance Costs and Contingency	
Total Uses of Funds	\$

(1) Amounts will be provided in the final Official Statement.

(2) Preliminary, subject to change.

Security for the Series 2018 Obligations

General

The Series 2018 Issuers and the Series 2018 Trustee are entering into the Series 2018 Trust Agreement at closing to provide for the issuance and payment of the Series 2018 Obligations. All of the rights, title and interest of the Series 2018 Issuers and the Series 2018 Trustee in and to the Series 2018 Pension Bonds and to all funds held by the Series 2018 Trustee under the Series 2018 Trust Agreement (including proceeds of the Series 2018 Obligations and any investment income therefrom), but not the right of the Series 2018 Trustee to the Additional Charges and indemnification (the "Trust Estate") are pledged for the benefit of the Owners of the Series 2018 Obligations. Within each fund and account held by the Series 2018 Trustee, the Series 2018 Trustee is required to establish a subaccount for each Series 2018 Issuer. Funds held by the Series 2018 Trustee in a subaccount of a Series 2018 Issuer in the Series 2018 Obligations Account may not be used to make the Pension Bond Payments of other Series 2018 Issuers. The Series 2018 Obligations represent proportionate and undivided interests in and the right to receive the Pension Bond Payments.

Full Faith and Credit Pledge

Each Series 2018 Issuer has pledged its full faith and credit and taxing power within the limitations of Sections 11 and 11b of Article XI of the Oregon Constitution to pay amounts due under its Series 2018 Pension Bond (the "Pension Bond Payments"). Each Series 2018 Issuer's Pension Bond will be payable from any and all of its legally available taxes, revenues and other funds as authorized by ORS 238.692 to 238.698, including any amendments thereto, and ORS Chapter 287A. The Pension Bond Payments are not subject to annual appropriation by the Series 2018 Issuers. **The Series 2018 Issuers are not authorized to levy additional taxes to pay the Pension Bond Payments.**

Intercept Agreement

To provide additional security for the payment of its Pension Bond Payments, each Series 2018 Issuer is entering into a Seventh Supplemental Intercept Agreement, to be dated as of the Date of Delivery (the "Seventh Supplemental Intercept Agreement"), which supplements the Intercept Agreement, dated October 31, 2002, as amended by an Amendment to the Intercept Agreement, dated February 1, 2003, as further amended and restated by a Master Amendment dated as of February 1, 2015, as supplemented by the First Supplemental Intercept Agreement, dated as of April 1, 2003, by the Second Supplemental Intercept Agreement, dated February 19, 2004, by the Third Supplemental Intercept Agreement, dated June 21, 2005, by the Fourth Supplemental Intercept Agreement dated October 31, 2007, by the Fifth Supplemental Intercept Agreement dated August 11, 2011 and by the Sixth Supplemental Intercept Agreement dated January 31, 2012 (together,

the "Original Intercept Agreement" and together with the Seventh Supplemental Intercept Agreement, the "Intercept Agreement").

ORS 238.698 specifically provides that the Agency may enter into a diversion agreement such as the Intercept Agreement and that such agreement must provide that:

- (1) moneys payable to the public body by the State agency from appropriations from the General Fund or any other sources of moneys will be paid directly to a debt service trust fund established under ORS 268.696 in amounts equal to the debt service owed by the public body;
- (2) the Agency must pay the amounts required under the funds diversion agreement to the debt service trust fund specified in the agreement before paying any other amounts to the issuers;
- (3) the agreement is irrevocable; and
- (4) the agreement will remain in effect until all the bonds issued by the issuers or under the intergovernmental agreement mature or are redeemed.

As mandated by statute, these terms and obligations of the Agency are contained in the Intercept Agreement.

The form of the Intercept Agreement is attached to this Official Statement as Appendix D.

Outstanding pension bonds issued under and in compliance with the Intercept Agreement (the "Outstanding Pension Bonds"), the Series 2018 Pension Bonds and any future pension bonds issued in compliance with the Intercept Agreement ("Future Pension Bonds") are referred to collectively in the Intercept Agreement and in this Official Statement as the "Pension Bonds." See "Future and Outstanding Pension Bonds" below.

In the Intercept Agreement, each Issuer authorizes the Agency to divert State Education Revenues for the purpose of paying debt service on such Issuer's Pension Bonds and pledges such diverted State Education Revenues (the "Intercept Payments") to secure payment of its Pension Bonds. The Intercept Agreement requires the Agency to pay such Intercept Payments to the Series 2018 Trustee and any trustee for Outstanding or Future Pension Bonds from the first State Education Revenues available for that Issuer after payment of any amounts due for criminal background checks under ORS 326.603(2) and diversions in connection with the OSBG program (as further described under "Available State Education Revenues - Oregon School Bond Guaranty Program" below). ORS 326.603(2) and related Oregon Administrative Rules permit the Agency to charge each school district \$62 for the cost of performing criminal background checks on any person who is seeking to provide services to a qualified district on a contractual or volunteer basis. Each Series 2018 Issuer has covenanted that, except for diversions for criminal background checks pursuant to ORS 326.603(2) and diversions in connection with the OSBG program described in the following pages, such Series 2018 Issuer will not enter into any other agreement with the Agency that would permit State Education Revenues to be diverted in time or priority before diversion for payment of its Pension Bonds, including the Series 2018 Pension Bonds, any Outstanding Pension Bonds, and any Future Pension Bonds.

ORS 328.284 also authorizes the Agency to divert State Education Revenues for the purpose of paying debt service on qualified school construction bonds; however, such diversions are subordinate to diversions for payment of Pension Bonds, such as the Series 2018 Pension Bonds.

PAYMENT OF DEBT SERVICE ON THE PENSION BONDS THROUGH THE INTERCEPT AGREEMENT DOES NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE OR THE AGENCY. The agency is charged with distributing any funds mandated by Article VIII, Section 8 of the Oregon Constitution which provides, in part, that the Legislative Assembly shall appropriate in each biennium a sum of money sufficient to ensure that the state's system of public education meets quality goals established by law. The Intercept Agreement contains no default provisions, and the Series 2018 Trustee may have no remedy against the Agency if the Agency does not comply with the terms of the Intercept Agreement.

Each Series 2018 Issuer has represented, covenanted and warranted that all required action has been taken to ensure the enforceability of its obligations under the Intercept Agreement and has covenanted to take all

actions that are required to continue to qualify it to receive State Education Revenues (see “Financial Factors-Financial Reporting” herein).

Available State Education Revenues

The Agency has agreed and the Series 2018 Issuers have directed that the first State Education Revenues available to a Series 2018 Issuer (after payment for background checks and diversions in connection with the OSBG program) be used for debt service on the Series 2018 Obligations and any Outstanding or Future Pension Bonds. The amount and availability of such State Education Revenues are not, however, primarily within the control of the Agency or the Series 2018 Issuers. As discussed under “State School Funding” herein, the Legislative Assembly, which meets on an annual basis, but budgets on a biennial basis, is responsible for determining both the amount and the allocation formula for education funding. The formula currently allocates revenues based on weighted enrollment for each Series 2018 Issuer. Current statutes provide that the State Education Revenues available to the Agency and the Series 2018 Issuers will be net of any amounts necessary to reimburse the State for payments made under the OSBG program described in the following paragraph. Payments under a funds diversion agreement, such as the Intercept Agreement, have priority over all other claims against money provided by the State to a school district under current law. Each Series 2018 Issuer has covenanted to not enter into any other funds diversion agreement with priority before diversions for payment of its Pension Bonds. There can be no assurances, however, that the State Education Revenues available to the Agency and the Series 2018 Issuers will remain constant or that laws will not be enacted that affect the priority of claims against such revenues.

Oregon School Bond Guaranty Program. The OSBG program is a credit enhancement offered through the State Treasurer’s office for voter-approved general obligation bonds. The OSBG does not guarantee payment of principal, premium or interest on pension bonds or other debt (including the Series 2018 Pension Bonds) that is not a voter-approved general obligation bond. The OSBG program allows the State Treasurer to intercept money in the State School Fund (“SSF”), the State’s General Fund, the income of the Common School Fund and any other source of operating moneys provided by the State if an issuer of a guaranteed bond defaults and the State pays on the guaranty. Several of the Series 2018 Issuers currently participate in OSBG, as shown in the following table:

Series 2018 Issuers with Outstanding Bonds Guaranteed by OSBG

Series 2018 Issuer	Outstanding Principal	Outstanding Interest	Outstanding Debt Service
Junction City School District No. 69	\$ 12,540,000	\$ 3,051,650	\$ 15,591,650
Parkrose School District No. 3	54,400,000	30,078,575	84,478,575

Source: Series 2018 Issuers as of October 1, 2018.

Any Series 2018 Issuer may participate in the OSBG in the future. The total aggregate principal amount of the 465 outstanding bond issues as of August 21, 2018 that is guaranteed by OSBG is \$7,431,083,672.

Intercept Payments

For the Series 2018 Pension Bonds in the period beginning with the date the Series 2018 Pension Bonds are issued and continuing until June 30, 2019 (and, if any Future Pension Bonds are issued prior to June 30, 2019, during the period beginning with the date such Future Pension Bonds are issued and continuing until June 30, 2019), the Series 2018 Trustee shall invoice the Agency for Intercept Payments attributable to the Series 2018 Pension Bonds in accordance with the following schedule: The Series 2018 Trustee shall invoice the Agency on the 5th day of the month following the Closing date through the 5th day of April 2019 for payment no later than the 15th day of the respective month by dividing into equal monthly amounts each Issuer’s Pension Bonds annual debt service attributable from the Closing date through June 2019.

For debt service payments due after June 2019, until the date that payment in full of all of the Series 2018 Pension Bonds is made, the Series 2018 Trustee is to invoice the Agency on or before June 15 of each year. The Intercept Agreement provides that the Agency shall pay the amounts invoiced to it for each month not later than the 15th day of that month, but in no case later than the date the State Education Revenues are disbursed

to the Series 2018 Issuer. The Intercept Agreement requires the Series 2018 Trustee to ask the Agency periodically about changes to the schedule for the Agency to receive State Education Revenues for each Series 2018 Issuer (the "Disbursement Schedule") from the State and that the Agency notify the State of changes to the Disbursement Schedule, but provides that the Agency will not be liable for any failure to provide prior notice to the Series 2018 Trustee of such schedule change. If the Series 2018 Trustee learns that the Disbursement Schedule has changed, the Series 2018 Trustee is required to adjust its invoices to the Agency to conform to those changes in the revised Disbursement Schedule; the amount of each invoice shall be equal to the amount required to provide the Series 2018 Trustee with a balance on hand at all times which is at least equal to the balance that the Series 2018 Trustee would have had if the Series 2018 Trustee were invoicing the Agency for substantially equal monthly payments. The Series 2018 Trustee is also required to provide the Issuers with a copy of any new Disbursement Schedule within 10 days after receipt of such Disbursement Schedule from the Agency.

The Intercept Agreement provides that if the Agency is required to make more than one Intercept Payment each month for a Series 2018 Issuer, and the Agency does not have sufficient funds to pay all the Intercept Payments for that Series 2018 Issuer, the Agency shall apply its available funds proportionally to pay all Intercept Payments due for that Issuer.

Security Payments

To secure the payment of the Series 2018 Pension Bonds, to the extent Intercept Payments are insufficient, the Series 2018 Trust Agreement requires the Series 2018 Issuer to make monthly Security Payments not later than the 25th day of each month. Security Payments are to be in an amount equal to the amount invoiced by the Series 2018 Trustee to meet such Series 2018 Issuer's Pension Bond Payments less payments received by the Series 2018 Trustee pursuant to the Intercept Agreement plus any prepayments received by the Series 2018 Trustee pursuant to the Series 2018 Trust Agreement.

The schedule set forth in the Series 2018 Trust Agreement for Intercept Payments and Security Payments is shown below.

Intercept and Security Payment Schedule

On or before June 15 of each year:	Series 2018 Trustee sends an invoice to the Agency, with a copy to each Series 2018 Issuer indicating the amount of Intercept Payments the Agency shall transfer each month to the Series 2018 Trustee during the subsequent fiscal year;
On or before the 15 th day of the month in which an Intercept Payment is due:	Intercept Payments due;
On or before the 20 th day of the month in which a Security Payment is due:	Notice to Series 2018 Issuer from the Series 2018 Trustee, to the extent funds available under the Intercept Agreement are insufficient; and
On or before the 25 th day of the month in which a Security Payment is due:	Security Payments due.
30 th day of June and December:	Series 2018 Obligation payment date.

THE INTERCEPT AND SECURITY PAYMENT SCHEDULE MAY CHANGE TO ACCOMMODATE CHANGES IN THE DISBURSEMENT SCHEDULE AND THE INTERCEPT SCHEDULE. THE SERIES 2018 TRUST AGREEMENT PROVIDES, HOWEVER, THAT ANY SUCH CHANGE SHALL ALWAYS PROVIDE THAT SECURITY PAYMENTS ARE DUE TO THE SERIES 2018 TRUSTEE NO LATER THAN THE 25TH DAY OF EACH MONTH THAT A SECURITY PAYMENT IS DUE.

Each time the Series 2018 Trustee invoices the Agency, the amount of the invoice for each Series 2018 Issuer shall be equal to the amount which is necessary, if the invoice is timely paid, to provide the Series 2018 Trustee at all times with a balance which is at least equal to the balance the Series 2018 Trustee would have on hand for

each Series 2018 Issuer if the Agency were making substantially equal monthly Intercept Payments which are sufficient to allow the Series 2018 Trustee to collect each Pension Bond Payment on behalf of each Series 2018 Issuer when that Pension Bond Payment is due.

If the Series 2018 Trustee does not receive an Intercept Payment for a Series 2018 Issuer in full within five days after it is due, the Series 2018 Trustee shall require that Series 2018 Issuer commence making monthly Security Payments no later than the tenth day following the date the Intercept Payment was due. The Security Payments shall be substantially equal in amount, and shall be sufficient to provide the Series 2018 Trustee at all times with a balance which is equal to the balance the Series 2018 Trustee would have on hand if the Agency were making substantially equal monthly payments between the date of the failed Intercept Payment and the date the next Intercept Payment is due. In all cases the amount billed to the Series 2018 Issuers shall be sufficient to pay the Pension Bond Payment due. If the Agency makes a partial Intercept Payment for any Series 2018 Issuer, the Series 2018 Trustee may credit the full amount of that partial payment against the first Security Payments that would have been billed to a Series 2018 Issuer.

Funds and Accounts

Under the Series 2018 Trust Agreement, the Series 2018 Trustee is required to establish, hold and maintain a special fund known as the "Series 2018 School District Pension Obligation Trust Fund" (the "Trust Fund") separate and apart from all other funds and moneys. The Trust Fund is to include three separate accounts, the "Proceeds Account," the "Obligation Account" and the "Redemption Account" and within each Account, a separate subaccount for each Series 2018 Issuer. Each of these accounts is more fully described below.

Proceeds Account. The proceeds from the sale of the Series 2018 Obligations are to be applied by the Series 2018 Trustee to purchase the Series 2018 Pension Bonds, the proceeds of which, net of the Underwriter's discount, and any contingency, if any, are to be credited to each Series 2018 Issuer's subaccount in the Proceeds Account for the sole purpose of paying all or a portion of such Series 2018 Issuer's pension liabilities to PERS and to pay the costs of issuance. Between Closing and the date such payments are made, the Series 2018 Trustee shall hold money in the Proceeds Account and invest it in Permitted Investments as directed by each Series 2018 Issuer; however, to the extent the Series 2018 Trustee is not provided with instructions for investing money in the Proceeds Account, such funds shall be held uninvested. Amounts in a Series 2018 Issuer's subaccount shall not be used to pay the pension liability or costs of issuance of another Series 2018 Issuer, and each Series 2018 Issuer shall only be permitted to provide investment instructions to the Series 2018 Trustee regarding the proceeds of its respective Series 2018 Bond. As noted above, all Series 2018 Issuers intend to transfer their proceeds to PERS on the Closing Date.

Obligation Account. Amounts specified as a contingency amount in the closing instructions, if any, are to be deposited in the applicable Series 2018 Issuer's subaccount of the Obligation Account at closing and credited against that Series 2018 Issuer's Security Payments or Intercept Payments as described in the Series 2018 Trust Agreement.

The Series 2018 Trustee shall establish a separate account within the Trust Fund to be designated the "Obligation Account," and shall also establish a separate subaccount in the Obligation Account for each Series 2018 Issuer. The Obligation Account and its subaccounts shall be maintained by the Series 2018 Trustee until all Series 2018 Obligations have been paid in full. Amounts in a Series 2018 Issuer's subaccount of the Obligations Account shall not be used to make Pension Bond Payments of other Series 2018 Issuers.

To secure the payment of Series 2018 Pension Bonds, to the extent funds provided in accordance with the Intercept Agreement are insufficient, the Series 2018 Pension Bonds require the Series 2018 Issuers to transfer the Security Payments to the Series 2018 Trustee for deposit in the Obligation Account. Each Series 2018 Issuer shall transfer the Security Payments to the Series 2018 Trustee no later than the 25th day of each month. Under the Intercept Agreement, Series 2018 Issuers have requested the Agency to transfer certain amounts to the Series 2018 Trustee on behalf of such Series 2018 Issuer. The Series 2018 Trustee shall credit any amounts it receives from the Agency on behalf of a Series 2018 Issuer, each Series 2018 Issuer's Security Payment, to that Series 2018 Issuer's subaccount of the Obligation Account. On each Payment Date the Series 2018 Trustee shall apply the Intercept Payments and Security Payments, on deposit in each of the subaccounts of the Obligation

Account to pay the Pension Bond Payments of the Series 2018 Issuers for which those subaccounts were created, and shall transfer those Pension Bond Payments to the Owners.

If after the Series 2018 Trustee receives a Security Payment and/or an Intercept Payment, and prior to a Payment Date, funds in a Series 2018 Issuer's subaccount are insufficient to make its Pension Bond Payment due to an investment loss, such investment made by the Series 2018 Trustee under the direction of the Series 2018 Issuer, the Series 2018 Trustee shall notify such Series 2018 Issuer and demand payment for the balance of the Pension Bond Payment.

If on any Payment Date, the amount available in a Series 2018 Issuer's subaccount of the Obligation Account, is less than the Pension Bond Payment which is due from that Series 2018 Issuer on that Payment Date, the Series 2018 Trustee shall apply such amount to Owners proportionally, based on the amount of Principal and Interest that was paid on the Series 2018 Pension Bonds by the Series 2018 Issuer and other Series 2018 Issuers.

Any amounts in a subaccount of the Obligation Account which remain after a Pension Bond Payment is made shall be retained in that subaccount of the Obligation Account. The Series 2018 Trustee shall credit the amounts in each Series 2018 Issuer's subaccount against the next Intercept Payment invoiced to the Agency or Security Payment due from that Series 2018 Issuer. After payment of all amounts due under a Series 2018 Issuer's Series 2018 Pension Bond and payment of all Series 2018 Obligations which are entitled to be paid from such Pension Bond Payments, any surplus remaining in a Series 2018 Issuer's subaccount of the Obligation Account shall be used to pay that Series 2018 Issuer's share of any Additional Charges and any remaining amounts shall be paid to that Series 2018 Issuer.

Redemption Account. The Series 2018 Trustee shall establish a separate account within the Trust Fund to be designated the "Redemption Account," and shall also establish a separate subaccount in the Optional Redemption Account for each Series 2018 Issuer. The Redemption Account and its subaccounts shall be maintained by the Series 2018 Trustee until the Pension Bond Payments are paid in full or defeased pursuant to the terms of the Series 2018 Pension Bonds and the Series 2018 Trust Agreement.

The Series 2018 Trustee shall deposit all principal components of each Series 2018 Issuer's Security Payments which are prepaid to that Series 2018 Issuer's subaccount of the Redemption Account. Forty days prior to each Series 2018 Obligation redemption date, the Series 2018 Trustee shall determine the amount available in each subaccount of the Redemption Account, and shall apply that amount to redeem related principal components of the Series 2018 Obligations. For purposes of the preceding sentence, the Series 2018 Trustee may consider amounts deposited in a defeasance escrow held by the Series 2018 Trustee as available in the Redemption Account..

Any amounts remaining in a Series 2018 Issuer's subaccount of the Redemption Account, after a Series 2018 Obligation redemption Date and not required for the prepayment of such Series 2018 Pension Bond shall be transferred by the Series 2018 Trustee pursuant to the written direction of that Series 2018 Issuer. If the Series 2018 Issuer fails to provide written direction to the Series 2018 Trustee within five (5) Business Days after the Series 2018 Obligation redemption date, the Series 2018 Trustee shall transfer such remaining amounts to such Series 2018 Issuer's subaccount of the Obligation Account and credit such amounts against that Series 2018 Issuer's next Security Payments or Intercept Payments as provided herein.

Investment of Funds. The moneys and investments held by the Series 2018 Trustee under this Series 2018 Trust Agreement are irrevocably held in trust for the purposes specified in the Series 2018 Trust Agreement, and such moneys and any other income or interest earned thereon shall be expended only as provided in this Series 2018 Trust Agreement, and shall not be subject to levy or attachment or lien by or for the benefit of any creditor of the Series 2018 Trustee or any Series 2018 Issuer or Owner. Amounts held by the Series 2018 Trustee in each Series 2018 Issuer's subaccount shall be invested only in Permitted Investments and at the written direction of each Series 2018 Issuer. In the absence of such direction, all funds in a Series 2018 Issuer's subaccount shall be held by the Series 2018 Trustee uninvested in cash, without liability for interest. The Series 2018 Trustee may conclusively rely upon each Series 2018 Issuer's written instructions as to both the suitability and legality of the directed investments and such written direction shall be deemed to be a certification that such directed investments constitute Permitted Investments. The Series 2018 Trustee may make any and all investments permitted by the provisions of the Series 2018 Trust Agreement through its trust or investment departments.

The Series 2018 Trustee is initially directed to invest and reinvest the Obligation Account in the investment indicated in Schedule A of the Series 2018 Trust Agreement, attached here to as Appendix E.

Series 2018 Pension Bonds

The Series 2018 Pension Bonds are being issued as Future Pension Bonds, pursuant to the provisions of the Intercept Agreement. A Series 2018 Issuer has the right to issue Future Pension Bonds under the Intercept Agreement if the Series 2018 Issuer and any trustee for the Future Pension Bonds authorize, execute and enter into the Intercept Agreement, agree to receive disbursements from the Agency on the same schedule as disbursements are made for all Pension Bonds, and satisfy the Future Pension Bond test described below in “Future Pension Bonds Test.” As discussed below, all Series 2018 Issuers expect to meet the Future Pension Bonds Test. Future Pension Bonds are treated as Pension Bonds under the Intercept Agreement and are entitled to receive disbursements of State Education Revenues from the Agency as provided therein.

Future Pension Bonds Test. Pursuant to the Intercept Agreement, an issuer of proposed Future Pension Bonds or the trustee for the proposed Future Pension Bonds on behalf of the issuer of the proposed Future Pension Bonds must file a certificate with the Agency and the trustee for the prior Pension Bonds, dated as of the date of issuance of the proposed Future Pension Bonds, demonstrating that the Prior Revenues in each of the three most recently completed fiscal years are not less than 2 times the average aggregate annual debt service on the proposed Future Pension Bonds and any outstanding Pension Bonds. “Prior Revenues” means the amount of State Education Revenues distributed to the issuer of the proposed Future Pension Bonds in a fiscal year.

The Series 2018 Pension Bonds are Future Pension Bonds and are required to comply with the Future Pension Bond Test. The following table sets forth for each Series 2018 Issuer the Prior Revenues, average annual Pension Bond debt service and debt service coverage.

Future Bonds Test and Coverage

School District	State Revenues ⁽¹⁾				Total Pension Bond Principal ⁽³⁾	Average Annual Debt Service	Coverage: Lowest State Education Revenues to Avg. Debt Service ⁽⁴⁾
	2015	2016	2017	2018 ⁽²⁾			
1 Junction City School District No. 69	\$ 9,671,733	\$ 10,044,888	\$ 10,332,724	\$ 11,486,654	\$ 13,170,000	\$ 1,084,315	8.92
2 Monument School District No. 8	944,841	856,980	1,347,920	1,202,041	1,160,000	95,447	8.98
3 Parkrose School District No. 3	14,478,053	16,115,467	14,900,469	14,559,288	20,230,000	1,665,633	8.69
4 Prairie City School District No. 4	1,625,115	1,490,319	2,226,871	1,836,330	2,490,000	204,869	7.27
					<u>\$ 37,050,000</u>		

- (1) Includes any State funding for school districts and education service districts legally available to pay debt service on the Pension Bonds. *Source: Audited financial reports of the Series 2018 Issuers and the Series 2018 Issuers.*
- (2) Unaudited. *Source: Series 2018 Issuers.*
- (3) The Series 2018 Obligations; preliminary, subject to change.
- (4) Represents the lowest level of State Education Revenues received in the past 3 fiscal years over the average annual debt service on the Pension Bonds.

Outstanding Pension Bonds

One hundred and nineteen school districts and education service districts previously issued pension bonds under the Intercept Agreement as shown in the following table. None of the Series 2018 Issuers have previously issued Pension Bonds under the Intercept Agreement.

Prior Pension Bonds Issued Under the Intercept Agreement

Pension Bonds	Aggregate Principal Amount	Final Maturity	Date of Intercept Agreement and Supplements	No. of Participants
Series 2002	\$ 774,662,846	6/30/2028	October 31, 2002	41
Series 2003	927,079,763	6/30/2028	April 21, 2003	44
Series 2004	467,820,000	6/30/2028	February 19, 2004	20
Series 2005A	458,440,000	6/30/2028	June 21, 2005	14
Series 2007	110,160,000	6/30/2028	October 31, 2007	7
Series 2011	24,260,000	6/30/2021	August 11, 2011	20
Series 2012	22,000,000	6/30/2021	January 31, 2012	7

Mergers or Consolidations

The Intercept Agreement provides that if a Series 2018 Issuer merges or otherwise consolidates with other districts, the resulting entity will be treated as having the debt service and Prior Revenues of the Districts that merged into it. If a Series 2018 Issuer separates into more than one District, each resulting entity will be treated as having the portion of the debt service and Prior Revenues of the original entity attributable to such resulting entity.

Amendments to Resolutions and Series 2018 Pension Bonds

The Resolutions and the Series 2018 Pension Bonds may only be amended with the consent of the Series 2018 Trustee. The Series 2018 Trust Agreement permits the Series 2018 Trustee to consent to amendments of the Resolutions and the Series 2018 Pension Bonds without the consent of the Owners if the amendments are required to (i) cure any formal defect, omission, inconsistency or ambiguity or to conform those documents to the requirements of the Series 2018 Trust Agreement or (ii) make any other change which, in the reasonable judgment of the affected Series 2018 Issuer and the Series 2018 Trustee, does not materially and adversely affect the Owners. Any other amendment to the Series 2018 Pension Bonds and the Resolutions requires the consent of the affected Series 2018 Issuer, the Series 2018 Trustee and the Owners of not less than 51 percent in aggregate principal amount of the Series 2018 Obligations then Outstanding and an approving opinion of Special Counsel. The consent of the Owners of all affected Series 2018 Obligations then Outstanding is required for any amendment, change or modification of the Series 2018 Pension Bonds that would permit the termination or cancellation of the Series 2018 Pension Bonds, a reduction in or postponement of the Pension Bond Payments or a release of the full faith and credit pledge.

Amendments to Trust Agreement

Supplemental Trust Agreement without Consent of Owners. Upon the written consent of Series 2018 Issuers representing fifty-one percent (51%) or more of the then Outstanding Principal amount of Series 2018 Pension Bonds, the Series 2018 Trustee may amend this Series 2018 Trust Agreement without the consent of or notice to the Owners for any of the following purposes:

- (i) To cure any formal defect, omission, inconsistency or ambiguity in the Series 2018 Trust Agreement.
- (ii) To grant to or confer or impose upon the Series 2018 Trustee for the benefit of the Owners any additional rights, remedies, powers, authority, security, liabilities or duties which may lawfully be granted, conferred or imposed.
- (iii) To confirm, as further assurance, any pledge under, and the subjection to any claim, lien or pledge created or to be created by, the Series 2018 Trust Agreement, or of any other moneys, securities or funds.
- (iv) To evidence the appointment of a successor Series 2018 Trustee.

Upon the written consent of Series 2018 Issuers representing one hundred percent (100%) or more of the then Outstanding Principal amount of Series 2018 Pension Bonds, the Series 2018 Trustee may amend this Series 2018 Trust Agreement without the consent of or notice to the Owners for any of the following purposes:

- (v) To add to the covenants and agreements of the Series 2018 Issuers in the Series 2018 Trust Agreement other covenants and agreements to be observed by the Series 2018 Issuers which are not contrary to or inconsistent with the Series 2018 Trust Agreement as theretofore in effect; and
- (vi) To make any change which, in the reasonable judgment of the Series 2018 Issuers, does not materially and adversely affect the rights of the Owners.

Before the Series 2018 Trustee may enter into any amendment or supplement pursuant the Series 2018 Trust Agreement without the consent of or notice to Owners, there shall have been delivered to the Series 2018 Trustee an opinion of counsel stating that such amendment or supplement is authorized or permitted by the Series 2018 Trust Agreement, complies with its terms, and will, upon the execution and delivery thereof, be valid and binding upon the Series 2018 Trustee and the Series 2018 Issuers in accordance with its terms

Supplemental Trust Agreement with Consent of the Owners. Series 2018 Issuers representing not less than 51 percent (51%) of the then outstanding Principal amount of Series 2018 Pension Bonds and the Series 2018 Trustee may amend the Series 2018 Trust Agreement, except as described in (i) through (vi) above and as described in the next paragraph, only with the consent of the Owners of not less than 51 percent (51%) in Outstanding principal amount of the Series 2018 Obligations.

The consent of all affected Series 2018 Issuers and all affected Owners of all the Series 2018 Obligations then Outstanding is required for:

- (i) a change in the terms of the payment or prepayment of any portion of the Pension Bond Payments, or
- (ii) the creation of a claim or lien upon, or a pledge of the Trust Estate ranking prior to or (except as expressly permitted in the Series 2018 Trust Agreement or Series 2018 Pension Bonds) on a parity with the claim, lien or pledge created by the Series 2018 Trust Agreement, or
- (iii) the creation of a preference or priority of any Series 2018 Obligation or Series 2018 Obligations over any other any other Series 2018 Obligation or Series 2018 Obligations, or
- (iv) a reduction in the Outstanding principal amount of Series 2018 Obligations the consent of the Owners of which is required for any supplemental Trust Agreement or which is required for any modification, alteration, amendment or supplement to the Series 2018 Pension Bonds.

If at any time the Series 2018 Issuers shall request the Series 2018 Trustee to enter into any supplemental Series 2018 Trust Agreement for any of the purposes which require Owners' consent, the Series 2018 Trustee shall cause notice of the proposed supplemental Trust Agreement to be given by first class mail, postage prepaid, to all Owners of Outstanding Principal amount of Series 2018 Obligations at their addresses as they appear in the Obligation Register.

- (i) Such notice shall briefly set forth the nature of the proposed supplemental Series 2018 Trust Agreement and shall state that a copy thereof is on file at the office of the Series 2018 Trustee for inspection by all Owners.
- (ii) Within two years after the date of the first mailing, the Series 2018 Trustee may enter into such supplemental Series 2018 Trust Agreement in substantially the form described in such notice, but only if there shall have first been delivered to the Series 2018 Trustee (i) the required consents, in writing, of Owners of Series 2018 Obligations then Outstanding, and (ii) an opinion of Special Counsel stating that such supplemental Series 2018 Trust Agreement is authorized or permitted by this Series 2018 Trust Agreement, complies with its terms, and will, upon the execution and delivery thereof, be valid and binding upon the Series 2018 Trustee in accordance with its terms.
- (iii) If the Owners of not less than the percentage of Series 2018 Obligations then Outstanding shall have consented to and approved the execution and delivery thereof as provided in the Series 2018 Trust Agreement, no Owner shall have any right to object to the execution and delivery of such supplemental

Series 2018 Trust Agreement, or 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 and delivery thereof, or to enjoin or restrain the Series 2018 Trustee from executing and delivering the same or from taking any action pursuant to the provisions thereof.

Series 2018 Issuer Bonded Indebtedness

Debt Limitation

Pension Bonds. ORS 238.694 authorizes school districts, education service districts, community colleges and local governments to issue full faith and credit obligations to pay pension liabilities. ORS 238.694 does not limit the principal amount of pension bonds a school district may issue. Pension bonds are not general obligations as defined under State law and the Series 2018 Issuers are not authorized to levy additional taxes to make pension bond payments. **The Series 2018 Obligations are pension bonds.**

Full Faith and Credit Obligations/Limited Tax Obligations. School districts, education service districts, community colleges and local governments may pledge their full faith and credit for “limited tax bonded indebtedness” or “full faith and credit obligations” in addition to pledging the full faith and credit for voter approved general obligation bonds. The Oregon Constitution and statutes do not limit the amount of limited tax bonded indebtedness that a school district, education service, community college, or city may issue. Full faith and credit obligations can take the form of certificates of participation, notes or capital leases. Collection of property taxes to pay principal and interest on such limited-tax debt is subject to the limitations of Article XI, Sections 11 and 11b. **The Series 2018 Obligations are secured by the Full Faith and Credit of the Series 2018 Issuers.**

General Obligation Bonds. ORS 328.245 establishes a parameter of bonded indebtedness for school districts. Kindergarten through twelfth grade school districts may issue an aggregate principal amount up to 7.95 percent of the Real Market Value of all taxable properties within the district if the Series 2018 Issuer’s voters approve the general obligation bonds. General obligation bonds are secured by the power to levy an additional tax outside the limitations of Article XI, Sections 11 and 11b. **The Series 2018 Obligations are not general obligation bonds and are not subject to this debt limitation.**

Notes. Subject to any applicable limitations imposed by the Oregon Constitution or laws of the State or the resolution of an individual school district, ORS 287A.180 provides that public bodies, such as the Series 2018 Issuers, may borrow money in anticipation of tax revenues or other monies and to provide interim financing. **The Series 2018 Obligations are not notes.**

Summaries of the Series 2018 Issuer’s outstanding long-term debt and General Obligation Debt Capacity follow. See each Series 2018 Issuer’s appendix, attached hereto, for further details.

**Series 2018 Issuers
Outstanding Long-Term Debt
(As of the Date of Delivery)**

Series 2018 Issuer	Full Faith and Credit Obligations			General Obligation Bonds			
	Pension Bonds ⁽¹⁾	Other Full Faith and Credit Obs. ⁽²⁾	Total Full Faith and Credit Obligations	General Obligation Bonds	Real Market Value ⁽³⁾	GO Debt Capacity ⁽⁴⁾	Remaining GO Capacity
1. Junction City School District No. 69	\$ 13,165,000	\$ 3,009,861	\$ 16,174,861	\$ 12,540,000	\$ 1,488,149,160	\$ 118,307,858	\$ 105,767,858
2. Monument School District No. 8	1,160,000	0	1,160,000	0	66,893,660	5,318,046	5,318,046
3. Parkrose School District No. 3	25,260,000	2,541,978	27,801,978	54,400,000	6,792,420,156	539,997,402	485,597,402
4. Prairie City School District No. 4	2,490,000	426,001	2,916,001	0	111,514,520	8,865,404	8,865,404

- (1) The Series 2018 Obligations. Preliminary, subject to change.
- (2) Includes any capital leases and similar contractual obligations.
- (3) Fiscal Year 2019 Real Market Value of all properties in the school district.
- (4) General Obligation Debt Capacity calculated at 7.95% of Real Market Value.

Source: *The Series 2018 Issuers, and Departments of Assessment and Taxation of the Counties where each Series 2018 Issuers are located.*

Debt Payment Record

The Series 2018 Issuers have promptly met principal and interest payments on outstanding bonds and other indebtedness in the past ten years when due. Additionally, none of the Series 2018 Issuers have issued refunding bonds for the purpose of preventing an impending default.

Future Financings

Capital Projects. None of the Series 2018 Issuers have authorized but unissued borrowings, nor do they anticipate issuing additional long-term borrowings within the next twelve months. Junction City School District No. 36 is considering refinancing its outstanding Rose Street Property Note.

Short-term Notes. None of the Series 2018 Issuers anticipate issuing short-term debt within the next twelve months.

The Series 2018 Issuers

Public School Districts

Under Oregon law (ORS Chapter 332), the Series 2018 Issuers are responsible for educating children residing within the boundaries of the Series 2018 Issuers. The Series 2018 Issuers discharge this responsibility by building, operating, and maintaining school facilities; developing and maintaining approved educational programs and courses of study, including vocational programs and programs for handicapped students, in accordance with State standards; and carrying out programs for transportation and feeding of pupils in accordance with Series 2018 Issuers, State, and federal programs.

Under Oregon law, local school districts are subject to supervision by the State. The State Board of Education, a group of seven persons appointed by the Governor, establishes standards for educational programs and facilities, adopts rules of general governance, and prescribes courses of study. The administrative functions of the State Board of Education are handled through the Department of Education, whose executive head is the Deputy Superintendent of Public Instruction. The Deputy Superintendent is appointed by the Governor, who serves as the Superintendent of Public Instruction. The historical and projected Weighted Average Daily Membership (“ADMw”) enrollment figures for each Series 2018 Issuer follow. See each Series 2018 Issuer’s appendix, attached hereto, for further details on historical ADMw and enrollment.

Historical and Projected Weighted Average Daily Membership

Series 2018 Issuer	Weighted Average Daily Membership ⁽¹⁾			
	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
	2016	2017	2018	2019
1. Junction City School District No. 69	2,007.42	1,992.79	1,945.67	1,975.71
2. Monument School District No. 8	165.42	156.50	143.85	145.84
3. Parkrose School District No. 3	4,202.84	4,059.88	3,975.82	4,059.55
4. Prairie City School District No. 4	291.65	291.76	276.86	275.67

(1) Weighted Average Daily Membership is the enrollment figure, adjusted for part-time students and students with special needs, that is used to allocate revenues appropriated by the State to school districts.

(2) Projected, subject to change.

Source: Oregon Department of Education, School Finance Office, Fiscal Year 2016 data as of May 11, 2017, Fiscal Year 2017 data as of May 7, 2018, Fiscal Year 2018 data as of April 30, 2018, and Fiscal Year 2019 data as of October 24, 2018; www.ode.state.or.us/search/results/?id=344.

As of July 1, 2015, school districts may choose to offer free full-day kindergarten and receive a full 1.0 ADMw for kindergarten students for purposes of the State School Fund (“SSF”) formula. Funds for this program are a part of the total amount appropriated by the Legislature for the SSF. See “Revenue Sources – State School Funding” herein.

Oregon law creates an open enrollment process which allows students to attend a school district in which they do not reside without the consent of their home school district. A district's school board can decide how many, if any, non-resident students will be allowed to enroll for the school year. The open enrollment process sunsets on July 1, 2022.

Revenue Sources

Oregon School District Funding

Oregon school districts receive revenue from two primary sources: State aid and *ad valorem* property taxes. The following section summarizes these primary revenue sources of the Series 2018 Issuer.

State School Funding

One of the largest sources of revenue for school districts and education service districts is State aid appropriated through the Oregon Department of Education ("ODE"). ODE funding supports pre-kindergarten through 12th grade education including funding for operation for the State's 197 school districts and 19 education service districts through the State School Fund ("SSF"). The SSF consists primarily of State General Fund and Lottery Fund revenues.

State School Fund Formula. State aid is provided to school districts pursuant to a formula set by the Legislative Assembly. The objective of the formula is to provide equitable funding for all school districts. Available State and local resources determine the actual amount of the allocation. Under the current formula, each student is given a factor as an enrolled student that is then adjusted to include additional factors such as English as a Second Language, Handicapped with an Individualized Education Plan, attending a remote small school, and Impoverished (the Weighted Average Daily Membership "ADMw"). The formula allocates revenues to districts based on the ADMw for each district. Each district's share of the formula comprises a general purpose grant, transportation grant, small school district supplement and a high cost disability grant.

The SSF grant (the "SSF Grant") to each school district is the district's share of the formula minus local revenues. Local revenues include tax offsets, local property taxes for school operations (specifically excluding taxes for voter approved general obligation bonds and, subject to certain limitations, amounts raised from Local Option Levies), Federal Forest Fees, Common School Fund, county school fund, State timber revenues, ESD Equalization, and money received in lieu of property taxes. Collections from Local Option Levies are not included in the calculation as local revenue if they are less than the lesser of (i) \$2,000 per student, or (ii) 25 percent of a district's total state resources.

Under the SSF distribution formula for the general purpose grant, the total ADMw is multiplied by a statewide target grant (currently \$4,500). A factor of \$25 per year per student that a district's average teachers' experience exceeds the State average is added to (or subtracted from if below the State average) this calculation. The result is multiplied by a funding ratio to arrive at the State's general purpose grant.

In 2013, the Legislature approved a change in the way the additional weighting for poverty was calculated. Previously, the SSF distribution formula used 2000 Census data as the basis for the calculation. Now the SSF distribution formula uses the Small Area Income Poverty Estimates published every year by the US Census Bureau. This data provides a count of children living in families in poverty in each school district and more accurately reflects current poverty in Oregon's school districts to ensure better distribution of the formula. The revised poverty calculation went into effect for the Fiscal Year 2015 distributions.

The facility grant (\$9.0 million statewide in the 2017-19 biennium) is distributed on a pro-rata basis to all qualifying districts in the first two years a new school facility is put into use. The grant equals a maximum of eight percent of total construction costs of new school buildings, specifically excluding the cost of acquiring land, but including the addition of new structures to existing school buildings and pre-manufactured buildings if the new structures are used for instructing students. The facility grant is being phased out and replaced by the Oregon School Capital Improvement Matching ("OSCIM") program which school districts can apply for when they seek voter authorization for a general obligation bond measure. The transportation grant for each school district is between 70 percent and 90 percent of approved transportation costs, depending upon the

ranking of the school district. Such ranking is based upon the approved transportation costs per ADMw. The high cost disability grant (\$70.0 million statewide in the 2017-19 biennium) is distributed on a pro-rata basis to all qualifying districts and is equal to the approved costs of providing special education and related services to a resident pupil with disabilities in excess of \$30,000.

School districts currently receive 95.5 percent of the total SSF distribution and education service districts (“ESDs”) receive the remaining 4.5 percent. Beginning July 1, 2014, school districts are permitted to withdraw from their ESD and receive 90 percent of their district’s prorated share of State funds allocated to the ESD.

State Legislature. The State has a citizen legislature consisting of the Senate, whose 30 members are elected to serve four-year terms, and the House of Representatives, which has 60 members elected for two-year terms (the “Legislature” or “Legislative Assembly”).

The Legislature convenes annually at the State Capitol in Salem, but sessions may not exceed 160 days in odd-numbered years and 35 days in even-numbered years. Five-day extensions are allowed by a two-thirds vote in each house. The Legislative Assembly convenes on the second Monday in January in odd-numbered years, and in February in even-numbered years.

State K-12 Education Budget. SSF funding is set biennially in the State budget adopted by the Legislative Assembly in odd-numbered years (the “Legislatively Adopted Budget”). The State budget covers two fiscal years (a biennium) beginning July 1 of an odd-numbered year to June 30 of the next odd-numbered year, and sets funding for State agencies including ODE. The Legislative Assembly has the power to subsequently approve revisions to the Legislatively Adopted Budget. Such revised State budget is termed the “Legislatively Approved Budget.”

The State Constitution requires the Legislative Assembly to balance the State’s General Fund budget. The Department of Administrative Services Office of Economic Analysis (the “OEA”) produces a forecast of projected revenues (a “Revenue Forecast”) for the biennium generally each March, June (May in odd-numbered years), September and December. The OEA also produces a “Close of Session Forecast” after the end of the legislative session in odd years that reflects the May economic forecast adjusted for any changes made by the legislature.

Revenue Forecasts are based upon currently available information and upon a wide variety of assumptions. The actual results will be affected by future national and state economic activity and other events. If OEA’s assumptions are not realized or if other events occur or fail to occur, the State’s financial projections may not be achieved. Copies of the Revenue Forecasts are available from OEA at: www.oregon.gov/DAS/OEA.

If, over the course of a biennium, the forecasted revenues decline significantly from the Close of Session Forecast, the Legislative Assembly may meet to rebalance the budget, the Governor may direct that expenditures be reduced or the Legislative Assembly may adjust the budget when it meets in its regular session at the end of the biennium.

2017-19 Biennium State Budget. The budget adopted by the Legislature for the 2017-19 biennium (the “Legislatively Adopted Budget”) included \$74.432 billion in total funds, representing a five percent increase over the 2015-17 biennium budget, as adjusted during the 2016 regular session (the “Legislatively Approved Budget”), of \$70.892 billion. The 2017-19 Legislatively Adopted Budget includes \$19.856 billion in General Funds, \$1.071 billion Lottery Funds, \$21.792 billion Federal funds and \$31.671 billion Other Funds. The combined General Fund and Lottery Funds budget for the 2017-19 biennium is up by 10.3% over the 2015-17 Legislatively Approved Budget, but is down by 3.6% from the 2017-19 current service level estimate. The 2017-19 Legislatively Adopted Budget may be revised during the biennium when the Legislature convenes in February 2018.

2017-19 Biennium Revenue Forecasts. On August 29, 2018, the OEA released the September 2018 Revenue Forecast (the “September 2018 Forecast”). The September 2018 Forecast for gross General Fund revenues for the 2017-19 biennium was \$20.45 billion, up \$893.8 million from the Close of Session forecast, and up \$141.8 million from the June 2018 Revenue Forecast. Personal income tax and corporate excise tax revenues for the 2015-17 biennium were both more than two percent above the Close of Session forecast, triggering the kicker

law (see “Income Tax Rebate” herein). The large kicker payment to taxpayers reduced expected revenue growth for the 2017-19 biennium but was more than offset by a stronger lottery sales forecast, a higher beginning fund balance and legislative changes made during the 2017 Legislative session.

Much of the recent revenue growth can be traced to temporary factors, including the response to federal tax law changes and a spike in estate tax collections. Advanced payment of both personal and corporate income taxes are up considerably relative to the prior year. Although state tax liability has been boosted in the near term due to the federal reforms, recent payments have been far larger than what could reasonably be expected due to the direct impact of the law changes. Collections may slow going forward as households and businesses reconcile their annual tax bills. The increase in corporate income tax collections is largely the result of an expected \$245 million in additional revenue resulting from the new federal tax law that requires the repatriation of deferred foreign income. While more revenue is now expected to be collected during the current biennium, less will be available during the 2019-21 budget period.

State General Fund Forecast Summary
(\$ in Millions)

	2017-19 Biennium Revenue Forecast			September 2018 Forecast Change From	
	Close of Session	June 2018	September 2018	June 2018	Close of Session
Structural Revenues					
Personal Income Tax	\$ 17,147.4	\$ 17,694.8	\$ 17,772.4	\$ 77.5	\$ 625.0
Corporate Income Tax	1,077.0	1,273.7	1,284.8	11.1	207.8
All Other Revenues	1,327.6	1,335.4	1,388.5	53.2	61.0
Gross General Fund Revenues	19,551.9	20,303.9	20,445.7	141.8	893.8
Beginning Fund Balance	780.8	1,000.4	1,000.4	0.0	219.5
Offsets and Transfers	(75.5)	(69.5)	(71.1)	(1.6)	4.4
Administrative Actions	(21.5)	(21.5)	(21.5)	0.0	0.0
Legislative Actions	(180.1)	(179.4)	(179.4)	0.0	0.7
Net Available Resources	\$ 20,055.7	\$ 21,033.8	\$ 21,174.1	\$ 140.3	\$ 1,118.4

Source: Oregon Office of Economic Analysis, “Oregon Economic and Revenue Forecast, September 2018.” August 29, 2018.

Income Tax Rebate. When total actual revenue collections in the General Fund (excluding corporate income tax receipts) exceed the Close of Session forecast by two percent or more, the collections above the forecasted amount are returned to individual income taxpayers, commonly known as the “kicker.” The September 2018 Forecast indicates the personal tax kicker base is expected to end the biennium 3.7 percent higher than the Close of Session forecast, resulting in a personal income tax kicker of \$686 million. The personal tax kicker refunds do not affect revenues for the 2017-19 biennium but will reduce the revenue for the 2019-21 biennium as the refund will be given as a credit on 2019 tax returns.

When corporate income tax collections exceed the Close of Session forecast by two percent or more, the treatment is different: those revenues are retained in the General Fund and dedicated to funding K-12 education. However, there is no guarantee that future Legislatures will allocate budgets such that total K-12 spending is increased by the amount of revenue generated by any corporate tax kicker. The September 2018 forecast indicates that corporate income tax collections for 2017-19 are estimated to be 19.3 percent higher than the Close of Session forecast, generating a corporate kicker of \$208 million at the end of the 2017-19 biennium.

State School Fund Appropriations. The 2017-19 Legislatively Adopted Budget included an appropriation of \$8.2 billion for the SSF, representing an 11 percent increase over the 2015-17 biennium’s Legislatively Approved Budget of \$7.376 billion. The current service level estimate for 2017-19 was \$8.013 billion, however, the Oregon School Boards Association advocated for \$8.4 billion in SSF appropriations to avoid making cuts to school budgets. The Series 2018 Issuer’s current budget is included in “Financial Factors – Budgetary Process” herein.

Current and historical state funding levels are detailed in the following table.

**State School Fund Appropriations
(\$ in Millions)**

Biennium	Fiscal Year	Budget Appropriation
2017-19 ⁽¹⁾	2019	\$ 4,100
	2018	4,100
2015-17	2017	3,747
	2016	3,629
2013-15	2015	3,440
	2014	3,210
2011-13	2013	2,845
	2012	2,868
2009-11	2011	2,813
	2010	2,940

(1) Preliminary, subject to change.

Source: Oregon Department of Education, School Finance Office: www.ode.state.or.us/search/results/?id=344.

School districts are required to file their annual audited financials with ODE within six months of the end of the fiscal year pursuant to ORS 327.137. Extensions may be granted by ODE for extenuating circumstances such as natural disasters. Any school district failing to file prior to the deadline and without an extension will not receive SSF payments until after the audit report has been filed. ODE will schedule the payment with the next regularly scheduled SSF payment date.

School districts that do not meet the rules and regulations of the State Board of Education (e.g., there must be at least 265 consecutive calendar days between the first and last instructional day of each school year) are classified as “non-standard.” Under ORS 327.103, the Superintendent of Public Instruction may withhold portions of SSF monies otherwise allocated to any district that is found to be non-standard if deficiencies are not corrected before the beginning of the school year immediately following the date such district was found to be non-standard unless withholding of SSF monies would create an undue hardship or an extension has been granted by the Superintendent of Public Instruction. Such extension may not exceed 12 months. **The Series 2018 Issuers have never been classified as “non-standard.”**

ODE provides SSF Grant estimates to each school district. Estimates are generally revised in July, October, February, March and May. The most recent ODE estimates for total revenue available in Fiscal Years 2018 and 2019 appear in the following table. See Series 2018 Issuer’s appendix, attached hereto, for further details on each ODE estimates and SSF Grant for Fiscal Years 2018 and 2019.

**Oregon Department of Education
Assumptions for Allocation of State Revenues**

	Fiscal Year 2018 (As of April 30, 2018)	Fiscal Year 2019 (As of October 24,
School District Local Revenue	\$ 1,814,393,482	\$ 1,905,645,069
ESD Local Revenue	124,169,087	128,500,000
Total Local Revenue	\$ 1,938,562,569	\$ 2,034,145,069
State Budget Appropriation:	\$4,100,000,000	\$ 4,100,000,000
Less Reserve Account	(20,000,000)	(20,000,000)
Less TAG, Speech and Virtual School Funding	(1,050,000)	(1,050,000)
Less Long Term Care and State Schools	(10,500,000)	(10,500,000)
English Language Learner Improvement Funds	(6,250,000)	(6,250,000)
Less Network of Quality Teaching and Learning (NQTL)	(2,500,000)	(2,500,000)
Less Small High School Grant	(2,500,000)	(2,500,000)
Less Charter School Closure Funds	(118,802)	(250,000)
Less Local Option Equalization Grant	(1,313,046)	(1,930,184)
Less Office of School Facilities	(3,000,000)	(3,000,000)
Skilled Nursing Facilities (pediatric nursing)	(2,577,479)	(2,577,479)
Free Lunch program	(1,235,000)	(1,235,000)
State Revenue for Formula	\$ 4,048,955,673	\$ 4,048,207,337
Total Revenue for Formula	\$ 5,987,518,242	\$ 6,082,352,406
School District share (95.5%)	5,718,079,921	5,808,646,548
ESD Share (4.5%)	269,438,321	273,705,858
Less High Cost Disability Grants	(35,000,000)	(35,000,000)
Less Facility Grants	(4,500,000)	(4,500,000)
Less share of NQTL	(8,631,059)	(8,631,059)
District Total Transfers/Deductions	(48,131,059)	(48,131,059)
Less ESD testing contract	(484,000)	(484,000)
Less share of NQTL	(8,631,059)	(8,631,059)
ESD Total Transfers/Deductions	(9,115,059)	(9,115,059)
Formula Revenue for Distribution		
School Districts	\$ 5,669,948,862	\$ 5,760,515,489
ESDs	\$ 260,323,262	\$ 264,590,799

Source: Oregon Department of Education, School Finance Office.

STEM and Outdoor School Funding. The 2017 Legislature approved funding for two measures approved by the voters in the November 2016 election in addition to the SSF grant apportionment. Measure 98 (“M98”), the “High School Graduation and Career and College Readiness Act,” requires the State to direct funding of approximately \$800 annually per student to each Oregon high school student for purposes of dropout-prevention and providing career technical and college readiness programs. M98 also directs the Oregon Department of Education to track rates of college attendance and the need for remedial classes for those who attend, as well as provide other performance and financial accountability audits. Senate Bill 5516 appropriated \$170 million for the High School Graduation and College and Career Readiness Fund in the 2017-19 biennium. The Oregon Department of Education released estimates for individual school districts and indicated that the Series 2018 Issuers will receive the following in the 2017-19 biennium:

Series 2018 Issuer	Estimated Biennial M98 Grant Funds
Junction City School District No. 69	\$ 497,409
Monument School District No. 8	51,352
Parkrose School District No. 3	996,014
Prairie City School District No. 4	77,602

Measure 99 (“M99”), the “Outdoor School Lottery Fund Initiative,” creates the Outdoor School Education Fund to support outdoor school programs for all fifth and sixth graders across the state. The fund is financed with lottery moneys and administrated by Oregon State University. The Legislature approved \$24 million for this program in the 2017-19 biennium and the Series 2018 Issuers estimate that they will receive the following:

Series 2018 Issuer	Estimated Biennial M99 Grant Funds
Junction City School District No. 69	\$ 3,840
Monument School District No. 8	2,680
Parkrose School District No. 3	235,437
Prairie City School District No. 4	7,884

State Reserve Funds

The 2007 Legislative Assembly created two budgetary reserve funds, the Rainy Day Fund and the Education Stability Fund. With the approval of three-fifths of each house, the Legislative Assembly may appropriate up to two-thirds of the money in the Rainy Day Fund or Education Stability Fund for use in any biennium if certain economic or revenue triggers occur. The September 2018 Forecast indicates that at the end of the 2015-17 biennium the Rainy Day Fund and the Education Stability Fund had ending fund balances of \$376.4 million and \$384.2 million, respectively. The September 2018 Forecast calls for deposits to both funds during the 2017-19 biennium, bringing the Rainy Day Fund and the Education Stability Fund ending fund balances up to \$595.7 million and \$614.2 million, respectively.

Rainy Day Fund. The Rainy Day Fund may be drawn on for any General Fund purpose in the event of a decline in employment, a projected budgetary shortfall or a declaration of a state of emergency. In September 2007 the State made an initial deposit into the Rainy Day Fund of \$319.2 million from the corporate tax kicker. The Oregon Rainy Day Fund retains interest earnings in the fund. The Rainy Day Fund receives biennial deposits from the ending General Fund balance in an amount equal to the lesser of (a) the actual General Fund ending balance for the preceding biennium or (b) one percent of the amount of General Fund appropriations for the preceding biennium. The amount on deposit with the Rainy Day Fund is capped at 7.5 percent of General Fund revenues for the prior biennium.

Education Stability Fund. Under the Oregon Constitution, 18 percent of the net proceeds from the State Lottery must be deposited in the Education Stability Fund quarterly. The Education Stability Fund currently does not retain earnings in the fund. The amount in the Education Stability Fund may not exceed five percent of the amount that was collected as revenues in the State’s General Fund during the prior biennium.

Property Taxes

See each Series 2018 Issuer’s appendix, attached hereto, for further details on each Series 2018 Issuer’s property tax limits, values, taxpayers, and tax collection information.

Most local governments, school districts, education service districts and community college districts (“local governments”) have permanent authority to levy property taxes for operations (“Permanent Rates”) up to a maximum rate (the “Operating Tax Rate Limit”). Local governments that have never levied property taxes may request that the voters approve a new Operating Tax Rate Limit.

Local governments may not increase their Operating Tax Rate Limits; rather they may only request that voters approve limited term levies for operations or capital expenditures (“Local Option Levies”) or levies to repay general obligation bonded indebtedness (“General Obligation Bond Levies”).

Local Option Levies that fund operating expenses are limited to five years, and Local Option Levies that are dedicated to capital expenditures are limited to ten years.

ORS 327.333 through 327.339 provides local option equalization grants to school districts with Local Option Levies that have a total assessed property value per student less than the total assessed property value per student of a designated target district. For the biennium commencing July 1, 2017, \$3,860,367 was transferred from the State School Fund for the Local Option Equalization Grants Account. If the amount of money available is insufficient to make grant payments, the grant payments are to be proportionally reduced.

None of the Series 2018 Issuers currently have a Local Option Levy and they have no plans at this time to seek voter approval of a Local Option Levy.

Local governments impose property taxes by certifying their levies to the county assessor of the county in which the local government is located. Property taxes ordinarily can only be levied once each Fiscal Year. The local government ordinarily must notify the county assessor of its levies by July 15.

Valuation of Property – Real Market Value. “Real Market Value” is the minimum amount in cash which could reasonably be expected by an informed seller acting without compulsion, from an informed buyer acting without compulsion, in an “arms-length” transaction during the period for which the property is taxed.

Property subject to taxation includes all privately owned real property (land, buildings and improvements) and personal property (machinery, office furniture and equipment) for non-residential taxpayers. There is no property tax on household furnishings (exempt since 1913), personal belongings, automobiles (exempt since 1920), crops, orchards, business inventories or intangible property such as stocks, bonds or bank accounts, except for centrally assessed utilities, for which intangible personal property is subject to taxation.

Property used for charitable, religious, fraternal and governmental purposes is exempt from taxation. Special assessments that provide a reduction in the taxable Real Market Value may be granted (upon application) for veterans’ homesteads, farm and forest land, open space and historic buildings. The Real Market Value of specially assessed properties is often called the “Taxable Real Market Value” or “Measure 5 Real Market Value.” The assessment roll, a listing of all taxable property, is prepared as of January 1 of each year.

Valuation of Property – Assessed Value. Property taxes are imposed on the assessed value of property. The assessed value of each parcel cannot exceed its Taxable Real Market Value, and ordinarily is less than its Taxable Real Market Value. The assessed value of property was initially established in 1997 as a result of a constitutional amendment. That amendment (now Article XI, Section 11, often called “Measure 50”) assigned each property an assessed value and limited increases in that assessed value to three percent per year, unless the property is improved, rezoned, subdivided, or ceases to qualify for exemption. When property is newly constructed or reassessed because it is improved, rezoned, subdivided, or ceases to qualify for exemption, it is assigned an assessed value that is comparable to the assessed value of similar property.

The Oregon Department of Revenue (“ODR”) appraises and establishes values for utility property, forestland and most large industrial property for county tax rolls. It collects taxes on harvested timber for distribution to schools, county taxing districts, and State programs related to timber. Certain properties, such as utilities, are valued on the unitary valuation approach. Under the unitary valuation approach, the taxpaying entity’s operating system is defined and a value is assigned for the operating unit using the market value approach (cost, market value and income appraisals). Values are then allocated to the entities’ operations in Oregon, and then to each county the entity operates in and finally to site locations.

Generally speaking, industrial properties are valued using an income approach, but ODR may apply additions or retirements to the property value through a cost of materials approach. Under the income and cost of materials approaches, property values fluctuate from year-to-year.

Tax Rate Limitation – Measure 5. A tax rate limitation was established in 1990 as the result of a constitutional amendment. That amendment (now Article XI, Section 11b, often called “Measure 5”) separates property taxes into two categories: one to fund the public school system (kindergarten through grade twelve school districts, education service districts and community college districts, collectively, “Education Taxes”) and one to fund government operations other than the public school system (“General Government Taxes”). Education Taxes

are limited to \$5 per \$1,000 and General Government taxes are limited to \$10 per \$1,000 of the Taxable Real Market Value of property (the “Measure 5 Limits”). If the taxes on a property exceed the Measure 5 Limit for Education or General Government, then tax rates are compressed to the Measure 5 Limit. Local Option Levy rates compress to zero before there is any compression of Permanent Rates. Compression is taken into account in the State School Fund Distribution Formula described herein (see “State School Funding”).

Taxes imposed to pay the principal and interest on the following bonded indebtedness are not subject to Measure 5 Limits: (1) bonded indebtedness authorized by a specific provision of the Oregon Constitution; and (2) general obligation bonded indebtedness incurred for capital costs approved by the electors of the issuer and bonds issued to refund such bonds. **Property taxes imposed to pay the principal of and interest on the Obligations are subject to the limitations of Article XI, Sections 11 and 11b.**

In 2007 the Oregon Supreme Court determined that taxes levied by general purpose governments (such as cities and counties) may be subject to the \$5 per \$1,000 limit if those taxes are used for educational services provided by public schools.

Property Tax Collections. Each county assessor is required to deliver the tax roll to the county tax collector in sufficient time to mail tax statements on or before October 25 each year. All tax levy revenues collected by a county for all taxing districts within the county are required to be placed in an unsegregated pool, and each taxing district shares in the pool in the same proportion as its levy bears to the total of all taxes levied by all taxing districts within the county. As a result, the tax collection record of each taxing district is a *pro-rata* share of the total tax collection record of all taxing districts within the county combined.

Under the partial payment schedule, taxes are payable in three equal installments on the 15th of November, February and May of the same Fiscal Year. The method of giving notice of taxes due, the county treasurer’s account for the money collected, the division of the taxes among the various taxing districts, notices of delinquency, and collection procedures are all specified by detailed statutes. The lien for property taxes is prior to all other liens or encumbrances of any kind on real or personal property subject to taxation. By law, a county may not commence foreclosure of a tax lien on real property until three years have passed since the first delinquency.

A Senior Citizen Property Tax Deferral Program (1963) allows certain homeowners to defer taxes until death or sale of the home. A similar program is offered for Disability Tax Deferral (2001), which does not have an age limitation.

Tax Collection Record
Percentages of Taxes Collected in the Year of the Levy (As of June 30)

County	2014	2015	2016	2017	2018
Grant County ⁽¹⁾	95.00%	95.70%	95.40%	95.20%	95.34%
Lane County ⁽²⁾	97.04%	97.25%	97.28%	97.42%	98.29%
Multnomah County ⁽³⁾	97.40%	97.65%	97.82%	98.07%	98.48%

Footnotes for the counties in the table above indicate that the following Series 2018 Issuers are completely or partially located within such county:

- (1) Monument School District No. 8, Prairie City School District No. 4.
- (2) Junction City School District No. 69.
- (3) Parkrose School District No. 3.

NOTE: Percentage of total tax levy. Pre-payment discounts are considered to be collected when outstanding taxes are calculated.

Sources: County Departments of Assessment and Taxation.

Property Tax Exemption Programs. Oregon statutes authorize a wide variety of full and partial property tax exemptions, including exemptions for property owned or used by cities, counties, schools and other local governments, property of the federal government, property used by religious and charitable entities, property used for low-income housing, historical property and transit oriented property.

The Oregon Enterprise Zone program is a State of Oregon economic development program that allows for property tax exemptions for three to five years. In exchange for receiving property tax exemption, participating firms are required to meet the program requirements set by State statutes and the local sponsor.

The Strategic Investments Program (“SIP”) was authorized by the Legislative Assembly in 1993 to provide tax incentives for capital investments by “traded-sector” businesses, including manufacturing. SIP recipients receive a 15 year property tax exemption on new construction over \$25 million outside of urban areas, and over \$100 million in urban areas. The exemption value (\$25 million or \$100 million) then increases three percent per year. SIP recipients pay an annual Community Service Fee which is equal to 25 percent of the value of the tax break, which is allocated to local governments through local negotiations. The Community Service Fee is not considered a property tax and thus is outside of the Measure 5 Limit. There are no SIP Agreements within the Series 2018 Issuer’s boundaries.

GASB 77. Beginning with the Fiscal Year 2017 financial statements, GASB Statement No. 77 requires local governments to disclose information related to tax abatement programs and amounts abated. Tax abatements result from agreements entered into by the reporting government, as well as those that are initiated by other governments, which reduce the reporting government’s tax revenues. The District does not administer any tax abatement programs, however, overlapping jurisdictions (cities, the counties) may offer tax abatement programs which impact the Series 2018 Issuer’s assessed value and property tax collections. In Fiscal Year 2017, none of the Series 2018 Issuers reported a material loss due to tax abatement programs.

Natural and Economic Forces. Natural and economic forces can affect the assessed value of taxable property of the Series 2018 Issuers and the Series 2018 Issuer’s collection of revenues. The Series 2018 Issuers are located in the Pacific Northwest, a region subject to periodic significant earthquakes. Such an earthquake and/or tsunami could cause extensive damage to structures and infrastructure along the Pacific coast and could disrupt transportation, communications, water and sewer systems, power and gas delivery and fuel supplies along the Pacific coast and within the boundaries of the Series 2018 Issuers. The Series 2018 Issuers cannot predict how such seismic activity could impact its revenue sources, including property taxes. Other natural or man-made disasters, such as flood, fire, toxic dumping or acts of terrorism, could also cause a reduction in the assessed value of taxable property of the Series 2018 Issuers or adversely affect the Series 2018 Issuer’s revenues. Economic and market forces, such as a downturn in the economy generally, can also affect assessed values. In addition, the total assessed value can be reduced through the reclassification of taxable property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes).

Federal Funding

Oregon school districts receive federal funding for a variety of purposes. In 2000, Congress passed the Secure Rural Schools and Community Self-Determination Act (the “SRS Act”) to replace a previous revenue sharing program. The SRS Act provides funding from the federal government to 18 of Oregon’s 36 counties for schools, roads, and other purposes (“Federal Forest Fees”). The U.S. Congress has passed several extensions of the SRS Act, the most recent occurring on March 23, 2018 which provides two years of additional funding for the program. Revenue losses from a discontinuation of the SRS Act will be spread across all school districts statewide as Federal Forest Fees are included in local revenue for calculation of SSF Grants (see “State School Funding” herein).

Federal Direct Payments. Junction City School District No. 69 issued Qualified Energy Conservation Bonds (“QECCB”) and elected to receive subsidy payments (“Direct Payments”) from the federal government. The Direct Payments are used to pay interest due on its Taxable Financing Agreement (QECCB). Parkrose School District No. 3 issued Qualified Zone Academy Bonds and elected to receive Direct Payments which are used to pay interest due on its General Obligation Bonds, Series 2011B (QZAB). Direct Payments in Fiscal Year 2018 were reduced by 6.6 percent due to mandatory sequestration cuts. The United States Office of Management and Budget has stated that qualified tax credit bond subsidy payments in federal Fiscal Year 2019 will be cut by 6.2 percent. Junction City School District No. 69’s first interest payment was July 2018, and they have budgeted for the decline in subsidy payment in Fiscal Year 2019. Parkrose School District No. 3 increased their property tax levy to cover the shortfall in Fiscal Year 2018, and has budgeted for a similar tax levy increase in Fiscal Year

2019. Congress has approved legislation that extends sequestration cuts through federal Fiscal Year 2025 but the annual reduction rate is subject to change and neither Junction City School District No. 69 nor Parkrose School District No. 3 can predict the amount of future cuts. Prairie City School District No. 4 issued Qualified Zone Academy Bonds in 2011, however they were tax credits and not subject to reductions in Direct Payments due to mandatory sequestration cuts.

Construction Excise Tax

School districts may levy a tax for capital improvements on new residential, commercial and industrial development ("Construction Excise Tax"). Affordable housing, public improvements, agricultural buildings, hospitals, private schools, and religious facilities are exempted from the Construction Excise Tax. The Construction Excise Tax for Fiscal Year 2019 is limited to: (i) \$1.30 per square foot on residential construction and (ii) 65¢ per square foot on non-residential construction up to the lesser of \$32,600 per building permit or \$32,600 per structure. The tax rate limits are adjusted annually by the Oregon Department of Revenue for changes in construction costs. The Construction Excise Tax is not subject to voter approval.

Revenue generated through a Construction Excise Tax can be used to acquire land, construct, reconstruct or improve school facilities, acquire or install equipment, furnishings or other tangible property, pay for architectural, engineering, legal or other costs related to capital improvements, any expenditure for assets that have a useful life of more than one year, or the payment of obligations and related costs of issuance that are issued to finance or refinance capital improvements.

The Series 2018 Issuers. Of the Series 2018 Issuers, Junction City School District No. 69 collects money from a construction excise tax levy. None of the other participating Series 2018 Issuers currently have plans to institute a construction excise tax. See Junction City School District No. 69 appendix, attached hereto, for further details on historic collection amounts.

Summary of General Fund Revenues

The following table shows summarized historic State Education Revenues and the percentage of total General Fund revenues they represent for each of the Series 2018 Issuers for the past five years. State Education Revenues are available for intercept for the payment of pension bond debt service under the terms of the Intercept Agreement, see "Intercept Agreement" herein. See each Series 2018 Issuer's appendix, attached hereto, for further details.

Series 2018 Issuers Summary General Fund Revenues (\$ in thousands)

Series 2018 Issuer	Fiscal Year 2014			Fiscal Year 2015			Fiscal Year 2016			Fiscal Year 2017			Unaudited Fiscal Year 2018		
	State Education Revenues	Total Revenue ⁽¹⁾	State % of Total	State Education Revenues	Total Revenue ⁽¹⁾	State % of Total	State Education Revenues	Total Revenue ⁽¹⁾	State % of Total	State Education Revenues	Total Revenue ⁽¹⁾	State % of Total	State Education Revenues	Total Revenue ⁽¹⁾	State % of Total
1. Junction City School District No. 69	\$ 9,479	\$ 13,497	70.24%	\$ 9,672	\$ 13,922	69.47%	\$ 10,045	\$ 14,482	69.36%	\$ 10,333	\$ 16,444	62.84%	\$ 11,487	\$ 16,265	70.62%
2. Monument School District No. 8	796	1,035	76.93%	945	1,234	76.54%	857	1,142	75.01%	1,349	1,595	84.57%	1,202	1,444	83.25%
3. Parkrose School District No. 3	13,050	28,592	45.64%	14,478	30,929	46.81%	16,115	32,364	49.80%	14,900	33,128	44.98%	14,559	34,100	42.70%
4. Prairie City School District No. 4	1,461	1,973	74.08%	1,625	2,287	71.07%	1,490	2,181	68.32%	2,227	2,632	84.60%	1,836	2,314	79.34%

(1) Includes other financing sources (uses) does not include beginning fund balances.

Sources: Audited financial reports of the Series 2018 Issuers, and the Series 2018 Issuers.

Financial Factors

Accounting Policies

Fund Accounting. The accounts of the Series 2018 Issuers are organized on the basis of funds and account groups, each of which is a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. The various funds are grouped into governmental funds.

General Fund. This fund is used to account for all expendable financial resources, except those required to be accounted for in another fund.

Debt Service Fund. This fund is used to account for revenue sources that are legally restricted for the payment of general long-term debt principal, interest and related expenditures.

Financial Reporting

The financial statements of the Series 2018 Issuers were prepared in conformity with generally accepted accounting principles ("GAAP") as prescribed by the Governmental Accounting Standards Board ("GASB"). Additional information on the Series 2018 Issuer's accounting methods is available in the Series 2018 Issuer's audited financial statements.

Auditing

Each Oregon political subdivision must obtain an audit and examination of its funds and account groups at least once each year pursuant to the Oregon Municipal Audit Law, ORS 297.405-297.555. Political subdivisions having annual expenditures of less than \$750,000, with the exception of counties and school districts, are exempt from this requirement. All Oregon counties and school districts, regardless of amount of annual expenditures, must obtain an audit annually. The required audit may be performed by the State Division of Audits or by independent public accountants certified by the State as capable of auditing political subdivisions. School districts are required to file their audit annually with ODE within six months of the end of the fiscal year pursuant to ORS 327.137. See "Revenue Sources – State School Funding" herein.

Each Series 2018 Issuer's audit report for Fiscal Year 2017 indicates the financial statements, in all material respects, fairly present the Series 2018 Issuer's financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information and the respective changes in financial position and the cash flows, where applicable, in conformance with accounting principles generally accepted in the United States of America.

The audited financial statements of the Series 2018 Issuers as of June 30, 2017, are incorporated by reference to this Official Statement. Current financial statements can be obtained by contacting the Series 2018 Issuers, or online at the Oregon Secretary of State's website: <https://secure.sos.state.or.us/muni/public.do>. Future financial statements will be filed with the Electronic Municipal Market Access system, a free, centralized repository located at: www.emma.msrb.org.

Summaries of the Series 2018 Issuers' financial information follow. See each Series 2018 Issuer's appendix, attached hereto, for further details.

Series 2018 Issuers
Summary of Statement of Net Position
(Fiscal Year 2017)

District	Junction City School District No. 69	Monument School District No. 8	Parkrose School District No. 3	Prairie City School District No. 4
Current and Other Assets	\$ 20,933,010	\$ 1,727,281	\$ 14,707,367	\$ 1,399,780
Capital Assets, Net of Depreciation	<u>7,750,682</u>	<u>1,276,408</u>	<u>91,980,317</u>	<u>2,785,061</u>
Total Assets	28,683,692	3,003,689	106,687,684	4,184,841
Deferred Outflows of Resources	<u>9,787,907</u>	<u>701,700</u>	<u>22,533,598</u>	<u>1,192,580</u>
Current Liabilities	1,726,703	65,818	103,484,734	134,971
Long-Term Liabilities	<u>38,467,538</u>	<u>1,271,734</u>	<u>3,350,834</u>	<u>2,814,220</u>
Total Liabilities	40,194,241	1,337,552	106,835,568	2,949,191
Deferred Inflow of Resources	<u>1,078,213</u>	<u>96,469</u>	<u>3,116,866</u>	<u>123,680</u>
Net Assets				
Invested in Capital Assets, Net of	5,223,304	1,276,408	34,782,893	2,178,565
Restricted	758,047	34,729	2,093,547	99,424
Unrestricted	<u>(8,782,206)</u>	<u>960,231</u>	<u>(17,607,592)</u>	<u>26,561</u>
Total Net Position	<u>\$ (2,800,855) ⁽¹⁾</u>	<u>\$ 2,271,368</u>	<u>\$ 19,268,848</u>	<u>\$ 2,304,550</u>

(1) Decrease in unrestricted net position is primarily due to the implementation of GASB Statement No. 68.

Source: Series 2018 Issuer's Audited Financial Statements.

A four-year summary of the Series 2018 Issuer’s General Fund Statement of Revenues, Expenditures and Changes in Fund Balance follows. See each Series 2018 Issuer’s appendix, attached hereto, for further details.

Series 2018 Issuers
Summary General Fund Financial Information
(\$ in thousands)

Series 2018 Issuer	Fiscal Year 2014			Fiscal Year 2015			Fiscal Year 2016			Fiscal Year 2017			Unaudited Fiscal Year 2018		
	Total Revenue ⁽¹⁾	Total Expend.	Ending Fund Balance	Total Revenue ⁽¹⁾	Total Expend.	Ending Fund Balance	Total Revenue ⁽¹⁾	Total Expend.	Ending Fund Balance	Total Revenue ⁽¹⁾	Total Expend.	Ending Fund Balance	Total Revenue ⁽¹⁾	Total Expend.	Ending Fund Balance
1. Junction City School District No. 69	\$ 13,497	\$ 13,740	\$ 841	\$ 13,922	\$ 13,490	\$ 1,273	\$ 14,482	\$ 14,060	\$ 1,650	\$ 16,444	\$ 16,379 ⁽²⁾	\$ 1,760	\$ 16,265	\$ 15,492	\$ 2,556
2. Monument School District No. 8	1,035	1,004	465	1,234	1,049	651	1,142	1,218	504	1,595	1,113	986	1,444	1,126	1,304
3. Parkrose School District No. 3	28,592	28,542	582	30,929	30,532	963	32,364	32,316	912	33,128	32,569	1,798	34,100	34,557	958
4. Prairie City School District No. 4	1,973	1,745	557	2,287	1,884	960	2,181	2,151	745	2,632	2,231	1,146	2,314	2,456	983

- (1) Includes other financing sources (uses); does not include beginning fund balances.
(2) Junction City School District No. 69 expenditures in Fiscal Year 2017 include Capital Outlay of \$1,550,000.

Sources: Series 2018 Issuer’s Audited Financial Statements.

Budgetary Process

Each Series 2018 Issuer is required to prepare an annual budget in accordance with Oregon Local Budget Law (ORS Chapter 294) which establishes standard procedures for all budget functions for Oregon local governments. Under the applicable provisions, there must be public participation in the budget process and the adopted budget must be balanced.

Each Series 2018 Issuer’s administrative staff evaluates the budget requests of the various departments of the Series 2018 Issuers to determine the funding levels of the operating programs. The budget is presented to the public through public hearings held by a budget committee consisting of Board members and lay members. After giving due consideration to the input received from the citizens, the governing body of the Series 2018 Issuer adopts the budget, authorizes the levying of taxes and sets appropriations. The budget must be adopted no later than June 30 of each Fiscal Year.

The budget may be amended during the applicable Fiscal Year through the adoption of a supplemental budget. Supplemental budgets may be adopted by the Board pursuant to ORS 294.471, and each Series 2018 Issuer will be adopting a supplemental budget to reflect the issuance of the Series 2018 Pension Bond.

Each Series 2018 Issuer’s General Fund Adopted Budget follows. See each Series 2018 Issuer’s appendix, attached hereto, for further details.

Series 2018 Issuers
Fiscal Year 2019 General Fund Adopted Budget
(\$ in thousands)

Series 2018 Issuer	Resources						Expenditures						
	Local	Intermediate	State	Federal	Beginning Fund Balance and Other	Total	Instruction	Support Services	Debt Service /Transfer	Other Uses	Contingency	Unapprop. Ending Fund Balance	Total
1. Junction City School District No. 69	\$ 5,104	\$ 158	\$ 10,774	\$ 0	\$ 1,929	\$ 17,965	\$ 9,731	\$ 6,653	\$ 482	\$ 0	\$ 1,100	\$ 0	\$ 17,966
2. Monument School District No. 8	130	109	1,020	73	1,136	2,468	694	751	23	0	1,000	0	2,468
3. Parkrose School District No. 3	19,963	307	14,002	0	1,820	36,092	21,417	14,032	0	143	250	250	36,092
4. Prairie City School District No. 4	201	242	1,742	141	850	3,176	1,493	1,016	25	0	643	0	3,176

Source: Adopted Fiscal Year 2019 Budget for each Series 2018 Issuer.

Investments

ORS 294.035 authorizes Oregon political subdivisions to invest in obligations, ranging from U.S. Treasury obligations and Agency securities to municipal obligations, bankers' acceptances, commercial paper, certificates of deposit, corporate debt and guaranteed investment contracts, all subject to certain size and maturity limitations. No municipality may have investments with maturities in excess of 18 months without adopting a written investment policy which has been reviewed by the Oregon Short Term Fund Board. ORS 294.052 authorizes Oregon political subdivisions to invest proceeds of bonds or certificates of participation and amounts held in a fund or account for such bonds or certificates of participation under investment agreements if the agreements: (i) produce a guaranteed rate of return; (ii) are fully collateralized by direct obligations of, or obligations guaranteed by, the United States; and (iii) require that the collateral be held by the municipality, an agent of the municipality or a third-party safekeeping agent. Each Series 2018 Issuers has its own investment policy which is available upon request.

Political subdivisions are also authorized to invest approximately \$48.3 million (adjusted for inflation) in the Local Government Investment Pool of the Oregon Short-Term Fund, which is managed by the State Treasurer's office. Such investments are managed in accordance with the "prudent person rule" (ORS 293.726) and administrative regulations of the State Treasurer which may change from time to time. Eligible investments presently include all of those listed above, as well as repurchase agreements and reverse repurchase agreements. A listing of investments held by the Oregon Short-Term Fund is available on the Oregon State Treasury website under "Other OSTF Reports - OSTF Detailed Monthly Reports" at [http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-\(OSTF\).aspx](http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-(OSTF).aspx).

Pension System

General. The Series 2018 Issuers participate in a retirement pension benefit program under the State of Oregon Public Employees Retirement System ("PERS" or the "System"). After six full months of employment, all Series 2018 Issuers employees are required to participate in PERS. Employer contribution rates are calculated as a percent of covered payroll. Employees are required to contribute six percent of their annual salary as well; however, employers are allowed to pay the employees' contribution in addition to the required employers' contribution. See "Employer Contribution Rates" herein.

T1/T2 Pension Programs. Employees hired before August 29, 2003 participate in the "Tier 1" or "Tier 2" pension programs (the "T1/T2 Pension Programs"). The benefits provided through the T1/T2 Pension Programs are based primarily on a defined benefit model and provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and their beneficiaries. Different benefit structures apply to participants depending on their date of hire. Effective January 1, 2004, six percent of each employee's salary is contributed to fund individual retirement accounts under a separate defined contribution program known as the Individual Account Program (the "IAP").

OPSRP. Employees hired on or after August 29, 2003 participate in the Oregon Public Service Retirement Plan ("OPSRP") unless membership was previously established in the T1/T2 Pension Programs. OPSRP is a defined benefit pension plan, but also provides access to the IAP.

RHIA/RHIPA. The Oregon PERS Health Insurance Program offers optional medical, dental, and long-term care insurance plans to eligible T1/T2 retirees, their spouses, and dependents. See "Other Postemployment Benefits, Retirement Health Insurance Account" herein.

Actuarial Valuation. Actuarial valuations are performed annually as of December 31 of each year and are designed to measure the liabilities, assets and funded status of the System and for each employer, as well as determine employer contribution rates. The valuations are based on complex models which utilize assumptions on rates of return, payroll growth rates and demographic trends. The valuations as of December 31 of odd-number years are used by the Oregon Public Employees Retirement System Board (the "PERB") to set employer contribution rates, and valuations as of even-numbered years are used for advisory purposes only. Should the assumptions used in the actuarial model prove inaccurate, liabilities of the System may be higher or lower than estimated. Any increases or decreases in liabilities will be absorbed into future contribution rates assessed against employer payrolls. An employer's unfunded actuarial liability ("UAL") is equal to the excess of the

actuarially determined present value of the employer’s benefit obligations to employees over the existing assets available to pay those benefits. PERS’ current actuary is Milliman, Inc. (“Milliman,” or the “Actuary”).

Actuarial valuations are performed for the entire System (the “System Valuation”), for participating employers, and for the School District Pool in which the Series 2018 Issuers participate. Valuations are released nine to eleven months after the valuation date. Current payroll rates are based on the System’s actuarial valuation report as of December 31, 2015 (the “2015 System Valuation”), and those rates will extend through June 30, 2019. Payroll rates for the 2019-21 biennium are set by the System’s actuarial valuation report as of December 31, 2017 (the “2017 System Valuation”), and further by the School District Pool Valuation as of December 31, 2017, both of which were released in October 2018.

Valuation Date	Release Date	Rates Effective
December 31, 2015	September 2016	July 1, 2017 – June 30, 2019
December 31, 2016	December 2017	Advisory only for July 1, 2019 – June 30, 2021
December 31, 2017	October 2018	July 1, 2019 - June 30, 2021

System Actuarial Organization. An employer participates in PERS either on an independent basis, or through an actuarial pool, as follows:

T1/T2 Pension Programs

- *Independents:* An Independent Employer is one for whom its T1/T2 Pension Programs assets and liabilities are based on an actuarial analysis performed on its employee base. The Series 2018 Issuers are not independent employers.
- *School District Pool:* All kindergarten through grade 12 public school district and education service district public employers are pooled for actuarial purposes for the T1/T2 pension programs (the “School District Pool”). Each School District Pool member’s allocated share of the pool’s assets and liabilities is based on the member’s proportionate share of the School District Pool’s pooled payroll, which share may shift in the future due to relative growth in payroll. Further, the Series 2018 Issuer’s Allocated T1/T2 UAL may increase if other pool participants fail to pay their full employer contributions. **The Series 2018 Issuers are members of the School District Pool.**
- *State and Local Government Rate Pool:* For the T1/T2 Pension Programs, all State agencies, certain Oregon local governments and all community college public employers are pooled (the “State and Local Government Rate Pool” or “SLGRP”). Each SLGRP member’s allocated share of the pool’s assets and liabilities is based on the member’s proportionate share of the SLGRP’s pooled payroll which share may shift in the future due to relative growth in payroll. Further, a SLGRP member’s Allocated T1/T2 UAL may increase if other pool participants fail to pay their full employer contributions. The Series 2018 Issuers are not members of the SLGRP.

OPSRP

- *OPSRP’s* assets and liabilities are pooled on a System-wide basis. These assets and liabilities are not tracked or calculated on an employer basis. The Series 2018 Issuer’s allocated share of OPSRP’s assets and liabilities is based on the Series 2018 Issuer’s proportionate share of OPSRP’s pooled payroll.

Actuarial Assumptions. Significant actuarial assumptions and methods used in the 2015 System Valuation included (a) the Entry Age Normal method, (b) asset valuation method based on market value, (c) the assumed earnings rate (the “Assumed Rate”) on the investment of present and future assets of 7.50 percent, (d) payroll growth rate of 3.50 percent, (e) consumer price inflation of 2.75 percent per year, (f) UAL amortization method of a level percentage of payroll over 20 years (fixed) for all T1/T2 UALs derived from the 2013 System Valuation and thereafter, and through 2033 for all T1/T2 UALs derived from the 2007, 2009 and 2011 valuations, and 16 years (fixed) from the date of the first rate-setting valuation at which the UAL is recognized

for OPSRP, and (g) a rate collar to limit increases or decreases in employer contribution rates from biennium to biennium (the “Rate Collar”) (see ““Rate Collar” below).

The 2017 System Valuation utilizes the same significant actuarial assumptions and methods used in the 2015 System Valuation except it reflects the PERB’s decision on July 28, 2017 to lower the Assumed Rate from 7.50 percent to 7.20 percent.

Employer Contribution Rates. Employer contribution rates are calculated as a percent of covered payroll. The rates are based on the current and projected cost of benefits and the anticipated level of funding available from the Oregon Public Employees Retirement Fund (“OPERF”), including anticipated investment performance of the fund. Contribution rates are subject to future adjustment based on factors such as the result of subsequent actuarial valuations, litigation, decisions by the PERB and changes in benefits resulting from legislative modifications. Pursuant to ORS 238.225, all participating employers are required to make their contribution to PERS based on the employer contribution rates set by the PERB. Employees are required to contribute six percent of their annual salary to the IAP. Employers are allowed to pay the employees’ contribution in addition to the required employers’ contribution. Each Series 2018 Issuer has elected to make the employee contribution.

Rate Collar. The PERB uses a rate collar (the “Rate Collar”) to limit increases (or decreases) in employer contribution rates from biennium to biennium in order to smooth the impact of significant increases or decreases from one valuation to the next. The Rate Collar is applied and calculated as follows:

- The uncollared base rate, which is the actuarially determined rate which would need to be contributed to fully fund future benefits for current employees and to amortize the UAL over the specified amortization period, is calculated first.
- Should the anticipated increase or decrease necessary to impose the uncollared base rate be in excess of certain limits, then the Rate Collar is applied. Any excess increase or decrease is deferred to future rate cycles. The Rate Collar is currently in effect; see “Series 2018 Issuers’ Contribution Rates” herein.
- If the funded status of the employer or the pool in which the employer participates is above 70 percent or below 130 percent (the “Base Case Rate Collar”), the Rate Collar is the greater of three percent of payroll (the “3% parameter”) or 20 percent of the current base rate (the “20% parameter”).
- If the funded status of an employer or the pool in which the employer participates is below 70 percent or above 130 percent, the Rate Collar increases by 0.3 percent of payroll if under the 3% parameter, or two percent of the current base rate if under the 20 percent parameter, for every percentage point under the 70 percent (or above 130 percent) funded level (the “Collar Ramp”) until it reaches six percent of payroll, or 40 percent of the current base rate at the 60 percent (or above 140 percent) funded level (the “Double Rate Collar”).

According to the 2017 Summary Valuation Report, the funded status, excluding employer Side Accounts, for the School District Pool is (74%), above the 70% funded status level. Rates for the 2019-21 biennium will employ the Base Case Rate Collar.

System Funded Status & UAL. The table below includes the UAL and funded status for the System and the pool in which the Series 2018 Issuers participate from the six most recent actuarial valuations.

Unfunded Actuarial Liability and Funded Status⁽¹⁾
(\$ in millions)

Valuation Date	System		School District Pool	
	UAL	Funded Status	UAL	Funded Status
12/31/17	\$ 22,300.0	73.0%	\$ 7,800.0	74.0%
12/31/16 ⁽²⁾	25,300.1	68.8%	9,199.3	68.4%
12/31/15 ⁽³⁾	21,830.8	71.3%	7,983.4	71.1%
12/31/14 ⁽⁴⁾	17,940.7	75.6%	6,782.0	74.9%
12/31/13 ⁽⁴⁾	8,503.5	86.4%	3,424.8	85.4%
12/31/12	11,139.3	81.6%	4,578.4	80.0%

- (1) Does not take into account offsets for deposits made by individual employers from pension bond proceeds or cash on hand in side accounts (see "Side Accounts and Pension Bonds" herein).
- (2) Increase in UAL and decline in funded status largely attributable to decrease in Assumed Rate (see "Actuarial Assumptions" above).
- (3) Increase in UAL and decline in funded status largely attributable to investment returns of two percent during 2015, substantially less than the 7.5 percent Assumed Rate for that period.
- (4) Cost saving changes were made during the 2013 Legislative session and applied to the 2013 System Valuation, thereby leading to a reduction in the UAL and increase in funded status. The changes were subsequently reversed by the Supreme Court's decision in *Moro v. State of Oregon*, which largely overturned 2013 legislation that reduced COLA payouts. This resulted in a substantial increase in UAL and decline in funded status for the 2014 System Valuation.

Source: System Valuations and PERS.

Net Unfunded Actuarial Liability. Each Series 2018 Issuer's net unfunded pension UAL is the total of the Series 2018 Issuers Allocated T1/T2 UAL and Series 2018 Issuers Allocated OPSRP UAL. The net unfunded pension UAL as reported by PERS as of the December 31, 2016 and December 31, 2017, and the net unfunded pension UAL as of December 31, 2017 brought forward to December 31, 2018 are shown in the following table.

Oregon Education Districts Net Unfunded Pension Liability

Series 2018 Issuer	2016 Valuation	2017 Valuation	2017 Valuation Brought forward to December 31, 2018
Junction City School District No. 69	\$ 23,456,597	\$ 19,933,264	\$ 20,292,432
Monument School District No. 8	1,544,889	1,073,294	1,092,633
Parkrose School District No. 3	49,658,732	40,784,025	41,518,894
Prairie City School District No. 4	2,454,255	2,373,358	2,416,122

Source: PERS and Series 2018 Issuers' Supplemental Payment Requests from Milliman.

Series 2018 Issuers' Contribution Rates. The Series 2018 Issuer's contribution rates for the 2017-19 biennium under the 2015 Issuers Valuations, and the contribution rates for the 2019-21 biennium under the 2017 Issuers Valuation are provided in the following table. The rate increases in the 2017 Issuers Valuations incorporate limitations of the Rate Collar. See "Rate Collar" herein.

**Oregon Education Districts
Pension Contribution Rates (Percent of Covered Payroll)**

Series 2018 Issuer	2015 Valuation		2017 Valuation	
	T1/T2	OPSRP General	T1/T2	OPSRP General
School Pool ⁽¹⁾	27.20%	21.87%	32.03%	26.58%

(1) Because the Series 2018 Issuers have not previously issued pension bonds, their rates are the same as the School Pool.
Source: 2015 and 2017 School Pool Valuations.

Series 2018 Issuers Contributions. The Series 2018 Issuer’s Fiscal Year 2017 annual contributions to PERS are provided in the following table. See each Series 2018 Issuer’s appendix, attached hereto, for further historical details.

Oregon Education Districts Pension Contributions – Fiscal Year 2017

Series 2018 Issuer	District Contribution
Junction City School District No. 69 ⁽¹⁾	\$ 2,042,936
Monument School District No. 8 ⁽²⁾	104,386
Parkrose School District No. 3 ⁽¹⁾	4,347,241
Prairie City School District No. 4 ⁽²⁾	168,001

- (1) Series 2018 Issuer’s contribution includes the employee contribution of 6% of payroll paid by the Series 2018 Issuer.
- (2) Series 2018 Issuer’s Fiscal Year 2017 contribution to PERS, excludes the employee contribution of 6% of payroll paid by the Series 2018 Issuers.

Source: Series 2018 Issuers Audited Financial Statements.

Actuarial Projections. At the December 2, 2017 PERB meeting, the Actuary presented financial modeling of the System for the next 20 years. Because the 2017 rate of return on the OPERF was above the rate within the modelling (at 15% vs. 11.05% through September 2017 for when the model was completed), the projections may improve somewhat. The PERB is expected to receive updated projections at their December Board meeting.

Among the conclusions of the financial modelling were the following points:

- **Steady Return rates:** Under the assumption of a consistent level of returns through 2037 (taking into account 2017 returns of 11.05% through September 2017), even with a consistent return of nine percent, System average rates will increase for the next two biennia before beginning to decline. At the assumed rate of 7.2%, System average rates were projected to increase by approximately 5% in each of the next two biennia before slowly declining. Under that scenario, System rates do not decline below 25% until 2035.
- **Variable Return rates:** The Actuary also provided stochastic modelling that showed a similar pattern: at the 50th percentile, rates were projected to climb from 20.8% to a high of 31.6% in 2023-25, then decline slowly to 29.4% in 2033-35, before dropping to 23% in 2035-37. In the 5th percentile, rates could climb as high as 56%; in the 95th percentile, rates decline to zero in 2029.
- **UAL:** In the Steady Return scenario, with a 7.2% consistent return, the UAL was projected to grows slightly before declining and would be fully amortized by 2034. In the Variable Return scenario, at the 50th percentile, the UAL was projected to decline to \$23.5 billion at the end of 2017, but grow to \$26.4 billion by the end of 2021, then declines to \$1.6 billion by the end of 2035. In the Actuary’s model, the 50th percentile return is somewhat below 7.20%. The actual UAL for the System as of December 31, 2017 was \$22 billion.

These projections are expected to be updated and made available at the PERS Board Meeting scheduled for December 2018.

The Series 2018 Issuers cannot predict whether its payroll rates or UAL will increase by as much, more or less than what has been projected by the Actuary. However, the Series 2018 Issuers does not believe future increases in payroll rates or UAL will have an impact on its ability to repay the Series 2018 Obligations.

GASB 67 and GASB 68. GASB Statements No. 67 and No. 68 modify the accounting and financial reporting of pensions by state and local governments and pension plans. Statement No. 67 ("GASB 67"), Financial Reporting for Pension Plans, addresses financial reporting for state and local government pension plans. Statement No. 68 ("GASB 68"), Accounting and Financial Reporting for Pensions, establishes accounting and financial reporting requirements for governments that provide their employees with pensions. The PERS System is subject to GASB 67; each participating employer, including the Series 2018 Issuers, is subject to GASB 68. GASB 68 was incorporated in the Series 2018 Issuer's financial statements beginning in Fiscal Year 2015. PERS contracted with Milliman to provide information for local governments to use in their financial statements.

The most recent estimates are included in the table below.

District's Net Pension Liability

Series 2018 Issuer	Fiscal Years		
	2016 ⁽¹⁾	2017 ⁽²⁾	2018 ⁽³⁾
Junction City School District No. 69	\$ 8,626,567	\$ 19,757,459	\$ 14,751,102
Knappa School District No. 4	2,563,266	6,284,132	5,132,566
Monument School District No. 8	580,436	1,271,734	1,023,465
Parkrose School District No. 3	18,626,897	41,925,383	32,625,181
Prairie City School District No. 4	930,876	2,200,898	1,944,296
Scappoose School District No. 1J	10,355,013	23,160,153	19,410,907

(1) Measurement date of June 30, 2015.

(2) Measurement date of June 30, 2016.

(3) Measurement date of June 30, 2017.

Source: PERS – GASB 68 Exhibits prepared by Milliman.

Other Postemployment Benefits

Retirement Health Insurance Account. PERS retirees who receive benefits through the Tier 1 and Tier 2 plans and are enrolled in certain PERS administered health insurance programs, may receive a subsidy towards the payment of health insurance premiums. Under ORS 238.420, retirees may receive a subsidy for Medicare supplemental health insurance of up to \$60 per month towards the cost of their health insurance premium under the RHIA plan. The RHIA program's assets and liabilities are pooled on a system-wide basis and are not tracked or calculated on an employer basis. According to the 2017 System Valuation, this program had a surplus of approximately \$115.7 million. Each Series 2018 Issuer's allocated share of the RHIA program's assets and liabilities is based on the Series 2018 Issuer's proportionate share of the program's pooled payroll.

Medical Benefits - Implicit Subsidy. Under ORS 243.303 the Series 2018 Issuers are required to offer the same healthcare benefits for current Series 2018 Issuers employees to all retirees and their dependents until such time as the retirees are eligible for Medicare. This continued medical coverage is offered to the Series 2018 Issuer's eligible retirees and their spouses and dependents. The active premium rate (whether paid by the Series 2018 Issuer or by the retiree) still applies. However, in some cases the premium itself does not represent the full cost of covering these retirees (since they are older than the active population, retirees can be expected to generate higher medical claims and therefore higher premiums for the active population). This additional cost is called the "implicit subsidy," and is required to be valued under GASB Statement No. 75, and formally under GASB Statement No. 45. This single-employer defined-benefit plan is not a stand-alone plan and therefore does not issue its own financial statements.

The Series 2018 Issuers' projections of total liability as valued under GASB Statement No. 75 as of Fiscal Year 2017 are as follows:

Issuer's Projection of Total OPEB Liability

	Junction City SD No. 69	Parkrose SD No. 3
Total OPEB Liability Balance 6/30/16	\$ 762,734	\$ 2,124,463
Service cost	\$ 29,914	\$ 115,333
Interest	25,718	79,115
Benefit payments	(88,690)	(144,775)
Net Change in total OPEB liability	(33,058)	49,673
Total OPEB Liability Balance 6/30/17	\$ 729,676	\$ 2,174,136

Note: Monument School District No. 8, Knappa School District No. 4, Prairie City School District No. 4, and Scappoose School District No. 1J, received a small district exemption under GASB Statement No. 45. These Series 2018 Issuers are required to report their OPEB liability under GASB Statement No. 75 beginning with the Fiscal Year 2018 audit.

Source: Series 2018 Issuers Audited Financial Statements.

Stipend Benefits – Several of the Series 2018 Issuers sponsor an Early Retirement Program (ERP). The ERP is composed of three main components: an early retirement salary stipend (Stipend Benefit), a paid health insurance premium (Explicit Medical Benefit), and continued access to the active health insurance plan (Implicit Medical Benefit). This is a single-employer defined benefit early retirement supplement program. Certain classified and licensed staff are eligible to receive a monthly stipend. This "plan" is not a stand-alone plan and therefore does not issue its own financial statements. The stipend is a flat dollar amount, and is required to be valued under GASB Statement No. 73.

The Series 2018 Issuers' projections of Stipend Benefits as valued under GASB Statement No. 73 for Fiscal Year 2017 are as follows:

Stipend Benefit - Projection of Total Liability

	Junction City SD No. 69	Parkrose SD No. 3
Total Liability Balance 6/30/16	\$ 439,813	\$ 516,784
Service cost	\$ 4,850	\$ 24,188
Interest	14,271	18,516
Effect of economic / demographic gains or losses	33,046	-
Effect of assumptions changes or inputs	(9,860)	-
Benefit payments	(82,352)	(70,262)
Net Change in total OPEB liability	(40,045)	(27,558)
Total OPEB Liability Balance 6/30/17	\$ 399,768	\$ 489,226

Source: Series 2018 Issuers Audited Financial Statements.

See each Series 2018 Issuer's appendix, attached hereto, for further historical details on OPEB and Stipend Benefits.

Risk Management

The Series 2018 Issuers are exposed to various risks of loss. A description of the risks is provided in the Series 2018 Issuer's audited financial statements available through the Municipal Securities Rulemaking Board at <http://emma.msrb.org/default.aspx>, by contacting the Series 2018 Issuers, or online at the Oregon Secretary of State's website: <https://secure.sos.state.or.us/muni/public.do.on>.

Cybersecurity. The Series 2018 Issuers, like other public and private entities, relies on a large and complex technology environment to conduct its operations, and consequently faces the threat of cybersecurity incidents. Cybersecurity incidents could result from unintentional events, or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the Series 2018 Issuers information technology systems to misappropriate assets or information or to cause operational disruption and damage.

[GRANT ESD LANGUAGE]

The Initiative and Referendum Process

Article IV, Section 1 of the Oregon Constitution reserves to the people of the State the initiative power to amend the State Constitution or to enact legislation by placing measures on the statewide general election ballot for consideration by the voters. Oregon law therefore permits any registered Oregon voter to file a proposed initiative with the Oregon Secretary of State's office without payment of fees or other burdensome requirements. Consequently, a large number of initiative measures are submitted to the Oregon Secretary of State's office, and a much smaller number of petitions obtain sufficient signatures to be placed on the ballot.

Because many proposed statewide initiative measures are submitted to the Oregon Secretary of State's office that do not qualify for the ballot, the Series 2018 Issuers do not formally or systematically monitor the impact of those measures or estimate their financial effect prior to the time the measures qualify for the ballot. The Series 2018 Issuers also do not formally or systematically monitor efforts to qualify measures for the ballot that would initiate new provisions for, or amend, the Series 2018 Issuer's charters and ordinances. Consequently, the Series 2018 Issuers do not ordinarily disclose information about proposed initiative measures that have not qualified for the ballot.

Pursuant to ORS 250.125, a five-member Committee composed of the Secretary of State, the State Treasurer, the Director of the Department of Revenue, the Director of the Department of Administrative Services, and a local government representative must prepare an estimate of the direct financial impact of each measure ("Financial Estimate Statements") to be printed in the voters' pamphlet and on the ballot.

Referendum

"Referendum" generally means measures that have been passed by a legislative body, such as the Legislative Assembly or the governing body of a district, county or other political subdivision and referred to the electors by the legislative body, or by petition prior to the measure's effective date.

In Oregon, both houses of the Legislative Assembly must vote to refer a statute or constitutional amendment for a popular vote. Such referrals cannot be vetoed by the governor. Any change to the Oregon Constitution passed by the Legislative Assembly requires referral to voters. In the case of a referendum by petition, proponents of the referendum must obtain a specified number of signatures from qualified voters. The required number of signatures is equal to four percent of the votes cast for all candidates for governor at the preceding gubernatorial election.

Initiative Process

To place a proposed statewide initiative on a general election ballot, the proponents must submit to the Secretary of State initiative petitions signed by the number of qualified voters equal to a specified percentage of the total number of votes cast for all candidates for governor at the gubernatorial election at which a governor was elected for a term of four years next preceding the filing of the petition with the Secretary of State. Any elector may sign an initiative petition for any measure on which the elector is entitled to vote. Statewide initiatives may only be filed for general elections in even-numbered years.

A statewide initiative petition must be submitted to the Secretary of State not less than four months prior to the general election at which the proposed measure is to be voted upon. As a practical matter, proponents of an initiative have approximately two years in which to gather the necessary number of signatures. State law permits persons circulating initiative petitions to pay money to persons obtaining signatures for the petition. Once an initiative measure has gathered a sufficient number of signatures and qualified for placement on the

ballot, the State is required to prepare a formal estimate of the measure’s financial impact. Typically, this estimate is limited to an evaluation of the direct dollar impact.

November 2018 Election. Initiative Petition 37 (“IP37”) entitled “Yes! Keep Our Groceries Tax Free” has garnered sufficient signatures to qualify for the November 2018 ballot. If approved by voters, IP37 would prohibit State and local taxes or fees on the sale or distribution of groceries (excluding alcohol, marijuana and tobacco products), including the sellers and distributors of groceries (potentially including restaurants) retroactively to October 1, 2017. While the State and most local municipalities in Oregon, including the Cities and Counties in which the Series 2018 Issuers are located, do not currently assess such taxes, if IP37 were to pass, it would limit such revenue collection mechanisms in the future. At this time the Series 2018 Issuers do not expect that passage of IP37 would have a material impact on their revenues or their ability to repay the Series 2018 Obligations.

Initiative Petition 31 (“IP31”), known as “Oregon Definition of Raising Revenue for Three-Fifths Vote Requirement Initiative” has secured sufficient signatures to qualify for the November 2018 ballot. If approved by voters, IP31 would amend Section 25 of Article IV of the Oregon Constitution, which currently requires three-fifths of all members elected to each House to pass bills for raising revenues. IP31 would define “raising revenue,” to mean “any tax or fee increase, whether accomplished by the creation, imposition or increase of any tax or fee, or by the modification, elimination or change in eligibility for any exemption, credit, deduction or lower rate of taxation.” Based on a 2015 Oregon Supreme Court ruling, the Oregon Legislative Counsel does not currently interpret “raising revenue” to include any changes in tax exemptions, credits or deductions that effectively result in increased revenue, but are otherwise not considered a new revenue source. If approved, IP31 would broaden the definition of “raising revenue” to include such changes to tax exemptions, credits or deductions so that any legislation that increases revenue would be subject to the three-fifths legislative supermajority requirement. Should the measure be approved, it would reduce Legislative flexibility to raise additional revenue, which may have consequences for future funding streams for the Series 2018 Issuers. Although the Series 2018 Issuers cannot predict if IP31 will be approved, nor estimate what impact such approval would have on state revenues received by the Series 2018 Issuers (see “State School Funding” herein), the Series 2018 Issuers do not anticipate the passage of IP31 would have a material impact on the operations of the Series 2018 Issuers or their ability to repay the Series 2018 Obligations.

Historical Initiative Petitions. Historically, a larger number of initiative measures have qualified for the ballot than have been approved by the electors. According to the Elections Division of the Secretary of State, the total number of initiative petitions that qualified for the ballot and the numbers that passed in recent general elections are as follows:

Recent Initiative Petitions

Number of Year of General Election	Number of Initiatives that Qualified	Initiatives that were Approved
2008	8	0
2010	4	2
2012	7	2
2014	4	2
2016	4	3
2018	4	

Source: Elections Division, Oregon Secretary of State, Initiative, Referendum and Referral Log, Elections Division.

Legal Matters and Litigation

Legal Matters

Legal matters incident to the authorization, issuance and sale of Series 2018 Obligations are subject to the approving legal opinion of Special Counsel, substantially in the form attached hereto as Appendix A. Special Counsel has reviewed this document only to confirm that the portions of it describing the Series 2018

Obligations and the authority to issue them conform to the Series 2018 Obligations and the applicable laws under which they are issued.

Litigation

There is no litigation pending questioning the validity of the Series 2018 Obligations nor the power and authority of the Series 2018 Issuers to issue the Series 2018 Obligations. There is no litigation pending which would materially affect the finances of the Series 2018 Issuers or affect the Series 2018 Issuer's ability to meet debt service requirements on the Series 2018 Obligations.

Under the Oregon law local public bodies, such as the Series 2018 Issuers, are subject to the following limits on liability. The State of Oregon is subject to different limits.

Personal Injury and Death Claim. The liability of a local public body and its officers, employees and agents acting within the scope of their employment or duties, to any *single claimant* for covered personal injury or death claims (and not property claims) arising out of a single accident or occurrence may not exceed \$727,200, for causes of action arising on or after July 1, 2018, and before July 1, 2019. The liability limits to *all claimants* for covered personal injury or death claims (and not property claims) arising from a single accident or occurrence may not exceed \$1.45 million, for causes of action arising on or after July 1, 2018, and before July 1, 2019.

Property Damage or Destruction Claim. The liability limits of a public body and its officers, employees and agents acting within the scope of their employment or duties, for covered claims for damage and destruction of property that arise from causes of action arising on or after July 1, 2018: (a) \$119,300, adjusted as described below, to any single claimant, and (b) \$596,400, adjusted as described below, to all claimants.

For causes of action arising on or after July 1, 2019, the liability limits for both a single claimant and all claimants will be adjusted based on a determination by a State Court Administrator of the percentage increase or decrease in the cost of living for the previous calendar year as provided in the statutory formula. The adjustment may not exceed three percent for any year.

Tax Matters

Opinion of Special Counsel

In the opinion of Hawkins Delafield & Wood LLP, Special Counsel to the County ("Special Counsel"), the interest component of the Pension Bond Payments evidenced and represented by the Series 2018 Obligations ("Interest") (i) is included in gross income for federal income tax purposes pursuant to the Internal Revenue Code of 1986, as amended (the "Code") and (ii) is exempt, under existing statutes, from personal income taxes imposed by the State of Oregon.

The following discussion is a brief summary of the principal United States federal income tax consequences of the acquisition, ownership and disposition of Series 2018 Obligations by original purchasers of the Series 2018 Obligations who are "U.S. Holders", as defined herein. This summary (i) is based on the Code, Treasury Regulations, revenue rulings and court decisions, all as currently in effect and all subject to change at any time, possibly with retroactive effect; (ii) assumes that the Series 2018 Obligations will be held as "capital assets"; and (iii) does not discuss all of the United States federal income tax consequences that may be relevant to a holder in light of its particular circumstances or to holders subject to special rules, such as insurance companies, financial institutions, tax-exempt organizations, dealers in securities or foreign currencies, persons holding the Series 2018 Obligations as a position in a "hedge" or "straddle", holders whose functional currency (as defined in Section 985 of the Code) is not the United States dollar, holders who acquire Series 2018 Obligations in the secondary market, or individuals, estates and trusts subject to the tax on unearned income imposed by Section 1411 of the Code.

Holders of Series 2018 Obligations should consult with their own tax advisors concerning the United States federal income tax and other consequences with respect to the acquisition, ownership and disposition of the Series 2018 Obligations as well as any tax consequences that may arise under the laws of any state, local or foreign tax jurisdiction.

Original Issue Discount

In general, if Original Issue Discount (“OID”) is greater than a statutorily defined *de minimis* amount, a holder of a Series 2018 Obligation having a maturity of more than one year from its date of issue must include in federal gross income (for each day of the taxable year, or portion of the taxable year, in which such holder holds such Series 2018 Obligations) the daily portion of OID, as it accrues (generally on a constant yield method) and regardless of the holder’s method of accounting. “OID” is the excess of (i) the “stated redemption price at maturity” over (ii) the “issue price.” For purposes of the foregoing: “issue price” means the first price at which a substantial amount of the Series 2018 Obligations is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers); “stated redemption price at maturity” means the sum of all payments, other than “qualified stated interest”, provided by such Series 2018 Obligations; “qualified stated interest” is stated interest that is unconditionally payable in cash or property (other than debt instruments of the Series 2018 Issuers) at least annually at a single fixed rate; and “*de minimis* amount” is an amount equal to 0.25 percent of the Series 2018 Obligations’ stated redemption price at maturity multiplied by the number of complete years to its maturity. A holder may irrevocably elect to include in gross income all Interest that accrues on a Series 2018 Obligation using the constant-yield method, subject to certain modifications.

Acquisition Discount on Short-Term Taxable Series 2018 Obligations

Each holder of a Series 2018 Obligation with a maturity not longer than one year (a “Short-Term Taxable Series 2018 Obligation”) is subject to rules of Sections 1281 through 1283 of the Code, if such holder is an accrual method taxpayer, bank, regulated investment company, common trust fund or among certain types of pass-through entities, or if the Short-Term Taxable Series 2018 Obligation is held primarily for sale to customers, is identified under Section 1256(e)(2) of the Code as part of a hedging transaction, or is a stripped bond or coupon held by the person responsible for the underlying stripping transaction. In any such instance, interest on, and “acquisition discount” with respect to, the Short-Term Taxable Series 2018 Obligation accrues on a ratable (straight-line) basis, subject to an election to accrue such interest and acquisition discount on a constant interest rate basis using daily compounding. “Acquisition discount” means the excess of the stated redemption price of a Short-Term Taxable Series 2018 Obligation at maturity over the holder’s tax basis therefor.

A holder of a Short-Term Taxable Series 2018 Obligation not described in the preceding paragraph, including a cash-method taxpayer, must report interest income in accordance with the holder’s regular method of tax accounting, unless such holder irrevocably elects to accrue acquisition discount currently.

Series 2018 Obligations Premium

In general, if a Series 2018 Obligation is originally issued for an issue price (excluding accrued interest) that reflects a premium over the sum of all amounts payable on the Series 2018 Obligation other than “qualified stated interest” (a “Taxable Premium Series 2018 Obligation”), that Taxable Premium Series 2018 Obligation will be subject to Section 171 of the Code, relating to bond premium. In general, if the holder of a Taxable Premium Series 2018 Obligation elects to amortize the premium as “amortizable bond premium” over the remaining term of the Taxable Premium Series 2018 Obligation, determined based on constant yield principles (in certain cases involving a Taxable Premium Series 2018 Obligation callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the highest yield on such bond), the amortizable premium is treated as an offset to interest income; the holder will make a corresponding adjustment to the holder’s basis in the Taxable Premium Series 2018 Obligation. Any such election is generally irrevocable and applies to all debt instruments of the holder (other than tax-exempt bonds) held at the beginning of the first taxable year to which the election applies and to all such debt instruments thereafter acquired. Under certain circumstances, the holder of a Taxable Premium Series 2018 Obligation may realize a taxable gain upon disposition of the Taxable Premium Series 2018 Obligation even though it is sold or redeemed for an amount less than or equal to the holder's original acquisition cost.

Disposition and Defeasance

Generally, upon the sale, exchange, redemption, or other disposition (which would include a legal defeasance) of a Series 2018 Obligation, a holder generally will recognize taxable gain or loss in an amount equal to the

difference between the amount realized (other than amounts attributable to accrued interest not previously includable in income) and such holder's adjusted tax basis in the Series 2018 Obligation.

The Series 2018 Issuers may cause the deposit of moneys or securities in escrow in such amount and manner as to cause the Series 2018 Obligations to be deemed to be no longer outstanding (a "defeasance"). For federal income tax purposes, such defeasance could result in a deemed exchange under Section 1001 of the Code and a recognition by such owner of taxable income or loss, without any corresponding receipt of moneys. In addition, the character and timing of receipt of payments on the Series 2018 Obligation subsequent to any such defeasance could also be affected.

Information Reporting and Backup Withholding

In general, information reporting requirements will apply to non-corporate holders of the Series 2018 Obligations with respect to payments of principal, payments of interest, and the accrual of OID on a Series 2018 Obligation and the proceeds of the sale of a Series 2018 Obligation before maturity within the United States. Backup withholding may apply to holders of Series 2018 Obligations under Section 3406 of the Code. Any amounts withheld under the backup withholding rules from a payment to a beneficial owner, and which constitutes over-withholding, would be allowed as a refund or a credit against such beneficial owner's United States federal income tax provided the required information is furnished to the Internal Revenue Service.

U.S. Holders

The term "U.S. Holder" means a beneficial owner of a Series 2018 Obligation that is: (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof, (iii) an estate the income of which is subject to United States federal income taxation regardless of its source or (iv) a trust whose administration is subject to the primary jurisdiction of a United States court and which has one or more United States fiduciaries who have the authority to control all substantial decisions of the trust.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, [may adversely affect the tax-exempt status of Interest under state law could affect the market price or marketability of the Series 2018 Obligations.

Prospective purchasers of the Series 2018 Obligations should consult their own tax advisors regarding the foregoing matters.

Continuing Disclosure

The Securities and Exchange Commission Rule 15c2-12 (the "Rule") requires at least annual disclosure of current financial information and timely disclosure of certain events with respect to the Series 2018 Obligations. Pursuant to the Rule, the Series 2018 Issuers have agreed to provide audited financial information and certain financial information or operating data at least annually, and timely notice of certain events (collectively, "Continuing Disclosure") to the MSRB through its EMMA system (so long as such method of disclosure continues to be approved by the Securities and Exchange Commission for such purposes). The Series 2018 Issuers were obligated to provide Continuing Disclosure filings on outstanding debt. Each Series 2018 Issuer's compliance and failures to file over the last five years in relation to existing debt subject to the Rule are noted below.

Junction City School District No. 69. The District has complied in all material respects with its continuing disclosure requirements under the Rule in the past five years.

Monument School District No. 8. The District has not had any debt outstanding subject to the Rule within the last five years.

Parkrose School District No. 3. The District failed to file its audit and operating data for Fiscal Year 2014 prior to the deadline in connection with its General Obligation Bonds, Series 2011A. The District failed to file its audit and operating data for Fiscal Years 2014 and 2015 prior to the deadline in connection with its General Obligation Bonds, Series 2011B. The District subsequently filed the audits and operating data, along with a failure to file notice, on October 15, 2018. Pursuant to its undertakings, the District was required to file certain annual operating data that was not included in the audit. The missing information for Fiscal Years 2013 through 2017 was filed, along with a failure to file notice, on October 15, 2018. The District has added the continuing disclosure filings to the annual financial report process to ensure timely filings going forward.

Prairie City School District No. 4. The District has not had any debt outstanding subject to the Rule within the last five years.

The forms of the Continuing Disclosure Certificates of each of the Series 2018 Issuers are included in Appendix C, attached hereto.

Preliminary Official Statement

The Series 2018 Issuers have executed a “deemed final” letter that deemed final the Preliminary Official Statement pursuant to Securities and Exchange Commission Rule 15c2-12 (except for the omission of the following information: offering prices, interest rates, selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, credit enhancement, if any, ratings, insurance, and other terms of the securities depending on such matters). The Series 2018 Issuers have also represented to the Underwriter that the information in this Preliminary Official Statement, except for matters relating to DTC and its book-entry system, the Series 2018 Trustee, the information under the heading “Underwriting” and the statement regarding the Underwriter in the italicized paragraph on page ii, does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

Ratings

As noted on the cover page of this Official Statement, Moody’s Investors Service has assigned its underlying rating of **“ ”** to the Series 2018 Obligations. There is no assurance that the rating will be retained 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 the ratings will be likely to have an adverse effect on the market price of the Series 2018 Obligations.

Underwriting

The Series 2018 Obligations are being purchased by the Underwriter. The purchase contract relating to the Series 2018 Obligations (the “Purchase Contract”) provides that the Underwriter will purchase all of the Series 2018 Obligations, if they are purchased. The purchase price of the Series 2018 Obligations is \$_____ (the principal amount of the Series 2018 Obligations (\$_____), [plus/less] a net original issue [premium/discount] of \$_____, and less an Underwriters’ discount of \$_____).

The obligation to make such purchase is subject to certain terms and conditions set forth in the Purchase Contract, the approval of certain legal matters by counsel and certain other conditions. The Underwriter reserves the right to join with dealers and other underwriters in offering the Series 2018 Obligations to the public. The Underwriters may offer and sell the Series 2018 Obligations to certain dealers (including dealers depositing the Series 2018 Obligations to investment trusts) and others at prices lower than the initial public offering prices indicated on the inside cover page hereof. The Underwriter may change the public offering prices from time to time without prior notice.

Concluding Statement

The information contained herein should not be construed as representing all conditions affecting the Series 2018 Issuers or the Series 2018 Obligations. Additional information may be obtained from the Series 2018 Issuers. The statements relating to the Resolution, Intercept Agreement, and Series 2018 Trust Agreement are in summarized form, and in all respects are subject to and qualified in their entirety by express reference to the provisions of such document in its complete form.

The information assembled herein is not to be construed as a contract with Owners of the Series 2018 Obligations.

Appendix A

Form of Special Counsel Opinion

Appendix B

Book Entry Only System

**SAMPLE OFFERING DOCUMENT LANGUAGE
DESCRIBING BOOK-ENTRY-ONLY ISSUANCE**

(Prepared by DTC--bracketed material may apply only to certain issues)

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities 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 Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of: AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities 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 Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities 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.

5. 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities 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.]

[6. Redemption notices shall be sent to DTC. If less than all of the Securities 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.]

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, 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 Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

[9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.]

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

Appendix C

Form of Continuing Disclosure Certificates

Appendix D

**Intercept Agreement, Amendment to the Intercept Agreement and
Form of the Seventh Supplemental Intercept Agreement**

Appendix E

Form of the Series 2018 Trust Agreement