

RIVERSIDE COMMUNITY COLLEGE DISTRICT
ADMINISTRATIVE REPORTS

Report No.: VII-A-1

Date: March 17, 2009

Subject: 2009-2010 – Tax and Revenue Anticipation Note (TRAN) – Resolution No. 36-08/09

Background: The District has periodically participated in the Cash Reserve Program sponsored by the California School Boards Association Finance Corporation since 1993. Through the Cash Reserve Program, districts issue a Tax and Revenue Anticipation Note (TRAN). A TRAN is a short-term debt instrument used to cover cash flow shortages or create additional reserves to a district's general fund. In 2008-2009, the program issued more than \$460 million in notes to nearly 160 districts.

The Program's underwriter, Piper Jaffray, sells the notes in the financial marketplace as tax-exempt securities. The notes have a maturity length of one year. The proceeds of the notes are reinvested in high quality taxable investments (AA or AAA rated entities) with a corresponding maturity length. Since both the interest cost and reinvestment rates are guaranteed, the District is not exposed to the market risk of interest rate volatility during the course of the year.

With the recent passage of the State's fiscal year 2009-2010 budget and mid-year adjustments for fiscal year 2008-2009, the District is subject to significant apportionment cash deferrals from the months of January through April to the month of July in the subsequent fiscal year. In addition, the existing June apportionment cash deferral to the month of July has been extended to the month of October. These cash deferrals are expected to be recurring each year.

Current projections indicate that the District will likely experience a cash flow shortage in June 2009 that will carryover into July 2009. The projections also indicate that the District will likely experience a cash flow shortage in April 2010 that will last through June 2010. These cash flow estimates are predicated on the assumption that the voters will pass a number of ballot initiatives in May 2009 and that there will be no significant adjustments to the recently enacted State budget.

Should any of the initiatives fail and/or the State budget erode, further deterioration of the District's cash flow could result.

To protect the District's cash position in the face of significant uncertainty surrounding the State's adopted budget, the attached TRAN borrowing resolution is presented for the Board's consideration and approval. The resolution establishes the District's maximum borrowing amount at \$15 million. Adoption of the attached resolution does not obligate the District to participate in the Program. The resolution delegates the authority to participate in the TRAN program to District staff based on further refinement of projected cash flow needs as we get closer to the end of the fiscal year and also describes the parameters of an issuance.

The earliest the TRAN could be issued would be in July 2009. As mentioned previously, current cash flow projections indicate that a cash flow shortage may occur in June 2009. We will continue to monitor cash flow over the ensuing months and, if necessary, will bring a request to

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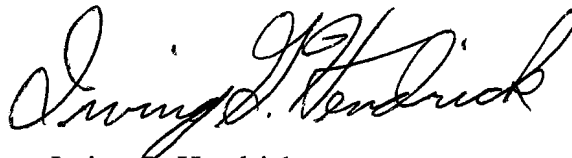
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(continued)

the Board to authorize a short-term, internal borrowing similar to the authorization request brought to the Board in September 2008.

Recommendation: It is recommended that the Board of Trustees approve Resolution No. 36-08/09 authorizing the borrowing of funds for fiscal year 2009-2010, the issuance and sale of a 2009-2010 Tax and Revenue Anticipation Note, participation in the California School Cash Reserve Program, requesting the Board of Supervisors of the County to issue and sell said note and authorizing the Board's President and Secretary, the District Chancellor and Vice Chancellor, Administration and Finance, to sign the appropriate documents.



Irving G. Hendrick
Interim Chancellor

Prepared by: Aaron S. Brown
Associate Vice Chancellor, Finance

DISTRICT RESOLUTION

NAME OF DISTRICT: RIVERSIDE COMMUNITY COLLEGE DISTRICT*

LOCATED IN: COUNTY OF RIVERSIDE

MAXIMUM AMOUNT OF BORROWING: \$15,000,000

RESOLUTION OF THE GOVERNING BOARD AUTHORIZING THE BORROWING OF FUNDS FOR FISCAL YEAR 2009-2010 AND THE ISSUANCE AND SALE OF ONE OR MORE SERIES OF 2009-2010 TAX AND REVENUE ANTICIPATION NOTES THEREFOR AND PARTICIPATION IN THE CALIFORNIA SCHOOL CASH RESERVE PROGRAM AND REQUESTING THE BOARD OF SUPERVISORS OF THE COUNTY TO ISSUE AND SELL SAID SERIES OF NOTES

WHEREAS, school districts, community college districts and county boards of education are authorized by Sections 53850 to 53858, both inclusive, of the California Government Code (the "Act") (being Article 7.6, Chapter 4, Part 1, Division 2, Title 5 of the Government Code) to borrow money by the issuance of temporary notes; and

WHEREAS, the governing board (the "Board") has determined that, in order to satisfy certain obligations and requirements of the school district, community college district or county board of education specified above (the "District"), a public body corporate and politic located in the County designated above (the "County"), it is desirable that a sum (the "Principal Amount"), not to exceed the Maximum Amount of Borrowing designated above, be borrowed for such purpose during its fiscal year ending June 30, 2010 ("Fiscal Year 2009-2010") by the issuance of its 2009-2010 Tax and Revenue Anticipation Notes (the first series of which shall be referred to herein as the "Series A Notes" and any subsequent series of which shall be referred to herein as "Additional Notes," and collectively with the Series A Notes, the "Notes"), in one or more series (each a "Series"), therefor in anticipation of the receipt of taxes, income, revenue, cash receipts and other moneys to be received by the District for the general fund and, if so indicated in a Pricing Confirmation (as defined in Section 4 hereof), capital fund and/or special revenue fund

* If the Name of the District indicated on the face hereof is not the correct legal name of the District which adopted this Resolution, it shall nevertheless be deemed to refer to the District which adopted this Resolution, and the Name of the District indicated on the face hereof shall be treated as the correct legal name of said District for all purposes in connection with the Program (as hereinafter defined).

(or similarly named fund or funds as indicated in such Pricing Confirmation) of the District attributable to Fiscal Year 2009-2010; and

WHEREAS, the Principal Amount may, as determined by the Authorized Officer (as hereinafter defined), be divided into two or more portions evidenced by two or more Series of Notes, which Principal Amount is to be confirmed and set forth in the Pricing Confirmation if one Series of Notes is issued, or if more than one Series of Notes are issued, such Principal Amount will be equal to the sum of the Series Principal Amounts (as defined in Section 2 hereof) as confirmed and set forth in the Pricing Confirmation applicable to each Series of Notes; and

WHEREAS, the District hereby determines to borrow, for the purposes set forth above, the Principal Amount by the issuance, in one or more Series, of the Notes;^{**} and

WHEREAS, because the District does not have fiscal accountability status pursuant to Section 42650 or Section 85266 of the California Education Code, it requests the Board of Supervisors of the County to borrow, on the District's behalf, the Principal Amount by the issuance of the Notes in one or more Series; and

WHEREAS, pursuant to Section 53853 of the Act, if the Board of Supervisors of the County fails or refuses to authorize the issuance of the Notes within the time period specified in said Section 53853, following receipt of this Resolution, and the Notes, in one or more series, are issued in conjunction with tax and revenue anticipation notes, in one or more series, of other Issuers (as hereinafter defined), the District may issue the Notes, in one or more series, in its name pursuant to the terms stated herein; and

WHEREAS, it appears, and this Board hereby finds and determines, that the Principal Amount, when added to the interest payable thereon, does not exceed eighty-five percent (85%) of the estimated amount of the uncollected taxes, income, revenue (including, but not limited to, revenue from the state and federal governments), cash receipts and other moneys of the District attributable to Fiscal Year 2009-2010 and available for the payment of the principal of each Series of Notes and the interest thereon; and

WHEREAS, no money has heretofore been borrowed by or on behalf of the District through the issuance of tax anticipation notes or temporary notes in anticipation of the receipt of, or payable from or secured by, taxes, income, revenue, cash receipts or other moneys for Fiscal Year 2009-2010; and

WHEREAS, pursuant to Section 53856 of the Act, certain moneys which will be received by the District during and attributable to Fiscal Year 2009-2010 can be pledged for the payment of the principal of each Series of Notes (as applicable) and the interest thereon (as hereinafter provided); and

^{**} Unless the context specifically requires otherwise, all references to "Series of Notes" herein shall be deemed to refer, to (i) the Note, if issued in one series by the County (or the District, as applicable) hereunder, or (ii) each individual Series of Notes severally, if issued in two or more series by the County (or the District, as applicable) hereunder.

WHEREAS, the District has determined that it is in the best interests of the District to participate in the California School Cash Reserve Program (the “Program”), whereby participating school districts, community college districts and county boards of education (collectively, the “Issuers”) will simultaneously issue tax and revenue anticipation notes; and

WHEREAS, due to uncertainties existing in the financial markets, the Program has been designed with alternative structures, each of which the District desires to approve; and

WHEREAS, under the first structure (the “Certificate Structure”), the District would issue one or more Series of Notes, each Series of Notes to be marketed with some or all of the notes issued simultaneously by other Issuers participating in the Program, and Piper Jaffray & Co., as underwriter for the Program (the “Underwriter”), would form one or more pools of notes or series of certificates (the “Certificates”) of participation (the “Series of Certificates”) distinguished by (i) whether and what type(s) of Credit Instrument (as hereinafter defined) secures notes comprising each Series of Certificates, and (ii) possibly other features, all of which the District hereby authorizes the Underwriter to determine; and

WHEREAS, the Certificate Structure requires the Issuers participating in any particular Series of Certificates to deposit their applicable series of tax and revenue anticipation notes with U.S. Bank National Association, as trustee (the “Trustee”), pursuant to a trust agreement between such Issuers and the Trustee (the trust agreement applicable to each Series of Certificates, in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution, being referred to herein collectively as, the “Trust Agreement”), and requires the Trustee, pursuant to the Trust Agreement, to execute and deliver the Certificates evidencing and representing proportionate undivided interests in the payments of principal of and interest on the tax and revenue anticipation notes issued by the Issuers comprising such Series of Certificates; and

WHEREAS, if the Certificate Structure is implemented, the District desires to have the Trustee execute and deliver a Series of Certificates which evidences and represents interests of the owners thereof in each Series of Notes issued by the District and the notes issued simultaneously by other Issuers participating in such Series of Certificates; and

WHEREAS, as additional security for the owners of each Series of Certificates, all or a portion of the payments by all of the Issuers of their respective series of notes comprising such Series of Certificates may or may not be secured by an irrevocable letter (or letters) of credit or policy (or policies) of insurance or other credit instrument (or instruments) (collectively, the “Credit Instrument”) issued by the credit provider (or credit providers) (collectively, the “Credit Provider”) designated in the applicable Trust Agreement, as finally executed, pursuant to a credit agreement (or agreements) or commitment letter (or letters) (such credit agreement (or agreements) or commitment letter (or letters), if any, in the forms presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution, being referred to herein collectively as, the “Credit Agreement”) identified in the applicable Trust Agreement, as finally executed, between, in the case of an irrevocable letter (or letters) of credit or policy (or policies) of insurance or other credit instrument (or instruments), the Issuers and the corresponding Credit Provider; and

WHEREAS, pursuant to the Certificate Structure, the Underwriter will submit an offer to purchase each Series of Notes issued by the District and the notes issued by other Issuers participating in the same Series of Certificates all as evidenced and represented by such Series of Certificates (which offer will specify, as designated in the Pricing Confirmation applicable to the sale of such Series of Notes to be sold by the District, the principal amount, interest rate and Credit Instrument (if any)), and has submitted a form of certificate purchase agreement (such certificate purchase agreement, in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution, being referred to herein as, the “Certificate Purchase Agreement”) to the Board; and

WHEREAS, pursuant to the Certificate Structure each participating Issuer will be responsible for its share of (i) the fees of the Trustee and the costs of issuing the applicable Series of Certificates, (ii) if applicable, the fees of the Credit Provider(s), and (iii) if applicable, the Issuer’s allocable share of all Predefault Obligations and the Issuer’s Reimbursement Obligations, if any (each as defined in the Trust Agreement); and

WHEREAS, the Certificate Structure requires that each participating Issuer approve the Trust Agreement, the alternative Credit Instruments and Credit Agreements, if any, and the Certificate Purchase Agreement in substantially the forms presented to the Board, with the final type of Credit Instrument and corresponding Credit Agreement determined in the Pricing Confirmation applicable to the sale of each Series of Notes to be sold by the District; and

WHEREAS, under the second structure (the “Bond Pool Structure”), participating Issuers would be required to sell each series of their tax and revenue anticipation notes to the California School Cash Reserve Program Authority (the “Authority”) pursuant to note purchase agreements (such note purchase agreements, in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution, being referred to herein as, the “Purchase Agreements”), each between such individual Issuer and the Authority, and dated as of the date of the Pricing Confirmation applicable to the sale of the individual Issuer’s series of notes to be sold, a form of which has been submitted to the Board; and

WHEREAS, the Authority, pursuant to advice of the Underwriter, will form one or more pools of notes of each participating Issuer (the “Pooled Notes”) and assign each respective series of notes to a particular pool (the “Pool”) and sell a series of senior bonds (each a “Series of Senior Bonds”) and, if desirable, a corresponding series of subordinate bonds (each a “Series of Subordinate Bonds” and collectively with a Series of Senior Bonds, a “Series of Pool Bonds”) secured by each Pool pursuant to an indenture and/or a supplement thereto (the original indenture and each supplement thereto applicable to a Series of Pool Bonds to which the Note shall be assigned is hereinafter collectively referred to as the “Indenture”) between the Authority and the Trustee, each Series of Pool Bonds distinguished by (i) whether or what type(s) of Credit Instrument(s) secure(s) such Series of Pool Bonds, (ii) the principal amounts or portions of principal amounts of the notes of such respective series assigned to the Pool, or (iii) other factors, and the District hereby acknowledges and approves the discretion of the Authority, acting upon the advice of the Underwriter, to assign the District’s Notes of such respective Series to such Pool and such Indenture as the Authority may determine; and

WHEREAS, at the time of execution of the Pricing Confirmation applicable to the sale of each Series of Notes to be sold by the District, the District will (in such Pricing Confirmation) request the Authority to issue a Series of Pool Bonds pursuant to an Indenture to which such Series of Notes identified in such Pricing Confirmation will be assigned by the Authority in its discretion, acting upon the advice of the Underwriter, which Series of Pool Bonds will be payable from payments of all or a portion of principal of and interest on such Series of Notes and the other respective series of notes of other participating Issuers assigned to the same Pool and assigned to the same Indenture to which the District's Series of Notes is assigned; and

WHEREAS, as additional security for the owners of each Series of Pool Bonds, all or a portion of the payments by all of the Issuers of the respective series of notes assigned to such Series of Pool Bonds may or may not be secured (by virtue or in form of the Series of Pool Bonds, as indicated in the Pricing Confirmation applicable to such Series of Pool Bonds, being secured in whole or in part) by one or more Credit Instruments issued by one or more Credit Providers designated in the applicable Indenture, as finally executed, pursuant to a Credit Agreement, if any, identified in the applicable Indenture, as finally executed, between, in the case of an irrevocable letter (or letters) of credit or policy (or policies) of insurance or other credit instrument (or instruments), the Issuers and the corresponding Credit Provider; and

WHEREAS, pursuant to the Bond Pool Structure each Issuer, whose series of notes is assigned to a Pool as security for a Series of Pool Bonds, will be responsible for its share of (i) the fees of the Trustee and the costs of issuing the applicable Series of Pool Bonds, (ii), if applicable, the fees of the Credit Provider(s), and (iii) if applicable, the Issuer's allocable share of all Predefault Obligations and the Issuer's Reimbursement Obligations, if any (each as defined in the Indenture) applicable to such Series of Pool Bonds; and

WHEREAS, the Bond Pool Structure requires that each participating Issuer approve the Indenture, the alternative Credit Instruments and Credit Agreements, if any, and the Purchase Agreement in substantially the forms presented to the Board, with the final type of Credit Instrument and corresponding Credit Agreement, if any, to be determined in the Pricing Confirmation applicable to the sale of each Series of Notes to be sold by the District; and

WHEREAS, pursuant to the Bond Pool Structure, the Underwriter will submit an offer to the Authority to purchase, in the case of each Pool of notes, the Series of Pool Bonds which will be secured by the Indenture to which such Pool will be assigned; and

WHEREAS, all or portions of the net proceeds of each Series of Notes issued by the District, may be invested in one or more Permitted Investments (as defined in the Trust Agreement or the Indenture, as applicable), including under one or more investment agreements with one or more investment providers (if any), the initial investment of which is to be determined in the Pricing Confirmation related to such Series of Notes; and

WHEREAS, it is necessary to engage the services of certain professionals to assist the District in its participation in the Program;

NOW, THEREFORE, the Board hereby finds, determines, declares and resolves as follows:

Section 1. Recitals. All the above recitals are true and correct and this Board so finds and determines.

Section 2. Issuance of Notes.

(A) Initial Issuance of Notes. This Board hereby determines to borrow, and hereby requests the Board of Supervisors of the County to borrow for the District, solely for the purpose of anticipating taxes, income, revenue, cash receipts and other moneys to be received by the District for the general fund and, if so indicated in the applicable Pricing Confirmation, the capital fund and/or special revenue fund (or similarly named fund or funds as indicated in such Pricing Confirmation)* of the District attributable to Fiscal Year 2009-2010, and not pursuant to any common plan of financing of the District, by the issuance by the Board of Supervisors of the County, in the name of the District, of Notes under Sections 53850 *et seq.* of the Act, designated generally as the District's "2009-2010 [Subordinate]** Tax and Revenue Anticipation Notes, Series ____" in one or more of the following Series, in order of priority of payment as described herein:

(1) the Series A Notes, being the initial Series of Notes issued under this Resolution, together with one or more Series of Additional Notes issued in accordance with the provisions of Section 2(B) hereof and payable on a parity with the Series A Notes (collectively, the "Senior Notes"); and

(2) one or more Series of Additional Notes issued in accordance with the provisions of Section 2(B) hereof and payable on a subordinate basis to (i) any Senior Notes, and (ii) any previously issued Subordinate Notes if so specified in the related Pricing Confirmation (collectively, the "Subordinate Notes"), which Subordinate Notes shall be identified as such.

Each such Series of Notes shall be issued in the form of one registered note at the principal amount thereof (the "Series Principal Amount") as set forth in the applicable Pricing Confirmation and all such Series Principal Amounts aggregating to the Principal Amount set forth in such Pricing Confirmations, in each case, to bear a series designation, to be dated the date of its respective delivery to the respective initial purchaser thereof, to mature (without option of prior redemption) not more than thirteen (13) months thereafter on a date indicated on the face thereof and determined in the Pricing Confirmation applicable to such Series of Notes (collectively, the "Maturity Date"), and to bear interest, payable at the applicable maturity (and, if the maturity is longer than twelve (12) months, an additional interest payment shall be payable within twelve (12) months of the issue date, as determined in the applicable Pricing Confirmation) and computed upon the basis of a 360-day year consisting of twelve 30-day months, at a rate not to exceed twelve percent (12%) per annum as determined in the Pricing Confirmation applicable to such Series of Notes and indicated on the face of such Series of Notes (collectively, the "Note Rate").

With respect to the Certificate Structure, if a Series of Notes as evidenced and represented by the corresponding Series of Certificates is secured in whole or in part by a Credit

* For purposes of this Resolution, such funds shall be referred to as the "capital fund" and "special revenue fund."

** A Series of Notes shall bear the "Subordinate" designation if it is a Series of Subordinate Notes.

Instrument and is not paid at maturity or is paid (in whole or in part) by a draw under, payment by or claim upon a Credit Instrument which draw, payment or claim is not fully reimbursed on such date, such Series of Notes shall become a Defaulted Note (as defined in the Trust Agreement), and the unpaid portion thereof with respect to which a Credit Instrument applies for which reimbursement on a draw, payment or claim has not been fully made shall be deemed outstanding and shall continue to bear interest thereafter until paid at the Default Rate (as defined in the Trust Agreement). If a Series of Notes as evidenced and represented by the corresponding Series of Certificates is unsecured in whole or in part and is not fully paid at the Maturity Date, the unpaid portion thereof (or the portion thereof to which no Credit Instrument applies which is unpaid) shall be deemed outstanding and shall continue to bear interest thereafter until paid at the Default Rate.

With respect to the Bond Pool Structure, if a Series of Pool Bonds issued in connection with a Series of Notes is secured in whole or in part by a Credit Instrument or such Credit Instrument secures the Series of Notes in whole or in part and all principal of and interest on such Series of Notes is not paid in full at maturity or payment of principal of and interest on such Series of Notes is paid (in whole or in part) by a draw under, payment by or claim upon a Credit Instrument which draw, payment or claim is not fully reimbursed on such date, such Series of Notes shall become a Defaulted Note (as defined in the Indenture), and the unpaid portion thereof with respect to which a Credit Instrument applies for which reimbursement on a draw, payment or claim has not been fully made shall be deemed outstanding and shall continue to bear interest thereafter until paid at the Default Rate (as defined in the Indenture). If a Series of Notes or the Series of Pool Bonds issued in connection therewith is not so secured in whole or in part and such Series of Notes is not fully paid at the Maturity Date, the unpaid portion thereof (or the portion thereof to which no Credit Instrument applies which is unpaid) shall be deemed outstanding and shall continue to bear interest thereafter until paid at the Default Rate.

In each case set forth in the preceding two paragraphs, the obligation of the District with respect to such Defaulted Note or unpaid Series of Notes shall not be a debt or liability of the District prohibited by Article XVI, Section 18 of the California Constitution and the District shall not be liable thereon except to the extent of any available revenues attributable to Fiscal Year 2009-2010, as provided in Section 8 hereof.

Both the principal of and interest on each Series of Notes shall be payable in lawful money of the United States of America, but only upon surrender thereof, at the corporate trust office of U.S. Bank National Association in Los Angeles, California, or as otherwise indicated in the Trust Agreement or the Indenture, as applicable. The Principal Amount may, prior to the issuance of any Series of Notes, be reduced from the Maximum Amount of Borrowing specified above, in the discretion of the Underwriter upon consultation with the Authorized Officer. The Principal Amount shall, prior to the issuance of the last Series of Notes, be reduced from the Maximum Amount of Borrowing specified above if and to the extent necessary to obtain an approving legal opinion of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel") as to the legality thereof or the exclusion from gross income for federal tax purposes of interest thereon (or on any Series of Pool Bonds related thereto). The Principal Amount shall, prior to the issuance of the last Series of Notes, also be reduced from the Maximum Amount of Borrowing specified above, and other conditions shall be met by the District prior to the issuance of each Series of Notes, if and to the extent necessary to obtain from the Credit Provider that issues the

Credit Instrument securing the corresponding Series of Certificates evidencing and representing such Series of Notes or the related Series of Pool Bonds to which such Series of Notes is assigned its agreement to issue the Credit Instrument securing such Series of Certificates or Series of Pool Bonds, as the case may be. Notwithstanding anything to the contrary contained herein, if applicable, the approval of the corresponding Credit Provider of the issuance of such Series of Notes and the decision of the Credit Provider to deliver the Credit Instrument shall be in the sole discretion of the Credit Provider, and nothing herein shall be construed to require the Credit Provider to issue a Credit Instrument or to approve the issuance of such Series of Notes.

In the event the Board of Supervisors of the County fails or refuses to authorize the issuance of the Notes within the time period specified in Section 53853 of the Act, following receipt of this Resolution, this Board hereby authorizes issuance of such Notes, in the District's name, in one or more series, pursuant to the terms stated in this Section 2 and the terms stated hereafter. The Notes, in one or more series, shall be issued in conjunction with the note or notes (in each case, in one or more series) of one or more other Issuers as part of the Program and within the meaning of Section 53853 of the Act.

(B) Issuance of Additional Notes. The District (or the County on its behalf, as applicable) may at any time issue pursuant to this Resolution, one or more Series of Additional Notes consisting of Senior Notes or Subordinate Notes (including Subordinate Notes that are further subordinated to previously issued Subordinate Notes, as provided in the applicable Pricing Confirmation), subject in each case to the following specific conditions, which are hereby made conditions precedent to the issuance of any such Series of Additional Notes:

(1) The District shall not have issued any tax and revenue anticipation notes relating to the 2009-2010 fiscal year except (a) in connection with the Program under this Resolution, or (b) notes secured by a pledge of its unrestricted revenues that is subordinate in all respects to the pledge of unrestricted revenues hereunder; the District shall be in compliance with all agreements and covenants contained herein; and no Event of Default shall have occurred and be continuing with respect to any such outstanding previously issued notes or Series of Notes.

(2) The aggregate Principal Amount of Notes issued and at any time outstanding hereunder shall not exceed any limit imposed by law, by this Resolution or by any resolution of the Board amending or supplementing this Resolution (each a "Supplemental Resolution").

(3) Whenever the District shall determine to issue, execute and deliver any Additional Notes pursuant to this Section 2(B), the Series Principal Amount of which, when added to the Series Principal Amounts of all Series of Notes previously issued by the District, would exceed the Maximum Amount of Borrowing authorized by this Resolution, the District shall adopt a Supplemental Resolution amending this Resolution to increase the Maximum Amount of Borrowing as appropriate and shall submit such Supplemental Resolution to the Board of Supervisors of the County as provided in Section 53850 *et seq.* of the Act with a request that the County issue such Series of Additional Notes in the name of the District as provided in Sections 2(A) and 9 hereof.

The Supplemental Resolution may contain any other provision authorized or not prohibited by this Resolution relating to such Series of Additional Notes.

(4) The District may issue a Series of Additional Notes that are Senior Notes payable on a parity with all other Series of Senior Notes of the District or that are Subordinated Notes payable on a parity with one or more Series of outstanding Subordinated Notes, only if it obtains (a) the consent of each Credit Provider relating to each previously issued Series of Notes that will be on a parity with such Series of Additional Notes, and (b) evidence that no rating then in effect with respect to any outstanding Series of Certificates or Series of Bonds, as applicable, from a Rating Agency will be withdrawn, reduced, or suspended solely as a result of the issuance of such Series of Additional Notes (a "Rating Confirmation"). Except as provided in Section 8, the District may issue one or more Series of Additional Notes that are subordinate to all previously issued Series of Notes of the District without Credit Provider consent or a Rating Confirmation. The District may issue tax and revenue anticipation notes other than in connection with the Program under this Resolution only if such notes are secured by a pledge of its unrestricted revenues that is subordinate in all respects to the pledge of unrestricted revenues hereunder.

(5) Before such Additional Notes shall be issued, the District shall file or cause to be filed the following documents with the Trustee:

(a) An Opinion of Counsel to the District to the effect that (A) such Additional Notes constitute the valid and binding obligations of the District, (B) such Additional Notes are special obligations of the District and are payable from the moneys pledged to the payment thereof in this Resolution, and (C) the applicable Supplemental Resolution, if any, has been duly adopted by the District.

(b) A certificate of the District certifying as to the incumbency of its officers and stating that the requirements of this Section 2(B) have been met.

(c) A certified copy of this Resolution and any applicable Supplemental Resolution.

(d) If this Resolution was amended by a Supplemental Resolution to increase the Maximum Amount of Borrowing, the resolution of the County Board of Supervisors approving such increase in the Maximum Amount of Borrowing and the issuance of such Additional Notes, or evidence that the County Board of Supervisors has elected to not issue such Additional Notes.

(e) An executed counterpart or duly authenticated copy of the applicable Certificate Purchase Agreement or Purchase Agreement.

(f) A Pricing Confirmation relating to the Series of Additional Notes duly executed by an Authorized Officer (as defined in Section 4).

(g) The Series of Additional Notes duly executed by the applicable County representatives as provided in Section 9 hereof, or executed by the

applicable Authorized Officers if the County shall have declined to issue the Series of Additional Notes in the name of the District, either in connection with the initial issuance of the Series A Notes or in connection with any Supplemental Resolution increasing the Maximum Amount of Borrowing.

(h) If the Additional Notes are to be parity Senior Notes or parity Subordinate Notes, the Credit Provider consent(s) and Rating Confirmation(s) required pursuant to paragraph (4) above.

Upon the delivery to the Trustee of the foregoing instruments and, if the Bond Pool Structure is implemented, satisfaction of the provisions of Section 2.12 of the Indenture with regard to the issuance of a corresponding Series of Additional Bonds (as defined therein), the Trustee shall authenticate and deliver said Additional Notes to, or upon the written request of, the District. Upon execution and delivery by the District and authentication by the Trustee, said Additional Notes shall be valid and binding obligations of the District notwithstanding any defects in satisfying any of the foregoing requirements.

Section 3. Form of Notes. Each Series of the Notes shall be issued in fully registered form without coupons and shall be substantially in the form and substance set forth in Exhibit A, attached hereto and by reference incorporated herein, the blanks in said form to be filled in with appropriate words and figures.

Section 4. Sale of Notes; Delegation. Any one of the President or Chairperson of the Board, the Superintendent, the Assistant Superintendent for Business, the Assistant Superintendent for Administrative Services, the business manager, director of business or fiscal services or chief financial/business officer of the District, as the case may be, or, in the absence of said officer, his or her duly appointed assistant (each an "Authorized Officer"), is hereby authorized and directed to negotiate, with the Underwriter (if the Certificate Structure is implemented) or the Authority (if the Bond Pool Structure is implemented), an interest rate or rates on each Series of the Notes to the stated maturity or maturities thereof, which shall not, in any individual case, exceed twelve percent (12%) per annum (per Series of Notes), and the purchase price to be paid by the Underwriter or the Authority, as applicable, for the respective Series of the Notes, which purchase price shall be at a discount which when added to the District's share of the costs of issuance shall not be more than one percent (1%) of (i) the Principal Amount of the Note, if only one Series of Notes is issued or (ii) the Series Principal Amount of each individual Series of Notes, if more than one series is issued. If such interest rate and price and other terms of the sale of the Series of Notes set out in the Pricing Confirmation applicable to such Series of Notes are acceptable to said Authorized Officer, said Authorized Officer is hereby further authorized and directed to execute and deliver the pricing confirmation supplement applicable to such Series of Notes to be delivered by the Underwriter (on behalf of itself, if the Certificate Structure is implemented and on behalf of the Authority, if the Bond Pool Structure is implemented) to the District on a date within five (5) days, or such longer period of time as agreed by the Underwriter or the Authority, as applicable, of said negotiation of interest rates and purchase price during the period from May 1, 2009 through March 1, 2010 (the "Pricing Confirmation"), substantially in the form presented to this meeting as Schedule I to the Certificate Purchase Agreement or the Purchase Agreement, as applicable, with such changes therein as said Authorized Officer shall require or approve, and such other documents or

certificates required to be executed and delivered thereunder or to consummate the transactions contemplated hereby or thereby, for and in the name and on behalf of the District, such approval by this Board and such officer to be conclusively evidenced by such execution and delivery. In the event more than one Series of Notes are issued, a separate Pricing Confirmation shall be executed and delivered corresponding to each Series of Notes. Any Authorized Officer is hereby further authorized to execute and deliver, prior to the execution and delivery of the Pricing Confirmation applicable to a Series of Notes, the Certificate Purchase Agreement or the Purchase Agreement applicable to such Series of Notes, substantially in the forms presented to this meeting, which forms are hereby approved, with such changes therein as said officer shall require or approve, such approval to be conclusively evidenced by such execution and delivery; provided, however, that any such Certificate Purchase Agreement or Purchase Agreement shall not be effective and binding on the District until the execution and delivery of the corresponding Pricing Confirmation. Delivery of a Pricing Confirmation by fax or telecopy of an executed copy shall be deemed effective execution and delivery for all purposes. If requested by said Authorized Officer at his or her option, any duly authorized deputy or assistant of such Authorized Officer may approve said interest rate or rates and price by execution of the Certificate Purchase Agreement or the Purchase Agreement(s), as applicable, and/or the corresponding Pricing Confirmation(s).

Section 5. Program Approval. The District hereby delegates to the Authority the authority to select which structure (*i.e.*, the Certificate Structure or the Bond Pool Structure) shall be implemented, with the Authorized Officer of the District accepting and approving such selection by execution of the applicable Pricing Confirmation.

(A) Certificate Structure. If the Certificate Structure is implemented, each Series of Notes of the District shall be combined with notes of other Issuers into a Series of Certificates as set forth in general terms in the Pricing Confirmation (which need not include specific information about such other notes or Issuers) applicable to such Series of Notes, and shall be marketed and sold simultaneously with such other notes of that Series with such credit support (if any) referred to in the Pricing Confirmation, and shall be evidenced and represented by the Certificates which shall evidence and represent proportionate, undivided interests in such Series of Notes in the proportion that the face amount of such Series of Notes bears to the total aggregate face amount of such Series of Notes and the notes issued by other Issuers which the Series of Certificates represent. Such Certificates may be delivered in book-entry form.

The District hereby delegates to the Authority the authority to select the Credit Instrument(s), Credit Provider(s) and Credit Agreement(s), if any, for each Series of Certificates which evidences and represents interests of the owners thereof in the related Series of Notes of the District and the notes issued by other Issuers evidenced and represented by such Series of Certificates, all of which shall be identified in, and approved by the Authorized Officer of the District executing, the Pricing Confirmation for such Series of Notes, the Trust Agreement and the Credit Agreement(s) (if any), for and in the name and on behalf of the District, such approval of such officer to be conclusively evidenced by the execution of the Pricing Confirmation, the Trust Agreement and the Credit Agreement(s) (if any).

The form of Trust Agreement, alternative general types of Credit Instruments and forms of Credit Agreements, if any, presented to this meeting are hereby approved, and each

Authorized Officer is hereby authorized and directed to execute and deliver the Trust Agreement and the Credit Agreement(s), if applicable, which shall be identified in the Pricing Confirmation for the related Series of Notes, in substantially one or more of said forms (a substantially final form of Credit Agreement delivered to such Authorized Officer concurrent with the Pricing Confirmation), with such changes therein as said officer shall require or approve, such approval of this Board and such officer to be conclusively evidenced by the execution of the Trust Agreement, Credit Agreement(s) and Pricing Confirmation, respectively.

The form of the Preliminary Official Statement presented to this meeting is hereby approved, and the Underwriter is hereby authorized to distribute the Preliminary Official Statement in connection with the offering and sale of each Series of Certificates. Each Authorized Officer is hereby authorized and directed to provide the Underwriter with such information relating to the District as the Underwriter shall reasonably request for inclusion in the Preliminary Official Statement for each Series of Certificates. Upon inclusion of the information relating to the District therein, the Preliminary Official Statement for the applicable Series of Certificates shall be, except for certain omissions permitted by Rule 15c2-12 of the Securities Exchange Act of 1934, as amended (the "Rule"), deemed final within the meaning of the Rule; provided that no representation is made as to the information contained in a Preliminary Official Statement relating to the other Issuers or any Credit Provider, and the Authority is hereby authorized to certify on behalf of the District that each Preliminary Official Statement is, as of its date, deemed final within the meaning of the Rule. If, at any time prior to the execution of a Pricing Confirmation, any event occurs as a result of which the information contained in the related Preliminary Official Statement relating to the District might include an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the District shall promptly notify the Underwriter. The Authority is hereby authorized and directed, at or after the time of the sale of any Series of Certificates, for and in the name and on behalf of the District, to execute a final Official Statement in substantially the form of the Preliminary Official Statement presented to this meeting, with such additions thereto or changes therein as the Authority may approve, such approval to be conclusively evidenced by the execution and delivery thereof.

The Trustee is authorized and directed to execute each Series of Certificates on behalf of the District pursuant to the terms and conditions set forth in the related Trust Agreement, in the aggregate principal amount specified in the Trust Agreement, and substantially in the form and otherwise containing the provisions set forth in the form of the Certificate contained in the Trust Agreement. When so executed, each Series of Certificates shall be delivered by the Trustee to the Underwriter upon payment of the purchase price thereof, pursuant to the terms of the Trust Agreement and the applicable Certificate Purchase Agreement.

Subject to Section 8 hereof, the District hereby agrees that if a Series of Notes as evidenced and represented by a Series of Certificates shall become a Defaulted Note, the unpaid portion thereof or the portion to which a Credit Instrument applies for which full reimbursement on a draw, payment or claim has not been made by the Maturity Date shall be deemed outstanding and shall not be deemed to be paid until (i) the Credit Provider providing a Credit Instrument with respect to such Series of Certificates, and therefore, if applicable, all or a portion of such Series of Notes, if any, has been reimbursed for any drawings, payments or claims made

under the Credit Instrument with respect to such Series of Notes, including interest accrued thereon, as provided therein and in the applicable Credit Agreement, and (ii) the holders of the Series of Certificates which evidence and represent such Series of Notes are paid the full principal amount represented by the unsecured portion of such Series of Notes plus interest accrued thereon (calculated at the Default Rate) to the date of deposit of such aggregate required amount with the Trustee. For purposes of clause (ii) of the preceding sentence, holders of the applicable Series of Certificates will be deemed to have received such principal amount and such accrued interest upon deposit of such moneys with the Trustee.

The District agrees to pay or cause to be paid, in addition to the amounts payable under each Series of Notes, any fees or expenses of the Trustee and, to the extent permitted by law, if such Series of Notes as evidenced and represented by the related Series of Certificates is secured in whole or in part by a Credit Instrument, any Predefault Obligations and Reimbursement Obligations (to the extent not payable under such Series of Notes), (i) arising out of an "Event of Default" hereunder (or pursuant to Section 7 hereof) or (ii) arising out of any other event (other than an event arising solely as a result of or otherwise attributable to a default by any other Issuer). In the case described in (ii) above with respect to Predefault Obligations, the District shall owe only the percentage of such fees, expenses and Predefault Obligations equal to the ratio of the Principal Amount (or Series Principal Amount as applicable) of its Series of Notes over the aggregate Principal Amounts (or Series Principal Amounts, as applicable) of all series of notes, including such Series of Notes, of the Series of Certificates of which such Series of Notes is a part, at the time of original issuance of such Series of Certificates. Such additional amounts will be paid by the District within twenty-five (25) days of receipt by the District of a bill therefor from the Trustee.

If the Certificate Structure is implemented, any Authorized Officer is hereby authorized to execute and deliver any Information Return for Tax-Exempt Governmental Obligations, Form 8038-G of the Internal Revenue Service ("Form 8038-G"), in connection with the issuance of a Series of Notes and the related Series of Certificates. To the extent permitted by law, the Authority, the Trustee, the Underwriter and Bond Counsel are each hereby authorized to execute and deliver any Form 8038-G for and on behalf of the District in connection with the issuance of a Series of Notes and the related Series of Certificates, as directed by an Authorized Officer of the District.

(B) Bond Pool Structure. If the Bond Pool Structure is implemented, the Pricing Confirmation for a Series of Notes may, but shall not be required to, specify the Series of Pool Bonds to which such Series of Notes will be assigned (but need not include information about other series of notes assigned to the same pool or their Issuers).

The District hereby delegates to the Authority the authority to select the Credit Instrument(s), Credit Provider(s) and Credit Agreement(s), if any, for each Series of Senior Bonds and corresponding Series of Subordinate Bonds, if any, to which each Series of Notes issued by the District will be assigned, all of which shall be identified in, and approved by the Authorized Officer of the District executing, the Pricing Confirmation for such Series of Notes and the Credit Agreement(s) (if any), for and in the name and on behalf of the District, such approval of such officer to be conclusively evidenced by the execution of the Pricing Confirmation and the Credit Agreement(s) (if any).

The alternative general types of Credit Instruments and the forms of Credit Agreements, if any, presented to this meeting are hereby approved, and each Authorized Officer is hereby authorized and directed to execute and deliver a Credit Agreement(s), if any, which shall be identified in the Pricing Confirmation for the related Series of Notes, in substantially one or more of said forms (a substantially final form of Credit Agreement delivered to such Authorized Officer concurrent with the Pricing Confirmation), with such changes therein as said officer shall require or approve, such approval of this Board and such officer to be conclusively evidenced by the execution of the Credit Agreement and Pricing Confirmation, respectively.

The form of Indenture presented to this meeting is hereby acknowledged and approved, and it is acknowledged that the Authority will execute and deliver the Indenture and one or more Supplemental Indentures, which shall be identified in the Pricing Confirmation applicable to the Series of Notes to be issued, in substantially one or more of said forms with such changes therein as the Authorized Officer who executes such Pricing Confirmation shall require or approve (substantially final forms of the Indenture and the Supplemental Indenture (if applicable) to be delivered to the Authorized Officer concurrently with the Pricing Confirmation applicable to the Series of Notes to be issued), such approval of such Authorized Officer and this Board to be conclusively evidenced by the execution of the Pricing Confirmation applicable to such Series of Notes. It is acknowledged that the Authority is authorized and requested to issue one or more Series of Pool Bonds (consisting of a Series of Senior Bonds and, if desirable, a corresponding Series of Subordinate Bonds) pursuant to and as provided in the Indenture as finally executed and, if applicable, each Supplemental Indenture as finally executed.

Each Authorized Officer is hereby authorized and directed to provide the Underwriter with such information relating to the District as the Underwriter shall reasonably request for inclusion in the Preliminary Official Statement(s) and Official Statement(s) of the Authority relating to a Series of Pool Bonds. If, at any time prior to the execution of a Pricing Confirmation, any event occurs as a result of which the information contained in the corresponding Preliminary Official Statement or other offering document relating to the District might include an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the District shall promptly notify the Underwriter.

Subject to Section 8 hereof, the District hereby agrees that if a Series of Notes shall become a Defaulted Note, the unpaid portion thereof or the portion to which a Credit Instrument applies for which full reimbursement on a draw, payment or claim has not been made by the Maturity Date shall be deemed outstanding and shall not be deemed to be paid until (i) any Credit Provider providing a Credit Instrument with respect to such Series of Notes or the Series of Pool Bonds issued in connection with such Series of Notes, has been reimbursed for any drawings, payments or claims made under the Credit Instrument with respect to such Series of Notes, including interest accrued thereon, as provided therein and in the applicable Credit Agreement, and (ii) the holders of such Series of Notes or the Series of the Pool Bonds issued in connection with such Series of Notes are paid the full principal amount represented by the unsecured portion of such Series of Notes plus interest accrued thereon (calculated at the Default Rate) to the date of deposit of such aggregate required amount with the Trustee. For purposes of clause (ii) of the preceding sentence, holders of such Series of Pool Bonds will be deemed to

have received such principal amount and such accrued interest upon deposit of such moneys with the Trustee.

The District agrees to pay or cause to be paid, in addition to the amounts payable under each Series of Notes, any fees or expenses of the Trustee and, to the extent permitted by law, if such Series of Notes is secured in whole or in part by a Credit Instrument (by virtue of the fact that the corresponding Series of Pool Bonds is secured by a Credit Instrument), any Predefault Obligations and Reimbursement Obligations (to the extent not payable under such Series of Notes), (i) arising out of an "Event of Default" hereunder (or pursuant to Section 7 hereof) or (ii) arising out of any other event (other than an event arising solely as a result of or otherwise attributable to a default by any other Issuer). In the case described in (ii) above with respect to Predefault Obligations, the District shall owe only the percentage of such fees, expenses and Predefault Obligations equal to the ratio of the Principal Amount (or Series Principal Amount as applicable) of its Series of Notes over the aggregate Principal Amounts (or Series Principal Amounts, as applicable) of all series of notes, including such Series of Notes, assigned to the Series of Pool Bonds issued in connection with such Series of Notes, at the time of original issuance of such Series of Pool Bonds. Such additional amounts will be paid by the District within twenty-five (25) days of receipt by the District of a bill therefor from the Trustee.

(C) Appointment of Professionals. Piper Jaffray & Co. (and/or such other firm or firms as shall be selected by the Authority as designated in the applicable Pricing Confirmation and approved and accepted by an Authorized Officer by the execution of such Pricing Confirmation) is hereby appointed and/or approved as underwriter for the Program, the law firm of Orrick, Herrington & Sutcliffe LLP (and/or such other firm or firms as shall be selected by the Authority as designated in the applicable Pricing Confirmation and approved and accepted by an Authorized Officer by the execution of such Pricing Confirmation) is hereby appointed and/or approved as bond counsel for the Program, and the law firm of Kutak Rock LLP (and/or such other firm or firms as shall be selected by the Authority as designated in the applicable Pricing Confirmation and approved and accepted by an Authorized Officer by the execution of such Pricing Confirmation) is hereby appointed and/or approved as special counsel to the District in connection with the Program.

Section 6. No Joint Obligation.

(A) Certificate Structure. If the Certificate Structure is implemented, each Series of Notes of the District shall be marketed and sold simultaneously with the notes of other Issuers and shall be aggregated and combined with such notes of other Issuers participating in the Program into a Series of Certificates evidencing and representing an interest in several, and not joint, obligations of each Issuer. The obligation of the District to owners of a Series of Certificates is a several and not a joint obligation and is strictly limited to the District's repayment obligation under this Resolution, the resolution of the County providing for the issuance of the Note, if applicable, and the applicable Series of Notes as evidenced and represented by such Series of Certificates. Owners of Certificates, to the extent of their interest in a Series of Notes, shall be treated as owners of such Series of Notes and shall be entitled to all the rights and security thereof; including the right to enforce the obligations and covenants contained in this Resolution and such Series of Notes. The District hereby recognizes the right of the owners of a Series of Certificates acting directly or through the Trustee to enforce the

obligations and covenants contained in the Series of Notes evidenced and represented thereby, this Resolution and the Trust Agreement. The District shall be directly obligated to each owner of a Series of Certificates for the principal and interest payments on the Series of Notes evidenced and represented by such Certificates without any right of counterclaim or offset arising out of any act or failure to act on the part of the Trustee.

(B) Bond Pool Structure. If the Bond Pool Structure is implemented, each Series of Notes will be issued in conjunction with a series of notes of one or more other Issuers and will be assigned to a Pool in order to secure a corresponding Series of Pool Bonds. In all cases, the obligation of the District to make payments on or in respect to each Series of its Notes is a several and not a joint obligation and is strictly limited to the District's repayment obligation under this Resolution, the resolution of the County providing for the issuance of the Note, if applicable, and such Series of Notes.

Section 7. Disposition of Proceeds of Notes. The moneys received from the sale of each Series of Notes evidenced and represented by a Series of Certificates or each Series of Pool Bonds issued in connection with a Series of Notes, as the case may be, allocable to the District's share of the costs of issuance (which shall include any fees and expenses in connection with the related Credit Instrument(s) applicable to such Series of Notes or Series of Pool Bonds) shall be deposited in an account in the Costs of Issuance Fund established for such Series of Notes or such Series of Pool Bonds, as applicable, and held and invested by the Trustee under the Trust Agreement or the Indenture, as applicable, and expended as directed by the Underwriter (if the Certificate Structure is implemented) or the Authority (if the Bond Pool Structure is implemented) on Costs of Issuance as provided in the Trust Agreement or the Indenture, as applicable. All or a portion of the moneys allocable to each Series of Notes from the sale of the corresponding Series of Certificates or Pool Bonds, as applicable, net of the District's share of the costs of issuance, is hereby designated the "Deposit to Proceeds Subaccount" and shall be deposited in the District's Proceeds Subaccount attributed to such Series of Notes hereby authorized to be created pursuant to, and held and invested by the Trustee under, the Trust Agreement or the Indenture, as applicable, for the District and said moneys may be used and expended by the District for any purpose for which it is authorized to use and expend moneys, upon requisition from such Proceeds Subaccount as specified in the Trust Agreement or the Indenture, as applicable. In the event a portion of earnings on the Permitted Investment in which the Proceeds Subaccount is invested shall be used to pay the related Credit Provider's fees and expenses and/or costs of issuing the related Credit Instrument, such funds may be requisitioned by the Underwriter (if the Certificate Structure is implemented) or the Authority (if the Bond Pool Structure is implemented) on behalf of the District. The Pricing Confirmation applicable to each Series of Notes shall set forth such amount of the Deposit to Proceeds Subaccount. Each Authorized Officer is hereby authorized to approve the amount of such Deposit to Proceeds Subaccount. Subject to Section 8 hereof, the District hereby covenants and agrees to replenish amounts on deposit in each Proceeds Subaccount attributed to a Series of its Note to the extent practicable from any source of available funds up to an amount equal to the unreplenished withdrawals from such Proceeds Subaccount.

The Trustee shall transfer to each Payment Account (hereinafter defined) relating to a Series of Notes from amounts on deposit in the related Proceeds Subaccount attributed to such Series of Notes on the first day of each Repayment Month (as defined hereinafter) designated in

the Pricing Confirmation applicable to such Series of Notes, amounts which, taking into consideration anticipated earnings thereon to be received by the Maturity Date, are equal to the percentages of the principal and interest due with respect to such Series of Notes at maturity for the corresponding Repayment Month set forth in the Pricing Confirmation applicable to the Series of Notes; provided, however, that on the twentieth day of the next to last Repayment Month designated in each such Pricing Confirmation (or, if only one Repayment Month is applicable to a Series of Notes, on the twentieth day of the month preceding the Repayment Month designated in such Pricing Confirmation), the Trustee shall transfer all remaining amounts in the Proceeds Subaccount attributed to the Series of Notes to the related Payment Account all as and to the extent provided in the Trust Agreement or the Indenture, as applicable; provided, however, that with respect to the transfer in any such Repayment Month (or month preceding a single Repayment Month), if said amount in the Proceeds Subaccount attributed to a Series of Notes is less than the corresponding percentage set forth in the Pricing Confirmation applicable to the related Series of Notes of the principal and interest due with respect to such Series of Notes at maturity, the Trustee shall transfer to the related Payment Account attributed to such Series of Notes of the District all amounts on deposit in the Proceeds Subaccount attributed to such Series of Notes on the twentieth day of such Repayment Month (or month preceding a single Repayment Month).

In the event more than one Series of Notes is issued, the District hereby covenants and agrees, subject to Section 8 hereof, to replenish amounts on deposit in the Proceeds Subaccount attributed to each Series of Notes in the following order of priority: first, on a pro-rata basis, the Proceeds Subaccount attributed to each Series of Senior Notes; second, on a pro-rata basis, the Proceeds Subaccount attributed to each Series of Subordinate Notes (except for any Series of Subordinate Notes described in the next clause); and thereafter, the Proceeds Subaccount attributed to any other Series of Subordinate Notes that shall have been further subordinated to previously issued Series of Subordinate Notes in the applicable Pricing Confirmation, in such order of priority.

For Notes issued in calendar 2009, in the event either (A) the Series Principal Amount of any Series of Notes, together with the aggregate amount of all tax-exempt obligations (including any tax-exempt leases, but excluding private activity bonds), issued and reasonably expected to be issued by the District (and all subordinate entities of the District) during calendar year 2009, will, at the time of the issuance of such Series of the Notes (as indicated in the certificate of the District executed as of the date of issuance of such Series of Notes (each "District Certificate")) exceed fifteen million dollars (\$15,000,000), or (B) the Series Principal Amount of any Series of Notes, together with the aggregate amount of all tax-exempt obligations not used to finance school construction (including any tax-exempt leases, but excluding private activity bonds), issued and reasonably expected to be issued by the District (and all subordinate entities of the District) during calendar year 2009, will, at the time of the issuance of such Series of Notes (as indicated in the related District Certificate), exceed five million dollars (\$5,000,000), the second following paragraph will apply. In such case, the District shall be deemed a "Safe Harbor Issuer" with respect to such Series of Notes.

For Notes issued in calendar year 2010, in the event either (A) the Series Principal Amount of any Series of Notes, together with the aggregate amount of all tax-exempt obligations (including any tax-exempt leases, but excluding private activity bonds), issued and reasonably

expected to be issued by the District (and all subordinate entities of the District) during calendar year 2010, will, at the time of the issuance of such Series of the Notes (as indicated in the certificate of the District executed as of the date of issuance of such Series of Notes (each "District Certificate")) exceed fifteen million dollars (\$15,000,000), or (B) the Series Principal Amount of any Series of Notes, together with the aggregate amount of all tax-exempt obligations not used to finance school construction (including any tax-exempt leases, but excluding private activity bonds), issued and reasonably expected to be issued by the District (and all subordinate entities of the District) during calendar year 2010, will, at the time of the issuance of such Series of Notes (as indicated in the related District Certificate), exceed five million dollars (\$5,000,000), the following paragraph will apply. In such case, the District shall be deemed a "Safe Harbor Issuer" with respect to such Series of Notes.

Amounts in any Proceeds Subaccount relating to a Series of Notes of the District and attributable to cash flow borrowing shall be withdrawn and expended by the District for any purpose for which the District is authorized to expend funds from the general fund of the District, but, with respect to general fund expenditures, only to the extent that on the date of any withdrawal no other funds are available for such purposes without legislation or judicial action or without a legislative, judicial or contractual requirement that such funds be reimbursed. If on no date that is within six months from the date of issuance of each Series of Notes, the balance in the related Proceeds Subaccount attributable to cash flow borrowing and treated for federal tax purposes as proceeds of such Series of Notes is low enough so that the amounts in the Proceeds Subaccount attributable to such Series of Notes qualify for an exception from the rebate requirements (the "Rebate Requirements") of Section 148 of the Internal Revenue Code of 1986 (the "Code"), the District shall promptly notify the Trustee in writing and, to the extent of its power and authority, comply with instructions from Orrick, Herrington & Sutcliffe LLP, Bond Counsel, supplied to it by the Trustee as the means of satisfying the Rebate Requirements.

Section 8. Source of Payment.

(A) The principal amount of each Series of Notes, together with the interest thereon, shall be payable from taxes, income, revenue (including, but not limited to, revenue from the state and federal governments), cash receipts and other moneys which are received by the District for the general fund and, if so indicated in the applicable Pricing Confirmation, the capital fund and/or special revenue fund (if applicable) of the District and are attributable to Fiscal Year 2009-2010 and which are available for payment thereof. As security for the payment of the principal of and interest on all Series of its Notes, subject to the payment priority provisions of Section 17 hereof and this Section 8, the District hereby pledges certain unrestricted revenues (as hereinafter provided) which are received by the District for the general fund, and capital fund and/or special revenue fund (if applicable), of the District and are attributable to Fiscal Year 2009-2010, and the principal of each Series of Notes and the interest thereon shall constitute a first lien and charge thereon and shall be payable pro-rata among all such Series of Notes of the District from the first moneys received by the District from such pledged revenues, and, to the extent not so paid, shall be paid from any other taxes, income, revenue, cash receipts and other moneys of the District lawfully available therefor (all as provided for in Sections 53856 and 53857 of the Act) and subject to the payment priority provisions of Section 17 hereof and this Section 8.

In order to effect, in part, the pledge referenced in the preceding paragraph, the District agrees to the establishment and maintenance as a special fund of the District of a separate Payment Account for each Series of its Notes (each a "Payment Account") by the Trustee under the Trust Agreement or the Indenture, as applicable, and the Trustee is hereby appointed as the responsible agent to maintain such fund until the payment of the principal of the corresponding Series of Notes and the interest thereon, and the District agrees to cause to be deposited directly in each Payment Account (and shall request specific amounts from the District's funds on deposit with the County Treasurer for such purpose) a pro-rata share of the first amounts received in the months specified in the corresponding Pricing Confirmation as sequentially numbered Repayment Months (each individual month a "Repayment Month" and collectively "Repayment Months") (and any amounts received thereafter attributable to Fiscal Year 2009-2010) until the amount on deposit in each Payment Account, taking into consideration anticipated investment earnings thereon to be received by the Maturity Date applicable to the respective Series of Notes (as set forth in a certificate from the Underwriter to the Trustee), is equal in the respective Repayment Months identified in the Pricing Confirmation applicable to such Series of Notes to the percentages of the principal of and interest due with respect to such Series of Notes at maturity specified in the Pricing Confirmation applicable to such Series of Notes; provided that such deposits shall be made in the following order of priority: first, pro-rata to the Payment Account(s) attributable to any Series of Senior Notes; second, pro-rata to the Payment Account(s) attributable to any Series of Subordinate Notes (except for any Series of Subordinate Notes described in the next clause); and thereafter, to the Payment Account(s) attributable to any other Series of Subordinate Notes that shall have been further subordinated to previously issued Series of Subordinate Notes in the applicable Pricing Confirmation, in such order of priority.

With respect to each Series of Notes, the number of Repayment Months determined in the related Pricing Confirmation shall not exceed six (6) and the amount required to be deposited in any one Repayment Month (if there are more than two Repayment Months) as determined in such Pricing Confirmation shall not exceed fifty percent (50%) of the principal of and interest due with respect to such Series of Notes at maturity (such pledged amounts being hereinafter called the "Pledged Revenues"); provided, however, that the first Repayment Month of any Series of Subordinate Notes shall not occur prior to the last Repayment Month of any outstanding Series of Notes of a higher priority without the consent of each Credit Provider for such outstanding Notes; provided further, that if the first Repayment Month of any Series of Subordinate Notes occurs in the same month as the last Repayment Month of any outstanding Series of Notes of a higher priority, no deposits shall be made in the Payment Account of such Subordinate Notes until all required amounts shall have been deposited into the Payment Account(s) of all outstanding Series of Notes of a higher priority without the consent of each Credit Provider for such outstanding Notes.

Any Authorized Officer is hereby authorized to approve the determination of the Repayment Months and percentages of the principal and interest due with respect to each Series of Notes at maturity required to be on deposit in the related Payment Account in each Repayment Month, all as specified in the Pricing Confirmation applicable to such Series of Notes, by executing and delivering the Pricing Confirmation applicable to such Series of Notes, such execution and delivery to be conclusive evidence of approval by this Board and such Authorized Officer.

In the event that on the tenth Business Day (as defined in the Trust Agreement or the Indenture, as applicable) of each such Repayment Month, the District has not received sufficient unrestricted revenues to permit the deposit into the Payment Account of the full amount of Pledged Revenues to be deposited in the Payment Account from said unrestricted revenues in said month, then the amount of any deficiency shall be satisfied and made up from any other moneys of the District lawfully available for the payment of the principal of all Series of Notes and the interest thereon, as and when such other moneys are received or are otherwise legally available in the following order of priority: first, to satisfy pro-rata any deficiencies attributable to any Series of Senior Notes; second, to satisfy pro-rata any deficiencies attributable to any Series of Subordinate Notes (except for any Series of Subordinate Notes described in the next clause); and thereafter, to satisfy any deficiencies attributable to any other Series of Subordinate Notes that shall have been further subordinated to previously issued Series of Subordinate Notes in the applicable Pricing Confirmation, in such order of priority. The term "unrestricted revenues" shall mean all taxes, income, revenue (including, but not limited to, revenue from the state and federal governments), cash receipts, and other moneys, intended as receipts for the general fund and capital fund and/or special revenue fund (if applicable) of the District attributable to Fiscal Year 2009-2010 and which are generally available for the payment of current expenses and other obligations of the District.

(B) Subject to the payment priority provisions of Section 17 hereof and this Section 8, any moneys placed in the Payment Account attributed to a Series of Notes shall be for the benefit of (i) the owners of the applicable Series of Certificates if the Certificate Structure is implemented and the holders of the Series of Pool Bonds issued in connection with the Pool of which such Series of Notes is a part if the Bond Pool Structure is implemented, and (ii) (to the extent provided in the Trust Agreement or the Indenture, as applicable) the Credit Provider(s), if any. Subject to the payment priority provisions of Section 17 hereof and this Section 8, the moneys in the Payment Account attributed to the Series of Notes shall be applied only for the purposes for which the Payment Account is created until the principal of such Series of Notes and all interest thereon are paid or until provision has been made for the payment of the principal of such Series of Notes at maturity of such Series of Notes with interest to maturity (in accordance with the requirements for defeasance of the related Series of Certificates or Series of Bonds, as applicable, as set forth in the Trust Agreement or the Indenture, as applicable) and, if applicable (to the extent provided in the Trust Agreement or the Indenture, as applicable, and, if applicable, the corresponding Credit Agreement), the payment of all Predefault Obligations and Reimbursement Obligations owing to the corresponding Credit Provider.

(C) On any interest payment date (if different from the Maturity Date) and on the Maturity Date of a Series of Notes, the moneys in the Payment Account attributed to such Series of Notes shall be transferred by the Trustee, to the extent necessary, to pay, in the case of an interest payment date, the interest, and in the case of the Maturity Date, the principal of and interest with respect to such Series of Notes or to reimburse the Credit Provider(s) for payments made under or pursuant to the Credit Instrument(s), subject to the payment priority provisions of Section 17 hereof and this Section 8. In the event that moneys in the Payment Account attributed to any Series of Notes are insufficient to pay the principal of and/or interest with respect to such Series of Notes in full on an interest payment date and/or the Maturity Date, moneys in such Payment Account together with moneys in the Payment Accounts of all other outstanding Series of Notes issued by the District shall be applied in the following priority:

- (1) with respect to all Series of Senior Notes:
 - a. first, to pay interest with respect to all Series of Senior Notes pro-rata;
 - b. second, (if on the Maturity Date) to pay principal of all Series of Senior Notes pro-rata;
 - c. third, to reimburse each Credit Provider for payment, if any, of interest with respect to all Series of Senior Notes pro-rata;
 - d. fourth, to reimburse each Credit Provider for payment, if any, of principal with respect to all Series of Senior Notes pro-rata;
 - e. fifth, to pay pro-rata any Reimbursement Obligations of the District and any of the District's pro rata share of Predefault Obligations owing to each Credit Provider relating to all Series of Senior Notes, as applicable;
- (2) then, with respect to all Series of Subordinate Notes (except for any Series of Subordinate Notes described in paragraph (3) below), to make the pro-rata payments corresponding to each such Series of Subordinate Notes equivalent to the payments described above in paragraphs (1)(a) through (e), in such order;
- (3) then, with respect to all other Series of Subordinate Notes that have been further subordinated to previously issued Series of Subordinate Notes in the applicable Pricing Confirmation, to make the pro-rata payments corresponding to each such Series of Subordinate Notes equivalent to the payments described above in paragraphs (1)(a) through (e), in such order; and
- (4) lastly, to pay any other Costs of Issuance not previously disbursed.

Any moneys remaining in or accruing to the Payment Account attributed to each such Series of Notes after the principal of all the Series of Notes and the interest thereon and any Predefault Obligations and Reimbursement Obligations, if applicable, and obligation, if any, to pay any rebate amounts in accordance with the provisions of the Trust Agreement or the Indenture, as applicable, have been paid, or provision for such payment has been made, if any, shall be transferred by the Trustee to the District, subject to any other disposition required by the Trust Agreement, the Indenture or the related Credit Agreement(s), as applicable.

Nothing herein shall be deemed to relieve the District from its obligation to pay its Note of any Series in full on the applicable Maturity Date(s).

(D) Moneys in the Proceeds Subaccount attributed to each Series of Notes and the Payment Account attributed to such Series of Notes shall be invested by the Trustee pursuant to the Trust Agreement or the Indenture, as applicable, in an investment agreement or agreements and/or other Permitted Investments as described in and under the terms of the Trust Agreement or the Indenture, as applicable, and as designated in the Pricing Confirmation applicable to such

Series of Notes. The type of initial investments to be applicable to the proceeds of the Series of Notes shall be determined by the District as designated in the Pricing Confirmation applicable to such Series of Notes. In the event the District designates an investment agreement or investment agreements as the investments, the District hereby appoints the bidding agent designated in the Pricing Confirmation (the "Bidding Agent") as its designee as a party authorized to solicit bids on or negotiate the terms of the investment agreement or investment agreements and hereby authorizes and directs the Trustee to invest such funds pursuant to such investment agreement or investment agreements (which (i) shall be with a provider or providers, or with a provider or providers whose obligations are guaranteed or insured by a financial entity, the senior debt or investment contracts or obligations under its investment contracts of which are rated in one of the two highest long-term rating categories by the rating agency or agencies then rating the applicable Series of Certificates or Series of Pool Bonds (each, a "Rating Agency"), or whose commercial paper rating is in the highest rating category (with regard to any modifiers) of each such Rating Agencies, or (ii) shall be fully collateralized by investments listed in subsection (1) of the definition of Permitted Investments set forth in the Trust Agreement or the Indenture, as applicable, as required by such Rating Agencies to be rated in one of the two highest rating categories, and shall be acceptable to the corresponding Credit Provider, and the particulars of which pertaining to interest rate or rates and investment provider or providers will be set forth in the Pricing Confirmation applicable to such Series of Notes) and authorizes the Trustee to enter into such investment agreement or agreements on behalf of the District. The Bidding Agent, on behalf of itself and any investment broker retained by it, is authorized to accept a fee from the investment provider in an amount not in excess of 0.2% of the amount reasonably expected, as of the date of acquisition of the investment contract, to be invested under the investment contract over its term. Each Authorized Officer is hereby authorized and directed to execute and deliver such side letter or letters as are reasonably required by an investment agreement provider, acknowledging such investment and making reasonable representations and covenants with respect thereto. Upon the advice of the Underwriter, as confirmed in the applicable Pricing Confirmation, the District may elect to have all or portions of the fees, expenses and costs related to the corresponding Credit Provider(s) and corresponding Credit Instrument(s) payable from interest earnings on the investment agreement or investment agreements or other Permitted Investments. The District's funds in the Proceeds Subaccount attributed to each Series of Notes and the Payment Account attributed to such Series of Notes shall be accounted for separately. Any such investment by the Trustee shall be for the account and risk of the District, and the District shall not be deemed to be relieved of any of its obligations with respect to any Series of Notes, the Predefault Obligations or Reimbursement Obligations, if any, by reason of such investment of the moneys in its Proceeds Subaccount applicable to such Series of Notes or the Payment Account applicable to such Series of Notes.

If, as of the first Business Day (as defined in the Trust Agreement or the Indenture, as applicable) of each month, beginning in the month designated in Section 3.03 of the Trust Agreement or the Indenture, as applicable, the total amount on deposit in the District's Payment Account applicable to any Series of Notes and the Proceeds Subaccount applicable to such Series of Notes, taking into consideration anticipated earnings thereon to the Maturity Date of such Series of Notes, is less than the amount required to be on deposit in the Payment Account attributed to such Series of Notes in such month (as specified in the Pricing Confirmation applicable to the Series of Note) and any outstanding Predefault Obligations and Reimbursement Obligations (if any), the District shall promptly file with the Trustee, the corresponding Credit

Provider, if any, a Financial Report and on the tenth Business Day of such month, if applicable, a Deficiency Report in substantially the forms set forth as Exhibits C and D to the Trust Agreement or the Indenture, as applicable, and shall provide such other information as the corresponding Credit Provider(s), if any, shall reasonably request. In the event of such deficiency, the District shall have no further right to requisition any moneys from any Proceeds Subaccount applicable to any Series of its Notes issued pursuant to this Resolution.

(E) Notwithstanding any other investment policy of the District heretofore or hereafter adopted, the investment policy of the District pertaining to each Series of Notes and all funds and accounts established in connection therewith shall be consistent with, and the Board hereby authorizes investment in, the Permitted Investments. Any investment policy adopted by the Board hereafter in contravention of the foregoing shall be deemed to modify the authorization contained herein only if it shall specifically reference this Resolution and Section.

Section 9. Execution of Note. Any one of the Treasurer of the County, or, in the absence of said officer, his or her duly appointed assistant, the Chairperson of the Board of Supervisors of the County or the Auditor (or comparable financial officer) of the County shall be authorized to execute each Note of any Series issued hereunder by manual or facsimile signature and the Clerk of the Board of Supervisors of the County or any Deputy Clerk shall be authorized to countersign each such Note by manual or facsimile signature and to affix the seal of the County to each such Note either manually or by facsimile impression thereof. In the event the Board of Supervisors of the County fails or refuses to authorize issuance of the Series of Notes as referenced in Section 2 hereof, any one of the President or Chairperson of the governing board of the District or any other member of such board shall be authorized to execute the Note by manual or facsimile signature and the Secretary or Clerk of the governing board of the District, the Superintendent of the District, the Assistant Superintendent for Business, the Assistant Superintendent for Administrative Services, the business manager, director of business or fiscal services or chief financial/business officer of the District, as the case may be, or any duly appointed assistant thereto, shall be authorized to countersign each such Note by manual or facsimile signature. Said officers of the County or the District, as applicable, are hereby authorized to cause the blank spaces of each such Note to be filled in as may be appropriate pursuant to the applicable Pricing Confirmation. Said officers are hereby authorized and directed to cause the Trustee, as registrar and authenticating agent, to authenticate and accept delivery of each such Note pursuant to the terms and conditions of the corresponding Certificate Purchase Agreement or Purchase Agreement, as applicable, this Resolution and the Trust Agreement or Indenture, as applicable. In case any officer whose signature shall appear on any Series of Notes shall cease to be such officer before the delivery of such Series of Notes, such signature shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office until delivery. Each Series of the Notes shall have thereon a certificate of authentication substantially in the form hereinafter set forth duly executed by the Trustee and showing the date of authentication. Each Series of the Notes shall not be valid or obligatory for any purpose or be entitled to any security or benefit under this Resolution unless and until such certificate of authentication shall have been duly executed by the Trustee by manual signature, and such certificate of authentication upon any such Series of Notes shall be conclusive evidence that such has been authenticated and delivered under this Resolution. The certificate of authentication on a Series of Notes shall be deemed to have been executed by the Trustee if signed by an authorized officer of the Trustee. The Notes need not bear the seal of the District, if any.

Section 10. Note Registration and Transfer. (A) As long as any Series of the Notes remains outstanding, the District shall maintain and keep, at the principal corporate trust office of the Trustee, books for the registration and transfer of each Series of the Notes. Each Series of the Notes shall initially be registered in the name of the Trustee under the Trust Agreement or Indenture, as applicable, to which such Series of the Notes is assigned. Upon surrender of a Note of a Series for transfer at the office of the Trustee with a written instrument of transfer satisfactory to the Trustee, duly executed by the registered owner or its duly authorized attorney, and upon payment of any tax, fee or other governmental charge required to be paid with respect to such transfer, the County or the District, as applicable, shall execute and the Trustee shall authenticate and deliver, in the name of the designated transferee, a fully registered Note of the same Series. For every transfer of a Note of a Series, the District, the County or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to the transfer, which sum or sums shall be paid by the person requesting such transfer as a condition precedent to the exercise of the privilege of making such transfer.

(B) Subject to Section 6 hereof, the County, the District and the Trustee and their respective successors may deem and treat the person in whose name a Note of a Series is registered as the absolute owner thereof for all purposes, and the County, the District and the Trustee and their respective successors shall not be affected by any notice to the contrary, and payment of or on account of the principal of such Note shall be made only to or upon the order of the registered owner thereof. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Note to the extent of the sum or sums so paid.

(C) Any Note of a Series may, in accordance with its terms, be transferred upon the books required to be kept by the Trustee, pursuant to the provisions hereof by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Note for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in form approved by the Trustee.

(D) The Trustee or the Authorized Officer of the District, acting separately or together, are authorized to sign any letter or letters of representations which may be required in connection with the delivery of any Series of Certificates or Series of Pool Bonds (in each case, to which such Series of Notes is assigned), if such Series of Certificates and Series of Pool Bonds, are delivered in book-entry form.

(E) The Trustee will keep or cause to be kept, at its principal corporate trust office, sufficient books for the registration and transfer of each Note of a Series issued, which shall be open to inspection by the County and the District during regular business hours. Upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such books, the Notes of a Series presented as hereinbefore provided.

(F) If any Note of a Series shall become mutilated, the County or the District, as applicable, at the expense of the registered owner of such Note of a Series, shall execute, and the Trustee shall thereupon authenticate and deliver a new Note of like tenor, series and number in exchange and substitution for the Note so mutilated, but only upon surrender to the Trustee of the Note so mutilated. Every mutilated Note so surrendered to the Trustee shall be cancelled by

it and delivered to, or upon the order of, the County or the District, as applicable. If any Note of a Series shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the County, the District and the Trustee and, if such evidence be satisfactory to them and indemnity satisfactory to them shall be given, the County or the District, as applicable, at the expense of the registered owner, shall execute, and the Trustee shall thereupon authenticate and deliver a new Note of like tenor, series and number in lieu of and in substitution for the Note so lost, destroyed or stolen (or if any such Note of a Series shall have matured (as of the latest maturity date indicated on the face thereof) or shall be about to mature (as of the latest maturity date indicated on the face thereof), instead of issuing a substitute Note, the Trustee may pay the same without surrender thereof). The Trustee may require payment of a sum not exceeding the actual cost of preparing each new Note issued pursuant to this paragraph and of the expenses which may be incurred by the County or the District, as applicable, and the Trustee in such preparation. Any Note of a Series issued under these provisions in lieu of any Note of a Series alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the County (on behalf of the District) or on the part of the District, as applicable, whether or not the Note of a Series so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of this Resolution with all other Notes of the same Series secured by this Resolution.

Section 11. Covenants Regarding Transfer of Funds. It is hereby covenanted and warranted by the District that it will not request the County Treasurer to make temporary transfers of funds in the custody of the County Treasurer to meet any obligations of the District during Fiscal Year 2009-2010 pursuant to Article XVI, Section 6 of the Constitution of the State of California.

Section 12. Representations and Covenants.

(A) The District is a political subdivision duly organized and existing under and by virtue of the laws of the State of California and has all necessary power and authority to (i) adopt this Resolution and any supplement hereto, and enter into and perform its obligations under the Certificate Purchase Agreement(s) or the Purchase Agreement(s), as applicable, (ii) authorize the County to issue one or more Series of Notes on its behalf or, if applicable, issue one or more Series of Notes, and (iii) accept its obligations under the Credit Agreement(s).

(B) (i) Upon the issuance of each Series of Notes, the District will have taken all action required to be taken by it to authorize the issuance and delivery of such Series of Notes and the performance of its obligations thereunder, (ii) the District has full legal right, power and authority to request the County to issue and deliver such Series of Notes on behalf of the District and to perform its obligations as provided herein and therein, (iii) if applicable, the District has full legal right, power and authority to issue and deliver each Series of Notes and accept its obligations under the Credit Agreement(s).

(C) The issuance of each Series of Notes, the adoption of this Resolution, the acceptance of the District's obligations under the Credit Agreement(s) and the execution and delivery of the Certificate Purchase Agreement(s) or the Purchase Agreement(s), as applicable, the Trust Agreement, if applicable, and Credit Agreement(s), if applicable, and compliance with the provisions hereof and thereof will not conflict with, breach or violate any law, administrative

regulation, court decree, resolution, charter, by-laws or other agreement to which the District is subject or by which it is bound.

(D) Except as may be required under blue sky or other securities law of any state or Section 3(a)(2) of the Securities Act of 1933, there is no consent, approval, authorization or other order of, or filing with, or certification by, any regulatory authority having jurisdiction over the District required for the issuance and sale of each Series of Notes or the consummation by the District of the other transactions contemplated by this Resolution except those the District shall obtain or perform prior to or upon the issuance of each Series of Notes.

(E) The District has (or will have prior to the issuance of the first Series of Notes) duly, regularly and properly adopted a budget for Fiscal Year 2009-2010 setting forth expected revenues and expenditures and has (or will have prior to the issuance of the first Series of Notes) complied with all statutory and regulatory requirements with respect to the adoption of such budget. The District hereby covenants that it will (i) duly, regularly and properly prepare and adopt its revised or final budget for Fiscal Year 2009-2010, (ii) provide to the Trustee, the Credit Provider(s), if any, and the Underwriter, promptly upon adoption, copies of such revised or final budget and of any subsequent revisions, modifications or amendments thereto and (iii) comply with all applicable law pertaining to its budget.

(F) The Principal Amount if only one Series of Notes is issued hereunder, and if more than one Series of Notes is issued hereunder, the sum of the Series Principal Amounts of all Series of Notes issued hereunder by or on behalf of the District, plus the interest payable thereon, on the date of issuance of the final Series of Notes to be issued, will not exceed fifty percent (50%) of the estimated amounts of the District's uncollected taxes, income, revenue (including, but not limited to, revenue from the state and federal governments), cash receipts, and other moneys to be received by the District for the general fund and, if applicable, capital fund and/or special revenue fund of the District attributable to Fiscal Year 2009-2010, all of which will be legally available to pay principal of and interest on such Notes.

(G) The County has experienced an *ad valorem* property tax collection rate of not less than eighty-five percent (85%) of the average aggregate amount of *ad valorem* property taxes levied within the District in each of the five fiscal years from Fiscal Year 2003-2004 through Fiscal Year 2007-2008, and the District, as of the date of adoption of this Resolution and on the date of issuance of each Series of Notes, reasonably expects the County to have collected and to collect at least eighty-five percent (85%) of such amount for Fiscal Years 2008-2009 and 2009-2010, respectively.

(H) The District (i) has not defaulted within the past twenty (20) years, and is not currently in default, on any debt obligation, (ii) to the best knowledge of the District, has never defaulted on any debt obligation, and (iii) has never filed a petition in bankruptcy.

(I) The District's most recent audited financial statements present fairly the financial condition of the District as of the date thereof and the results of operation for the period covered thereby. Except as has been disclosed to the Underwriter and the Credit Provider(s), if any, there has been no change in the financial condition of the District since the date of such audited financial statements that will in the reasonable opinion of the District materially impair its ability

to perform its obligations under this Resolution and each Series of Notes. The District agrees to furnish to the Underwriter, the Trustee and the Credit Provider(s), if any, promptly, from time to time, such information regarding the operations, financial condition and property of the District as such party may reasonably request, including the Financial Report and Deficiency Report, if appropriate, appearing as Exhibits C and D to the Trust Agreement or the Indenture, as applicable.

(J) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, arbitrator, governmental or other board, body or official, pending or, to the best knowledge of the District, threatened against or affecting the District questioning the validity of any proceeding taken or to be taken by the District in connection with each Series of Notes, the Certificate Purchase Agreement(s) or the Purchase Agreement(s), as applicable, the Trust Agreement or the Indenture, as applicable, the Credit Agreement(s), if any, or this Resolution, or seeking to prohibit, restrain or enjoin the execution, delivery or performance by the District of any of the foregoing, or wherein an unfavorable decision, ruling or finding would have a materially adverse effect on the District's financial condition or results of operations or on the ability of the District to conduct its activities as presently conducted or as proposed or contemplated to be conducted, or would materially adversely affect the validity or enforceability of, or the authority or ability of the District to perform its obligations under, each Series of Notes, the Certificate Purchase Agreement(s) or the Purchase Agreement(s), as applicable, the Trust Agreement or the Indenture, as applicable, the Credit Agreement(s), if any, or this Resolution.

(K) The District will not directly or indirectly amend, supplement, repeal, or waive any portion of this Resolution (i) without the consents of the Credit Provider(s), if any, or (ii) in any way that would materially adversely affect the interests of any holder or owner of any Series of the Notes, Certificates or Pool Bonds, as applicable, issued in connection with any Series of the Notes; provided, however that, if the Program is implemented, the District may adopt one or more Supplemental Resolutions without any such consents in order to increase the Maximum Amount of Borrowing in connection with the issuance of one or more Series of Additional Notes as provided in Section 2(B)(4) hereof.

(L) Upon issuance of a Series of Notes, such Series of Notes, this Resolution and the District's acceptance of its obligations under the corresponding Credit Agreement will constitute legal, valid and binding agreements of the District, enforceable in accordance with their respective terms, except as such enforceability may be limited by bankruptcy or other laws affecting creditors' rights generally, the application of equitable principles if equitable remedies are sought, the exercise of judicial discretion in appropriate cases and the limitations on legal remedies against school districts, community college districts and county boards of education, as applicable, in the State of California.

(M) It is hereby covenanted and warranted by the District that all representations and recitals contained in this Resolution are true and correct, and that the District and its appropriate officials have duly taken, or will take, all proceedings necessary to be taken by them, if any, for the levy, receipt, collection and enforcement of the Pledged Revenues in accordance with law for carrying out the provisions of this Resolution and each Series of Notes.

(N) The District shall not incur any indebtedness that is not issued in connection with the Program under this Resolution and that is secured by a pledge of its unrestricted revenues unless such pledge is subordinate in all respects to the pledge of unrestricted revenues hereunder.

(O) So long as any Credit Provider is not in default under the corresponding Credit Instrument, the District hereby agrees to pay its pro rata share of all Predefault Obligations and all Reimbursement Obligations attributable to the District in accordance with provisions of the applicable Credit Agreement, if any, and/or the Trust Agreement or Indenture, as applicable. Prior to the Maturity Date of a Series of Notes, moneys in the District's Payment Account attributed to such Series of Notes shall not be used to make such payments. The District shall pay such amounts promptly upon receipt of notice from the Credit Provider that such amounts are due to it by instructing the Trustee to pay such amounts to the Credit Provider on the District's behalf by remitting to the Credit Provider moneys held by the Trustee for the District and then available for such purpose under the Trust Agreement or the Indenture, as applicable. If such moneys held by the Trustee are insufficient to pay the District's pro rata share of such Predefault Obligations and all Reimbursement Obligations attributable to the District (if any), the District shall pay the amount of the deficiency to the Trustee for remittance to the Credit Provider.

(P) So long as any Series of Certificates or Pool Bonds executed or issued in connection with a Series of Notes are Outstanding, or any Predefault Obligation or Reimbursement Obligation is outstanding, the District will not create or suffer to be created any pledge of or lien on such Series of Notes other than the pledge and lien of the Trust Agreement or the Indenture, as applicable.

(Q) As of the date of adoption of this Resolution, based on the most recent report prepared by the Superintendent of Public Instruction of the State of California, the District does not have a negative certification (or except as disclosed in writing to the Credit Provider(s), if any, a qualified certification) applicable to the fiscal year ending June 30, 2009 (the "Fiscal Year 2008-2009") within the meaning of Section 42133 of the California Education Code. The District covenants that it will immediately deliver a written notice to the Authority, the Underwriter, the Credit Provider(s), if any, and Bond Counsel if it (or, in the case of County Boards of Education, the County Superintendent of Schools) files with the County Superintendent of Schools, the County Board of Education or the State Superintendent of Public Instruction or receives from the County Superintendent of Schools or the State Superintendent of Public Instruction a qualified or negative certification applicable to Fiscal Year 2008-2009 or Fiscal Year 2009-2010 prior to the respective Closing Date referenced in each Pricing Confirmation or the Maturity Date of each Series of Notes.

(R) Except as otherwise approved by the Credit Provider that issued the applicable Credit Instrument, to the extent required by law and by the State Superintendent of Public Instruction, the District fully funded its Reserve for Economic Uncertainties for Fiscal Year 2008-2009 and will fully fund its Reserve for Economic Uncertainties for Fiscal Year 2009-2010.

(S) The District will maintain a positive general fund balance in Fiscal Year 2009-2010.

(T) The District will maintain an investment policy consistent with the policy set forth in Section 8(G) hereof.

(U) The District covenants that it will immediately deliver a written notice to the Authority, the Underwriter, the Credit Provider(s), if any, and Bond Counsel upon the occurrence of any event which constitutes an Event of Default hereunder or would constitute an Event of Default but for the requirement that notice be given, or time elapse, or both.

Section 13. Tax Covenants. (A) The District will not take any action or fail to take any action if such action or failure to take such action would adversely affect the exclusion from gross income of the interest payable on each Series of Notes (or on any Series of Pool Bonds related thereto) under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Without limiting the generality of the foregoing, the District will not make any use of the proceeds of any Series of the Notes or any other funds of the District which would cause any Series of the Notes (or on any Series of Pool Bonds related thereto) to be an "arbitrage bond" within the meaning of Section 148 of the Code, a "private activity bond" within the meaning of Section 141(a) of the Code, or an obligation the interest on which is subject to federal income taxation because it is "federally guaranteed" as provided in Section 149(b) of the Code. The District, with respect to the proceeds of each Series of the Notes, will comply with all requirements of such sections of the Code and all regulations of the United States Department of the Treasury issued or applicable thereunder to the extent that such requirements are, at the time, applicable and in effect.

(B) In the event the District is deemed a Safe Harbor Issuer (as defined in Section 7) with respect to a Series of Notes, this paragraph (B) shall apply. The District covenants that it shall make all calculations in a reasonable and prudent fashion relating to any rebate of excess investment earnings on the proceeds of each such Series of Notes due to the United States Treasury, shall segregate and set aside from lawfully available sources the amount such calculations may indicate may be required to be paid to the United States Treasury, and shall otherwise at all times do and perform all acts and things necessary and within its power and authority, including complying with the instructions of Orrick, Herrington & Sutcliffe LLP, Bond Counsel referred to in Section 7 hereof to assure compliance with the Rebate Requirements. If the balance in the Proceeds Subaccount attributed to cash flow borrowing and treated for federal tax purposes as proceeds of the Series of Notes is not low enough to qualify amounts in the Proceeds Subaccount attributed to cash flow borrowing for an exception to the Rebate Requirements on at least one date within the six-month period following the date of issuance of the Series of Notes (calculated in accordance with Section 7), the District will reasonably and prudently calculate the amount, if any, of investment profits which must be rebated to the United States and will immediately set aside, from revenues attributable to the Fiscal Year 2009-2010 or, to the extent not available from such revenues, from any other moneys lawfully available, the amount of any such rebate in the Rebate Fund referred to in this Section 13(B). In addition, in such event, the District shall establish and maintain with the Trustee a fund (with separate subaccounts therein for each such Series of Notes if more than one series is issued) separate from any other fund established and maintained hereunder and under the Indenture or Trust Agreement, as applicable, designated as the "2009-2010 Tax and Revenue Anticipation Note Rebate Fund" or such other name as the Trust Agreement or the Indenture, as applicable, may designate. There shall be deposited in such Rebate Fund such amounts as are

required to be deposited therein in accordance with the written instructions from Bond Counsel pursuant to Section 7 hereof.

(C) Notwithstanding any other provision of this Resolution to the contrary, upon the District's failure to observe, or refusal to comply with, the covenants contained in this Section 13, no one other than the holders or former holders of each Series of Notes, the Certificate or the Bond owners, as applicable, the Credit Provider(s), if any, or the Trustee on their behalf shall be entitled to exercise any right or remedy under this Resolution on the basis of the District's failure to observe, or refusal to comply with, such covenants.

(D) The covenants contained in this Section 13 shall survive the payment of all Series of the Notes.

Section 14. Events of Default and Remedies.

If any of the following events occurs, it is hereby defined as and declared to be and to constitute an "Event of Default":

(A) Failure by the District to make or cause to be made the deposits to any Payment Account required to be made hereunder on or before the fifteenth (15th) day after the date on which such deposit is due and payable, or failure by the District to make or cause to be made any other payment required to be paid hereunder on or before the date on which such payment is due and payable;

(B) Failure by the District to observe and perform any covenant, condition or agreement on its part to be observed or performed under this Resolution, for a period of fifteen (15) days after written notice, specifying such failure and requesting that it be remedied, is given to the District by the Trustee or any Credit Provider, unless the Trustee and such Credit Provider shall all agree in writing to an extension of such time prior to its expiration;

(C) Any warranty, representation or other statement by or on behalf of the District contained in this Resolution or the Certificate Purchase Agreement(s) or the Purchase Agreement(s), as applicable (including the Pricing Confirmation(s)), or the Credit Agreement(s) or in any requisition or any Financial Report or Deficiency Report delivered by the District or in any instrument furnished in compliance with or in reference to this Resolution or the Certificate Purchase Agreement(s) or the Purchase Agreement(s), as applicable, or the Credit Agreement(s) or in connection with any Series of the Notes, is false or misleading in any material respect;

(D) Any event of default constituting a payment default occurs in connection with any other bonds, notes or other outstanding debt of the District;

(E) A petition is filed against the District under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect and is not dismissed within 30 days after such filing, but the Trustee shall have the right to intervene in the proceedings

prior to the expiration of such 30 days to protect its and the Certificate or the Bond owners' (or Noteholders') interests;

(F) The District files a petition in voluntary bankruptcy or seeking relief under any provision of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, or consents to the filing of any petition against it under such law;

(G) The District admits insolvency or bankruptcy or is generally not paying its debts as such debts become due, or becomes insolvent or bankrupt or makes an assignment for the benefit of creditors, or a custodian (including without limitation a receiver, liquidator or trustee) of the District or any of its property is appointed by court order or appointed by the State Superintendent of Public Instruction or takes possession thereof and such order remains in effect or such possession continues for more than 30 days, but the Trustee shall have the right to intervene in the proceedings prior to the expiration of such 30 days to protect its and the Certificate or the Bond owners' or Noteholders' interests; and

(H) An "Event of Default" under the terms of the resolution, if any, of the County providing for the issuance of the Notes (and any Series thereof).

Whenever any Event of Default referred to in this Section 14 shall have happened and be continuing, subject to the provisions of Section 17 hereof, the Trustee shall, in addition to any other remedies provided herein or by law or under the Trust Agreement or the Indenture, as applicable, have the right, at its option without any further demand or notice, to take one or any combination of the following remedial steps:

(1) Without declaring any Series of Notes to be immediately due and payable, require the District to pay to the Trustee, for deposit into the applicable Payment Account(s) of the District under the Trust Agreement or the Indenture, as applicable, an amount equal to all of the principal of all Series of Notes and interest thereon to the respective final maturity(ies) of such Series of Notes, plus all other amounts due hereunder, and upon notice to the District the same shall become immediately due and payable by the District without further notice or demand; and

(2) Take whatever other action at law or in equity (except for acceleration of payment on any Series of Notes) which may appear necessary or desirable to collect the amounts then due and thereafter to become due hereunder or to enforce any other of its rights hereunder.

Notwithstanding the foregoing, and subject to the provisions of Section 17 hereof and to the terms of the Trust Agreement or the Indenture, as applicable, concerning exercise of remedies which shall control if inconsistent with the following, if any Series of Notes is secured in whole or in part by a Credit Instrument or if a Credit Provider is subrogated to rights under any Series of Notes, as long as each such Credit Provider has not failed to comply with its payment obligations under the corresponding Credit Instrument, each such Credit Provider shall have the right to direct the remedies upon any Event of Default hereunder, and as applicable,

prior consent shall be required to any remedial action proposed to be taken by the Trustee hereunder, except that nothing contained herein shall affect or impair the right of action of any owner of a Certificate to institute suit directly against the District to enforce payment of the obligations evidenced and represented by such owner's Certificate.

If any Credit Provider is not reimbursed on any interest payment date applicable to the corresponding Series of Notes for the drawing, payment or claim, as applicable, used to pay principal of and interest on such Series of Notes due to a default in payment on such Series of Notes by the District, as provided in Section 5.03 of the Trust Agreement or the Indenture, as applicable, or if any principal of or interest on such Series of Notes remains unpaid after the Maturity Date of such Series of Notes, such Series of Notes shall be a Defaulted Note, the unpaid portion thereof or the portion (including the interest component, if applicable) to which a Credit Instrument applies for which reimbursement on a draw, payment or claim has not been made shall be deemed outstanding and shall bear interest at the Default Rate until the District's obligation on the Defaulted Note is paid in full or payment is duly provided for, all subject to Section 8 hereof.

Section 15. Trustee. The Trustee is hereby appointed as paying agent, registrar and authenticating agent for any and all Series of Notes. The District hereby directs and authorizes the payment by the Trustee of the interest on and principal of any and all Series of Notes when such become due and payable from the corresponding Payment Account held by the Trustee in the name of the District in the manner set forth herein. The District hereby covenants to deposit funds in each such Payment Account at the times and in the amounts specified herein to provide sufficient moneys to pay the principal of and interest on any and all Series of Notes on the day or days on which each such Series matures. Payment of any and all Series of Notes shall be in accordance with the terms of the applicable Series of Notes and this Resolution and any applicable Supplemental Resolution.

The District hereby agrees to maintain the Trustee under the Trust Agreement or the Indenture, as applicable, as paying agent, registrar and authenticating agent of any and all Series of Notes.

The District further agrees to indemnify, to the extent permitted by law and without making any representation as to the enforceability of this covenant, and save the Trustee, its directors, officers, employees and agents harmless against any liabilities which it may incur in the exercise and performance of its powers and duties under the Trust Agreement or the Indenture, as applicable, including but not limited to costs and expenses incurred in defending against any claim or liability, which are not due to its negligence or default.

Section 16. Sale of Notes. If the Certificate Structure is implemented, each Series of Notes as evidenced and represented by the applicable Series of Certificates shall be sold to the Underwriter, in accordance with the terms of the Certificate Purchase Agreement applicable to such Series of Notes, in each case as hereinbefore approved. If the Bond Pool Structure is implemented, each Series of Notes shall be sold to the Authority in accordance with the terms of the Purchase Agreement applicable to such Series of Notes, in each case as hereinbefore approved.

Section 17. Subordination. (a) Anything in this Resolution to the contrary notwithstanding, the indebtedness evidenced by each Series of Subordinate Notes shall be subordinated and junior in right of payment, to the extent and in the manner hereinafter set forth, to all principal of, premium, if any, and interest on each Series of Senior Notes and any refinancings, refundings, deferrals, renewals, modifications or extensions thereof.

In the event of (1) any insolvency, bankruptcy, receivership, liquidation, reorganization, readjustment, composition or other similar proceeding relating to the District or its property, (2) any proceeding for the liquidation, dissolution or other winding-up of the District, voluntary or involuntary, and whether or not involving insolvency or bankruptcy proceedings, (3) any assignment for the benefit of creditors, or (4) any distribution, division, marshalling or application of any of the properties or assets of the District or the proceeds thereof to creditors, voluntary or involuntary, and whether or not involving legal proceedings, then and in any such event, payment shall be made to the parties and in the priority set forth in Section 8(C)(1), (2) and (3) hereof, and each party of a higher priority shall first be paid in full before any payment or distribution of any character, whether in cash, securities or other property shall be made in respect of any party of a lower priority.

If any payment or distribution of any character, whether in cash, securities or other property, shall be received by any party or such party's representative; in contravention of any of the terms of this Section, such payment or distribution or security shall be held in trust for the benefit of, and shall be paid over or delivered and transferred to, the party entitled to such payment or distribution.

The subordination provisions of this Section have been entered into for the benefit of the holders of the Series of Senior Notes and any Credit Provider(s) that issues a Credit Instrument with respect to such Series of Senior Notes and, notwithstanding any provision of this Resolution, may not be supplemented, amended or otherwise modified without the written consent of all such holders and Credit Provider(s).

Notwithstanding any other provision of this Resolution, the terms of this Section shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any Series of Senior Notes is rescinded, annulled or must otherwise be returned by any holder of Series of Senior Notes or such holder's representative, upon the insolvency, bankruptcy or reorganization of the District or otherwise, all as though such payment has not been made.

In no event may any holder of all or any part of the Series of Subordinate Notes, or the corresponding Credit Provider(s), exercise any right or remedy available to it on account of any Event of Default on the Series of Subordinate Notes, (1) at any time at which payments with respect thereto may not be made by the District on account of the terms of this Section, or (2) prior to the expiration of forty-five (45) days after the holders of the Series of Subordinate Notes, or the corresponding Credit Provider(s), shall have given notice to the District and to the holders of the Series of Senior Notes and the corresponding Credit Provider(s), of their intention to take such action.

The terms of this Section, the subordination effected hereby and the rights of the holders of the Series of Senior Notes shall not be affected by (a) any amendment of or addition or

supplement to any Series of Senior Notes or any instrument or agreement relating thereto, including without limitation, this Resolution, (b) any exercise or non-exercise of any right, power or remedy under or in respect of any Series of Senior Notes or any instrument or agreement relating thereto, or (c) any waiver, consent, release, indulgence, extension, renewal, modification, delay or other action, inaction or omission, in respect of any Series of Senior Notes or any instrument or agreement relating thereto or any security therefor or guaranty thereof, whether or not any holder of any Series of Subordinate Notes shall have had notice or knowledge of any of the foregoing.

In the event that a Series of Additional Subordinate Notes is further subordinated in the applicable Pricing Confirmation, at the time of issuance thereof, to all previously issued Series of Subordinate Notes of the District, the provisions of this Section 17 relating to Series of Senior Notes shall be applicable to such previously issued Series of Subordinate Notes and the provisions of this Section 17 relating to Series of Subordinate Notes shall be applicable to such Series of Additional Subordinate Notes.

Section 18. Continuing Disclosure Undertaking. The provisions of this Section 18 shall be applicable only if the Certificate Structure is implemented.

(A) The District covenants, for the sole benefit of the owners of each Series of Certificates which evidence and represent the applicable Series of Notes (and, to the extent specified in this Section 18, the beneficial owners thereof), that the District shall provide in a timely manner, through the Trustee acting as dissemination agent (the “Dissemination Agent”) to the Municipal Securities Rulemaking Board, notice of any of the following events with respect to an outstanding Series of Notes of the District, if material (each a “Listed Event”): (1) principal and interest payment delinquencies on such Series of Notes and the related Series of Certificates; (2) non-payment related defaults; (3) modifications to rights of owners and beneficial owners of the Series of Certificates which evidence and represent such Series of Notes; (4) optional, contingent or unscheduled bond calls; (5) defeasances; (6) rating changes; (7) adverse tax opinions or events affecting the tax-exempt status of such Series of Notes and the related Series of Certificates; (8) unscheduled draws on debt service reserves reflecting financial difficulties; (9) unscheduled draws on the credit enhancement reflecting financial difficulties; (10) substitution of credit or liquidity providers, or their failure to perform; and (11) release, substitution or sale of property securing repayment of such Series of Notes.

Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall as soon as possible determine if such event would be material under applicable federal securities laws. The Authority and the Dissemination Agent shall have no responsibility for such determination and shall be entitled to conclusively rely upon the District’s determination.

If the District determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the District shall promptly provide the Authority and the Dissemination Agent with a notice of such occurrence which the Dissemination Agent agrees to file with the Municipal Securities Rulemaking Board.

All documents provided to the Municipal Securities Rulemaking Board shall be provided in an electronic format, as prescribed by the Municipal Securities Rulemaking Board, and shall

be accompanied by identifying information, as prescribed by the Municipal Securities Rulemaking Board.

(B) In the event of a failure of the District to comply with any provision of this section, any owner or beneficial owner of the related Series of Certificates may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this section. A default under this section shall not be deemed an Event of Default under Section 14 hereof, and the sole remedy under this section in the event of any failure of the District to comply with this section shall be an action to compel performance.

(C) For the purposes of this section, a “beneficial owner” shall mean any person which has the power, directly or indirectly, to make investment decisions concerning ownership of any Certificates of the Series which evidences and represents such Series of Notes (including persons holding Certificates through nominees, depositories or other intermediaries and any Credit Provider as a subrogee).

(D) The District’s obligations under this section shall terminate upon the legal defeasance, prior redemption or payment in full of its Note. If such termination occurs prior to the final maturity of the related Series of Certificates, the District shall give notice of such termination in the same manner as for a Listed Event under subsection (A) of this section.

(E) The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this section. In no event shall the Dissemination Agent be responsible for preparing any notice or report or for filing any notice or report which it has not received in a timely manner and in a format suitable for reporting. Nothing in this section shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this section or any other means of communication, or including any other notice of occurrence of a Listed Event, in addition to that which is required by this section. If the District chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this section, the District shall have no obligation under this section to update such information or include it in any future notice of occurrence of a Listed Event.

(F) Notwithstanding any other provision of this Resolution, the District with the consent of the Dissemination Agent and notice to the Authority may amend this section, and any provision of this section may be waived, provided that the following conditions are satisfied:

(1) If the amendment or waiver relates to the provisions of subsection (A) of this section, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the applicable Series of Notes and the related Series of Certificates, or the type of business conducted;

(2) The undertaking, as amended or taking into account such waiver, would in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the applicable Series of Notes and the

related Series of Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(3) The amendment or waiver either (i) is approved by the owners or beneficial owners of the Certificates of the Series which evidences and represents the applicable Series of Notes in the same manner as provided in the Trust Agreement for amendments to the Trust Agreement with the consent of owners or beneficial owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the owners or beneficial owners of the related Certificates. In the event of any amendment or waiver of a provision of this section, notice of such change shall be given in the same manner as for an event listed under subsection (A) of this section, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver; provided, however, the District shall be responsible for preparing such narrative explanation.

(G) The Dissemination Agent shall have only such duties as are specifically set forth in this section. The Dissemination Agent shall not be liable for the exercise of any of its rights hereunder or for the performance of any of its obligations hereunder or for anything whatsoever hereunder, except only for its own willful misconduct or gross negligence. Absent gross negligence or willful misconduct, the Dissemination Agent shall not be liable for an error of judgment. No provision hereof shall require the Dissemination Agent to expend or risk its own funds or otherwise incur any financial or other liability or risk in the performance of any of its obligations hereunder, or in the exercise of any of its rights hereunder, if such funds or adequate indemnity against such risk or liability is not reasonably assured to it. The District hereby agrees to compensate the Dissemination Agent for its reasonable fees in connection with its services hereunder, but only from the District's share of the costs of issuance deposited in the Costs of Issuance Fund held and invested by the Trustee under the Trust Agreement.

(H) This section shall inure solely to the benefit of the District, the Dissemination Agent, the Underwriter, any Credit Provider and owners and beneficial owners from time to time of the Certificates, and shall create no rights in any other person or entity.

Section 19. Approval of Actions. The aforementioned officers of the County or the District, as applicable, are hereby authorized and directed to execute each Series of Notes and to cause the Trustee to authenticate and accept delivery of each Series of Notes pursuant to the terms and conditions of the applicable Certificate Purchase Agreement and Trust Agreement or the applicable Purchase Agreement and the Indenture, as applicable. All actions heretofore taken by the officers and agents of the County, the District or this Board with respect to the sale and issuance of the Notes and participation in the Program are hereby approved, confirmed and ratified and the officers and agents of the County and the officers of the District are hereby authorized and directed, for and in the name and on behalf of the District, to do any and all things and take any and all actions and execute any and all certificates, requisitions, agreements, notices, consents, and other documents, including tax certificates, letters of representations to the securities depository, investment contracts (or side letters or agreements thereto), other or additional municipal insurance policies or credit enhancements or credit agreements or insurance commitment letters, if any, and closing certificates, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of each Series of

Notes, execution or issuance and delivery of the corresponding Series of Certificates or Series of Pool Bonds, as applicable, and investment of the proceeds thereof, in accordance with, and related transactions contemplated by, this Resolution. The officers of the District referred to above in Section 4 hereof, and the officers of the County referred to above in Section 9 hereof, are hereby designated as "Authorized District Representatives" under the Trust Agreement or the Indenture, as applicable.

In the event that any Series of Notes or a portion thereof is secured by a Credit Instrument, the Authorized Officer is hereby authorized and directed to (i) acknowledge the terms of the applicable Credit Agreement, and (ii) provide the corresponding Credit Provider with any and all information relating to the District as such corresponding Credit Provider may reasonably request.

Section 20. Proceedings Constitute Contract. The provisions of each Series of Notes and of this Resolution shall constitute a contract between the District and the registered owner of such Series of Notes, the registered owners of the Series of Certificates or Bonds to which such Series of Notes is assigned, and the corresponding Credit Provider(s), if any, and such provisions shall be enforceable by mandamus or any other appropriate suit, action or proceeding at law or in equity in any court of competent jurisdiction, and shall be irrevocable.

Section 21. Limited Liability. Notwithstanding anything to the contrary contained herein or in any Series of Notes or in any other document mentioned herein or related to any Series of Notes or to any Series of Certificates or Series of Pool Bonds to which such Series of Notes may be assigned, the District shall not have any liability hereunder or by reason hereof or in connection with the transactions contemplated hereby except to the extent payable from moneys available therefor as set forth in Section 8 hereof, and the County is not liable for payment of any Note or any other obligation of the District hereunder.

Section 22. Severability. In the event any provision of this Resolution shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 23. Submittal of Resolution to County. The Secretary or Clerk of the Board of the District is hereby directed to submit one certified copy each of this Resolution to the Clerk of the Board of Supervisors of the County, to the Treasurer of the County and to the County Superintendent of Schools.

EXHIBIT A
FORM OF NOTE

R-1

\$ _____

_____ DISTRICT/ _____ BOARD OF EDUCATION
 COUNTY OF _____, CALIFORNIA
 2009-2010 [SUBORDINATE]* TAX AND REVENUE ANTICIPATION NOTE, SERIES __

Date of
Original Issue

REGISTERED OWNER: U.S. BANK NATIONAL ASSOCIATION, AS TRUSTEE

SERIES PRINCIPAL AMOUNT: _____ DOLLARS

Interest Rate		Maturity Date		
____%		_____, 2010		
First Repayment Month	Second Repayment Month	Third Repayment Month	Fourth Repayment Month	Fifth Repayment Month
____% of the total of [principal] [interest] [principal and interest] due at maturity	____% of the total of [principal] [interest] [principal and interest] due at maturity	____% of the total of [principal] [interest] [principal and interest] due at maturity	____% of the total of [principal] [interest] [principal and interest] due at maturity	100% of the total of principal and interest due at maturity**

FOR VALUE RECEIVED, the District/Board of Education designated above (the "District"), located in the County designated above (the "County"), acknowledges itself indebted to and promises to pay on the maturity date specified above to the registered owner identified above, or registered assigns, the principal amount specified above, together with interest thereon from the date hereof until the principal amount shall have been paid, payable [on _____ 1, 2010 and] on the maturity date specified above in lawful money of the United States of America, at the rate of interest specified above (the "Note Rate"). Principal of and interest on this Note are payable in such coin or currency of the United States as at the time of payment is legal tender for payment of private and public debts, such principal and interest to be paid upon surrender hereof at the principal corporate trust office of U.S. Bank National Association in Los Angeles, California, or its successor in trust (the "Trustee"). Interest shall be calculated on the basis of a 360-day year, consisting of twelve 30-day months, in like lawful money from the date hereof until the maturity date specified above and, if funds are not provided for payment at the maturity, thereafter on the basis of a 360-day year for actual days elapsed until payment in full of said principal sum. Both the principal of and interest on this Note shall be payable only to the registered owner hereof upon surrender of this Note as the same shall fall due; provided, however, no interest shall be payable for any period after maturity during which the holder hereof fails to properly present this Note for payment. If the District fails to pay interest on this Note on any interest payment date or to pay the principal of or interest on this Note on the

* To bear this designation if this Note is a Series of Subordinate Notes.

** Number of Repayment Months and percentages and amount of principal of Note shall be determined in Pricing Confirmation (as defined in the Resolution).

maturity date or the [Credit Provider(s)] (as defined in the Resolution hereinafter described), if any, is not reimbursed in full for the amount drawn on or paid pursuant to the [Credit Instrument(s)] (as defined in the Resolution) to pay all or a portion of the principal of and interest on this Note on the date of such payment, this Note shall become a Defaulted Note (as defined and with the consequences set forth in the Resolution).

[It is hereby certified, recited and declared that this Note (the "Note") represents an authorized issue of the Note in the aggregate principal amount authorized, executed and delivered pursuant to and by authority of a resolution of the governing board of the District duly passed and adopted heretofore, under and by authority of Article 7.6 (commencing with Section 53850) of Chapter 4, Part 1, Division 2, Title 5 of the California Government Code (the "Resolution"), to all of the provisions and limitations of which the owner of this Note, by acceptance hereof, assents and agrees. Pursuant to and as more particularly provided in the Resolution, additional notes may be issued by the District secured by a lien on a parity with the lien securing this Note.]*

[It is hereby certified, recited and declared that this Note (the "Note") represents an authorized issue of the Note in the aggregate principal amount authorized, executed and delivered pursuant to and by authority of certain resolutions of the governing boards of the District and the County duly passed and adopted heretofore, under and by authority of Article 7.6 (commencing with Section 53850) of Chapter 4, Part 1, Division 2, Title 5 of the California Government Code (collectively, the "Resolution"), to all of the provisions and limitations of which the owner of this Note, by acceptance hereof, assents and agrees. Pursuant to and as more particularly provided in the Resolution, additional notes may be issued by the District secured by a lien on a parity with the lien securing this Note.]**

The principal of the Note, together with the interest thereon, shall be payable from taxes, income, revenue, cash receipts and other moneys which are received by the District for the general fund [and capital fund and/or special revenue fund] of the District and are attributable to Fiscal Year 2009-2010 and which are available for payment thereof. As security for the payment of the principal of and interest on the Note, subject to the payment priority provisions contained Resolution, the District has pledged the first amounts of unrestricted revenues of the District received in the sequentially numbered Repayment Months set forth on the face hereof (and any amounts received thereafter attributable to Fiscal Year 2009-2010) until the amount on deposit in the Payment Account (as defined in the Resolution) in each such month, taking into consideration anticipated earnings thereon to be received by the maturity date, is equal to the corresponding percentages of principal of, and [in the final Repayment Month,] interest due on, the Note at such maturity set forth on the face hereof (such pledged amounts being hereinafter called the "Pledged Revenues"), and the principal of the Note and the interest thereon shall constitute a first lien and charge thereon and shall be payable from the Pledged Revenues, and to the extent not so paid shall be paid from any other moneys of the District lawfully available therefor as set forth in the Resolution and subject to the payment priority provisions contained therein. The full faith and credit of the District is not pledged to the payment of the principal of or interest on this Note. The County is not liable for payment of this Note.

* This paragraph is applicable only if the Note is issued by the District.

** This paragraph is applicable only if the Note is issued by the County.

This Note is transferable, as provided by the Resolution, only upon the books of the District kept at the office of the Trustee, by the registered owner hereof in person or by its duly authorized attorney, upon surrender of this Note for transfer at the office of the Trustee, duly endorsed or accompanied by a written instrument of transfer in form satisfactory to the Trustee duly executed by the registered owner hereof or its duly authorized attorney, and upon payment of any tax, fee or other governmental charge required to be paid with respect to such transfer, a fully registered Note will be issued to the designated transferee or transferees.

The [County, the]* District and the Trustee may deem and treat the registered owner hereof as the absolute owner hereof for the purpose of receiving payment of or on account of principal hereof and interest due hereon and for all other purposes, and [the County,]* the District and the Trustee shall not be affected by any notice to the contrary.

This Note shall not be valid or become obligatory for any purpose until the Certificate of Authentication and Registration hereon shall have been signed by the Trustee.

It is hereby certified that all of the conditions, things and acts required to exist, to have happened and to have been performed precedent to and in the issuance of this Note do exist, have happened and have been performed in due time, form and manner as required by the Constitution and statutes of the State of California and that the amount of this Note, together with all other indebtedness of the District, does not exceed any limit prescribed by the Constitution or statutes of the State of California.

[IN WITNESS WHEREOF, the Board of Supervisors of the County has caused this Note to be executed by the manual or facsimile signature of a duly authorized officer of the County and countersigned by the manual or facsimile signature of its duly authorized officer and caused its official seal to be affixed hereto either manually or by facsimile impression hereon as of the date of authentication set forth below.]*

* Applicable only if the Note is issued by the County.

[IN WITNESS WHEREOF, the governing board of the District has caused this Note to be executed by the manual or facsimile signature of a duly authorized officer of the District and countersigned by the manual or facsimile signature of its duly authorized officer as of the date of authentication set forth below.]**

[COUNTY OF _____]*
[DISTRICT/_____
BOARD OF EDUCATION]**

By _____
Title:

[(SEAL)]

Countersigned

By _____
Title:

** This paragraph is applicable only if the Note is issued by the District.

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Note is the Note mentioned in the within-mentioned Resolution authenticated on the following date:

**U.S. BANK NATIONAL ASSOCIATION,
as Trustee**

BY _____
AUTHORIZED OFFICER

ASSIGNMENT

For Value Received, the undersigned, _____, hereby sells, assigns and transfers unto _____ (Tax Identification or Social Security No. _____) the within Note and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer the within Note on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within Note in every particular, without alteration or enlargement or any change whatever.

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed by an eligible guarantor institution.

SECRETARY'S CERTIFICATE

I, _____, Secretary of the Governing Board of the [Insert name of District] District/ [Insert name of County if District is an Office of Education] Board of Education, hereby certify as follows:

The foregoing is a full, true and correct copy of a resolution duly adopted at a regular meeting of the Governing Board of the District/Board of Education duly and regularly held at the regular meeting place thereof on the ___ day of _____, 2009, of which meeting all of the members of said Governing Board had due notice and at which a majority thereof were present; and at said meeting said resolution was adopted by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

An agenda of said meeting was posted at least 72 hours before said meeting at _____, _____, California, a location freely accessible to members of the public, and a brief general description of said resolution appeared on said agenda.

I have carefully compared the same with the original minutes of said meeting on file and of record in my office; the foregoing resolution is a full, true and correct copy of the original resolution adopted at said meeting and entered in said minutes; and said resolution has not been amended, modified or rescinded since the date of its adoption, and the same is now in full force and effect. The Maximum Amount of Borrowing specified in the foregoing resolution is \$ _____.

Dated: _____, 2009

Secretary of the Governing Board
of the [Insert Name of District] District/ [Insert
name of County if District is an Office of
Education] Board of Education

RIVERSIDE COMMUNITY COLLEGE DISTRICT
RESOURCES COMMITTEE

Report No.: III-C-1

Date: February 16, 2010

Subject: 2009-2010 – Tax and Revenue Anticipation Note (TRAN) Maximum Borrowing Authorization Increase – Resolution No. 38-09/10

Background: The District has periodically participated in the Cash Reserve Program sponsored by the California School Boards Association Finance Corporation since 1993. Through the Cash Reserve Program, districts issue a Tax and Revenue Anticipation Note (TRAN). A TRAN is a short-term debt instrument used to cover cash flow shortages or create additional reserves to a district's general fund.

The Program's underwriter, Piper Jaffray, sells the notes in the financial marketplace as tax-exempt securities. The notes typically have a maturity length of one year. The proceeds of the notes are reinvested in high quality taxable investments (AA or AAA rated entities) with a corresponding maturity length. Since both the interest cost and reinvestment rates are guaranteed, the District is not exposed to the market risk of interest rate volatility.

In March 2009, the Board authorized a Tax Revenue Anticipation Note maximum borrowing amount of \$15 million, of which \$10.725 million was ultimately issued, and in May 2009 requested authorization to permit the option of using temporary loans of \$10 million from interfund borrowings to protect the District's cash position in the face of significant cash deficits related to anticipated apportionment deferrals from the State.

After much delay, the State finally adopted the fiscal year 2009-2010 budget in September 2009. The budget included substantial apportionment deferrals for community colleges totaling more than \$1 billion. In November 2009, the Board was informed of the impact apportionment deferrals would have on the District's cash flow. A total of \$19.3 million was deferred from the months of January 2010 through June 2010 to July 2010. In addition, approximately \$2.7 million was deferred from March 2010 to May 2010.

Current cash flow projections indicate that the District will begin to experience intermittent cash deficits beginning in March 2010 and continuing into July 2010, the most significant of which will occur in May (\$5 million), June (\$11 million) and July (\$5 million).

The projected cash deficits for March and April can be mitigated by the existing TRAN and temporary interfund borrowing. However, as described to the Board in November 2009, monthly TRAN repayments will begin in February and conclude at the beginning of May which means that the existing TRAN will not be available to offset cash deficits in the critical months of May through July.

Fortunately, the District can increase the maximum borrowing authorization under the existing TRAN to protect the District's cash position from the significant cash flow deficits that are

RIVERSIDE COMMUNITY COLLEGE DISTRICT

RIVERSIDE COMMUNITY COLLEGE DISTRICT
RESOURCES COMMITTEE

Report No.: VI-C-1

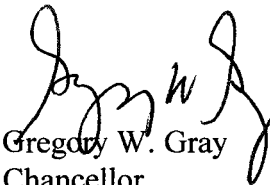
Date: February 16, 2010

Subject: 2009-2010 – Tax and Revenue Anticipation Note (TRAN) Maximum Borrowing
Authorization Increase – Resolution No. 38-09/10 (continued)

anticipated for the months of May through July. The attached TRAN borrowing resolution is presented for your consideration and approval. The resolution seeks to increase the maximum borrowing authorization for the fiscal year 2009-2010 TRAN from \$15 million to \$25 million. The increased authorization provides the District with the ability to issue up to \$14.3 million of additional TRAN. Current projections indicate that the size of the issuance needed will be approximately \$12 million. It is anticipated that the issuance will occur in April 2010.

As a final note, in March 2010 the Board will also be asked to consider and review a resolution authorizing participation in a TRAN for fiscal year 2010-2011.

Recommendation: It is recommended that at its February 16, 2010 meeting the Board of Trustees approve Resolution No. 38-09/10 authorizing an increase to the maximum borrowing of funds for fiscal year 2009-2010 to \$25 million; authorizing the additional issuance and sale of 2009-2010 Tax and Revenue Anticipation Notes through the California School Cash Reserve Program; authorizing the Riverside County Board of Supervisors to issue and sell said note; and authorizing the Board's President, Secretary, District Chancellor and Vice Chancellor, Administration and Finance, to sign the appropriate documents.


Gregory W. Gray
Chancellor

Prepared by: James L. Buysse
Vice Chancellor, Administration and Finance

Aaron S. Brown
Associate Vice Chancellor, Finance

THIS RESOLUTION MUST BE DISCUSSED, CONSIDERED AND DELIBERATED BY THE GOVERNING BOARD AS A SEPARATE ITEM OF BUSINESS ON THE GOVERNING BOARD'S AGENDA IN ACCORDANCE WITH CALIFORNIA GOVERNMENT CODE SECTION 53635.7.

DISTRICT RESOLUTION

NAME OF DISTRICT: RIVERSIDE COMMUNITY COLLEGE DISTRICT*

LOCATED IN: COUNTY OF RIVERSIDE

ORIGINAL NOTE RESOLUTION ADOPTION DATE: MARCH 17, 2009

ORIGINAL MAXIMUM AMOUNT OF BORROWING: \$15,000,000

SERIES A PRINCIPAL AMOUNT: \$10,725,000

INCREASED MAXIMUM AMOUNT OF BORROWING: \$25,000,000

RESOLUTION OF THE GOVERNING BOARD AUTHORIZING AN INCREASE TO MAXIMUM AMOUNT OF BORROWING OF FUNDS FOR FISCAL YEAR 2009-2010 AND AUTHORIZING THE ISSUANCE AND SALE OF AN ADDITIONAL SERIES OF 2009-2010 TAX AND REVENUE ANTICIPATION NOTES THROUGH THE CALIFORNIA SCHOOL CASH RESERVE PROGRAM AND REQUESTING THE BOARD OF SUPERVISORS OF THE COUNTY TO ISSUE AND SELL SAID SERIES OF ADDITIONAL NOTES

WHEREAS, school districts, community college districts and county boards of education are authorized by Sections 53850 to 53858, both inclusive, of the California Government Code (the "Act") (being Article 7.6, Chapter 4, Part 1, Division 2, Title 5 of the Government Code) to borrow money by the issuance of temporary notes; and

WHEREAS, on the Original Note Resolution Adoption Date set forth above, the governing board (the "Board") determined, pursuant to a resolution (the "Original Note

* If the Name of the District indicated on the face hereof is not the correct legal name of the District which adopted this Resolution, it shall nevertheless be deemed to refer to the District which adopted this Resolution, and the Name of the District indicated on the face hereof shall be treated as the correct legal name of said District for all purposes in connection with the Program (as hereinafter defined).

Resolution”) that, in order to satisfy certain obligations and requirements of the school district, community college district or county board of education specified above (the “District”), a public body corporate and politic located in the County designated above (the “County”), it was desirable that a sum (the “Principal Amount”), not to exceed the Original Maximum Amount of Borrowing designated above, be borrowed for such purpose during its fiscal year ending June 30, 2010 (“Fiscal Year 2009-2010”) by the issuance of its 2009-2010 Tax and Revenue Anticipation Notes (the first series of which has been issued and shall be referred to herein as the “Series A Notes” and any subsequent series of which shall be referred to herein as “Additional Notes,” and collectively with the Series A Notes, the “Notes”), in one or more series (each a “Series”), therefor in anticipation of the receipt of taxes, income, revenue, cash receipts and other moneys to be received by the District for the general fund and, if so indicated in a Pricing Confirmation, capital fund and/or special revenue fund (or similarly named fund or funds as indicated in such Pricing Confirmation) of the District attributable to Fiscal Year 2009-2010 (capitalized undefined terms used in this Supplemental Resolution shall have the meanings ascribed thereto in the Original Note Resolution); and

WHEREAS, on July 6, 2009, the District issued the Series A Note in the Series A Principal Amount set forth above; and

WHEREAS, the Original Note Resolution provides that the District (or the County on its behalf, as applicable) may at any time issue pursuant to the Original Note Resolution one or more Series of Additional Notes consisting of Senior Notes or Subordinate Notes (including Subordinate Notes that are further subordinated to previously issued Subordinate Notes, as provided in the applicable Pricing Confirmation), subject in each case to certain specific conditions set forth in Section 2(B) of the Original Note Resolution; and

WHEREAS, the Original Note Resolution provides that, whenever the District shall determine to issue, execute and deliver any Additional Notes pursuant to the Original Note Resolution, the Series Principal Amount of which, when added to the Series Principal Amounts of all Series of Notes previously issued by the District, would exceed the Original Maximum Amount of Borrowing authorized by the Original Note Resolution, the District shall adopt a Supplemental Resolution amending the Original Note Resolution to increase the Original Maximum Amount of Borrowing as appropriate; and

WHEREAS, the District desires to issue, pursuant to the Original Note Resolution, a Series of Additional Notes in a Series Principal Amount which, when added to the Series A Principal Amount, would exceed the Original Maximum Amount of Borrowing authorized by the Original Note Resolution; and

WHEREAS, because the District does not have fiscal accountability status pursuant to Section 42650 or Section 85266 of the California Education Code, it requests the Board of Supervisors of the County to borrow, on the District’s behalf, said Series Principal Amount by the issuance of the Series of Additional Notes; and

WHEREAS, pursuant to Section 53853 of the Act, if the Board of Supervisors of the County fails or refuses to authorize the issuance of the Series of Additional Notes within the time period specified in said Section 53853, following receipt of this Supplemental Resolution, and

the Series of Additional Notes are issued in conjunction with tax and revenue anticipation notes of other Issuers within the meaning of Section 53853 of the Act, the District may issue the Series of Additional Notes in its name pursuant to the Original Note Resolution as supplemented by terms stated herein; and

WHEREAS, it appears, and this Board hereby finds and determines, that said Series Principal Amount of the Series of Additional Notes, when added to the interest payable thereon, does not exceed eighty-five percent (85%) of the estimated amount of the uncollected taxes, income, revenue (including, but not limited to, revenue from the state and federal governments), cash receipts and other moneys of the District attributable to Fiscal Year 2009-2010 and available for the payment of the principal of the Series of Additional Notes and the interest thereon;

NOW, THEREFORE, the Board hereby finds, determines, declares and resolves as follows:

Section 1. Recitals. All the above recitals are true and correct and this Board so finds and determines.

Section 2. Increased Maximum Amount of Borrowing. The Original Note Resolution is hereby amended to increase the Original Maximum Amount of Borrowing set forth in the Original Note Resolution to the Increased Maximum Amount of Borrowing designated above.

Section 3. Issuance of Series B Notes. In accordance with the Original Note Resolution, this Board hereby determines to borrow, and hereby requests the Board of Supervisors of the County to borrow for the District, solely for the purpose of anticipating taxes, income, revenue, cash receipts and other moneys to be received by the District for the general fund and, if so indicated in the Pricing Confirmation for the Series of Additional Notes authorized hereby, the capital fund and/or special revenue fund (or similarly named fund or funds as indicated in such Pricing Confirmation) of the District attributable to Fiscal Year 2009-2010, and not pursuant to any common plan of financing of the District, by the issuance by the Board of Supervisors of the County, in the name of the District, of a Series of Additional Notes under Sections 53850 *et seq.* of the Act and to be designated generally as the District's "2009-2010 [Subordinate] ** Tax and Revenue Anticipation Notes, Series B" (referred to herein as the "Series B Notes"). The Series B Notes shall be issued in a Series Principal Amount which, when added to the Series A Principal Amount, shall not exceed the Increased Maximum Amount of Borrowing designated above. If the conditions of the Original Note Resolution are met, the Series B Notes may be issued as Senior Notes. If not issued as Senior Notes, the Series B Notes shall be issued as Subordinate Notes.

In the event the Board of Supervisors of the County fails or refuses to authorize the issuance of the Series B Notes within the time period specified in Section 53853 of the Act, following receipt of this Supplemental Resolution, this Board hereby authorizes issuance of the Series B Notes, in the District's name pursuant to and in accordance with the Original Note

** The Series of Additional Notes shall bear the "Subordinate" designation if it is a Series of Subordinate Notes.

Resolution as supplemented by the terms stated in this Supplemental Resolution. The Series B Notes shall be issued in conjunction with the note or notes of one or more other Issuers as part of the California School Cash Reserve Program (the "Program") and within the meaning of Section 53853 of the Act.

Section 4. Sale of Series B Notes. The Series B Notes shall be sold, under the Bond Pool Structure authorized in the Original Note Resolution, to the California School Cash Reserve Program Authority (the "Authority") in accordance with the Original Note Resolution. Each Authorized Officer is hereby authorized and directed, during the period commencing on the date of adoption of this Supplemental Resolution and ending on June 30, 2010, to execute and deliver the Pricing Confirmation applicable to the Series B Notes on a date within five (5) days (or such longer period of time as agreed by the Authority) of the negotiation of the interest rate or rates and the purchase price to be paid for the Series B Notes in accordance with Section 4 of the Original Note Resolution.

Section 5. Preliminary Official Statement and Official Statement. Each Authorized Officer is hereby authorized and directed to provide Piper Jaffray & Co., as underwriter for the Program (the "Underwriter") with such information relating to the District as the Underwriter shall reasonably request for inclusion in the preliminary official statement (the "Preliminary Official Statement") and official statement of the Authority relating to the Series of Pool Bonds to which the Series B Notes will be assigned. If, at any time prior to the execution of the Pricing Confirmation for the Series B Notes, any event occurs as a result of which the information contained in the Preliminary Official Statement or other offering document relating to the District might include an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the District shall promptly notify the Underwriter.

Section 6. Effect of Supplemental Resolution. The Original Note Resolution is hereby ratified and confirmed and shall continue in full force and effect in accordance with the terms and provisions thereof, as supplemented by the terms stated in this Supplemental Resolution, including the authority granted to the Authorized Officers named therein to take all actions therein authorized with respect to a Series of Additional Notes.

Section 7. Submittal of Resolution to County. The Secretary or Clerk of the Board of the District is hereby directed to submit one certified copy each of this Resolution to the Clerk of the Board of Supervisors of the County, to the Treasurer of the County and to the County Superintendent of Schools.

SECRETARY'S CERTIFICATE

I, Gregory W. Gray, Secretary of the Governing Board of the Riverside Community College District, hereby certify as follows:

The foregoing is a full, true and correct copy of a resolution duly adopted at a regular meeting of the Governing Board of the Riverside Community College District duly and regularly held at the regular meeting place thereof on the ____ day of _____, 2010, of which meeting all of the members of said Governing Board had due notice and at which a majority thereof were present; and at said meeting said resolution was adopted by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

An agenda of said meeting was posted at least 72 hours before said meeting at 4800 Magnolia Avenue, Riverside, California, a location freely accessible to members of the public, and a brief general description of said resolution appeared on said agenda.

I have carefully compared the same with the original minutes of said meeting on file and of record in my office; the foregoing resolution is a full, true and correct copy of the original resolution adopted at said meeting and entered in said minutes; and said resolution has not been amended, modified or rescinded since the date of its adoption, and the same is now in full force and effect. The Increased Maximum Amount of Borrowing specified in the foregoing resolution is \$25,000,000.00.

Dated: _____, 2010

By: _____
Gregory W. Gray
Secretary of the Governing Board
of the Riverside Community College District

IN WITNESS WHEREOF, the governing board of the District has caused this Note to be executed by the manual or facsimile signature of a duly authorized officer of the District and countersigned by the manual or facsimile signature of its duly authorized officer as of the date of authentication set forth below.

RIVERSIDE COMMUNITY COLLEGE
DISTRICT

By: _____
Name: Virginia Blumenthal
Title: Board President

[(SEAL)]

Countersigned

By: _____
Name: Gregory W. Gray
Title: Chancellor

District: Riverside Community College District

Address: 4800 Magnolia Avenue
Riverside, CA 92506

County: Riverside

Executed and entered into on the Purchase Date set forth in Schedule I attached hereto and incorporated herein.

Riverside Community College District

By _____
Name: Dr. Jim Buysse
Title: Vice Chancellor, Administration &
Finance

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. The amount treated as interest on the Bonds and excluded from gross income may depend on the taxpayer's election under Internal Revenue Service Notice 94-84. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, nor is it included in adjusted current earnings when calculating federal corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX EXEMPTION" herein.

\$478,080,000

CALIFORNIA SCHOOL CASH RESERVE
PROGRAM AUTHORITY
2009-2010 SENIOR BONDS, SERIES A

\$53,125,000

CALIFORNIA SCHOOL CASH RESERVE
PROGRAM AUTHORITY
2009-2010 SUBORDINATE BONDS, SERIES A

(Sponsored by California School Boards Association Finance Corporation)

Dated: Date of Delivery

Due: July 1, 2010

The 2009-2010 Senior Bonds, Series A (the "Senior Bonds"), and the 2009-2010 Subordinate Bonds, Series A (the "Subordinate Bonds," and together with the Senior Bonds, the "Bonds") will be issued by the California School Cash Reserve Program Authority (the "Authority") as fully registered Bonds and, when issued, will be registered in the name of Cede & Co., as holder of the Bonds and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Individual purchases and sales of the Bonds may be made in book-entry form only in denominations of \$5,000 and integral multiples thereof. PURCHASERS WILL NOT RECEIVE CERTIFICATES REPRESENTING THEIR INTEREST IN THE BONDS PURCHASED. Interest on the Bonds will be payable at maturity. Principal of and interest on the Bonds will be payable by wire transfer to DTC, which in turn is required to remit such principal and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Bonds, as more fully described herein.

The Bonds are being issued pursuant to the terms of an Indenture dated as of July 1, 2009 (the "Indenture"), by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee") for the purpose of purchasing certain 2009-2010 Tax and Revenue Anticipation Notes (the "Notes"), of the same maturity issued by the California school districts, county boards of education and community college districts identified herein (the "Districts"). The required payment of the principal of and interest on all of the Notes when due is structured to be sufficient to pay principal of and interest on all of the Bonds when due. Amounts received by the Trustee from the repayment of principal of and interest on the Notes will be applied first to repay all of the principal of and interest on the Senior Bonds and then to repay all of the principal of and interest on the Subordinate Bonds. **REPAYMENT OF THE SUBORDINATE BONDS FROM NOTE REPAYMENTS OF THE DISTRICTS IS FULLY SUBORDINATE TO THE REPAYMENT OF THE SENIOR BONDS.**

Neither the Bonds nor the Notes are subject to redemption prior to maturity

In accordance with California law, the Note of each District is payable only out of the taxes, income, revenue, cash receipts and other moneys which are received by such District for its general fund, and are attributable to the Fiscal Year 2009-2010 and legally available for payment thereof. Each Note is secured by a pledge of certain unrestricted revenues received by the District issuing such Note for its general fund attributable to the Fiscal Year 2009-2010, and each Note shall constitute a first lien and charge thereon and shall be payable from the first moneys received by such District from such pledged revenues. To the extent not so paid, each Note shall be paid from any other taxes, income, revenue, cash receipts and other moneys of such District lawfully available therefor. Each authorizing resolution (the "Resolution") requires the applicable District to transfer to the Trustee certain amounts to be deposited in a special fund from the first such amounts received by such District in those months of 2010 as described herein so that the amount on deposit in such fund by the end of the month of May 2010, taking into consideration anticipated investment earnings thereon, is equal to all of the principal and interest due on such Note at maturity, as more fully described herein. The obligation of each District is a several and not a joint obligation and is strictly limited to such District's repayment obligation under its Resolution and Note. Each District may issue additional tax and revenue anticipation notes on a parity or a subordinate basis to its Note as described herein.

THE BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM CERTAIN FUNDS PLEDGED UNDER THE INDENTURE. THE OBLIGATION OF THE AUTHORITY TO PAY PRINCIPAL OF AND INTEREST ON THE BONDS DOES NOT CONSTITUTE A DEBT OF THE AUTHORITY OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Payment of the principal of and interest on the Subordinate Bonds will additionally be supported by amounts available pursuant to an irrevocable direct-pay letter of credit (the "Letter of Credit") to be issued simultaneously with the issuance of the Subordinate Bonds by U.S. Bank National Association (the "Bank"). The Letter of Credit does not support the payment of the principal of and interest on the Senior Bonds. See "LETTER OF CREDIT" herein.



Senior Bonds Pricing Information

Price: 101.862% Interest Rate: 2.500% Yield: 0.600% CUSIP No.: 130583CF2

Subordinate Bonds Pricing Information

Price: 101.932% Interest Rate: 2.500% Yield: 0.530% CUSIP No.: 130583CG0

This cover page contains certain information for general reference only. It is not a summary of all the provisions of the Bonds. Prospective investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Bonds are offered when, as and if executed and delivered and accepted by the Underwriter, subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel to the Authority. Certain legal matters will be passed upon for the Underwriter by its counsel, Kutak Rock LLP, for the Bank by its counsel, Foley & Lardner LLP, and for the Districts by Kutak Rock LLP. The Bonds, in book-entry form only, are expected to be delivered through the facilities of DTC on or about July 6, 2009, in New York, New York.

PiperJaffray®

Dated: June 16, 2009

No broker, dealer, sales representative or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement in connection with the offering made hereby and, if given or made, such information or representations must not be relied upon as having been authorized by the Authority, the Districts, the Underwriter or the Bank. Neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Authority or any District since the date hereof. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information contained in this Official Statement has been obtained from the Districts and other sources believed by the Underwriter to be reliable, but it is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriter or by any District.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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OFFICIAL STATEMENT

Relating to

\$478,080,000	\$53,125,000
CALIFORNIA SCHOOL CASH RESERVE PROGRAM AUTHORITY	CALIFORNIA SCHOOL CASH RESERVE PROGRAM AUTHORITY
2009-2010 SENIOR BONDS, SERIES A	2009-2010 SUBORDINATE BONDS, SERIES A

(Sponsored by California School Boards Association Finance Corporation)

INTRODUCTORY STATEMENT

This Official Statement, including the cover page and appendices hereto (the "Official Statement"), sets forth certain information concerning the California School Cash Reserve Program Authority 2009-2010 Senior Bonds, Series A (the "Senior Bonds") in the aggregate principal amount of \$478,080,000 and the California School Cash Reserve Program Authority 2009-2010 Subordinate Bonds, Series A (the "Subordinate Bonds," and together with the Senior Bonds, the "Bonds") in the aggregate principal amount of \$53,125,000. The California School Cash Reserve Program Authority (the "Authority") is issuing the Bonds pursuant to an Indenture dated as of July 1, 2009 (the "Indenture"), by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee").

Pursuant to the California School Cash Reserve Program (the "Program"), participating school districts, county boards of education and community college districts (collectively, the "Districts") in the State of California (the "State") simultaneously issue their tax and revenue anticipation notes of the same maturity (the "Notes"). The net proceeds of the Bonds will be used to purchase the Notes issued by the Districts on July 6, 2009. The Notes will be assigned to the Trustee for the benefit of the registered owners (the "Owners") of the Bonds. The required payment by all Districts of the aggregate principal of and interest due on all of the Notes when due is structured to be sufficient to pay all principal of and interest on the Bonds when due. Amounts received by the Trustee from the repayment of principal of and interest on the Notes will be applied first to repay all of the principal of and interest on the Senior Bonds and then to repay all of the principal of and interest on the Subordinate Bonds. **REPAYMENT OF THE SUBORDINATE BONDS FROM THE REPAYMENTS OF THE DISTRICTS IS FULLY SUBORDINATE TO THE REPAYMENT OF THE SENIOR BONDS.** See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS" herein.

Each Note of each District is issued under the authority of Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the California Government Code (the "Act") and pursuant to a resolution of issuance adopted by the governing board of each such District and, in certain situations in which such District has not established fiscal accountability status, at the election of the Board of Supervisors of the county in which such District is located, a resolution of issuance adopted by such Board of Supervisors (collectively, the "Resolution"). If the Board of Supervisors of the county in which such District is located elects not to adopt a resolution of issuance, the Note of such District will be issued pursuant to the resolution of issuance originally adopted by the District. The issuance of the Notes is expected to provide moneys to anticipate taxes, income, revenue, cash receipts and other moneys to be received by each District for its general fund attributable to its Fiscal Year beginning on July 1, 2009 and ending on June 30, 2010 (the "Fiscal Year 2009-2010"). For a list of the names of the Districts and the principal amount of the Note being issued by each District, see "PARTICIPATING DISTRICTS" herein.

Payment of the principal of and interest on the Subordinate Bonds will be secured by an irrevocable direct-pay letter of credit (the "Letter of Credit") to be issued simultaneously with the

issuance of the Subordinate Bonds by U.S. Bank National Association (the "Bank"). The Letter of Credit will be issued pursuant to a Credit Agreement dated as of July 1, 2009 (the "Credit Agreement"), entered into between the Bank and each of the Districts. The Letter of Credit does not support the payment of the principal of and interest on the Senior Bonds. See "LETTER OF CREDIT."

It is anticipated that most of the Districts will invest their Note proceeds and repayments in their respective county investment pools. See "INVESTMENT OF DISTRICT FUNDS—County Investment Pools" herein. The remainder of the Districts will invest their Note proceeds and repayments in other Permitted Investments, currently expected to consist of either money market funds as described in clauses (c) and (d) of the definition of Permitted Investments or the Local Agency Investment Fund managed by the office of the Treasurer of the State of California. See "APPENDIX A—DEFINITIONS OF CERTAIN TERMS" herein for the definition of "Permitted Investments." Although the Districts are obligated to pay principal of and interest on their Notes on the maturity date for the Notes as described herein under "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS," if there is a payment default in connection with any of the applicable Permitted Investments, there may not be sufficient funds in the Payment Accounts attributable to the Notes in the Bond Payment Fund on the maturity date to pay all of the principal of and interest on the Bonds.

As stated in the prior paragraph, amounts held in the Proceeds Subaccounts and the Payment Accounts of the Districts will be invested in Permitted Investments. As part of the sizing of each District's Note, each District is required to project the amount and timing of anticipated cash flow deficits, and most Districts are allowed to size their Notes for the amount of a reasonable working capital reserve permitted under federal tax law. A number of the Districts project deficits during a short period of time for the Fiscal Year 2009-2010, while other Districts project deficits to occur during longer periods of time or during several different periods of time throughout the Fiscal Year 2009-2010. A District's anticipated deficits are only projections based upon the District's expectations as of the date of issuance of its Note. A District may experience actual revenues, expenditures or deficits throughout the year that differ from the projections. It is likely that some Districts may not actually experience a projected cash flow deficit and, thus, may not draw amounts from their respective Proceeds Subaccounts. Other Districts that do experience some level of deficits may need to draw only a portion of their Note proceeds to meet the actual deficit or may not need to draw all of the portion of their Note proceeds attributable to the sizing of a reasonably required working capital reserve. In addition, some Districts may not draw amounts from their respective Proceeds Subaccounts even if they experience a deficit, because such Districts may use an alternative method of funding such deficit, especially if such deficit is for a short period of time, or such Districts may adopt an accounting allocation method permitted under federal tax law that does not require an actual draw under its Proceeds Subaccount.

THE BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM CERTAIN FUNDS PLEDGED UNDER THE INDENTURE. THE OBLIGATION OF THE AUTHORITY TO PAY PRINCIPAL OF AND INTEREST ON THE BONDS DOES NOT CONSTITUTE A DEBT OF THE AUTHORITY OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Each District may issue one or more additional series of tax and revenue anticipation notes during Fiscal Year 2009-10 which are payable on either a parity basis (together with its Note, the "Senior Notes") or a subordinate basis (the "Subordinate Notes") to its Note (such additional notes collectively referred to herein as "Additional Notes"). See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS—Additional Notes" for the conditions imposed upon each District under its Resolution for the issuance of Additional Notes. Due to the budget difficulties surrounding the State and the reliance of most Districts on funding from the State as described herein under "GENERAL DISTRICT FINANCIAL

INFORMATION—State Funding of Education,” it is probable that a substantial number of Districts will project an additional cash flow deficit during the last six months of its Fiscal Year 2009-10. It cannot be determined at this time whether or how many Districts will issue Additional Notes or what the size of the Additional Notes may be.

Upon satisfaction of certain provisions of the Indenture, the Authority may issue one or more additional series of bonds (the “Additional Bonds”) pursuant to a supplemental indenture or a separate indenture. The Additional Bonds will be payable from and secured by a pledge and assignment of a separate pool of tax and revenue anticipation notes issued by certain California school districts, community college districts and county boards of education, some of which may be Districts that have previously issued Notes. See SECURITY AND SOURCE OF PAYMENT FOR THE BONDS—Additional Bonds.”

All capitalized words, unless otherwise defined herein, shall have the meanings set forth in “DEFINITIONS OF CERTAIN TERMS” in Appendix A hereto.

Brief descriptions or summaries of the Authority, the Districts, the Bank, the Notes, the Senior Bonds, the Subordinate Bonds, the Indenture, the Letter of Credit, the Credit Agreement, the standard form of the Resolution and other documents, agreements and statutes are included in this Official Statement. The summaries or references herein to the Indenture, the Letter of Credit, the Credit Agreement, the Notes, the standard form of the Resolution and other documents, agreements and statutes referred to herein and the description of the Senior Bonds and the Subordinate Bonds included herein, do not purport to be comprehensive or definitive, and such summaries, references and descriptions are qualified in their entirety by reference to such documents, and the description herein of the Senior Bonds and the Subordinate Bonds is qualified in its entirety by reference to the form thereof and the information with respect thereto included in the aforesaid documents. Copies of such documents are available upon request during the initial offering period from Piper Jaffray & Co., 2321 Rosecrans Ave., Suite 3200, El Segundo, California 90245, Attention: Public Finance, and thereafter from U.S. Bank National Association, 633 West Fifth Street, 24th Floor, Los Angeles, California 90071, Attention: Corporate Trust Department (the “Principal Office”).

DESCRIPTION OF THE BONDS

Authority for Issuance

The Authority was formed pursuant to a Joint Exercise of Powers Agreement entered into pursuant to the provisions of Article 1, Chapter 5, Division 7, Title 1 of the California Government Code. See “THE AUTHORITY” herein. The Bonds are being issued by the Authority pursuant to the provisions of Article 4, Chapter 5, Division 7, Title 1 of the California Government Code.

Denominations; Payments of Principal and Interest

The Bonds shall be prepared in the form of fully registered bonds and, when issued, will be registered in the name of Cede & Co., as registered owner of the Bonds and nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Bonds. Individual purchases may be made in book-entry form only in denominations of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in the Bonds purchased. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Owners of the Bonds or registered owners shall mean Cede & Co. and shall not mean the Beneficial Owners (as defined herein) of the Bonds.

The Bonds will be dated the date of initial delivery and execution thereof, mature on July 1, 2010, and bear interest from the date of their initial issuance, with interest payable at maturity. The Senior Bonds shall bear interest at the rate of 2.500% per annum, and the Subordinate Bonds shall bear interest at the rate of 2.500% per annum. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be payable when due by wire transfer by the Trustee, as paying agent (the "Paying Agent"), to Cede & Co., as nominee for DTC, which is expected, in turn, to remit such amounts to the DTC Participants (as defined herein) for subsequent disbursement to the Beneficial Owners. See "—Book-Entry-Only System" below. Interest payable on the Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Registration of Bonds

The Trustee is required to maintain registration books at its Principal Office for the registration of ownership, transfer and exchange of Bonds. The Trustee may deem and treat the registered owner of any Bond as the absolute owner thereof for all purposes.

No Redemption Prior to Maturity

Neither the Bonds nor the Notes are subject to redemption prior to maturity.

Book-Entry-Only System

The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments with respect to the Bonds to Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in such Bonds with other related transactions by and between DTC, the Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters, and neither the Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the Participants, as the case may be.

DTC will act as securities depository for the Bonds. The Bonds will be executed and delivered 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 certificate will be executed and delivered for the Bonds of each series in the aggregate principal amount of such series and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized 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 (the "Indirect Participants"). DTC has Standard and Poor's highest credit rating: AAA. 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 and www.dtc.org.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

Principal of and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Districts, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or Paying Agent, disbursement of

such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, the Bonds are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered as described in the Indenture.

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.

THE AUTHORITY CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OR INDIRECT PARTICIPANTS, PAYMENTS WITH RESPECT TO THE BONDS PAID TO DTC OR ITS NOMINEE AS THE REGISTERED OWNER, OR ANY NOTICES SENT TO DTC OR ITS NOMINEE, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE AUTHORITY IS NOT RESPONSIBLE OR LIABLE FOR THE FAILURE OF DTC OR ANY PARTICIPANT TO MAKE ANY PAYMENTS OR GIVE ANY NOTICE TO A BENEFICIAL OWNER WITH RESPECT TO THE BONDS OR ANY ERROR OR DELAY RELATING THERETO.

SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

The Bonds

All right, title and interest of the Authority in the Notes and all payments thereon are irrevocably assigned and pledged and transferred to the Trustee for the benefit of the Owners of the Bonds and, subject to the payment priority provisions of the immediately succeeding paragraph, the payments on the Notes shall be used for the punctual payment of principal of and interest on the Bonds. The required payment by all Districts of the aggregate principal of and interest due on all of the Notes when due is structured to be sufficient to pay all principal of and interest on the Bonds when due.

All payments on the Notes shall be applied first to the payment of the principal of and interest on the Senior Bonds and second to the payment of the principal of and interest on the Subordinate Bonds. Payments of principal of and interest on the Subordinate Bonds from payments on the Notes are subordinated to the payments of principal of and interest on the Senior Bonds. Principal of and interest on the Subordinate Bonds will not be paid from payments of the Notes until all of the principal of and interest on the Senior Bonds have been paid in full. Payment of principal of and interest on the Subordinate Bonds only will additionally be supported by amounts available pursuant to the Letter of Credit to be issued simultaneously with the issuance of the Bonds by the Bank. The Letter of Credit does not support the payment of the principal of and interest on the Senior Bonds. See "LETTER OF CREDIT" herein.

Additional Bonds

Pursuant to the Indenture, the Authority may at any time issue one or more series of Additional Bonds pursuant to a supplemental indenture, secured by and payable from an additional pool of

Additional Notes issued by some or all of the Districts and/or other school districts, county offices of education and community college districts which are separate and distinct from the pool of Notes securing the Bonds.

The Notes

Each Note of each District is issued under the authority of the Act and pursuant to such District's Resolution. The issuance of the Notes is expected to provide moneys to anticipate taxes, income, revenue, cash receipts and other moneys to be received by each District for its general fund attributable to Fiscal Year 2009-2010. Pursuant to the Indenture, the Note of each District will be purchased with proceeds of the Bonds and irrevocably deposited with and pledged and transferred to the Trustee for the benefit of the Bond Owners and the Bank. For a list of the names of the Districts expected to issue Notes and the estimated principal amount of Notes being issued by each District, see "PARTICIPATING DISTRICTS" herein.

The principal amount of each Note of a District and, if applicable, each series of Additional Notes issued by such District, together with the interest thereon, shall be payable from taxes, income, revenue (including, but not limited to, revenues from the State and federal governments), cash receipts and other moneys which are received by the District issuing its Note for its general fund, and are attributable to Fiscal Year 2009-2010 and which are legally available for payment thereof. As security for the payment of the principal of and interest on its Note and, if applicable, each series of its Additional Notes, subject to the payment priority provision of the District's Resolution, each District pledges certain unrestricted revenues, as hereinafter defined, which are received by such District for its general fund, and are attributable to Fiscal Year 2009-2010, and the principal of its Note and, if applicable, each series of its Additional Notes and the interest thereon constitute a first lien and charge thereon and are payable from the first moneys received by such District from such pledged revenues and, to the extent not so paid, shall be paid from any other taxes, income, revenue, cash receipts and other moneys of such District lawfully available therefor. The Trustee (as holder of the Notes) shall have a first lien and charge on such unrestricted revenues which are received by each District and are attributable to Fiscal Year 2009-2010, subject to the payment priority provisions of the Resolutions.

In order to effect this pledge, each District agrees under its Resolution to the establishment and maintenance of a Payment Account related to its Note and, if applicable, a separate Payment Account related to each series of Additional Notes, as a special fund of the District, held by the Trustee under the Indenture, as the responsible agent to maintain such fund until the payment of the principal of and interest on its Note, and, if applicable, its Additional Notes. Each District agrees under its Resolution to cause to be deposited (and shall request specific amounts from the District's funds on deposit with the District's county treasurer for such purpose) directly therein the first amounts received in those months as described under the caption "PARTICIPATING DISTRICTS" herein (the "Repayment Months") (and any amounts received thereafter attributable to Fiscal Year 2009-2010) until the amount on deposit in the Payment Account related to its Note, taking into consideration anticipated investment earnings thereon to be received by the maturity of such Note, is equal in the respective Repayment Months applicable to such District to the percentage of the principal and interest due on such Note at maturity applicable to such District as described under the caption "PARTICIPATING DISTRICTS" herein (such pledged amounts being hereinafter called the "Pledged Revenues"). If a District issues one or more series of Additional Notes, each District also agrees under its Resolution to cause to be deposited directly in each Payment Account a pro rata share of the first amounts received in the Repayment Months applicable thereto until the amount on deposit in each Payment Account, taking into consideration anticipated investment earnings thereon to be received by the maturity date applicable to the Note and respective series of Additional Notes is equal in the respective Repayment Months applicable to the Note and such series of Additional Notes to the percentages of the principal of and interest due with respect to the Note and such

series of Additional Notes; provided that such deposits shall be made in the following order of priority: first, pro rata to the Payment Account or Accounts attributable to any series of Senior Notes; second, pro rata to the Payment Account or Accounts attributable to any series of Subordinate Notes (except for any series of Subordinate Notes described in the next clause); and thereafter, to the Payment Account or Accounts attributable to another series of Subordinate Notes that have been further subordinated to previously issued series of Subordinate Notes, in such order of priority.

With respect to each series of Additional Notes, the number of Repayment Months determined in the related Pricing Confirmation shall not exceed six, and the amount required to be deposited in any one Repayment Month (if there are more than two) shall not exceed 50% of the principal of and interest due with respect to such series of Additional Notes at maturity; provided that the first Repayment Month of any series of Subordinate Notes shall not occur prior to the last Repayment Month of any outstanding series of Notes or Additional Notes of a higher priority without the consent of the Bank and each other credit provider for such Additional Notes of a higher priority; provided further, that if the first Repayment Month of any series of Subordinate Notes occurs in the same month as the last Repayment Month of the Notes or any series of Additional Notes of a higher priority, no deposits shall be made in the Payment Account of such Subordinate Notes until all required amounts shall have been deposited into the Payment Accounts of the Note and all outstanding series of Additional Notes of a higher priority without the consent of the Bank and each credit provider for such outstanding series of Additional Notes.

See “GENERAL DISTRICT FINANCIAL INFORMATION—State Funding of Education—Deferred Revenues” for a description as to whether payments to a District that are being deferred by the State from Fiscal Year 2009-2010 to Fiscal Year 2010-2011 will be treated as being attributable to its Fiscal Year 2009-2010 and thus subject to such pledge for the repayment of such District’s Note.

In the event that on the tenth Business Day of each such Repayment Month, a District has not received sufficient unrestricted revenues to permit the deposit into its Payment Account attributable to its Note and any Payment Accounts attributed to its Additional Notes of the full amount of Pledged Revenues to be deposited in each such Payment Account from its unrestricted revenues in such month, then the amount of any deficiency shall be satisfied and made up from any other moneys of such District lawfully available for the payment of the principal of its Note, its Additional Notes, if any, and the interest thereon, as and when such other moneys are received or are otherwise legally available in the following order of priority: first, pro rata to the Payment Account or Accounts attributable to any series of Senior Notes; second, pro rata to the Payment Account or Accounts attributable to any series of Subordinate Notes (except for any series of Subordinate Notes described in the next clause); and thereafter, to the Payment Account or Accounts attributable to another series of Subordinate Notes that have been further subordinated to previously issued series of Subordinate Notes, in such order of priority.

In addition, each District is required to file a report with the Bank and the Trustee prior to the tenth Business Day of each month, beginning the first Repayment Month, if, on the first Business Day of each such month, the total amount on deposit in each of such District’s Payment Accounts and Proceeds Subaccounts attributable to its Note and its Additional Notes, if any, is less than the amount required to be on deposit in each such Payment Account and Proceeds Subaccount for such Repayment Month. Each District filing such report must certify that the amount of any insufficiency on such date, together with any insufficiency attributable to its Additional Notes, does not exceed 75% of its unrestricted revenues yet to be received by such District less projected uncollectible, unrestricted revenues of such District for the Fiscal Year 2009-2010. In the event of such deficiency, such District shall have no further right to requisition moneys from any Proceeds Subaccounts applicable to the Note or any Additional Notes.

The term “*unrestricted revenues*” means all taxes, income, revenue (including, but not limited to, revenue from the State and federal governments), cash receipts and other moneys, intended as receipts for

the general fund (and, to the extent a portion of a Note or Additional Note of a District relates to one or more other funds, for such other funds) of each District attributable to Fiscal Year 2009-2010 and which are generally available for the payment of current expenses and other obligations of such District.

Subject to the payment priority provisions of the Resolution, any moneys placed in the Payment Account of a District attributable to its Note shall be for the benefit of the Owners of the Bonds and (to the extent provided by the Indenture) the Bank. Subject to the payment priority provisions of the Resolution, the moneys in such Payment Account shall be applied only for the purposes for which such Payment Account is created until the principal of such Note and all interest thereon are paid or until provision has been made for the payment of the principal of the Note at maturity with interest to maturity and (to the extent provided in the Indenture) the payment of all amounts owing to the Bank.

On the maturity date of each Note, the moneys in the Payment Account of each District attributable to its Note shall be transferred by the Trustee to pay the principal of and interest on each such District's Note when due. In the event that moneys in a District's Payment Account attributable to its Note or any Additional Note are insufficient to pay the principal of and interest on its Note in full when due, moneys in such Payment Account, together with moneys in the Payment Accounts of all other outstanding series of Additional Notes issued by such District, shall be applied in the following order of priority with respect to all series of Senior Notes, including the Note: first, to pay interest on such District's Note and additional Senior Notes, if any, pro rata; second, to pay principal of such District's Note and additional Senior Notes, if any, pro rata; third, to reimburse the Bank and any credit provider with respect to any other Senior Notes for payment, if any, of interest with respect to such Note and additional Senior Notes pro rata; fourth, to reimburse the Bank and any credit provider with respect to additional Senior Notes, if any, for payment of principal with respect to such Note and additional Senior Notes pro rata; fifth, to pay any Reimbursement Obligations of such District and any of such District's pro rata share of Predefault Obligations owing to the Bank and any credit provider with respect to additional Senior Notes, if any, pro rata.

Deposit and Pledge of Notes

Subject to the provisions of the Indenture permitting the application thereof for or to the purposes and on the terms and conditions set forth in such Indenture, (i) all right, title and interest of the Authority in the Notes and to all payments thereon, are irrevocably assigned and pledged and transferred to the Trustee for the benefit of the Owners of the Bonds and the Bank, (ii) the payments on the Notes shall be used for the punctual payment of the interest on and principal of the Bonds or the reimbursement of drawings under the Letter of Credit, and (iii) the Notes shall not be used for any other purpose (including the payment of Additional Bonds or reimbursements to any credit enhancer related thereto so long as any of the Bonds remain Outstanding. Subject to the immediately succeeding paragraph, all payments on the Notes shall be applied first, to payment of the interest on and principal of the Senior Bonds, and second, to payment of the interest on and principal of the Subordinate Bonds (including reimbursement of the Bank).

Notwithstanding any other provisions of the Indenture, with regard to a District that has issued Additional Notes, to the extent, on any Interest Payment Date or Principal Payment Date applicable to the District's Note or Additional Notes, there is a deficiency with respect to the Note or any Additional Notes of such District and to the extent any payment on any Note or Additional Notes of such District is being made from moneys other than the proceeds of its Note or Additional Notes, the Trustee shall apportion all such payments received from such District relating to all of its Notes and Additional Notes in accordance with the priority provisions set forth in such District's Resolution, and the Trustee shall apply such apportioned payments according to the preceding paragraph with respect to each such Note and Additional Notes. See "—The Notes" above.

Subject to the immediately preceding paragraph, and to the extent permitted by law, the assignment, transfer and pledge effected by the Indenture shall constitute a lien on and security interest in the principal and interest payments of and all other rights under the Notes for the foregoing purpose in accordance with the terms of the Indenture and shall attach, be perfected and be valid and binding from and after delivery to the Authority of the Notes. Each District has approved, and the Trustee hereby accepts, such assignment of the Notes.

The Districts shall pay directly to the Trustee all principal and interest payments on the Notes. All principal and interest payments on the Notes received by the Trustee shall be held in trust by the Trustee under the terms of the Indenture and shall be deposited by the Trustee, as and when received, in the appropriate Payment Account attributed to each such Note within the Bond Payment Fund established under the Indenture, and all moneys in such Payment Accounts shall be held in trust by the Trustee for the benefit and security of the Owners of the Bonds and the Bank to the extent provided in the Indenture.

Moneys in any District's Payment Account attributed to its Note or Additional Notes shall not be used in any manner (directly or indirectly) to make up any deficiency in any other District's Payment Account.

Investments

On the date of issuance of the Bonds, most of the Districts are expected to invest certain of the proceeds of the sale of the Bonds (net of the Costs of Issuance) and repayments on their Notes (i.e., amounts held in the Proceeds Subaccounts attributable to the Notes in the Proceeds Fund and to be held in the Payment Accounts attributable to the Notes in the Bond Payment Fund) in the respective county investment pools. See "INVESTMENT OF DISTRICT FUNDS—County Investment Pools" herein. The remainder of the Districts will invest certain of the proceeds of the sale of the Bonds (net of the Costs of Issuance) and repayments on their Notes (i.e., amounts held in the Proceeds Subaccounts attributable to the Notes in the Proceeds Fund and to be held in the Payment Accounts attributable to the Notes in the Bond Payment Fund) in other Permitted Investments, currently expected to consist of either money market funds as described in clauses (c) and (d) of the definition of Permitted Investments or the Local Agency Investment Fund managed by the office of the State Treasurer. In addition, each District may invest the funds in its Proceeds Subaccount and its Payment Account attributable to its Note in other Permitted Investments. Income derived from Permitted Investments will be credited to the fund or account from which such investment was made. If there is a payment default under any of the Permitted Investments, there may not be sufficient funds available to the Trustee to pay principal of and/or interest on the Bonds when due.

Defaulted Notes

In the event of default by any District in the payment of any of the principal of or interest on its Note when due, such Note shall be a Defaulted Note and the unpaid portion thereof shall be deemed outstanding and shall not be deemed paid until all amounts due thereon have been paid in full.

To the extent a payment is made by the Bank under the Letter of Credit, the Bank will succeed and be subrogated to the rights of the Owners of the Subordinate Bond (or portions thereof) paid with the proceeds of such drawing under the Letter of Credit. The unpaid portion of such Note shall be deemed outstanding and shall not be deemed paid until the conditions for cancellation of such Note as set forth in the Indenture are satisfied.

Additional Notes

Each District (or the county on its behalf, as applicable) may at any time issue pursuant to its Resolution, one or more series of Additional Notes consisting of Senior Notes or Subordinate Notes (including Subordinate Notes that are further subordinated to previously issued Subordinate Notes), subject in each case to the following specific conditions, which are conditions precedent to the issuance of any such series of Additional Notes:

(1) The District shall not have issued any tax and revenue anticipation notes relating to the 2009-2010 fiscal year except (a) in connection with the Program under its Resolution, or (b) notes secured by a pledge of its unrestricted revenues that is subordinate in all respects to the pledge of unrestricted revenues under its Resolution; the District shall be in compliance with all agreements and covenants contained in its Resolution; and no Event of Default shall have occurred and be continuing with respect to its Note or any such outstanding previously issued notes or series of Additional Notes.

(2) The aggregate principal amount of its Note and Additional Notes issued and at any time outstanding under its Resolution shall not exceed any limit imposed by law, by its Resolution or by any resolution of the Board of such District amending or supplementing its Resolution (each a "Supplemental Resolution").

(3) Whenever the District shall determine to issue, execute and deliver any Additional Notes pursuant to its Resolution, the principal amount of its Additional Notes, when added to the principal amounts of its Note and Additional Notes previously issued by the District, would exceed the maximum amount authorized by its Resolution, the District shall adopt a Supplemental Resolution amending its Resolution to increase the maximum amount of borrowing as appropriate. The Supplemental Resolution may contain any other provision authorized or not prohibited by its Resolution relating to such Additional Notes.

(4) The District may issue a series of Additional Notes that are Senior Notes payable on a parity with its Note and all other series of Senior Notes of the District or that are Subordinate Notes payable on a parity with one or more series of outstanding Subordinate Notes, only if it obtains (a) the consent of the Bank and each credit provider relating to each previously issued series of Additional Notes that will be on a parity with such series of Additional Notes, and (b) evidence that no rating then in effect with respect to any outstanding series of Bonds or series of Additional Bonds, as applicable, from a Rating Agency will be withdrawn, reduced, or suspended solely as a result of the issuance of such series of Additional Notes (a "Rating Confirmation"). Except as provided in its Resolution, the District may issue one or more Series of Additional Notes that are subordinate to its Note and all previously issued series of Additional Notes of the District without the Bank or any credit provider consent or a Rating Confirmation. The District may issue tax and revenue anticipation notes other than in connection with the Program under its Resolution only if such notes are secured by a pledge of its unrestricted revenues that is subordinate in all respects to the pledge of unrestricted revenues under its Resolution.

(5) Before such Additional Notes shall be issued, the District shall file or cause to be filed the following documents with the Trustee:

(a) An opinion of counsel to the District to the effect that (A) such Additional Notes constitute the valid and binding obligations of the District, (B) such Additional Notes are special obligations of the District and are payable from the moneys

pledged to the payment thereof in its Resolution, and (C) the applicable Supplemental Resolution, if any, has been duly adopted by the District.

(b) A certificate of the District certifying as to the incumbency of its officers and stating that the requirements set forth above have been met.

(c) A certified copy of its Resolution and any applicable Supplemental Resolution.

(d) If its Resolution was amended by a Supplemental Resolution to increase the maximum amount of borrowing, the resolution of the applicable County Board of Supervisors approving such increase in the maximum amount of borrowing and the issuance of such Additional Notes, or evidence that such County Board of Supervisors has elected to not issue such Additional Notes.

(e) An executed counterpart or duly authenticated copy of the applicable purchase agreement with respect to the series of Additional Notes.

(f) A Pricing Confirmation relating to the series of Additional Notes duly executed by an authorized officer of the Districts.

(g) The series of Additional Notes duly executed by the applicable County representatives, or executed by the applicable authorized officers of the District if the County shall have declined to issue the series of Additional Notes in the name of the District, either in connection with the initial issuance of the Notes or in connection with any Supplemental Resolution increasing the maximum amount of borrowing.

(h) If the Additional Notes are to be parity Senior Notes or parity Subordinate Notes, consent of the Bank and any other credit provider required pursuant to paragraph (4)(a) above and the Rating Confirmations required pursuant to paragraph (4)(b) above.

LETTER OF CREDIT

The Letter of Credit is an irrevocable obligation of the Bank to pay to the Trustee, upon the presentation of the documents required thereby, an amount equal to the principal of and interest on the Subordinate Bonds when due. Under the Indenture, the Trustee is required to make the draw on the Letter of Credit by the time required therein and in accordance with the terms thereof, and in sufficient amounts, to make timely payment of the principal of and interest on the Subordinate Bonds when due.

The Letter of Credit will expire on the earlier of (i) the close of banking business on July 2, 2010, or (ii) the date upon which the Trustee has drawn on the Letter of Credit with respect to the payment of principal on the Subordinate Bonds or (iii) the date the Trustee surrenders the Letter of Credit to the Bank for cancellation (which the Trustee is permitted to do under the Indenture only if the Subordinate Bonds have been defeased in accordance with the Indenture).

Certain information regarding the Bank is set forth in Appendix D hereto.

THE AUTHORITY

The California School Cash Reserve Program Authority (the "Authority") is a joint exercise of powers authority duly organized and existing under and pursuant to that certain Joint Exercise of Powers Agreement, as amended, by and among Newhall Elementary School District, Delano Union School District, Sulphur Springs Union School District and Moorpark Unified School District (collectively, the "Members"), originally dated April 15, 1993, and has the power to issue, sell and deliver bonds for any purpose authorized under Articles 1, 2 and 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code. Since inception, the Program used either certificates of participation or bonds issued by the Authority. For a variety of reasons, the Program for Fiscal Year 2009-2010 has been restructured to provide for the delivery of bonds. If Additional Notes are issued, the Resolutions authorize the Authority to issue Additional Bonds. The Bonds do not constitute a lien or charge upon any funds or property of the Authority, except to the extent of the pledge of funds as set forth in the Indenture. The Bonds are not a debt of any District or any Member, and no such District or Member is liable in any manner for the payment thereof.

APPLICATION OF PROCEEDS

The proceeds, including premium, from the sale of the Bonds are anticipated to be used in the aggregate amounts as follows:

Proceeds Fund	\$538,530,676.15
Costs of Issuance *	<u>2,602,548.45</u>
Total	<u>\$541,133,224.60</u>

*Includes legal fees, trustee fees, rating agency fees, Letter of Credit fees and Underwriter's discount and fees.

INVESTMENT OF DISTRICT FUNDS

General

Education Code Section 41001 *et seq.* provides that all school district funds, except as otherwise set forth below, shall be deposited into the county treasury to the credit of the proper fund of such district. Education Code Section 41015 provides that funds held in a special reserve fund or any surplus moneys not required for the immediate necessities of such district may be invested in investments specified in Section 16430 or 53601 of the Government Code. In addition, Government Code Section 53853(b) authorizes the Districts to direct the investment of their Note proceeds and amounts held by the Trustee under the Indenture. Accordingly, all funds of the Districts not subject to the exception, including cash receipts and other moneys received by the Districts for deposit to the general fund and other funds not described above of the Districts and attributable to Fiscal Year 2009-2010, are deposited with the applicable county treasury, to remain on deposit therein and generally available for the payment of current expenses and other obligations of the Districts until deposited into such Districts' respective Proceeds Subaccounts and Payment Accounts.

Sections 27130 through 27137 of the Government Code require the board of supervisors in a county investing surplus funds to establish a treasury oversight committee. In general, the provisions (a) require the treasury oversight committee to consist of between three and 11 members nominated by the treasurer and confirmed by the board of supervisors; (b) prohibit committee members from raising money for the treasurer or the board of supervisors and restrict employment by members of the committee; (c) require the annual preparation of an investment policy to be reviewed and monitored by the treasury oversight committee, which shall include, among other things, a list of the type of securities

in which the county treasury may invest and the maximum term of such securities, criteria for the selection of securities brokers and dealers, the requirement that the county treasurer provide the oversight committee with an investment report as required by the board of supervisors, the manner of calculating and apportioning costs, and criteria for considering requests to withdraw funds from the county treasury; (d) require performance of an annual audit by the treasury oversight committee to ensure compliance with established investment policies; and (e) permit the treasurer to grant withdrawal requests for the purposes of investing or depositing such funds outside of the treasury pool only upon a finding by the treasurer that the withdrawal will not adversely affect the other depositors in the pool.

In addition, California Government Code provisions establish a trust and fiduciary relationship between the treasurer, those involved in the treasury investment process and the depositors, investors and participants in the treasury. Such provisions adopt the prudent investor standard for investing, establish priorities for public investing (first safety, second liquidity and finally return on the funds invested), place additional limitations on permitted treasury investments, including restricting the use of reverse repurchase agreement and certain derivative instruments, and establish additional reporting requirements for the treasury.

County Investment Pools

Most, if not all, of the Districts have substantial amounts held and invested in the pooled investment fund of the county in which such District is located. Most of the Districts are expected to invest the net proceeds of their Notes and certain other funds held by the Trustee in their Proceeds Subaccounts and Payment Accounts attributable to the Notes in their respective county investment pools. Each District must notify Piper Jaffray & Co. of its election to invest such funds prior to the issuance of the Bonds. At least one District in each County (other than Tulare County) has indicated that it intends to invest such funds in its county investment pool. All of the Districts in Tulare County have indicated that they intend to invest such funds in the Local Agency Investment Fund managed by the office of the Treasurer of the State of California. Copies of the current investment policies of such counties are available upon request during the initial offering period from Piper Jaffray & Co.

Although State law requires conservative investment standards by county treasuries as described above under “—General,” there can be no assurance that a county investment pool will not suffer significant investment losses.

GENERAL DISTRICT FINANCIAL INFORMATION

Sources of Funds

School Districts. On average, school districts in the State have historically received most of their income under a formula known as the “State Revenue Limit.” This apportionment, the majority of which has historically been funded by State apportionments of basic and equalization aid with the remainder funded by local property taxes (and, in the case of community college districts and county offices of education, certain other local revenues), is allocated to the school districts based on a revenue limit per unit of the average daily attendance (“ADA”) of the school districts. ADA is determined by school districts twice a year, in December (“First Period ADA”) and April (“Second Period ADA”). Generally, the State apportionment amounts to the difference between a district’s revenue limit and its actual local property tax receipts (after any redevelopment agency tax increment or other deductions or “shifts” that may be in effect under State law).

In addition to the State Revenue Limit apportionment, the State Constitution requires the State to provide at least \$120 per ADA (or \$2,400 per district) for every school district. Through Fiscal Year

2002-2003, this provision was interpreted as requiring the State to distribute the minimum amount of State general purpose funding to districts, including districts who otherwise would have qualified for less funding due to the amount of local property tax revenues received. For some districts, local property tax revenues equal or exceed those districts' revenue limits ("Excess Tax Districts"). These districts are also known as "Basic Aid Districts."

In Fiscal Year 2003-2004, the State legislature (the "Legislature") changed its policies to provide that State Categorical Funds (as defined below) received by districts also would count towards the constitutional minimum State funding requirement. Additionally, the Legislature wanted to ensure that the Excess Tax Districts experienced the same revenue limit reductions as all other districts in Fiscal Year 2003-2004. Since Excess Tax Districts do not receive any State Revenue Limit funds, the Legislature has reduced each Excess Tax District's State categorical program support by the amount it otherwise would have received in revenue limit reductions.

A small part of a school district's budget is from local sources other than property taxes, such as developer fees, interest income, donations and sales of property. The rest of a school district's budget comes from categorical funds provided exclusively by the State and federal government. These funds are to be used for specific programs and typically cannot be used for any other purpose ("Categorical Funds").

In recent years, approximately 60% of all money for public education came from the State budget, and about 24% from local property taxes. The Legislature and the State governor (the "Governor") determine the total from both sources annually. The property tax amount, established by the Legislature in a 1978 formula following the passage of Proposition 13, has been slowly increasing, and the State's share of funding has decreased slightly. See "—Constitutional and Statutory Provisions Affecting School District Revenues and Appropriations" for a more detailed discussion on Proposition 13.

Statewide, about 8% of school districts' revenues come from the federal government, and about 6% come from local miscellaneous sources. The latter category includes such small items as food sales, money from debt repayment, interest on reserves and, in some cases, such larger items as developer fees and parcel taxes. Many school districts seek grants or contributions, which are sometimes channeled through private foundations established to solicit donations from local families and businesses.

Those few school districts that still have unused school buildings or sites can lease or sell them for miscellaneous income. Since January 1987, school districts have been able to levy a fee on new residential or commercial development within their boundaries to finance the construction or renovation of school facilities.

A significant number of school districts have secured the required two-thirds approval from local voters to levy special taxes on parcels or residences. A significant number of other districts have won voter approval, with either a two-thirds vote or a 55% majority, to sell general obligation bonds or to establish special taxing districts for the construction of schools. Use of such taxes is restricted by law.

The final revenue source is the State Lottery. Approved by voters in late 1984, the lottery generates less than 2% of total school revenues. Every school district receives the same amount of lottery funds per pupil from the State; however, these are not Categorical Funds as they are not for particular programs or children. Such funds may be spent for instructional but not capital purposes.

No other source of general purpose revenue is currently permitted for schools. Proposition 13 eliminated the possibility of raising additional property taxes for general school support, and State courts have declared that fees may not be charged for school-related activities (other than for busing services).

Community College Districts. California community college districts (other than Basic Aid Districts, as described below) receive, on average, approximately 52% of their funds from the State, 44% from local sources, and 4% from federal sources. State funds include general apportionment, Categorical Funds, capital construction, the State lottery (which is less than 3%), and other minor sources. Local funds include property taxes, student fees, and miscellaneous sources.

In the past, a community college district determined its revenue allocation using a program-based model. The model was instituted in 1991, and replaced an older model based on enrollments. The model used different factors to establish support levels for five different categories at the community college district: (a) Instruction and Instructional Administration; (b) Instructional Services; (c) Student Services; (d) Operation and Maintenance of Plants; and (e) Institutional Support. Different standards were used in each category to determine fund requirements. The target allocation was obtained by calculating the exact cost of funding the specific standards in each category, on a district-by-district basis. The aggregate total of the financial needs of the five categories established the amount of funding a district would receive. State general fund moneys, local property taxes, and certain other local revenues were allocated to the community college districts based on annual State apportionments of basic and equalization aid to community college districts for general purposes computed up to a base revenue per unit of full time equivalent students ("FTES"). Such apportionments would, generally speaking, amount to the difference between a district's base revenue and its local property tax allocation and student enrollment fees. Base revenue calculations were adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among all community college districts in the State.

A bill passed by the State's legislature ("SB 361") and signed by the Governor on September 29, 2006, established a new community college funding system with immediate effect. The new system includes allocation of state general apportionment revenues to community college districts based on criteria developed by the Board of Governors of the California Community Colleges (the "Board of Governors") in accordance with prescribed statewide minimum requirements. In establishing these minimum requirements, the Board of Governors will be required to acknowledge the need of each community college district to receive an annual allocation based on the number of colleges and comprehensive centers in each such district, plus funding received based on the number of credit and noncredit FTES in such district.

SB 361 also specifies that, commencing with the 2006-07 Fiscal Year, the minimum funding per FTES will be: (a) not less than \$4,367 per credit FTES (subject to cost of living adjustments funded through the budget act in subsequent fiscal years); (b) at a uniform rate of \$2,626 per noncredit FTES (adjusted for the change in cost of living provided in the budget act in subsequent fiscal years); and (c) set at \$3,092 per FTES (adjusted for the change in cost of living provided in the budget act in subsequent fiscal years) for a new instructional category of "career development and college preparation." Pursuant to SB 361, the Chancellor of the California Community Colleges (the "Chancellor") will develop criteria for one-time grants for districts that would have received more funding under the prior system or a proposed rural college access grant, than under the new system.

Local revenues are first used to satisfy community college district expenditures. The major local revenue source is local property taxes that are collected from within such district's boundaries. Student enrollment fees from the local community college district generally account for the remainder of local revenues for such district. Property taxes and student enrollment fees are applied towards fulfilling such

district's financial needs. Once these sources are exhausted, State funds are used. State aid is subject to the appropriation of funds in the State's annual budget. Decreases in State revenues may affect appropriations made by the State legislature to such district. The district's Revenue Limit generally comprises the property taxes, student enrollment fees, and State aid received by such district.

"Basic Aid" community college districts are those districts whose local property tax and student enrollment fee collections exceed the revenue allocation determined by the program-based model. Basic aid districts do not receive any funds from the State. The current law in California allows these districts to keep the excess funds without penalty. The implication for Basic Aid Districts is that the legislatively determined annual cost of living adjustment and other politically determined factors are less significant in determining such districts' primary funding sources. Rather, property tax growth and the local economy become the determinant factors.

A small part of a community college district's budget is from local sources other than property taxes and student enrollment fees, such as interest income, donations and sales of property. Every community college district receives the same amount of lottery funds per student from the State; however, these are not Categorical Funds as they are not for particular programs or students. Such funds are required to be used for instructional purposes, but are prohibited for capital purposes.

County Offices of Education

In each county there is a county superintendent of schools (the "County Superintendent") and a county board of education. The Office of the County Superintendent, frequently known as the "County Office of Education" (the "County Office") provides the staff and organization that carries out the activities of the County Superintendent and county board of education.

County Offices provide instructional and support services to school districts within their counties, and various State mandated services county-wide, particularly in special education and juvenile court education services. County Office business services departments act as a control point for a variety of information, including pupil data collection, attendance accounting, teacher credential registration, payroll accounting, retirement and tax information and school district budgets, and also report such information to the State Department of Education. As described below, all school district budgets must be approved by the respective County Office, and each district must provide its County Office with scheduled interim reports throughout the fiscal year. County Offices also act as enforcement entities that intervene in district fiscal matters if a district fails to meet State budget and reporting criteria.

District Budget Process

General. The fiscal year for all California school districts, county boards of education and community college districts begins on the first day of July of each year and ends on the thirtieth day of June of the following year.

School Districts. School districts are required by provisions of the State Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. School districts' annual general fund expenditures are characterized in large part by multi-year expenditure commitments such as union contracts. Year-to-year fluctuations in State and local funding of school district general funds could result in revenue decreases which, if large enough, may not easily be offset by an equal reduction in expenditures until at least the following fiscal year. School districts are required by State law to maintain general fund reserves that can be drawn upon in the event of a resulting excess of

expenditures over revenues for a given fiscal year. The State Department of Education imposes a uniform budgeting and accounting format for school districts.

School districts must adopt a budget no later than June 30 of each year. The budget must be submitted to the County Superintendent within five days of adoption or by July 1, whichever occurs first. A district may be on either a dual or single budget cycle. The dual budget cycle requires a revised and readopted budget by September 1 that is subject to State mandated standards and criteria. The revised budget must reflect changes in projected income and expenses subsequent to July 1. The single budget is only readopted if it is disapproved by the County Superintendent, or as needed.

For both dual and single budgets submitted on July 1, the County Superintendent will (a) examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, (b) determine if the budget allows the district to meet its current obligations, and (c) determine if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments. On or before August 15, the County Superintendent will approve or disapprove the adopted budget for each school district.

Budgets will be disapproved if they fail the above standards. The district board must be notified by August 15 of the County Superintendent's recommendations for revision and reasons for the recommendations. The County Superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the recommendations. The committee must report its findings no later than August 20. Any recommendations made by the County Superintendent must be made available by the district for public inspection. The law does not provide for conditional approvals; budgets must be either approved or disapproved. No later than August 20, the County Superintendent must notify the State Superintendent of Public Instruction (the "State Superintendent") of all school districts whose budget has been disapproved.

Each dual budget option district and each single budget option districts whose budgets has been disapproved must revise and readopt its budget by August 20, reflecting changes in projected income and expenses since July 1, including responding to the County Superintendent's recommendations. The County Superintendent must determine if the budget conforms with the standards and criteria applicable to final district budgets, and not later than October 8, must approve or disapprove the revised budgets. If the budget is disapproved, the County Superintendent will call for the formation of a budget review committee pursuant to Education Code Section 42127.1. Until a district's budget is approved, the district will operate on the lesser of its proposed budget for the current fiscal year or the last budget adopted and reviewed for the prior fiscal year.

After approving the districts' budgets, the County Superintendent will monitor, throughout the fiscal year, each school district under his or her jurisdiction pursuant to its adopted budget to determine on a continuing basis if the district can meet its current or subsequent year financial obligations. If a County Superintendent determines that a district cannot meet its current or subsequent year obligations, the County Superintendent will notify the district's governing board of the determination, and the County Superintendent may do either or both of the following: (a) assign a fiscal advisor to enable the district to meet those obligations, or (b) if a study and recommendations are made and a district fails to take appropriate action to meet its financial obligations, the County Superintendent must so notify the State Superintendent, and then may do any or all of the following for the remainder of the fiscal year: (i) request additional information regarding the district's budget and operations; (ii) develop and impose, after also consulting with the district's board, revisions to the budget that will enable the district to meet its financial obligations; and (iii) stay or rescind any action inconsistent with such revisions. However,

the County Superintendent may not abrogate any provision of any collective bargaining agreement that was entered into prior to the date upon which the County Superintendent assumed authority.

At a minimum, each school district files with its County Superintendent and the State Department of Education a First Interim Financial Report by December 15 covering financial operations from July 1 through October 31, and a Second Interim Financial Report by March 15 covering financial operations from November 1 through January 31. Section 42131 of the Education Code requires that each interim report be certified by the school board as either (a) "positive," certifying that the district, "based upon current projections, will meet its financial obligations for the current fiscal year and subsequent two fiscal years," (b) "qualified," certifying that the district, "based upon current projections, may not meet its financial obligations for the current fiscal year or two subsequent fiscal years," or (c) "negative," certifying that the district, "based upon current projections, will be unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year." A certification by a school board may be revised by the County Superintendent. If either the First or Second Interim Report is not "positive," the County Superintendent may require the district to provide a Third Interim Financial Report covering financial operations from February 1 through April 30 by June 1. If not required, a Third Interim Financial Report is not prepared. Each interim report shows fiscal year-to-date financial operations and the current budget, with any budget amendments made in light of operations and conditions to that point. After the close of the fiscal year on June 30, an unaudited financial report for the fiscal year is prepared and filed without certification with the County Superintendent and the State Department of Education.

None of the Districts has received a negative certification for the First or Second Interim Reports for Fiscal Year 2008-2009. Twenty-two of the Districts have received a qualified certification for the First or the Second Interim Report for Fiscal Year 2008-2009. In order for any such District receiving a qualified or negative certification for Fiscal Year 2008-2009 to issue its Note in connection with this offering, the County Superintendent of Schools for such District must determine, pursuant to criteria established by the State Superintendent, that such District's repayment of its respective Notes is probable. All of the Districts who received a qualified or negative certification prior to the issuance of their respective Notes will have received a determination by their respective County Superintendent of Schools by the date of issuance of the Bonds that such District's repayment of its Note is probable.

Community College Districts. In response to growing concern for accountability, the statewide Board of Governors and the Chancellor's Office of the California Community Colleges (the "Chancellor") have, through enabling legislation (AB 2910, Chapter 1486, Statutes of 1986), established expectations for sound district fiscal management and a process for monitoring and evaluating the financial condition to ensure the financial health of California's community college districts. In accordance with statutory and regulatory provisions, the Chancellor has been given the responsibility to identify districts at risk and, when necessary, the authority to intervene to bring about improvement in their financial condition. To stabilize a district's financial condition, the Chancellor may, as a last resort, seek an appropriation for an emergency apportionment.

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

community college districts with greater financial difficulty will receive follow-up visits from the Chancellor's Office where financial solutions to the district's problems will be addressed and implemented.

Accounting Practices

The accounting policies of California school districts conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to Section 41010 of the Education Code, is to be followed by all California school districts. Revenues are recognized in the period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the period in which the liability is incurred.

State Revenue Limit

The State Revenue Limit was first instituted in 1973-74 to provide a mechanism to calculate the amount of general purpose revenue a school district, community college district or county board of education is entitled to receive from State and local sources. Prior to 1973-74, taxpayers in districts with low property values per pupil would have paid higher tax rates than taxpayers in districts with high property values per pupil to achieve the same level of funding. Thus, the State Revenue Limit helps to alleviate the inequities between the two types of school districts.

The State Revenue Limit is calculated three times a year for each school district, community college district and county board of education. The first calculation is performed for the February 20th First Principal Apportionment, the second calculation for the June 25th Second Principal Apportionment, and the final calculation for the end-of-the-year Annual Apportionment. Calculations are reviewed by the county and submitted to the State Department of Education with respect to school districts and to the Chancellor of the California Community Colleges ("CCCs") with respect to community college districts, which, respectively, review the calculations for accuracy, calculate the amount of state aid owed to such school district or community college district, as the case may be, and notify the State Controller of the amount, who then distributes the state aid.

The calculation of the amount of state aid a school district is entitled to receive each year is basically a five-step process. First, the prior year State Revenue Limit per ADA is established, with recalculations as necessary with adjustments for equalization or other factors. Second, the adjusted prior year State Revenue Limit per ADA is inflated according to formulas based on the implicit price deflator for government goods and services, and the Statewide average State Revenue Limit per ADA for each type of ADA, yielding the school district's current year "component" revenue limits per ADA. Third, the current year's State Revenue Limit per ADA for each school district is multiplied by such school district's ADA for either the current or prior year, as the district elects. Fourth, revenue limit adjustments known as "add-ons" are calculated for each school district if such school district qualifies for the add-ons. Add-ons include the necessary small school district adjustments, meals for needy pupils and small school district transportation, and are added to the State Revenue Limit for each qualifying school district. Finally, local property tax revenues are deducted from the State Revenue Limit to arrive at the amount of state aid to which each school district is entitled for the current year based on the State Revenue Limit.

The calculation of the amount of state aid a community college district is entitled to receive is similar to that of a school district. However, in the final step, student fee revenues are deducted along with local property tax revenues from the State Revenue Limit to arrive at the amount of state aid each community college district is entitled to receive.

The calculation of the amount of state aid a county board of education is entitled to receive (through its county superintendent of schools for special classes, schools and programs operated by such county superintendent of schools) is similar to the first three steps for school districts. However, such amount is reduced by the sum of (a) the amount of the decreased contributions to the Public Employees' Retirement System, (b) local property taxes and tax revenues received during the then current fiscal year, (c) state and federal categorical aid for the fiscal year, (d) district contributions and other applicable local contributions and revenues and (e) any amounts that were required to be maintained as restricted and unavailable for expenditures. The remainder is distributed in the same manner as state aid to school districts.

State Funding of Education

General. The California Constitution, Article XVI, Section 8, requires that the moneys to be applied by the State for support of the public school system and public institutions of higher education shall first be set apart from all State revenues. As discussed above, school districts, community college districts and county offices of education in the State receive a significant portion of their funding from State appropriations.

The availability of State funds for public education is a function of Constitutional provisions affecting school district revenues and expenditures, the condition of the State economy (which affects total revenues available to the State general fund) and the annual State budget process.

Annual State apportionments of basic and equalization aid to school districts for general purposes are computed up to a revenue limit per unit of ADA. Such apportionments will, generally speaking, amount to the difference between the district's revenue limit and the district's local property tax allocation (and, in the case of community college districts and county offices of education, certain other local revenues). Revenue limit calculations are adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among the same type of California school districts (i.e., unified, elementary, high school). State law also provides for State support of specific school-related programs including summer school, adult education, deferred maintenance of facilities, pupil transportation, portable classrooms and other capital outlays and various categorical aids.

On November 8, 1988, California voters approved an initiative constitutional amendment and statute known as Proposition 98. This initiative made changes in the way the State funds public schools below the university level and treats excess revenues. On June 5, 1990, the California voters approved an initiative constitutional amendment known as Proposition 111, which modified the California Constitution to alter the spending limit and educational funding provisions of Proposition 98. See "—Constitutional and Statutory Provisions Affecting School District Revenues and Appropriations" for a more detailed discussion on Propositions 98 and 111.

The total amount required to be appropriated by the State for kindergarten through community college ("K-14") education is based on prior-year funding, as adjusted through various formulas and tests that take into account State proceeds of taxes, local property tax proceeds, school enrollment, per-capita personal income, and other factors. The State's share of the guaranteed amount is based on State general fund tax proceeds and is not based on the general fund in total or on the State budget. The local share of the guaranteed amount is derived from local property taxes. The total guarantee amount varies from year to year throughout the stages of any given fiscal year's budget, from the initial Governor's budget proposal to actual expenditures, as the various factors change.

State Budget Process. The State budget approval process begins with the release of the Governor's proposed budget for the next fiscal year by January 10 to the Legislature. State fiscal years begin July 1. In May, the Governor submits a "May Revision" of the proposed budget that reflects updated estimates of revenues and expenditures. After a series of public hearings and the other steps in the legislative process, the budget must be approved by two-thirds vote in each house of the Legislature and submitted to the Governor. The Governor may reduce or eliminate any appropriation through the line-item veto. Although the budget is required by the Constitution to be approved no later than June 15, the budget is frequently not approved until later in the year. As described under "—2008-09 State Budget" below, the State budget was approved on September 23, 2008 for the current Fiscal Year 2008-09.

While the Constitution in large part dictates the formulae for determining the allocation of State revenues to the kindergarten through twelfth grade ("K-12") education portion of the State budget pursuant to Proposition 98 and other provisions, the Governor and Legislature still have significant leeway in deciding whether and by how much to exceed or, in effect, reduce such allocation in the actual funding of K-12 school districts, and in deciding what funds will be general purpose or restricted purpose, in the State budget process.

State Budget for Prior Fiscal Years. Following a severe recession in the early 1990s, the State's financial condition improved markedly starting in 1995-1996, due to a combination of better-than-expected revenues, slowdown in growth of social welfare programs, and continued spending restraint based on actions taken in earlier years. The economy grew strongly between 1994 and 2000, generally outpacing the nation, and as a result, for the five Fiscal Years from 1995-1996 to 1999-2000, the General Fund tax revenues exceeded the estimates made at the time the budgets were enacted. These additional funds were largely directed to school spending as mandated by Proposition 98, to make up shortfalls from reduced federal health and welfare aid in 1995-1996 and 1996-1997, and to fund new program initiatives, including education spending above Proposition 98 minimums, tax reductions, aid to local governments and infrastructure expenditures.

Starting in early 2001, the State faced significant financial challenges, with an economic recession in 2001 and a sluggish recovery in 2002 and 2003 (with greatest impacts in the high technology, internet, and telecommunications sectors, especially in northern California); weakened exports; and most particularly, large stock market declines between 2000 and 2002 (with attendant declines in stock option values and capital gains realizations). These adverse fiscal and economic factors resulted in an erosion of State general fund tax revenues. The three largest State general fund tax sources are personal income, sales and use, and corporate taxes. The bulk of the revenue declines were from personal income taxes, principally from reduced capital gains realizations and stock option income. This revenue drop resulted in a shortfall between State revenues and anticipated spending demands during the Fiscal Years 2001-2002 through 2003-2004 resulting in a total accumulated deficit of approximately \$22 billion.

Two measures intended to address the cumulative budget deficit and to implement structural reform were both approved at the March 10, 2004 statewide primary election. The California Economic Recovery Bond Act (Proposition 57) authorized the issuance of up to \$15 billion of economic recovery bonds to finance the negative State general fund reserve balance as of June 30, 2004 and other State general fund obligations undertaken prior to June 30, 2004. The first two series of economic recovery bonds, which were issued on May 11, 2004, provided approximately \$8.339 billion of net proceeds to the State's general fund. A third series of economic recovery bonds in the principal amount of \$2.974 billion was issued on June 16, 2004. The Balanced Budget Amendment (Proposition 58) requires the State to adopt and maintain a balanced budget and establish a reserve, and restricts future long-term deficit-related borrowing.

During the second half of 2003 and during 2004, the recovery of the California economy broadened and strengthened (although with continuing weakness in job growth) and further moderate growth continued in 2005 through 2007. However, the State is currently experiencing a severe economic downturn, similar to the trends throughout the United States, particularly with regard to the subprime mortgage market. Due to rising mortgage interest rates between 2004 and 2006, there was significant disruption in the supply and demand in the national housing market. Since early 2007, the delinquency rate of subprime and other mortgages (particularly those with adjustable interest rates) has risen, and the foreclosure rate has increased significantly. Such losses in the mortgage market has rippled into other financial markets, as investors continue to closely examine credit risks. In addition, the unemployment rate in California currently exceeds 10%.

The discussion below of the 2008-09 State Budget (as defined below) and the 2009-10 State Budget (as defined below) are based on estimates and projections of revenues and expenditures for the current and upcoming fiscal years and must not be construed as statements of fact. These estimates and projections are based upon various assumptions as updated in the 2008-09 State Budget and the 2009-10 State Budget, which may be affected by numerous factors, including future economic conditions in the State and the nation, and there can be no assurance that the estimates will be achieved.

The State has not entered into any contractual commitment with the Districts, the Underwriter or the Owners of the Bonds to provide State budget information to the Districts, the Underwriter or the Owners of the Bonds. Although they believe the State sources of information listed above are reliable, neither the Districts nor the Underwriter assumes any responsibility for the accuracy of the State budget information set forth or referred to herein or incorporated by reference herein. Additional information regarding State budgets is available at various State-maintained websites including www.dof.ca.gov.

2008-09 State Budget. The 2008-09 Budget Act (the “2008-09 State Budget”) was signed by the Governor on September 23, 2008, after an 85-day delay, and endeavored to resolve the \$24.3 billion budget deficit identified in the May Revision to the Governor’s proposed 2008-09 budget. The final 2008-09 State Budget provided a reserve of \$1.7 billion for the 2008-09 Fiscal Year, but projected a deficit of \$1.0 billion in fiscal year 2009-10. While the 2008-09 State Budget did not resolve the State’s persistent structural budget deficit, it included reform measures designed to put California on the path to fiscal stability. Expenditure reductions accounted for 47% of all the 2008-09 State Budget solutions and, as a result of these reductions, the 2008-09 State Budget held General Fund spending to virtually no growth for the 2008-09 Fiscal Year—\$103.4 billion in 2008-09 compared to \$103.3 billion in 2007-08. This reflected less than 2% growth as compared to General Fund spending in 2006-07. The 2008-09 State Budget included a reduction of \$850 million General Fund spending due to \$510 million in General Fund vetoes which reflect the Governor’s decision to reduce spending to the maximum extent possible within constitutional, statutory, and court-ordered spending requirements.

The 2008-09 State Budget included \$41.9 billion General Fund in funding for K-12 education and community colleges to fund the minimum Proposition 98 Guarantee in 2008-09. Total Proposition 98 funding for K-14 education programs increased year over year by \$1.5 billion. Total expenditures from all sources for K-12 education programs in 2008-09 were projected to be \$71.9 billion. Of this amount, \$68 billion is state, federal and local property tax funding accounted for in the 2008-09 State Budget. As a result of a steady decline in birth rates throughout the 1990s, attendance growth in California public schools is declining. For 2007-08, K-12 ADA was estimated to be 5,947,000, a decrease of 6,400 from the 2006-07 Fiscal Year. For 2008-09, K-12 ADA was estimated to decrease by an additional 31,000 to 5,916,000.

The 2008-09 State Budget also provided the following for K-12 education:

Per-Pupil Spending. Total per pupil expenditures from all sources were projected to be \$12,042 in 2007-08 and \$12,152 in 2008-09, including funds provided for prior year settle-up obligations.

Cost-of-Living Adjustments (“COLA”). The 2008-09 State Budget included \$244.3 million for a 0.68% COLA for school apportionments. Of this amount, \$239.8 million was for school district revenue limits, and \$4.5 million was for county office of education revenue limits. No COLA was provided for categorical programs.

Proposition 98 Guarantee. For Fiscal Year 2006-07, the Proposition 98 Guarantee was \$55.2 billion, of which the General Fund share was \$41.4 billion. Local property taxes covered the balance. The Proposition 98 Guarantee for 2008-09 was projected to grow to \$58.1 billion of which \$41.9 billion would be from the General Fund.

Property Taxes. The 2008-09 State Budget reflected \$14.4 billion in school district and county office of education property tax revenues in 2008-09, an increase of \$1.0 billion over 2007-08. These estimates included the impact of redevelopment agency (“RDA”) pass-through provisions enacted with the 2008-09 State Budget. Legislation was included with the 2008-09 State Budget requiring RDAs to report all payments and obligations to local taxing jurisdictions for fiscal years 2003-04 through 2008-09 to the county auditor for verification. RDAs are required to remit any outstanding obligations to local taxing jurisdictions, except that moneys owed to schools that offset State costs for apportionments are to be deposited in the county Educational Revenue Augmentation Fund. This transfer was estimated to be \$98 million in 2008-09.

Local Educational Agency Corrective Action Assistance. Consistent with the requirements placed on the State and local educational agencies (“LEAs”) by the federal No Child Left Behind Act, the State Board of Education, in March 2008, approved individually differentiated sanctions and technical assistance for 97 LEAs. To ensure that this and future cohorts of corrective-action LEAs had the financial wherewithal to implement these activities, the 2008-09 State Budget included \$180 million federal Title 1 Set-Aside funds. LEAs were slated to receive one-time funding to implement a variety of improvements and reforms aimed at improving student achievement. Specifically for this first cohort of corrective-action LEAs, the budgeted resources were slated to be used to implement a new curriculum based on state academic content and achievement standards, including providing appropriate professional development based on scientifically-based research for all relevant staff.

Emergency Repair Program. The 2008-09 State Budget provided a \$101 million transfer from the Proposition 98 Reversion Account to the Emergency Repair Account. This increment of funding for the program would bring total transfers to \$392 million for the purpose of funding school facility emergency repair projects.

Student and Teacher Longitudinal Data Systems. The 2008-09 State Budget provided \$25.4 million to support the development of the California Longitudinal Pupil Achievement Data System and related school information services workload. Total funding for these programs since 2006-07, including support for all districts in preparing for the transition to the longitudinal system in the summer of 2010, was \$78.7 million. In addition, the 2008-09 State Budget provided \$1.2 million in federal funds to support development of the California Teacher Integrated Data System.

Child Care. The 2008-09 State Budget appropriated more than \$3.3 billion for the various child care programs administered by the State Department of Education, including funding for preschool, general child care centers, family child care homes, CalWORKs child care and before- and after-school programs. Total funding included \$338.3 million in one-time Proposition 98 resources to fully fund CalWORKs Stage 2 and Stage 3 child care. The 2008-09 State Budget also included \$10.9 million for growth for non-CalWORKs child care programs. A total of approximately 915,000 child care slots were funded in the budget.

Proposition 98 Settle-Up Payments. The 2008-09 State Budget deferred \$150 million in settle-up payments traditionally appropriated to reduce prior years' outstanding K-14 unfunded reimbursable costs for mandated programs. The 2008-09 State Budget included \$402 million in settle-up funds to continue the Quality Education Investment Act of 2006.

California State Teachers' Retirement System. The California State Teachers' Retirement System administers the Teachers' Retirement Fund (the "Plan"). The Plan comprises three programs: the Defined Benefit Program, the Defined Benefit Supplement Program and the Cash Balance Benefit Program. Within the Defined Benefit Program there is also a Supplemental Benefit Maintenance Account ("SBMA"), which provides annual supplemental payments in quarterly installments to retired teachers whose purchasing power has fallen below 80% of the purchasing power of an initial allowance. Currently the State makes annual General Fund contributions to the SBMA of 2.5% of teacher payroll for purchasing power protection. However, the 80% level of supplemental payments is not a vested benefit. This means that if the amount in the SBMA was not sufficient to bring purchasing power up to the 80% level, supplemental payments may have to be suspended or paid at a lower level.

California Community College ("CCC") funding totaled over \$9.2 billion, including over \$6.7 billion from General Fund and Proposition 98 sources, of which almost \$4.7 billion was from the General Fund alone. The amount budgeted from General Fund and Proposition 98 sources for CCC was 4.9% above the revised 2007-08 level. The 2008-09 State Budget increased funding for enrollment growth, funding to backfill property tax shortfalls, and continued funding for important Statewide initiatives that address the nursing shortage, career technical education, and increasing success rates for students who lack adequate preparation for college level work. In total, the 2008-09 State Budget provided General Fund and Proposition 98 related increases of over \$312 million compared to 2007-08, including \$21.6 million in one-time resources from the Proposition 98 reversion account. Student fees remained at \$20 per unit, just 22% of the national average.

Policy related adjustments for the CCC include the following:

Career Technical Education Initiative. The 2008-09 State Budget continued substantial investments in career technical education ("CTE"), consistent with the Governor's initiative begun in 2005-06 which sought to improve high school vocational programs that articulate with community college career programs. The 2008-09 State Budget provided over \$70 million, consisting of \$20 million in ongoing funds in the CCC budget, the second increment of \$38 million from the *CTA v. Schwarzenegger* settlement appropriated by Chapter 751, Statutes of 2006, and \$12.5 million one-time payment pursuant to trailer legislation from the Public Interest Research, Development and Demonstration Fund.

Nurse Education Initiative. The 2008-09 State Budget continued substantial investments to address the Statewide nursing shortage in the higher education segments and financial aid programs totaling almost \$36.6 million. This included \$28.3 million in total funding for CCCs to expand nursing enrollments and address student attrition.

CCC Student Success Initiative. The 2008-09 State Budget continued \$33.1 million Proposition 98 General Fund for the CCCs authorized by Chapter 489, Statutes of 2007 to increase the rate of successful outcomes for students who are not adequately prepared for college-level work.

Sale of EdFund. Chapter 182, Statutes of 2007 authorized the sale, or other transaction, of the Student Aid Commission's loan guarantee function and nonprofit auxiliary organization, collectively known as EdFund, in order to maximize the value of the State's assets related to implementation of the Federal Family Education Loan Program. The sale was anticipated to generate a significant amount to help balance future budgets. Although the sale has been postponed due to a variety of factors affecting the loan guaranty industry, the Administration is continuing its efforts, pursuant to trailer legislation that extends the sale authorization, and anticipates that a sale will be completed no later than the 2009-10 fiscal year.

LAO Overview of 2008-09 State Budget. The Legislative Analyst's Office ("LAO") released its overview of the 2008-09 State Budget (the "LAO Overview") on November 11, 2008, reporting that the State's budget situation had been worsened by a significant drop in revenues due to the sluggish economy. The LAO reported that the State's struggling economy has severely reduced expected revenues and, combined with rising State expenses, the LAO projected that the State will need \$27.8 billion in budget solutions over the 2008-09 and 2009-10 fiscal years. As to the long-term outlook, the LAO reported that the State's revenue collapse is so dramatic and the underlying economic factors are so weak that the LAO forecasted huge budget shortfalls through 2013-14 absent corrective action. From 2010-11 through 2013-14, the LAO projected annual shortfalls consistently in the range of \$22 billion. The LAO concluded that closing a projected \$28 billion budget shortfall will be a monumental task, and the LAO believed the State Legislature must take major ongoing actions by both reducing base spending and increasing revenues.

With regard to Proposition 98 funding, the LAO projected that, assuming no midyear action is taken in 2008-09, the Proposition 98 minimum guarantee for 2009-10 would be \$54.3 billion, which is \$3.8 billion, or 6.4%, less than the amount budgeted for the current fiscal year. The LAO projected a small decline in K-12 attendance and a significant decline in General Fund revenues. The LAO Overview suggested that, because of the significant year-to-year decrease, funding at the minimum guarantee would require significant reductions in K-14 spending. Specifically, the LAO projected the Proposition 98 guarantee will grow by 2.4% in 2010-11, followed by year-to-year increases of about 5% throughout the remainder of the forecast period. The funding increases in the latter years of the forecast period are attributable to healthier growth in the California economy. Not only is the Proposition 98 funding requirement projected to decrease by \$3.8 billion in 2009-10, but Proposition 98 baseline costs are projected to increase by \$3.6 billion due to inflation and enrollment adjustments. These estimates, however, assume no midyear action is taken. If the State does reduce 2008-09 Proposition 98 spending and/or raise additional revenues during the special session, then some portion of the projected 2009-10 shortfall would be eliminated. How the State chooses to address any remaining 2009-10 shortfall will have a significant impact on future Proposition 98 funding. The future funding situation will be heavily affected by the particular mix of one-time solutions, ongoing spending reductions, and ongoing revenue increases ultimately reflected in the final budget package.

The LAO Overview reported that K-12 funding from all sources remains relatively flat, with total funding in 2008-09 (\$71.9 billion) increasing only \$281 million, or 0.4%, compared to 2007-08. Ongoing K-12 Proposition 98 spending in 2008-09 increased to \$51.6 billion, which is about \$1.3 billion more than the spending level for 2007-08. However, this increase was reported to be offset by a \$1 billion year-to-year decrease in spending from all other fund sources, a decrease mostly explained by the large amount of one-time funding included in the 2007-08 Budget.

With respect to CCCs, the LAO Overview reported that the 2008-09 State Budget provided \$6.4 billion in ongoing Proposition 98 funding, which is 10.9% of total Proposition 98 appropriations. This is \$240 million, or 3.9%, more than the revised 2007-08 level; however, this year-to-year increase falls to about 2.7% when factoring in additional funding that was provided on a one-time basis for 2007-08 to address a shortfall in CCC local property taxes. In addition, the LAO reported that the final 2008-09 State Budget provides that the CCC system receives an augmentation of \$114 million to fund new enrollment growth of 2%, or about 23,000 FTE students, plus \$40 million to fund a 0.68% base increase for CCCs. The enrollment and base budget increases apply only to CCC apportionments (general purpose moneys), and not to categorical programs. The LAO Overview confirmed that the 2008-09 State Budget made no change to student fee levels, which remained at \$20 per unit, and calculated that these fees are expected to generate over \$290 million in revenue for the CCC system.

Budget Reform and 2009-10 State Budget. On November 6, 2008, the Governor called a special session of the State Legislature and announced a plan to address a projected revenue shortfall for Fiscal Year 2008-09, estimated as of December 10, 2008 to be approximately \$14.8 billion, as well as substantial shortfalls in future fiscal years. This legislative special session ended without a resolution. Coinciding with the swearing-in of the new Legislature on December 1, 2008, the Governor declared a fiscal emergency for the State, allowing him to call several Proposition 58 legislative special sessions to address the shortfall.

On February 19, 2009, the State Legislature passed a budget-balancing reform signed by Governor Schwarzenegger on February 20, 2009 (the “2009-10 State Budget”), intended to close the State’s projected \$41.6 billion deficit through June 2010. The 2009-10 State Budget, enacted nearly five months ahead of the constitutional deadline, along with a number of accompanying measures, was designed to reduce the deficit forecasts and to achieve budget solutions for both the 2008-09 and 2009-10 fiscal years. The Department of Finance has reported that California’s chronic and cyclical budget crises are largely attributable to the use of higher than normal revenues to create permanent, ongoing spending commitments and tax cuts. The 2009-10 State Budget and accompanying legislation are designed to end this cycle by preventing government from spending revenue above the long-term trend line and by creating a substantial “Rainy Day” fund of up to 12.5% of General Fund revenue for use only during times when revenue is insufficient to fund a moderate, population-and-inflation-based growth in spending.

The 2009-10 State Budget addresses the State’s \$42 billion deficit through \$15 billion in State spending reductions, \$12.8 billion in temporary tax increases (including an increase in the vehicle license fee and an increase in State sales and income taxes), \$11.4 billion in borrowing and a \$1 billion reserve. The legislation includes revisions to the 2008-09 State Budget and adoption of the 2009-10 State Budget, covering a 17-month period ending July 1, 2010, addressing spending reductions, revenue increases, economic stimulus and increasing governmental efficiency. Certain measures required voter approval at a special State-wide election held on May 19, 2009. As discussed below in “—May 19, 2009 Election,” these measures failed

The Department of Finance, the State Treasurer, and the State Controller are developing a cash management plan to facilitate a return to normal State government payments; however, some payments may be delayed into the 2009-10 fiscal year. The 2009-10 State Budget requires the Director of Finance and the Treasurer to conduct a public meeting and to determine by April 1, 2009 how much General Fund benefit the State will receive in 2008-09 and 2009-10 from the receipt of the recently enacted American Recovery and Reinvestment Act of 2009. If the determination at that time is \$10 billion or greater, the expenditure solutions labeled as “trigger reductions” will not go into effect, nor will the additional 0.125% surcharge on the income tax rate. The Department of Finance estimate, released prior to the

April 1, 2009 deadline, was approximately \$8 billion, which results in the reductions and income tax surcharge taking effect.

Features of the 2009-10 State Budget and accompanying legislation as they pertain to education funding and programs include the following:

(a) **Proposition 98 Reduction.** An expenditure reduction of \$8.4 billion in Proposition 98 funding included in the 2009-10 State Budget reflects the reduction in the Proposition 98 minimum guarantee that results from the severe decline in General Fund revenues. In order to protect classroom funding during the financial downturn, the 2009-10 State Budget includes \$3.24 billion of deferrals from the 2008-09 Fiscal Year to July of the 2009-10 fiscal year from school district revenue limits, K-3 class size reduction and community college apportionment payments.

(b) **Allocation of Proposition 98 Funding.** The 2009-10 State Budget contains reductions and changes in the way the total Proposition 98 funding is allocated to various programs: (i) eliminating the \$286.9 million COLA included in the 2008-09 State Budget; (ii) reducing \$943.8 million to school district and county office of education revenue limits in 2008-09, and making an additional reduction to revenue limits of \$267.5 million in 2009-10; and (iii) reducing \$1,211.3 million from most all K-12 categorical programs, which consists of a reduction of \$943.8 million in 2008-09, and an additional reduction of \$267.5 million in 2009-10. In order to increase school districts' flexibility to accommodate these reductions, the 2009-10 State Budget provides 100% flexibility for 42 of the 61 categorical programs.

(c) **Long-term Funding for Education.** The severe decline in the State's General Fund revenues has impacted K-14 funding by dramatically reducing the Proposition 98 guarantee. In the long term, given the manner in which Proposition 98 is tied to General Fund revenues, the guarantee would return to historical levels. The 2009-10 State Budget recognizes the need to plan for this transition over a number of years by scheduling increases in K-14 funding as part of the budget reform package. This mechanism uses one-half of the annual 3% General Fund transfer into the "Rainy Day" fund to provide education over a period of several years.

(d) **Educational Categorical Flexibility.** To assist school districts to manage their budgets during these economic times, the 2009-10 State Budget and accompanying legislation provides relief in connection with 42 categorical programs. This flexibility will be provided through fiscal year 2012-13, allowing school districts to shift funds to meet their highest priority needs. In addition, the 2009-10 State Budget and accompanying legislation proposes to significantly reduce the penalties associated with K-3 Class Size Reduction through 2011-12, allowing districts to retain up to 70% of funding if pupil-to-teacher ratios increase more than 25 to 1, which will provide greater local flexibility. This proposal will not include programs that are protected under federal law or that were approved through a voter initiative. The most notable programs in this category include Special Education, Child Nutrition, Child Care and the After School Education and Safety Program.

(e) **CCCs.** The 2009-10 State Budget rescinds the previously appropriated COLA funding for CCCs totaling \$39.8 million, defers \$340 million in January, February, March and April apportionment payments until July 2009, reschedules the existing \$200 million deferral of apportionment payments from July until October, defers current year funding of three community college mandates and provides an additional \$185.4 million in 2009-10 to fund 3% enrollment growth.

Additional reductions featured in the 2009-10 State Budget and accompanying legislation in other programs include reductions in Medi-Cal and Supplemental Security Income/State Supplementary Payment spending, California Work Opportunities and Responsibility to Kids programs, certain other mental health and health and human services programs, as well as reductions in State employee compensation. Legislation accompanying the 2009-10 State Budget includes measures designed to help stimulate the State's economy through changes in the manner in which corporate taxes are calculated, a temporary new job creation credit for small businesses under personal income and corporate tax laws, a trailer bill creating a home buyers' credit against personal income tax liability, and measures to authorize state and local transportation agencies to seek private sector financing to build transportation projects in addition to those financed with public funds.

Impact on Districts. While the Districts are currently reviewing the impact of the 2008-09 State Budget and 2009-10 State Budget on their operations, it seems certain that the adoption of the spending reductions included in the 2008-09 State Budget and 2009-10 State Budget, together with the continuing revisions thereto, will have a significant impact on funding for the Districts and their programs. For more detailed information regarding specific K-14 program reductions set forth in the State Budgets, see the California Department of Finance's website: www.dof.ca.gov.

Recent LAO Reports. On March 13, 2009, the LAO updated its revenue forecast and projected that revenues will fall short of the assumptions in the 2009-10 State Budget by \$8 billion. On May 7, 2009, the LAO stated that the failure of the three propositions at the May 19, 2009 election together with a continued weakness in revenue could result in an unprecedented short-term borrowing need by the State during the 2009-10 Fiscal Year unless the Legislature takes action to help balance the 2009-10 State Budget. According to the LAO, the cash flow borrowing needs could exceed \$23 billion, an amount which could be problematic for the State to issue. One action described by the LAO for the Legislature to reduce the size of the borrowing includes additional payment deferrals with respect to educational funding.

Governor's May Budget Revision. Under California law, in May of each year the Governor issues a revised budget with changes he or she can support, based on the debate, analysis and changes in the economic forecasts. On May 14, 2009, the Governor released two alternative proposals (the "May Revision") to revise the State budget to address the State's pending deficit. The specific proposal which the Governor will support depends, in part, on the result of certain statewide ballot measures which were rejected by the voters on May 19, as discussed in the following paragraph. The May Revision projects a budget shortfall of over \$21 billion if the measures fail at the May 19 election. In order to balance the State budget, the Governor has proposed various expenditure cuts, borrowings and other measures. Under the May Revision, such cuts and other measures could include reducing State payments to school districts by reducing the school year by 5 to 7.5 days, deferring additional State payments to districts, increasing class sizes and laying off additional teachers as needed to absorb reduced funding levels. In addition, the May Revision provides that it may be necessary to move certain K-12 payments from the scheduled payment dates to later dates during the fiscal year 2009-10. Further details concerning the May Revision are expected to be available at <http://www.ebudget.ca.gov/>. The Districts cannot predict the exact impact any such budget reductions will have on its General Fund operating budget for the coming fiscal year.

May 19, 2009 Election. The 2009-10 State Budget depended on the passage of three ballot measures to provide nearly \$6 billion in budget solutions:

- \$5 billion from the borrowing of future lottery profits (Proposition 1C);

- Up to \$608 million by redirecting dedicated childhood development funds (Proposition 1D); and
- Approximately \$230 million by redirecting dedicated mental health funds (Proposition 1E).

The special election for these ballot measures occurred on May 19, 2009, and all three measures were defeated. Because the voters rejected these three measures, the 2009-10 State Budget will not be in balance based on assumptions made when enacted. Consequently, the Legislature and the Governor are likely to need to agree to billions of dollars of additional spending cuts, tax increases or other budgetary solutions to bring the budget back into balance. It is not known at this time what effect such actions could have on funding for K-14 during the 2009-10 fiscal year.

Deferred Revenues. The State is deferring a substantial amount of payments owed to the Districts in fiscal year 2009-10 to fiscal year 2010-11 (the “Deferred Revenues”). Although the State, in some cases, treats such Deferred Revenues as expenditures for the fiscal year in which they are made, the Districts are authorized under State law to elect to treat such deferrals as either revenues in the current fiscal year or the next fiscal year, when they are received. Although not free from doubt, assuming that the applicable District in fact treats the Deferred Revenues as accrued in fiscal year 2009-10 for budgetary, financial reporting and all other relevant purposes, such District should be able to treat its Deferred Revenues as revenues attributable to Fiscal Year 2009-10 and thus subject to the pledge for the repayment of its Note.

The Districts are unable to predict what further actions might be taken by the State Legislature and the Governor to address changing State revenues and expenditures or the exact impact such actions or the 2009-10 State Budget and accompanying legislation will have on State revenues available for Districts’ purposes. The State Budget will continue to be affected by future national and State economic conditions and other factors over which the Districts have no control.

Future State Budgets. Under State law, the State Legislature is required to adopt its budget by June 15 of each year for the upcoming fiscal year, with approval by the Governor to occur on June 30. The State Legislature failed to pass a State budget for Fiscal Year 2008-09 until September 23, 2008. Accordingly, many State payments were held until the 2008-09 State Budget was adopted, including some scheduled to be made to school and community college districts under Proposition 98 and receipt of State Categorical Funds by the Districts were in some cases delayed until the State budget was adopted for the 2008-09 Fiscal Year. The events leading to the inability of the State Legislature to pass a budget in a timely fashion for several past fiscal years are not unique, and the Districts cannot predict what circumstances may cause a similar failure in future years. In each year where the State budget lags adoption of each District’s budget, it will be necessary for such District’s staff to review the consequences of the changes, if any, at the State level from the proposals in the Governor’s May Revision for that year, and determine whether such District’s budget will have to be revised.

The State has in past years experienced budgetary difficulties and has balanced its budget by requiring local political subdivisions to fund certain costs theretofore borne by the State. No prediction can be made as to whether the State will take further measures to resolve its current projected budget deficits for the 2008-09 and 2009-10 fiscal years which would, in turn, adversely affect the Districts. Accordingly, the final outcome of future State budget negotiations, the impact that such budgets will have on its finances and operations or what actions will be taken in the future by the Legislature and Governor to deal with changing State revenues and expenditures, cannot be predicted. Current and future State budgets will be affected by national and State economic conditions and other factors, including the current economic downturn, over which the Districts have no control.

Periodic Reports. Periodic reports on revenues and/or expenditures during the fiscal year are issued by the Governor's Office, the State Controller's Office and the LAO. The Department of Finance issues a monthly Bulletin which reports the most recent revenue receipts as reported by state departments, comparing them to Budget projections. The Governor's Office also formally updates its budget projections three times during each fiscal year, in January, May and at budget enactment. These bulletins and other reports are available on the Internet.

State Funding of Schools Without a State Budget. On May 29, 2002, the Court of Appeal of the State of California for the Second Appellate District in *White v. Davis et al.* (combined with *Howard Jarvis Taxpayers Association et al. v. Westly* in appeal) held, among other things, that absent adoption of a budget bill or an emergency appropriation by the Legislature, the State Controller may disburse State funds authorized by (a) a continuing appropriation enacted by the Legislature, (b) a self-executing provision of the State constitution, including payment of certain funds for public schools under Article XVI, Section 8.5 of the constitution, and (c) mandate of federal law, such as prompt payment of minimum wage and overtime compensation mandated by the federal Fair Labor Standards Act and benefits under federal food stamp, foster care and adoption, child support and child welfare programs. The Court of Appeal specifically concluded that Article XVI, Section 8.0 does not constitute a self-executing authorization to disburse revenue limit apportionment to school districts; legislative appropriation is required for revenue limit disbursement. On May 1, 2003, the California Supreme Court in its decision in *White v. Davis et al.* granted review to two other matters and let these particular conclusions of the Court of Appeal stand without ruling on them.

During the 2003-2004 State budget impasse, the State Controller announced that only "payments of prior year obligations, constitutional authorizations, federal mandates and continuous legislative appropriations would be made." The State Controller concluded that revenue limit apportionments to school districts, under provisions of the Education Code implementing Article XVI, Section 8 of the State constitution, are authorized as continuous legislative appropriations, so disbursed these funds without a budget bill or emergency appropriation enacted. The State Controller did not disburse certain categorical and other funds to school districts until the 2003-2004 State Budget Act was enacted.

Tax Shifts and "Triple Flip" Legislation. Assembly Bill No. 1755 ("AB 1755"), introduced March 10, 2003 and substantially amended June 23, 2003, requires the shifting of property taxes between redevelopment agencies and schools. On July 29, 2003, the Assembly amended Senate Bill No. 1045 to incorporate all of the provisions of AB 1755, except that the Assembly reduced the amount of the required shift to \$135 million.

Legislation commonly referred to as the "Triple Flip" was approved by the voters on March 2, 2004, as part of a bond initiative formally known as the "California Economic Recovery Act." This act authorizes the issuance of \$15 billion in bonds to finance the State budget deficits, which would be payable from a fund to be established by the redirection of tax revenues through the "Triple Flip." Under the "Triple Flip," one-quarter of local governments' 1% share of the sales tax imposed on taxable transactions within their jurisdiction will be directed to the State. In an effort to eliminate the adverse impact of the sales tax revenue redirection on local government, the legislation provides for property taxes in the Educational Revenue Augmentation Fund ("ERAF") to be redirected to local government. Because the ERAF moneys were previously earmarked for schools, the legislation provides for schools to receive other state general fund revenues. It is expected that the swap of sales taxes for property taxes would terminate once the deficit financing bonds were repaid, which will not occur for several years.

The Budget Act and Proposition 98. The effect of Proposition 98 has proven especially difficult to accurately predict when State general fund revenues do not meet expectations. For several years in the early 1990s, as the State's economy was sliding into a recession, the State's budget allocations for school

and college districts proved to be more than Proposition 98 would have required. The excess amounts were later treated by the State as advances to school and college districts against subsequent years' Proposition 98 minimum funding levels, resulting in aggregate funding reductions of over \$1 billion in those years. In 2002-2003 and 2003-2004, the worsening State financial position again resulted in retroactive adjustments as well as current-year cuts. The Legislative Analyst reports that legislative actions in mid-Fiscal Year 2002-2003 eliminated \$2.5 billion from budgeted Proposition 98 funding through a combination of deferral of expenditures to Fiscal Year 2003-2004, use of one-time funds, captured program savings, and other cuts. In general, deferral of education expenditures and reductions in the components of revenue limit funding have the effect of reducing the base from which future Proposition 98 minimum funding levels are calculated. Legislation enacted in March 2003 permanently defers the appointment of Proposition 98 funds scheduled each year in June to each July 2, and thus from one fiscal year to the next. These and other techniques significantly reduce the minimum guarantee requirement for Fiscal Years 2003-2004 and beyond.

State Retirement Programs

School districts participate in the State of California Teachers Retirement System ("STRS"). STRS covers all full-time and most part-time employees with teaching certificates. In order to receive STRS benefits, an employee must be at least 55 years old and have provided five years of service to California public schools. School districts also participate in the State of California Public Employees Retirement System ("PERS"). PERS covers all classified personnel, generally those employees without teaching certificates, who are employed at least four hours per day. In order to receive PERS benefits, an employee must be at least 50 years old and have had five years of covered PERS service as a public employee.

Contribution rates to PERS varies with changes in actuarial assumptions and other factors, such as changes in benefits and investment performance, and are set by a State retirement board for PERS. The contribution rates are set by statute for STRS at a constant 8.25% of salary. STRS has a substantial State-wide unfunded liability. Under current law, the liability is determined at the State level and is not calculated for each individual school district.

Post-Employment Benefits

In addition to the pension benefits described above, many school districts, community college districts and county offices of education provide post-employment health benefits for eligible employees upon retirement. The amount and length of these benefits vary dramatically among those districts offering such benefits. In addition, the amount and length of such benefits typically depend on a variety of factors, including age at retirement, length of service, and status as a certificated, classified or management employee.

Implementation of GASB Statement No. 45 regarding reporting of post-employment health benefit liabilities will be phased in for Districts over time. Districts with total revenues over \$100 million will be required to report such unfunded liabilities commencing for the Fiscal Year 2007-2008. The reporting will be required for Districts with total revenues between \$10 million and \$100 million commencing for the Fiscal Year 2008-2009, and for Districts with total revenue of less than \$10 million commencing for the Fiscal Year 2009-2010. Information related to any actuarial studies to determine the estimated liability for such post-employment liability was requested from each of the Districts. To the extent a District affirmatively responded that it has completed such a study (which may not have been completed in accordance with GASB Statement No. 45), the amount of such estimated liability is noted in Appendix B.

State Emergency Loan Program

General. The California Education Code provides that a governing board of a school district that determines during a fiscal year that its revenues are less than the amount necessary to meet its current year expenditure obligations may request an emergency apportionment from the State through the State Superintendent of Public Instruction (the "State Superintendent").

As a condition to the making of any such emergency apportionment, the following requirements must be met:

(a) The district requesting the apportionment must submit to the county superintendent of schools having jurisdiction over the district: (i) a report issued by an independent auditor and approved by the county superintendent of schools on the financial conditions and budgetary controls of the district; (ii) a written management review conducted by a qualified management consultant and approved by the County Superintendent; and (iii) a fiscal plan adopted by the governing board to resolve the financial problems of the district.

(b) The County Superintendent of schools must review, and provide written comment on, the independent auditor's report, the management review and the district plan. If the county superintendent disapproves the plan, the governing board must revise the district plan to respond to the concerns expressed by the County Superintendent.

(c) Upon his or her approval of the district plan, the County Superintendent must submit copies of the report, review, plan and written comments to the State Superintendent, the Auditor General, the Joint Legislative Budget Committee, the Director of Finance and the State Controller.

(d) The State Superintendent must review the reports and comments submitted to him or her by the County Superintendent and must certify to the Director of Finance that the action taken to correct the financial problems of the district is realistic and will result in placing the district on a sound financial basis.

(e) The district must develop a schedule to repay the emergency loan and submit it to the County Superintendent, who after reviewing and commenting on it submits it to the State Superintendent for approval or disapproval. Upon the approval of the repayment schedule and of the other reports, reviews, plans and the appointment of the trustee (as described below), the State Superintendent must request the State Controller to disburse the proceeds of the emergency loan to the district.

(f) The district requesting the apportionment must reimburse the County Superintendent of schools for the costs incurred by the superintendent in performing such duties.

In addition, the acceptance by the district of the apportionments made pursuant to the Education Code constitutes the agreement by the district to the following conditions:

(a) The State Superintendent shall appoint a trustee who shall have recognized expertise in management and finance. The State Superintendent shall establish the terms and conditions of the employment, including the remuneration of the trustee and the trustee shall serve at the pleasure of, and report directly to, the State Superintendent until the loan is repaid and the district has adequate fiscal systems and controls in place. Before the district repays its loan, the recipient of the loan shall select an auditor from a list established by the State

Superintendent and the State Controller to conduct an audit of its fiscal systems. If the fiscal systems are deemed to be inadequate, the State Superintendent may retain the trustee until the deficiencies are corrected.

(b) The trustee appointed by the State Superintendent shall monitor and review the operation of the district. During the period of his or her service, the trustee may stay or rescind any action of the local district governing board that, in the judgment of the trustee, may affect the financial condition of the district. The trustee shall approve or reject all reports and other materials required from the district as a condition of receiving the apportionment.

On or before October 31 of the year following receipt of an emergency apportionment, and each year thereafter until the emergency apportionment is repaid, the governing board of the district shall prepare, under the review and with the approval of the trustee, a report on the financial condition of the district which shall be transmitted to the County Superintendent, the State Superintendent and the State Controller. The report shall include all of the following information: (a) specific actions taken to reduce expenditures or increase income, and the cost savings and increased income resulting from those actions; (b) a copy of the adopted budget for the current fiscal year; (c) reserves for economic uncertainties; (d) status of employee contracts; and (e) obstacles to the implementation of the adopted recovery plan.

The emergency apportionment is required to be repaid to the State over a five-year period, or less, together with interest at a rate determined in accordance with the Education Code.

The Legislature expressly provides that these provisions of the Education Code are not intended to authorize emergency loans to school districts for the purpose of meeting cash-flow requirements pending the receipt of local taxes and other funds. Furthermore, no such emergency apportionment will be made unless funds have been specifically appropriated therefor by the Legislature.

Butt v. State of California. In December 1992, the California Supreme Court, in *Butt v. State of California*, upheld a lower court's ruling that the State could not refuse to fund education in the Richmond School District ("Richmond") after Richmond decided to terminate classroom instruction six weeks before the scheduled end of the school year due to lack of funds. The Court upheld the lower court's ruling that the State constitution requires the State to ensure a full year's education for children in all school districts. However, because the Court overturned that portion of the original order relating to the source of State funds used to make an emergency loan to Richmond, the decision leaves unclear just where the State must find funds to make any future loans of this kind. No prediction can be made at this time as to what actions ultimately will be taken by the Legislature and the Governor to provide emergency funds to districts under court orders such as that imposed in *Butt v. State of California*.

Assessed Valuation and Tax Collections

Ad valorem Property Taxation. Prior to Fiscal Year 1981-1982, County Assessors generally assessed all properties at 25% of full cash value (market value). The State Board of Equalization assessed public utility properties at 25% of full cash value. Since Fiscal Year 1981-1982, all property has been assessed using full cash value. The Constitution of the State and various statutes provide exemptions from *ad valorem* property taxation for certain classes of property, such as churches, colleges, nonprofit hospitals and charitable institutions.

State law allows exemptions from *ad valorem* property taxation of \$7,000 of full owner-occupied dwellings. However, the State reimburses all local taxing authorities for the loss of revenues imputed to these exemptions.

The California Community Redevelopment Law authorizes redevelopment agencies to issue bonds payable from the allocation of tax revenues resulting from increases in assessed valuations of properties within designated project areas. In effect, local taxing authorities, such as the Districts, in such project areas, realize tax revenues only on the frozen base assessed valuations.

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

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

Secured Real Property Taxes. State and county taxes on real property are due and become delinquent each year in all counties of the State as follows:

The first real property tax installment is due November 1 and becomes delinquent after December 10. The second real property tax installment is due February 1 and becomes delinquent after April 10. The entire tax may be paid at the time the first installment is due.

For taxes due and payable in Fiscal Year 2009-2010, a penalty of 10% is added to the first installment if not paid on or before December 10; and 10% to the second installment if not paid on or before April 10 together with \$10.00 of costs also added for each described parcel. At the end of the first year of delinquency, property is sold to the State.

In redeeming property on the secured rolls for delinquent taxes, penalties are added at the rate of 1-1/2% per month, with a \$15.00 redemption fee on each separately valued parcel sold to the State. If not redeemed at the end of five years from July 1 of the year first becoming delinquent, the property will be deeded to the State and may thereafter be sold at public auction by the county tax collector.

Unsecured Property Taxes. Taxes on property assessed on the unsecured roll as unsecured property (separate from real estate) are billed as soon as assessed. Taxes on the roll as of August 31, if unpaid, become delinquent on October 31. A 10% penalty attaches to the taxes when they become delinquent and, if unpaid at the end of the second succeeding month, a 1-1/2% penalty is added on the first day of each month starting November 1 until paid or until a court judgment is entered. The taxing authority has four ways of collecting unsecured personal property taxes: (a) a civil action against the taxpayer; (b) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (c) filing a certificate of delinquency for record in the County Recorder's office, in order to obtain a lien on certain property of the taxpayer; and (d) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

The Teeter Plan. At least 52 of the 58 counties in the State operate under provisions of California Revenue and Taxation Code Sections 4701-4716 (commonly referred to as the “Teeter Plan”) pursuant to which K-14 districts in such counties may receive their total secured tax levies irrespective of actual collections and delinquencies. Pursuant to said provisions, each county operating under the Teeter Plan establishes a delinquency reserve and assumes responsibility for all secured delinquencies assuming that certain conditions are met.

Because of this method of tax collection, the K-14 districts located in counties operating under the Teeter Plan and participating in the Teeter Plan are assured of 100% collection of their total secured tax levies assuming that the conditions established under the applicable county’s Teeter Plan are met. However, such districts are no longer entitled to share in any penalties due to delinquent payments. This method of tax collection and distribution is subject to future discontinuance by the applicable county or if demanded by the participating entities. Tax delinquencies in excess of a certain percentage could trigger a discontinuance by certain counties of their Teeter Plans.

Projected Increases in Property Tax Delinquencies. Current economic conditions suggest that there may be an increased rate of delinquencies in the payment of *ad valorem* property taxes and special assessments throughout the State of California. Some factors in the projected increase in such delinquencies include fallout from the subprime home mortgage loan industry and general negative economic factors, such as increased unemployment rates. Any substantial increase in the number of loan foreclosures within the boundaries of a District may result in delays or suspensions of the corresponding payment of property taxes for a period of time for those Districts whose boundaries are within a county that does not operate under the Teeter Plan. Even for those Districts within counties operating under the Teeter Plan, a substantial amount of delinquencies in *ad valorem* tax payments could result in a discontinuance in the Teeter Plan with respect to such District, which may delay or suspend the corresponding payment of property taxes for a period of time. However, such taxes continue to be due and owing with respect to foreclosed-upon property by its legal owner and would be satisfied, if required, from the proceeds of a tax sale of such property, administered by the applicable County.

Constitutional and Statutory Provisions Affecting School District Revenues and Appropriations

Article XIII A of the California Constitution. California voters approved Proposition 13, a statewide initiative relating to the taxation of real property that added Article XIII A to the California Constitution, on June 6, 1978. Among other things, Proposition 13: (a) limits *ad valorem* property taxes on all real property to 1% of the full cash value of the property; (b) exempts from the 1% limitation any indebtedness approved by the voters prior to July 1, 1978, or any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by those voting on the proposition; (c) defines “full cash value” as the county assessor’s appraised value of real property as of March 1, 1975, adjusted by changes in the Consumer Price Index--not to exceed 2% per year; (d) permits establishment of a new “full cash value” when there is new construction or a change in ownership (subject to certain exceptions); (e) permits the reassessment, up to the March 1, 1975 value, of property which was not current on the 1975-76 assessment roll; (f) requires counties to collect the 1% property tax and to “apportion according to law to the districts within the counties”; (g) prohibits new *ad valorem* taxes on real property, or sales or transaction taxes on the sale of real property; (h) permits the imposition of special taxes by local agencies, other than those prohibited, by a two-thirds vote of the “qualified electors” of such agencies; and (i) requires a two-thirds vote of all members of both houses of the Legislature for any changes in State taxes that would result in increased revenues. Additionally, Proposition 39, which was approved by the State’s voters on November 7, 2000, permits bonded indebtedness to be incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property

for school facilities, if approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. See “—Proposition 39” herein.

Legislation enacted by the Legislature to implement Article XIII A provides that, notwithstanding any other law, local agencies may not levy any *ad valorem* property tax except to pay debt service on indebtedness approved by the voters as described above. Such legislation further provides that each county will levy the maximum tax permitted by Article XIII A, which is \$1.00 per \$100 of taxable value, which is distributed among taxing agencies by a formula based on each agency’s pre-1978 tax rate as a percentage of all taxes received in such county.

Since its adoption, Article XIII A has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be reassessed when purchased, newly constructed or a change in ownership has occurred. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property has been destroyed in a declared disaster, and certain improvements to accommodate disabled persons and for seismic upgrades to property.

Both the California State Supreme Court and the United States Supreme Court have upheld the validity of Article XIII A.

Legislation Implementing Article XIII A. Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1989.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or the 2% annual adjustment are allocated among the various jurisdictions in the “taxing area” based upon their respective “situs.” Any such allocation made to a local agency continues as part of its allocation in future years.

Since the 1981-1982 Fiscal Year, assessors in California no longer record property values on tax rolls at the assessed value of 25% of market value which was expressed as \$4 per \$100 of assessed value. All taxable property is now shown at full market value on the tax rolls. Consequently, the tax rate is expressed as \$1 per \$100 of taxable value. All taxable property values included in this Official Statement are shown at 100% of market value (unless noted differently), and all tax rates reflect the \$1 per \$100 of taxable value.

Article XIII B of the California Constitution. An initiative constitutional amendment entitled “Limitation of Government Appropriations” was approved by California voters on November 6, 1979. Under the amendment, which adds Article XIII B to the California Constitution, state and local government agencies are subject to an annual “appropriations limit,” and are prohibited from spending “appropriations subject to limitation” above that limit. Article XIII B was modified substantially by Propositions 98 and 111 in 1988 and 1990, respectively. “Appropriations subject to limitation,” for local government purposes, consist of “tax revenues,” state subventions and certain other funds (together herein referred to as “proceeds of taxes”). The amendment does not affect the appropriation of money excluded from the definition of “appropriations subject to limitation,” such as debt service on indebtedness existing or authorized by January 1, 1979, or subsequently authorized by the voters and appropriations mandated by the courts. The amendment also excludes from limitation the appropriation of proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds equal “the costs reasonably borne by such entity in providing the regulation, product or service.”

The appropriation limit for each agency in each year is based on the limit for the prior year, adjusted annually for changes in the cost of living and changes in population, and adjusted, where applicable, for transfer of financial responsibility of providing services to or from another unit of government. The change in the cost of living is, at the option of each agency, either (a) the percentage change in State per capita personal income, or (b) the percentage change in the local assessment roll on nonresidential property. Either test is likely to be greater than the change in the cost-of-living index, which was used prior to the enactment of Proposition 111.

As amended by Proposition 111, the appropriations limit is tested over consecutive two-year periods. Any excess of the aggregate “proceeds of taxes” received by an agency over such two-year period above the combined appropriations limits for those two years is to be returned to taxpayers by reductions in tax rates or fee schedules over the subsequent two years.

Section 4 of Article XIII B provides that the appropriations limit imposed on any entity of government may be changed by the electors of such entity, provided that the duration of any such change shall not exceed four years from the most recent vote of the electors.

As originally enacted in 1979, the appropriations limit for each agency was based on 1978-79 fiscal year authorizations to expend proceeds of taxes and was adjusted annually to reflect changes in cost of living and population (using different definitions, which were modified by Proposition 111). Starting in the 1990-91 Fiscal Year, each agency’s appropriations limit was recalculated by taking the actual 1986-1987 limit, and applying the annual adjustments as if Proposition 111 had been in effect.

The appropriations of an entity of local government subject to Article XIII B limitations include the proceeds of taxes levied by or for that entity and the proceeds of certain state subventions to that entity. “Proceeds of taxes” include, but are not limited to, all tax revenues and the proceeds to the entity from (a) regulatory licenses, user charges and user fees (but only to the extent that these proceeds exceed the reasonable costs in providing the regulation, product or service), and (b) the investment of tax revenues.

Appropriations subject to limitation do not include (a) refunds of taxes, (b) appropriations for debt service, (c) appropriations required to comply with certain mandates of the courts or the federal government, (d) appropriations of certain special districts, (e) appropriations for all qualified capital outlay projects as defined by the Legislature, (f) appropriations derived from certain fuel and vehicle taxes and (g) appropriations derived from certain taxes on tobacco products.

Article XIII B also includes a requirement that 50% of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund pursuant to Section 8.5 of Article XVI of the State Constitution. See “—Proposition 98” below.

Article XIII C and Article XIII D of the California Constitution. On November 5, 1996, California voters approved Proposition 218—Voters Approval for Local Government Taxes—Limitation on Fees, Assessments, and Charges—Initiative Constitutional Amendment. Proposition 218 added Articles XIII C and XIII D to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. Proposition 218 states that all taxes imposed by local governments shall be deemed to be either general taxes or special taxes. Special purpose districts, including school districts, have no power to levy general taxes. No local government may impose, extend or increase any general tax unless and until such tax is submitted to the electorate and approved by a majority vote. No local government may impose,

extend or increase any special tax unless and until such tax is submitted to the electorate and approved by a two-thirds vote.

Proposition 218 also provides that no tax, assessment, fee or charge shall be assessed by any agency upon any parcel of property or upon any person as an incident of property ownership except: (a) the *ad valorem* property tax imposed pursuant to Article XIII and Article XIII A of the California Constitution, (b) any special tax receiving a two-thirds vote pursuant to the California Constitution, and (c) assessments, fees and charges for property related services as provided in Proposition 218. Proposition 218 also adds voter requirements for assessments and fees and charges imposed as an incident of property ownership, other than fees and charges for sewer, water, and refuse collection services. In addition, Proposition 218 requires that assessments and fees and charges be imposed only after public hearings and stricter and more individualized benefit requirements and findings. The effect of such provisions will presumably be to increase the difficulty a local agency will have in imposing, increasing or extending such assessments, fees and charges.

Proposition 218 also extended the initiative power to reducing or repealing any local taxes, assessments, fees and charges. This extension of the initiative power is not limited to taxes imposed on or after November 6, 1996, the effective date of Proposition 218, and could result in retroactive repeal or reduction in any existing taxes, assessments, fees and charges, subject to overriding federal constitutional principles relating to the impairment of contracts.

The Districts' largest revenue source is revenue limit income from the State in accordance with the revenue limit per unit of average daily attendance. In general, the Districts have not historically been funded through the imposition of special taxes or general taxes not already subject to a two-thirds voter approval. Proposition 218 could, however, restrict the Districts' ability to raise future revenues and could subject existing sources of revenue to reduction or repeal. The Districts are not able to predict at this time the effect Proposition 218 will have on the Districts' future revenues.

Proposition 98. On November 8, 1988, voters approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" ("Proposition 98"). In addition to adding certain provisions to the California Education Code, Proposition 98 also amended Article XIII B and Section 8 of Article XVI of the State Constitution and added Section 8.5 of Article XVI to the State Constitution, establishing a minimum level of State funding for school districts, allocating to school districts, within limits, State revenues in excess of the State's appropriations limit and exempting such excess funds from school district appropriations limits.

On June 5, 1990, the voters approved Proposition 111 (Senate Constitutional Amendment No. 1) called the "Traffic Congestion Relief and Spending Limit Act of 1990" ("Proposition 111") which further modified Article XIII B and Sections 8 and 8.5 of Article XVI of the State Constitution with respect to appropriations limitations and school funding priority and allocation.

Article XIII B, as amended by both Proposition 98 and Proposition 111, is discussed above under "—Article XIII B of the California Constitution."

The provisions of Sections 8 and 8.5 of Article XVI, as added and/or amended by Propositions 98 and 111, may be summarized as follows:

- (a) *State Funding of Schools (Section 8).* Moneys to be applied by the State for the support of school districts must be at a level equal to the greater of the following "tests":

(i) The amount which, as a percentage of the State general fund (“General Fund”) revenues which may be appropriated pursuant to Article XIII B, equals the percentage of General Fund revenues appropriated for school districts in Fiscal Year 1986-1987;

(ii) The amount actually appropriated to school districts in the prior fiscal year from General Fund proceeds and from allocated local proceeds of taxes (excluding any excess State revenues allocated pursuant to Section 8.5), adjusted for changes in enrollment and for the change in the cost of living (operative only in a fiscal year in which the percentage growth in California per capita personal income is less than or equal to the percentage growth in per capita General Fund revenues plus one-half of one percent); and

(iii) The amount actually appropriated to school districts in the prior fiscal year from General Fund proceeds and from allocated local proceeds of taxes (excluding any excess State revenues allocated pursuant to Section 8.5) adjusted for changes in enrollment and for the change in per capita General Fund revenues, and, in addition, an amount equal to one-half of one percent times the prior year appropriations (excluding any excess State revenues) adjusted for changes in enrollment (operative only in a fiscal year in which the percentage growth in California per capita personal income is greater than the percentage growth in per capita General Fund revenues plus one-half of one percent).

If the third test is used in any year, the difference between the third test and the second test will become a “credit” to schools which will be paid in future years when the General Fund revenue growth exceeds personal income growth. Legislation adopted prior to the end of the 1988-1989 Fiscal Year implementing Proposition 98 determined the K-14 schools’ funding guarantee under Test 1 to be 40.3% of the General Fund tax revenues, based on 1986-1987 appropriations. However, that percent has been adjusted to approximately 35% to account for a subsequent redirection of local property taxes since such redirection directly affects the share of State General Fund revenues to schools.

The Legislature by a two-thirds vote of both houses, with the Governor’s concurrence, may suspend for one year the minimum funding provisions for school districts as provided for in Section 8.

(b) *Allocations to the State School Fund (Section 8.5).* In addition to the amounts applied to school districts under the tests discussed above, the State Controller is directed to allocate available excess State revenues (pursuant to Article XIII B) to the State School Fund. However, no such allocation is required at any time that the Director of Finance and the Superintendent of Public Instruction mutually determine that current annual expenditures per student equal or exceed the average annual expenditures per student of the 10 states with the highest annual expenditures per student and the average class size equals or is less than the average class size of the 10 states with the lowest class size.

Such allocations do not constitute appropriations subject to Article XIII B limitations and are to be made in an equal amount per enrollment.

Proposition 39. On November 7, 2000, California voters approved Proposition 39, called the “Smaller Classes, Safer Schools and Financial Accountability Act” (the “Smaller Classes Act”) which amends Section 1 of Article XIII A, Section 18 of Article XVI of the California Constitution and Section

47614 of the California Education Code and allows an alternative means of seeking voter approval for bonded indebtedness by 55% of the vote, rather than the two-thirds majority required under Section 18 of Article XVI of the Constitution. The 55% voter requirement applies only if the bond measure submitted to the voters includes, among other items: (a) a restriction that the proceeds of the bonds may be used for “the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities,” (b) a list of projects to be funded and a certification that the school district board has evaluated “safety, class size reduction, and information technology needs in developing that list,” and (c) that annual, independent performance and financial audits will be conducted regarding the expenditure and use of the bonds proceeds.

Section 1(b)(3) of Article XIII A has been added to except from the 1% *ad valorem* tax limitation under Section 1(a) of Article XIII A of the Constitution levies to pay bonds approved by 55% of the voters, subject to the restrictions explained above.

The Legislature enacted AB 1908, Chapter 44, which became effective upon passage of Proposition 39 and amends various sections of the Education Code. Under amendments to Section 15268 and 15270 of the Education Code, the following limits on *ad valorem* taxes apply in any single election: (a) for a school district, indebtedness shall not exceed \$30 per \$100,000 of taxable property, (b) for a unified school district, indebtedness shall not exceed \$60 per \$100,000 of taxable property, and (c) for a community college district, indebtedness shall not exceed \$25 per \$100,000 of taxable property. Finally, AB 1908 required that a citizens’ oversight committee must be appointed, and must review the use of the bond funds and inform the public about their proper usage.

Proposition 1A. On November 2, 2004, California voters approved Proposition 1A, which amends the State Constitution to significantly reduce the State’s authority over major local government revenue sources. Under Proposition 1A, the State cannot (a) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (b) shift property taxes from local governments to schools or community colleges, (c) change how property tax revenues are shared among local governments without two-thirds approval of both houses of the State Legislature, or (d) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Beginning in 2008-2009, the State may shift to schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including: (i) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State, and (ii) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for the property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amends the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

Application of Constitutional and Statutory Provisions. The application of Proposition 98 and other statutory regulations has become increasingly difficult to accurately predict in recent years. For a discussion of how the provisions of Proposition 98 have been applied to school funding, see “GENERAL DISTRICT FINANCIAL INFORMATION—State Funding of Education” herein.

Possible Future Actions. Article XIII A, Article XIII B, Article XIII C, Article XIII D and Propositions 98, 111, 39 and 1A were each adopted as measures that qualified for the ballot pursuant to California’s initiative process. From time to time other initiative measures could be adopted, further affecting the Districts’ revenues or the Districts’ ability to expend revenues. There is no assurance that

the California electorate or Legislature will not at some future time approve additional limitations which could reduce property or other tax revenues or otherwise adversely affect the revenues of the Districts.

PARTICIPATING DISTRICTS

There are three types of school districts within the State. As of July 1, 2009, there are 549 (such number may be reduced by up to three prior to July 1, based on pending action by the State Board of Education) elementary school districts providing educational services for children in kindergarten through eighth grade in the State, 83 secondary or high school districts providing educational services for children in ninth through twelfth grade in the State, and 334 unified school districts providing educational services for children in kindergarten through twelfth grade in the State. Notes are expected to be issued by 55 elementary school districts, 21 high school districts and 62 unified school districts. Each of the 58 counties in the State has established a board of education in such county. Notes are expected to be issued by 8 county boards of education. There are 72 community college districts in the State. Notes are expected to be issued by three community college districts.

Each month that a District is required to cause to be deposited to its Payment Account attributable to its Note amounts sufficient to pay specified percentages of principal of and interest due on such District's Note as of its maturity date (taking into account anticipated investment earnings to be received by the maturity date of the Note (i.e., July 1, 2010) is referred to herein as a "Repayment Month." See "SECURITY AND SOURCE OF PAYMENT—The Notes" herein. See also "INVESTMENT OF DISTRICT FUNDS" herein. The Repayment Months and the applicable percentages of principal of and interest on each District's Note required to be on deposit in such District's Payment Account and Proceeds Subaccount attributable to its Note (together with anticipated investment earnings thereon to be received by the maturity of such District's Note) are as follows:

Repayment Months	Applicable Percentage (of principal due with respect to the Note due on July 1, 2010)
February 2010	40%
March 2010	50
April 2010	60
May 2010	100*

*100% of the interest due with respect to the Note is required to be deposited by May 2010.

Certain information concerning the Districts is set forth below and in Appendix B hereto. Additional information obtained from financial statements and budgets of the Districts is available upon request during the initial offering period from Piper Jaffray & Co., 2321 Rosecrans Ave., Suite 3200, El Segundo, California 90245.

The following table lists the participating Districts, the counties in which such Districts are located, the principal amount of the Note being issued by each such District, the principal amount of the Note of each District as a percentage of the total principal amount of Bonds, the amount of the total budgeted revenues for each District for Fiscal Year 2008-2009, the amount of the total anticipated revenues for Fiscal Year 2009-2010, the principal amount of each District's Note as a percentage of its total revenues for Fiscal Year 2008-2009, the projected general fund balance for each District as of June 30, 2010, and the projected available fund equity for each District as of June 30, 2010. For purposes of such table, payments being deferred by the State to each District into the next fiscal year are treated as being attributable to the fiscal year in which each District accounts for such funds. See "GENERAL DISTRICT FINANCIAL INFORMATION—State Funding of Education—Impact on Districts."

County	District	Principal Amount of Notes	Notes as a Percent of Total Issuance	Total Budgeted Revenues for FY 2008/09 (1)	Total Anticipated Revenues for FY 2009/10 (2)	Notes as a Percent of Revenues for FY 2008/09	Projected General Fund Ending Balance FY 2009/10 (2)	Projected Available Fund Equity (3)
Alameda	(4) Pleasanton Unified	9,235,000	1.7385%	143,119,392	144,299,171	6.4527%	7,367,841	12,928,853
Alameda	Sunol Glen Unified	400,000	0.0753%	1,555,032	2,212,546	25.7229%	56,543	133,943
Amador	(4) Amador County Office of Education	455,000	0.0857%	7,947,615	8,742,815	5.7250%	1,153,778	2,323,348
Amador	(4) Amador County Unified	2,955,000	0.5563%	29,898,479	27,839,214	9.8834%	2,413,337	4,611,955
Calaveras	Bret Harte Union High	1,725,000	0.3247%	11,131,026	11,121,564	15.4972%	1,269,494	10,717,795
Calaveras	Calaveras Unified	1,585,000	0.2984%	28,101,301	28,184,319	5.6403%	1,389,279	6,159,360
Calaveras	Vallecito Union Elementary	920,000	0.1732%	7,694,496	7,130,339	11.9566%	482,382	1,309,382
Contra Costa	Walnut Creek	525,000	0.0988%	23,839,463	24,972,688	2.2022%	6,299,930	9,524,930
Del Norte	Del Norte County Unified	1,140,000	0.2146%	34,882,868	37,711,132	3.2681%	3,379,815	3,306,308
El Dorado	Camino Union Elementary	335,000	0.0631%	3,553,931	3,368,097	9.4262%	465,409	465,409
Fresno	West Hills Community College	3,895,000	0.7332%	31,484,048	33,547,677	12.3713%	1,677,383	1,677,383
Fresno	Sanger Unified	5,000,000	0.9413%	75,910,892	82,226,007	6.5867%	10,052,146	14,052,146
Fresno	Central Unified	7,370,000	1.3874%	107,606,540	106,052,361	6.8490%	6,863,646	10,223,788
Fresno	Kerman Unified	1,260,000	0.2372%	33,689,489	32,414,785	3.7400%	5,746,106	8,447,470
Glenn	(4) Willows Unified	990,000	0.1864%	13,798,321	12,885,612	7.1748%	411,165	1,682,839
Humboldt	Northern Humboldt Union High	765,000	0.1440%	14,885,747	16,090,814	5.1391%	958,533	2,504,441
Imperial	Brawley Union High	1,110,000	0.2090%	17,689,239	17,185,747	6.2750%	777,601	1,272,601
Imperial	Calipatria Unified	1,365,000	0.2570%	10,403,872	13,075,136	13.1201%	3,375,493	3,551,782
Imperial	Central Union High	3,390,000	0.6382%	34,719,161	27,476,952	9.7641%	3,273,823	3,711,990
Imperial	El Centro Elementary	5,000,000	0.9413%	47,867,892	46,161,490	10.4454%	4,786,757	11,404,611
Imperial	Holtville Unified	840,000	0.1581%	14,337,658	13,917,568	5.8587%	957,124	1,092,124
Imperial	San Pasqual Valley Unified	395,000	0.0744%	11,334,800	12,167,331	3.4848%	1,300,956	3,454,406
Inyo	Bishop Union Elementary	675,000	0.1271%	10,534,586	10,507,872	6.4075%	1,609,207	1,711,563
Kern	Delano Union Elementary	5,000,000	0.9413%	66,615,527	42,190,726	7.5058%	3,586,423	13,944,338
Kern	Lamont	1,235,000	0.2325%	25,499,296	27,215,430	4.8433%	3,646,310	5,113,229
Kern	(4) Southern Kern Unified	3,610,000	0.6796%	27,296,773	26,083,229	13.2250%	2,260,514	4,957,196
Lake	Lakeport Unified	355,000	0.0668%	13,097,245	12,621,151	2.7105%	1,260,374	1,387,947
Lassen	Janesville Union Elementary	85,000	0.0160%	3,152,637	3,062,457	2.6962%	422,166	476,829
Los Angeles	Bellflower Unified	4,365,000	0.8217%	118,896,722	108,413,579	3.6713%	6,147,714	6,147,714
Los Angeles	Eastside Union	4,525,000	0.8518%	25,833,125	24,364,605	17.5163%	569,623	4,214,057
Los Angeles	Lancaster Elementary	5,160,000	0.9714%	118,663,543	114,113,320	4.3484%	6,284,882	20,084,882
Los Angeles	(4) Las Virgenas Unified	4,000,000	0.7530%	95,976,587	94,698,357	4.1677%	3,641,970	4,941,970
Los Angeles	William S. Hart Union High	12,710,000	2.3927%	182,202,306	176,296,999	6.9758%	12,639,296	19,824,296
Los Angeles	Walnut Valley Unified	2,830,000	0.5328%	115,008,788	109,899,082	2.4607%	10,603,183	15,203,284
Madera	Madera County Board of Education	5,000,000	0.9413%	52,153,341	55,106,444	9.5871%	5,036,816	6,156,816
Madera	Baas Lake Joint Union	650,000	0.1224%	7,663,252	7,263,712	8.4820%	1,477,535	7,012,996
Madera	Golden Valley Unified	1,010,000	0.1901%	16,771,223	15,751,875	6.0222%	1,399,930	2,329,930
Madera	Yosemite Unified	2,845,000	0.5356%	20,574,742	19,350,000	13.8276%	1,190,364	2,075,364
Marin	Dixie Elementary	2,895,000	0.5450%	15,878,728	17,607,154	18.2319%	2,425,418	4,612,983
Marin	San Rafael City Elementary	4,070,000	0.7662%	32,317,339	33,763,200	12.5939%	4,526,293	5,126,293
Marin	San Rafael City High	5,525,000	1.0401%	25,070,824	25,928,640	22.0376%	5,915,123	6,415,123
Mariposa	Mariposa County Board of Education	405,000	0.0762%	2,681,987	2,845,945	15.1007%	517,809	517,809
Mariposa	Mariposa County Unified	985,000	0.1854%	20,615,365	19,900,176	4.7780%	1,950,056	2,315,806
Mendocino	Mendocino Unified	390,000	0.0734%	6,945,348	7,037,907	5.6153%	1,278,774	2,278,774
Mendocino	Arena Union Elementary-Point Arena Joint Union High	1,220,000	0.2297%	6,487,656	6,507,609	18.8049%	912,438	1,844,998
Merced	Ballico-Cressey Elementary	135,000	0.0254%	2,542,275	2,413,343	5.3102%	288,386	470,215
Merced	Hilmar Unified	1,380,000	0.2598%	17,396,707	17,075,001	7.9325%	460,372	872,524
Merced	McSwain Union Elementary	435,000	0.0819%	5,927,275	5,430,635	7.3390%	555,258	877,725

County	District	Principal Amount of Notes	Notes as a Percent of Total Issuance	Total Budgeted Revenues for FY 2008/09 (1)	Total Anticipated Revenues for FY 2009/10 (2)	Notes as a Percent of Revenues for FY 2008/09	Projected General Fund Ending Balance FY 2009/10 (2)	Projected Available Fund Equity (3)
Merced	Planada Elementary	135,000	0.0254%	7,652,325	6,509,888	1.7642%	772,690	1,330,721
Merced	Weaver Union Elementary	1,920,000	0.3614%	17,119,262	17,578,556	11.2154%	1,651,936	2,006,343
Mono	Mono County Board of Education	400,000	0.0753%	4,309,815	6,566,578	9.2811%	1,119,963	2,734,200
Mono	Eastern Sierra Unified	1,785,000	0.3360%	9,713,982	7,380,623	18.3756%	1,978,597	9,178,597
Monterey	Monterey County Board of Education	920,000	0.1732%	92,354,721	93,100,000	0.9962%	8,000,000	12,200,000
Monterey	Alisal Union Elementary	6,210,000	1.1690%	63,509,783	67,115,384	9.7780%	4,585,895	5,035,188
Monterey	(4) Monterey Peninsula Unified	2,570,000	0.4838%	98,055,693	96,307,856	2.6210%	77,210	9,377,816
Monterey	Pacific Grove Unified	5,000,000	0.9413%	22,307,788	22,833,217	22.4137%	853,217	1,723,639
Napa	Calistoga Joint Unified	730,000	0.1374%	10,888,008	10,746,987	6.7046%	2,732,632	4,337,713
Napa	St. Helena Unified	5,000,000	0.9413%	21,272,707	21,136,418	23.5043%	715,538	2,611,382
Orange	Huntington Beach City	2,390,000	0.4499%	47,897,329	45,884,835	4.9898%	845,682	2,290,682
Placer	Placer Union High	3,160,000	0.5949%	37,521,617	35,451,512	8.4218%	228,524	8,934,685
Riverside	Hemet Unified	14,775,000	2.7814%	188,765,788	187,897,902	7.8272%	20,813,430	29,843,109
Riverside	Jurupa Unified	7,970,000	1.5004%	170,624,037	161,356,928	4.6711%	19,207,036	27,328,661
Riverside	(4) Palo Verde Unified	155,000	0.0292%	30,713,306	29,391,238	0.5047%	1,012,901	1,170,901
Riverside	Perris Elementary	3,060,000	0.5760%	47,380,255	43,439,356	6.4584%	2,418,646	8,474,614
Riverside	Riverside Community College	10,725,000	2.0190%	184,696,301	176,158,000	5.8068%	17,891,021	33,845,405
Riverside	Lake Elsinore Unified	14,775,000	2.7814%	164,380,799	159,250,213	8.9883%	9,329,349	22,129,192
Riverside	Temecula Valley Unified	17,230,000	3.2436%	211,899,576	204,514,296	8.1312%	6,787,031	13,390,079
Riverside	Murrieta Valley Unified	15,035,000	2.8304%	152,768,950	150,000,000	9.8417%	6,500,000	15,716,805
Sacramento	Galt Joint Union Elementary	1,760,000	0.3313%	33,179,438	30,693,491	5.3045%	1,681,956	3,310,576
Sacramento	Galt Joint Union High	675,000	0.1271%	19,608,394	19,340,555	3.4424%	1,608,373	1,734,049
Sacramento	River Delta Unified	1,220,000	0.2297%	18,511,978	18,944,079	6.5903%	1,949,708	2,448,783
Sacramento	(4) Natomas Unified	11,895,000	2.2392%	77,689,094	77,352,516	15.3110%	2,701,691	22,826,329
San Benito	Hollister Elementary	1,535,000	0.2890%	44,962,987	43,255,635	3.4139%	3,873,649	13,681,413
San Benito	San Benito High	4,825,000	0.9083%	26,318,883	26,126,391	18.3328%	3,298,211	12,253,764
San Bernardino	Barstow Unified	1,675,000	0.3153%	54,557,884	53,380,054	3.0701%	4,005,140	4,973,601
San Bernardino	Redlands Unified	4,930,000	0.9281%	163,780,592	160,591,424	3.0101%	6,803,279	19,118,514
San Bernardino	Hesperia Unified	7,395,000	1.3921%	155,423,363	146,853,936	4.7580%	5,220,458	21,826,787
San Joaquin	Escalon Unified	1,485,000	0.2796%	23,299,553	21,836,101	6.3735%	1,131,788	3,364,655
San Joaquin	Linden Unified	1,125,000	0.2118%	19,688,753	19,392,176	5.7139%	2,603,783	6,383,088
San Joaquin	Lodi Unified	8,605,000	1.6199%	242,392,886	222,489,315	3.5500%	35,693,637	52,834,398
San Joaquin	Manteca Unified	9,380,000	1.7658%	169,465,476	153,644,603	5.5351%	11,748,357	15,190,357
San Joaquin	Ripon Unified	1,085,000	0.2043%	21,090,061	20,055,136	5.1446%	2,048,656	2,757,956
San Joaquin	Stockton Unified	19,690,000	3.7067%	322,528,576	325,673,537	6.1049%	23,428,352	42,796,926
San Mateo	Bayshore	230,000	0.0433%	3,561,412	3,547,663	6.4581%	233,679	447,003
San Mateo	Belmont-Redwood Shores	3,070,000	0.5779%	25,604,000	28,114,258	11.9903%	1,512,978	4,263,088
San Mateo	Hillsborough City	2,710,000	0.5102%	19,896,079	20,308,422	13.6208%	1,608,575	4,951,319
San Mateo	Jefferson Union High	2,900,000	0.5459%	45,547,253	46,834,694	6.3670%	2,943,854	39,216,913
San Mateo	Pacifica	1,125,000	0.2118%	23,151,405	23,981,291	4.8593%	1,247,390	5,447,390
San Mateo	Millbrae Elementary	1,620,000	0.3050%	15,780,172	16,678,166	10.2660%	1,093,127	1,599,394
San Mateo	San Mateo County Community College	29,530,000	5.591%	144,621,308	111,345,000	20.4188%	8,885,000	99,185,000
San Mateo	Woodside Elementary	1,315,000	0.2476%	7,283,998	7,180,000	18.0533%	1,020,477	1,020,477
Santa Barbara	Buellton Union Elementary	450,000	0.0847%	7,090,755	6,771,075	6.3463%	279,058	865,058
Santa Barbara	Carpinteria Unified	3,515,000	0.6617%	22,598,886	22,941,621	15.5539%	2,529,565	2,699,565
Santa Barbara	Cold Spring	400,000	0.0753%	3,005,525	3,091,967	13.3088%	168,634	699,901
Santa Barbara	Hope Elementary	935,000	0.1760%	9,059,182	9,066,010	10.3210%	1,029,139	1,029,139
Santa Barbara	Santa Ynez Valley Union High	1,265,000	0.2381%	11,905,582	10,747,604	10.6253%	167,090	2,182,163

County	District	Principal Amount of Notes	Notes as a Percent of Total Issuance	Total Budgeted Revenues for FY 2008/09 (1)	Total Anticipated Revenues for FY 2009/10 (2)	Notes as a Percent of Revenues for FY 2008/09	Projected General Fund Ending Balance FY 2009/10 (2)	Projected Available Fund Equity (3)
Santa Clara	Campbell Union High	12,805,000	2.4106%	68,799,504	69,265,516	18.6121%	9,131,506	28,606,753
Santa Clara	(4) Cupertino Union	9,855,000	1.8552%	154,081,006	127,381,400	6.3960%	745,141	8,050,948
Santa Clara	(4) Franklin-McKinley	5,000,000	0.9413%	79,111,015	80,056,424	6.3202%	3,770,658	4,268,949
Santa Clara	Gibroy Unified	9,855,000	1.8552%	85,685,251	90,033,606	11.5014%	4,683,327	9,683,327
Santa Clara	Lakeside Joint	125,000	0.0235%	1,166,046	1,206,235	10.7200%	161,059	450,729
Santa Clara	Loma Prieta Joint Union Elementary	855,000	0.1610%	4,358,686	4,400,000	19.6160%	432,951	582,951
Santa Clara	Los Gatos-Saratoga Joint Union High	5,000,000	0.9413%	35,115,079	36,685,080	14.2389%	1,435,681	6,126,681
Santa Clara	Morgan Hill Unified	7,365,000	1.3865%	69,755,101	68,914,139	10.5584%	2,361,714	7,123,794
Santa Clara	(4) Mount Pleasant Elementary	2,685,000	0.5055%	72,399,786	22,611,059	3.7086%	1,816,950	8,168,785
Santa Clara	Palo Alto Unified	5,000,000	0.9413%	144,977,006	154,589,127	3.4488%	17,520,920	30,097,998
Shasta	Shasta County Office of Education	1,420,000	0.2673%	43,036,523	45,223,090	3.2995%	3,457,822	5,058,712
Shasta	Anderson Union High	495,000	0.0932%	17,586,140	16,644,706	2.8147%	2,153,670	5,098,189
Shasta	Bella Vista Elementary	335,000	0.0631%	3,360,062	3,238,744	9.9701%	310,571	760,571
Shasta	(4) Cascade Union Elementary	565,000	0.1064%	12,732,604	12,517,755	4.4374%	1,939,001	2,326,077
Shasta	(4) Cottonwood Union Elementary	425,000	0.0800%	8,936,341	8,193,719	4.7559%	413,208	1,361,892
Shasta	(4) Grant Elementary	325,000	0.0612%	5,091,271	4,845,746	6.3835%	233,284	485,084
Shasta	(4) Pacheco Union Elementary	695,000	0.1308%	5,501,600	4,997,598	12.6327%	515,041	575,041
Sonoma	Santa Rosa Elementary School District - Santa Rosa High	5,000,000	0.9413%	133,937,419	131,142,353	3.7331%	13,227,938	21,897,341
Sonoma	(4) West Sonoma County Union High	1,050,000	0.1977%	21,448,389	22,044,358	4.8955%	2,709,208	4,304,208
Sonoma	Bennett Valley Union	605,000	0.1139%	7,151,768	7,012,006	8.4594%	682,516	1,614,546
Sonoma	Horicon	120,000	0.0226%	1,495,410	1,566,903	8.0246%	362,952	412,908
Sonoma	Rincon Valley Union	4,335,000	0.8161%	25,771,906	26,568,360	16.8206%	1,979,408	5,455,274
Sonoma	Sonoma Valley Unified	5,000,000	0.9413%	36,905,235	39,678,956	13.5482%	1,892,384	8,892,134
Sonoma	(4) Cotati-Rohnert Park Unified	5,000,000	0.9413%	51,854,795	47,495,018	9.6423%	2,110,659	4,601,659
Sonoma	Windsor Unified	4,500,000	0.8471%	42,409,785	39,741,548	10.6108%	3,100,489	4,755,489
Stanislaus	Stanislaus Union Elementary	2,130,000	0.4010%	25,974,937	24,863,648	8.2002%	1,032,556	1,680,814
Trinity	Trinity County Board of Education	155,000	0.0292%	5,661,463	6,424,000	2.7378%	704,173	1,600,572
Tulare	Exeter Union Elementary	680,000	0.1280%	110,020,423	14,678,904	0.6181%	2,669,527	2,669,527
Tulare	Exeter Union High	655,000	0.1233%	9,977,780	9,727,234	6.5646%	1,477,517	1,571,389
Tulare	Pixley Union Elementary	335,000	0.0631%	8,381,746	7,696,898	3.9968%	1,492,256	1,492,256
Tulare	Terra Bella Union Elementary	425,000	0.0800%	8,818,839	8,943,134	4.8192%	1,141,279	2,130,261
Tulare	Woodlake Union	1,305,000	0.2457%	14,985,664	15,391,258	8.7083%	1,263,853	2,763,853
Tulare	Porterville Unified	5,960,000	1.1220%	113,800,709	109,235,678	5.2372%	5,490,606	10,236,204
Tuolumne	(4) Curtis Creek Elementary	440,000	0.0828%	4,568,315	4,468,382	9.6316%	294,992	1,888,037
Tuolumne	Sonora	1,075,000	0.2024%	5,560,158	5,467,448	19.3340%	159,802	564,850
Tuolumne	Sonora Union High	1,540,000	0.2899%	13,159,149	12,599,776	11.7029%	241,042	4,146,921
Tuolumne	Big Oak Flat-Groveland Unified	585,000	0.1101%	5,318,790	5,342,573	10.9987%	454,923	654,923
Ventura	Fillmore Unified	3,670,000	0.6909%	30,624,972	29,893,129	11.9837%	1,548,406	2,637,305
Ventura	Hueneme Elementary	2,510,000	0.4725%	67,522,681	63,504,056	3.7173%	3,024,749	3,609,749
Ventura	(4) Ojai Unified	1,890,000	0.3558%	25,425,105	23,804,917	7.4336%	698,604	1,088,604
Ventura	Oxnard Union High	2,145,000	0.4038%	133,471,661	123,556,694	1.6071%	7,437,039	15,953,382
Ventura	Pleasant Valley	3,755,000	0.7069%	48,817,691	48,105,144	7.6919%	733,908	2,647,259
Ventura	Rio Elementary	3,120,000	0.5873%	32,945,662	38,494,546	9.4701%	2,780,796	8,822,851
Ventura	Santa Paula Elementary	2,370,000	0.4462%	32,666,803	31,086,157	7.2551%	490,997	3,790,997
Ventura	Simi Valley Unified	6,035,000	1.1361%	154,505,222	147,846,407	3.9060%	18,337,615	48,831,423
Ventura	Ventura Unified	9,855,000	1.8552%	135,029,329	136,618,700	7.2984%	9,883,200	38,283,200
Ventura	Conejo Valley Unified	19,690,000	3.7067%	166,326,257	153,506,087	11.8382%	9,348,039	13,198,969
Ventura	Oak Park Unified	1,615,000	0.3040%	28,935,330	28,960,652	5.5814%	647,558	2,613,994

County	District	Principal Amount of Notes	Notes as a Percent of Total Issuance	Total Budgeted Revenues for FY 2008/09 (1)	Total Anticipated Revenues for FY 2009/10 (2)	Notes as a Percent of Revenues for FY 2008/09	Projected General Fund Ending Balance FY 2009/10 (2)	Projected Available Fund Equity (3)
Ventura	Moorpark Unified	4,915,000	0.9253%	57,794,855	56,914,566	8.5042%	2,427,000	3,627,000
Yolo	Yolo County Board of Education	1,710,000	0.3219%	32,865,217	33,679,643	5.2031%	4,090,196	4,782,073
Yolo	Esparto Unified	575,000	0.1082%	8,907,026	8,863,501	6.4556%	919,895	982,467
Yolo	Winters Joint Unified	515,000	0.0969%	13,580,882	13,795,306	3.7921%	1,643,626	3,193,729
Yuba	Wheatland Union High	695,000	0.1308%	6,282,895	6,030,417	11.0618%	563,895	641,217
	Total: 149	531,205,000						

(1) Source: Adopted 2008-09 Budget.

(2) Source: The participating districts. Projected ending fund balance may not include unrestricted funds held as special reserve to the general fund.

(3) Source: The participating districts. Includes restricted and unrestricted general fund, special revenue, and capital project funds as of June 30, 2009.

(4) Qualified as of 2008-09 first interim or second interim report.

SUMMARY OF DISTRICT RESOLUTIONS

The following is a summary of certain provisions of the form of the Resolution adopted by each District not heretofore summarized under the caption "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS" contained herein. Reference is made to each Resolution in its entirety for a full recital of the provisions thereof.

Disposition of Proceeds of Note

The moneys received from the sale of the Note allocable to such District's share of the Costs of Issuance shall be deposited in the Costs of Issuance Fund held and invested by the Trustee under the Indenture and shall be expended as directed by the Underwriter on the Costs of Issuance as provided in the Indenture. The moneys received from the sale of the Note designated the "Deposit to Proceeds Subaccount" shall be deposited in such District's Proceeds Subaccount attributable to its Note created pursuant to, and held and invested by the Trustee under, the Indenture for such District and may be used and expended by such District for any purpose for which it is authorized to use and expend funds, upon requisition from such Proceeds Subaccount as specified in the Indenture. Subject to the provisions in each Resolution summarized under the caption "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS," each District covenants and agrees to replenish amounts on deposit in its Proceeds Subaccount attributable to its Note to the extent practicable from any source of available funds up to an amount equal to the unreplenished withdrawals from such Proceeds Subaccount attributable to such Note. The Trustee shall transfer to the Payment Account of such District attributable to its Note from amounts on deposit in the Proceeds Subaccount attributable to such Note on the first day of each Repayment Month amounts which, taking into consideration anticipated earnings thereon to be received by the maturity date of its Note, are equal to the percentages of the principal and interest due on its Note at maturity required to be on deposit therein in each such Repayment Month applicable to the District as described under the caption "PARTICIPATING DISTRICTS"; provided, however, that on the twentieth day of the next to last Repayment Month for such District, the Trustee shall transfer all remaining amounts in such District's Proceeds Subaccount attributable to its Note to its Payment Account attributable to its Note; provided further, however, that if the amount on deposit in such Proceeds Subaccount attributable to its Note is less than the amount required to be on deposit therein for such Repayment Month, the Trustee shall transfer to the Payment Account attributable to the Note of such District all amounts on deposit in such Proceeds Subaccount attributable to its Note on the twentieth day of such Repayment Month.

Additional Payments

Each District agrees to pay, or cause to be paid, in addition to the amounts payable under its Note, any fees or expenses of the Trustee and, to the extent permitted by law, any Predefault Obligations and Reimbursement Obligations (to the extent not payable under its Note), (i) arising out of an "Event of Default" under its Resolution or (ii) arising out of any other event (other than an event arising solely as a result of or otherwise attributable to a default by any other District). In the case described in (ii) above with respect to Predefault Obligations, each District shall owe only the percentage of such fees, expenses and Predefault Obligations equal to the ratio of the Principal Amount of its Note over the aggregate Principal Amounts of all Notes, including the Notes assigned to the Bonds issued in connection with the Note, at the time of original issuance of such Bonds. Such additional amounts will be paid by each District within 25 days of receipt by such District of a bill therefor from the Trustee.

No Joint Obligation; Bond Owners' Rights

The Note of each District will be issued in conjunction with the Notes of other Districts and will be assigned to a pool of the Notes to secure the Bonds. The obligation of each District to make payment

on its Notes is a several and not a joint obligation and is strictly limited to such District's repayment obligation under its Resolution and its Note.

Defaults and Remedies

Defaults. If any of the following events occurs under a Resolution, it is an "Event of Default" under such Resolution:

(a) failure by the District to make, or cause to be made, the deposits to its Payment Account related to its Note or any other Payment Account related to its Additional Notes required to be made under its Resolution on or before the fifteenth day after the date on which such deposit is due and payable, or failure by the District to make or cause to be made any other payment required to be paid under its Resolution on or before the date on which such payment is due and payable;

(b) failure by the District to observe and perform any covenant, condition or agreement on its part to be observed or performed under its Resolution, for a period of 15 days after written notice, specifying such failure and requesting that it be remedied, is given to such District by the Trustee or the Bank (or, if applicable, any other credit provider with respect to Additional Notes of such District), unless the Trustee and the Bank (or, if applicable, any other credit provider with respect to Additional Notes of such District) shall agree in writing to an extension of such time prior to its expiration;

(c) any warranty, representation or other statement by or on behalf of the District contained in its Resolution, its Purchase Agreement, the Credit Agreement (or, if applicable, any credit agreement with respect to Additional Notes of such District) or in any requisition or financial report or deficiency report delivered by such District or in any instrument furnished in compliance with or in reference to its Resolution, its Purchase Agreement, the Credit Agreement (or, if applicable, any credit agreement with respect to Additional Notes of such District) or in connection with its Note or any Additional Notes, is false or misleading in any material respect;

(d) any event of default constituting a payment default occurs in connection with any other bonds, notes or other outstanding debt of the District;

(e) A petition is filed against the District under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect and is not dismissed within 30 days after such filing, but the Trustee shall have the right to intervene in the proceedings prior to the expiration of such 30 days to protect its and the Bond owners' (or Noteholders') interests;

(f) The District files a petition in voluntary bankruptcy or seeking relief under any provision of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, or consents to the filing of any petition against it under such law;

(g) The District admits insolvency or bankruptcy or is generally not paying its debts as such debts become due, or becomes insolvent or bankrupt or makes an assignment for the benefit of creditors, or a custodian (including without limitation a receiver, liquidator or trustee) of the District or any of its property is appointed by court order or appointed by the State Superintendent of Public Instruction or takes possession thereof and such order remains in effect or such possession continues for more than 30 days, but the Trustee shall have the right to

intervene in the proceedings prior to the expiration of such 30 days to protect its and the Bond owners' or Noteholders' interests; and

(h) an "Event of Default" by the County under the terms of the resolution, if any, of the County providing for the issuance of the District's Note or Additional Notes, if any.

Remedies. Whenever any Event of Default shall have happened and be continuing under a Resolution, the Trustee shall, in addition to any other remedies provided in the Resolution or by law or under the Indenture, have the right, at its option without any further demand or notice, to take one or any combination of the following remedial steps:

(a) without declaring the Note or any Additional Notes of the defaulting District to be immediately due and payable, require such District to pay to the Trustee, for deposit into the Payment Account of such District attributable to its Note in the Bond Payment Fund under the Indenture (or any Payment Account applicable to Additional Notes of such District), an amount equal to all of the principal of its Note and Additional Notes, if any, and interest thereon to maturity, plus all other amounts due under its Resolution, and upon notice to such District, the same shall become immediately due and payable by such District without further notice or demand; and

(b) take whatever other action at law or in equity (except for acceleration of payment on the Note and Additional Notes, if any, of such District) which may appear necessary or desirable to collect the amounts then due and thereafter to become due under the Resolution or to enforce any other of its rights thereunder.

Notwithstanding the foregoing, and subject to the terms of the Resolution and the Indenture concerning exercise of remedies which shall control if inconsistent with the following, as long as the Bank has not failed to comply with its payment obligations under the Letter of Credit, the Bank shall have the right to direct the remedies upon any Event of Default under any Resolution, and the Bank's prior consent shall be required to any remedial action proposed to be taken by the Trustee thereunder.

If the Bank is not reimbursed on the maturity date of the Notes, for a drawing used to pay principal of and/or interest on any Note due to a default in payment on such Note, or if any of the principal of and/or interest on a District's Note remains unpaid after the maturity date of the Note, such Note shall become a Defaulted Note, and the unpaid portion (including the interest component, if applicable) thereof or the portion (including the interest component, if applicable) to which the Letter of Credit applies for which reimbursement has not been made shall be deemed outstanding and shall bear interest at the Default Rate until the District's obligation on the Defaulted Note is paid in full or payment is duly provided for, all subject to such District's Resolution.

Certain Representations and Covenants of the School Districts

Each District has represented or covenanted under its Resolution, among other things, that:

(a) such District has (or will have prior to the issuance of its Note) duly, regularly and properly adopted a budget for Fiscal Year 2009-2010 setting forth expected revenues and expenditures and has (or will have prior to the issuance of its Note) complied with all statutory and regulatory requirements with respect to the adoption of such budget, and the District covenants that it will (i) duly, regularly and properly prepare and adopt its revised or final budget for Fiscal Year 2009-2010; (ii) provide to the Trustee, the Bank and the Underwriter, promptly upon adoption, copies of such revised or final budget and of any subsequent revisions,

modifications or amendments thereto; and (iii) comply with all applicable law pertaining to its budget;

(b) the principal amount of such District's Note (or, if Additional Notes are issued, the sum of the principal amount of such District's Note and Additional Notes) plus the interest payable thereon, on the date of issuance of such District's Note (or, if Additional Notes are issued, on the date of issuance of the final series of Additional Notes), will not exceed 50% of the estimated amount of such District's uncollected taxes, income, revenue (including, but not limited to, revenue from the State and federal governments), cash receipts, and other moneys to be received for the general fund of such District attributable to Fiscal Year 2009-2010, all of which will be legally available to pay principal of and interest on its Note and, if applicable, Additional Notes;

(c) the county in which such District is located has experienced an *ad valorem* property tax collection rate of not less than 85% of the average aggregate amount of *ad valorem* property taxes levied within such District in each of the five fiscal years, from Fiscal Year 2003-2004 through Fiscal Year 2007-2008, and such District, as of the date of adoption of its Resolution and on the date of issuance of its Note and, if applicable, Additional Notes, reasonably expects such county to have collected and to collect at least 85% of such amount for Fiscal Years 2008-2009 and 2009-2010, respectively;

(d) such District (i) has not defaulted within the past 20 years, and is not currently in default, on any debt obligation; (ii) to the best of its knowledge, has never defaulted on any debt obligation; and (iii) has never filed a petition in bankruptcy;

(e) such District's most recent audited financial statements present fairly the financial condition of such District as of the date thereof and the results of operation for the period covered thereby, and except as has been disclosed to the Underwriter and the Bank, there has been no change in the financial condition of such District since the date of such audited financial statements that will, in the reasonable opinion of such District, materially impair its ability to perform its obligations under its Resolution and its Note;

(f) there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, arbitrator, governmental or other board, body or official, pending or, to the best knowledge of such District, threatened against or affecting such District questioning the validity of any proceeding taken or to be taken by such District in connection with its Note, its Purchase Agreement, the Indenture, the Credit Agreement or its Resolution, or seeking to prohibit, restrain or enjoin the execution, delivery or performance by such District of any of the foregoing, or wherein an unfavorable decision, ruling or finding would have a materially adverse effect on such District's financial condition or results of operations or on the ability of such District to conduct its activities as presently conducted or as proposed or contemplated to be conducted or would materially adversely affect the validity or enforceability of, or the authority or ability of such District to perform its obligations under, its Note, its Purchase Agreement, the Indenture, Credit Agreement or its Resolution;

(g) such District will not directly or indirectly amend, supplement, repeal or waive any portion of its Resolution (i) without the consent of the Bank or (ii) in any way that would materially adversely affect the interests of the Noteholders or the Bond Owners; provided, however, that such District may adopt one or more Supplemental Resolutions without any such consents in order to increase the maximum amount of Additional Notes it may issue thereunder in connection with the issuance of Additional Notes;

(h) such District will not incur any indebtedness that is not issued in connection with the Program under its Resolution and that is secured by a pledge of its unrestricted revenues unless such pledge is subordinate in all respects to the pledge of unrestricted revenues under its Resolution;

(i) so long as any Bonds are Outstanding, such District will not create or suffer to be created any pledge of or lien on its Note other than the pledge and lien of the Indenture;

(j) as of the date of adoption of its Resolution, based on the most recent report prepared by the Superintendent of Public Instruction of the State, such District did not have a negative certification (or except as disclosed in writing to the Bank, a qualified certification) applicable to the Fiscal Year 2008-2009 within the meaning of Section 42133 of the California Education Code. Each District has covenanted that it will immediately deliver a written notice to the Authority, the Underwriter, the Bank and Special Counsel if it (or, in the case of a County Board of Education, the County Superintendent of Schools) files with the County Superintendent of Schools, the County Board of Education or the State Superintendent of Public Instruction, or receives from the County Superintendent of Schools or the State Superintendent of Public Instruction, a qualified or negative certification applicable to Fiscal Year 2008-2009 or Fiscal Year 2009-2010 prior to the maturity of its Note;

(k) except as otherwise approved by the Bank, to the extent required by law and the State Superintendent of Public Instruction, such District fully funded its Reserve for Economic Uncertainties for Fiscal Year 2008-2009 and will fully fund its Reserve for Economic Uncertainties for Fiscal Year 2009-2010;

(l) the District will maintain a positive general fund balance in Fiscal Year 2009-2010; and

(m) the District will maintain an investment policy consistent with the policy set forth in its Resolution.

Each District also covenants under its Resolution that it will not take any action or fail to take any action if such action or failure to take such action would adversely affect the exclusion from gross income of the interest payable on the Bonds under Section 103 of the Code. Without limiting the generality of the foregoing, each District will not make any use of the proceeds of its Note or any other of its funds which would cause the Bonds to be an "arbitrage bond" within the meaning of Section 148 of the Code, a "private activity bond" within the meaning of Section 141(a) of the Code, or an obligation the interest on which is subject to federal income taxation because it is "federally guaranteed" as provided in Section 149(b) of the Code. Each District, with respect to the proceeds of its Note, will comply with all requirements of such sections of the Code and all regulations of the United States Department of the Treasury issued or applicable thereunder to the extent that such requirements are, at the time, applicable and in effect.

SUMMARY OF INDENTURE

The following is a summary of certain provisions of the Indenture not heretofore summarized under the captions "DESCRIPTION OF THE BONDS" and "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS" contained herein. Reference is made to the Indenture in its entirety for a full recital of the provisions thereof. All capitalized words in the "SUMMARY OF INDENTURE," unless otherwise defined herein, shall have the meanings set forth in the Indenture.

Funds and Accounts

Under the Indenture, the Trustee agrees to establish and maintain, in trust, the Costs of Issuance Fund and therein the Series A Costs of Issuance Account, the Proceeds Fund and therein the Proceeds Subaccount attributable to each Note of each District, the Bond Payment Fund and therein the Payment Account attributable to each Note of each District, the Pool Interest Fund and therein the Series A Senior Interest Account and the Series A Subordinate Interest Account, the Pool Principal Fund and therein the Series A Senior Principal Account and the Series A Subordinate Principal Account, and the Credit Fund and therein the Series A Subordinate Credit Account. If Additional Bonds are issued by the Authority, the Trustee will establish accounts in such funds applicable to each series of Additional Bonds.

Costs of Issuance Fund

The moneys in the Series A Costs of Issuance Account shall be used and withdrawn by the Trustee to pay the Costs of Issuance of the Bonds upon receipt of (i) a Request of the Authority, which shall be sequentially numbered, stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said account; and (ii) an original invoice or invoices submitted by the Underwriter or evidence of the Underwriter's payment of an invoice when such payment is in reimbursement thereof. On the earliest of December 1, 2009, the Business Day prior to the date of issuance of a series of Additional Bonds or on such earlier date upon Request of the Authority, amounts, if any, remaining in the Series A Costs of Issuance Account (and not required to pay identified Costs of Issuance, including any additional fees or expenses of the Bank or the Trustee, or any identified Predefault Obligations and Reimbursement Obligations) shall be transferred to the Bond Payment Fund and credited to the Payment Accounts therein attributable to the Notes in proportion to the amounts initially deposited in the Series A Costs of Issuance Account attributable to each District.

Proceeds Fund and Proceeds Subaccounts

All money in the Proceeds Fund shall be held by the Trustee in trust. Net proceeds of the Bonds deposited in the Proceeds Fund shall be credited to the Proceeds Subaccounts, one of which shall be established for each Note of each of the Districts, initially in amounts set forth in the schedule attached to the Indenture. Moneys in the Proceeds Subaccount related to the Note or each series of Additional Notes of each District shall be disbursed to that District from time to time to but excluding the twentieth day of (i) the next-to-last Repayment Month applicable to such Note or Additional Note (as set forth on the face of such Note or Additional Note), or (ii) if only one Repayment Month is applicable to such Note or Additional Note, the month preceding such Repayment Month for such Note or Additional Note, as soon as practical, pursuant to a Requisition of the District submitted in advance of the requested disbursement date, as required to comply with the disbursement provisions, if any, of Permitted Investments in which such District has invested, as applicable, for any purpose for which the District is authorized to expend moneys; provided, however, that the Trustee shall not disburse any moneys from a Proceeds Subaccount if the Trustee has received written notice or actual knowledge that an Event of Default has occurred and is continuing as defined in the Resolution of such District, or if the Trustee has received written notification from the Underwriter that such District's financial certification under the California Education Code has been downgraded from the financial certification held by the District on the date the Bonds or Additional Bonds, as applicable, were issued, except that, with the consent of the Bank and all other credit enhancers for the Additional Bonds, if any, moneys may be disbursed if the downgrade is to a qualified certification.

Payments made by each District with respect to the Note and Additional Notes, if any, of that District prior to the first day of the first Repayment Month for such District's Note or Additional Note, as applicable, shall be credited to that District's Proceeds Subaccount applicable to the Note or Additional

Note, as applicable, and, except as otherwise specifically provided in the Indenture, shall be available for further disbursement to that District from time to time; provided, however, with respect to a District that has issued Additional Notes, that payments made with respect to the Note or any Additional Notes prior to the first day of the first Repayment Month of such Note or Additional Notes, shall, to the extent of any deficiency with respect to payments due on its Note or any Additional Notes of such District in any Repayment Month applicable to its Note or such Additional Notes, be applied to such deficiency and deposited in the deficient Payment Account in accordance with the priority provisions set forth in such District's Resolution, and such amount shall not be available for further disbursement to such District. A District shall not be allowed to deposit in its Proceeds Subaccount applicable to its Note or Additional Notes, if any, an amount that exceeds the amount, if any, of its then unreplenished withdrawals from such Proceeds Subaccount.

There shall be transferred to each District's Payment Account applicable to its Note in the Bond Payment Fund from the Proceeds Subaccount of each such District applicable to its Note (taking into consideration anticipated investment earnings thereon) (a) on the first day of each such District's Repayment Months designated for such Note (up to, but not including the next-to-last Repayment Month for such District) amounts which, are equal to the percentages of the principal and interest due on such District's Note at maturity for the corresponding Repayment Month as described under the caption "PARTICIPATING DISTRICTS"; and (b) on the twentieth day of such District's next-to-last Repayment Month designated for such Note an amount equal to the lesser of (i) the principal of and interest on that District's Note less that District's portion of amounts transferred to its Payment Account from excess amounts in the Series A Costs of Issuance Account and less (without duplication) any amounts then on deposit in such District's Payment Account for payment of its Note; and (ii) the total amount, if any, remaining in such District's Proceeds Subaccount applicable to its Note. If on the first day of such District's first Repayment Month designated for such Note the amount in such District's Proceeds Subaccount applicable to the Note is less than the amount required to be transferred to the Payment Account applicable to the Note of such District on such day, the Trustee shall transfer the entire amount in such District's Proceeds Subaccount applicable to its Note to the corresponding Payment Account in the Bond Payment Fund on such day. Any amounts remaining in a Proceeds Subaccount applicable to its Note after the amounts required to be transferred under the Indenture to the Bond Payment Fund have been transferred, less the amount of all outstanding Predefault Obligations and Reimbursement Obligations of or allocable to such District related to its Note, shall be returned to the District after the last day of the last Repayment Month applicable to its Note. Amounts on deposit in the District's Proceeds Subaccount applicable to its Note may be applied to the payment of Predefault Obligations of or allocable to such District.

Bond Payment Fund and Payment Accounts

All principal and interest payments on the Notes and Additional Notes, if any, shall be paid directly by the Districts to the Trustee. All principal and interest payments on the Notes and Additional Notes, if any, received by the Trustee shall be held in trust by the Trustee under the terms of the Indenture and shall be deposited by it, as and when received, in the applicable Payment Account attributed to the corresponding Notes or Additional Notes, if any, within the Bond Payment Fund (except as otherwise provided in the Indenture to the extent a District has issued Additional Notes that are Senior Notes and there is a deficiency in one or more of the Payment Accounts attributable to one or more series of Senior Notes), which fund the Trustee has agreed to maintain so long as any Bonds or Additional Bonds are Outstanding, and all money in such fund shall be held in trust by the Trustee for the benefit and security of, with respect to the Payment Accounts applicable to the Notes, the Owners and the Bank, and, with respect to the Payment Accounts applicable to the Additional Notes, the registered owners of the corresponding Additional Bonds and any credit enhancer related to such Additional Bonds, to the extent set forth in the Indenture.

Pursuant to each District's Resolution, each District is required to deposit amounts with the Trustee in the months identified as such District's Repayment Months (as defined in such District's Resolution and indicated on the face of such District's Note and each series of Additional Notes, if any) until the amount on deposit in such District's Payment Account attributed to its Note and each corresponding series of Additional Note, if any, taking into consideration anticipated investment earnings thereon to be received by the maturity date for such Note or corresponding Additional Note, is equal to the percentages of the principal and interest due on such District's Note or Additional Note, as applicable, required in such Repayment Month as indicated on the face of such District's Note or each series of Additional Notes, if any. See "PARTICIPATING DISTRICTS" herein. If any District fails to make the required deposits, the Trustee shall as soon as practical (but in any event within three Business Days) notify such District, the Bank and each credit enhancer related to the Additional Bonds of such failure. If the amount on deposit in a District's Payment Account attributable to its Note is in excess of the amounts required to pay the principal of and interest due on such District's Note on the maturity date for such Note, such excess amounts shall remain in such Payment Account and shall be transferred to such District following (1) payment of the Bonds, (2) reimbursement of the Bank for drawings under or payments pursuant to the Letter of Credit and payment to the Bank of any Reimbursement Obligations and Redefault Obligations applicable to such District and (3) to the extent such excess amounts do not constitute proceeds of such Note, payment of any Additional Notes of such District in accordance with the priority provisions set forth in such District's Resolution.

Notwithstanding any other provision of the Indenture, with regard to a District that has issued Additional Notes, to the extent, on any interest payment date or principal payment date applicable thereto, there is a deficiency with respect to its Note or any Additional Note of such District and to the extent any payment on its Note or any Additional Notes is being made from moneys other than proceeds of such Note or Additional Notes, the Trustee shall apportion all such payments received from such District relating to its Note and all of its Additional Notes in accordance with the priority provisions set forth in such District's Resolution.

Pool Interest Fund and Pool Principal Fund

The Trustee shall, after making any apportionments required by the Indenture among Payment Accounts of a District applicable to its Note and Additional Notes, transfer the money contained in the applicable Payment Accounts in the Bond Payment Fund attributable to the Notes at the following respective times to the following respective funds and accounts in the manner described below, each of which funds and accounts the Trustee has agreed to maintain for so long as any Bonds are Outstanding, and the money in each of such funds and accounts shall be disbursed only for the purposes and uses authorized (subject to the provisions in the Indenture pertaining to a payment under the Letter of Credit. See "—Credit Fund" herein).

(a) *Series A Senior Interest Account in the Pool Interest Fund.* The Trustee, on each Interest Payment Date, shall deposit in the Series A Senior Interest Account in the Pool Interest Fund that amount of money representing the interest becoming due and payable on the Senior Bonds on the such Interest Payment Date. All moneys in the Series A Senior Interest Account in the Pool Interest Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Senior Bonds on the applicable Interest Payment Date.

(b) *Series A Senior Principal Account in the Pool Principal Fund.* The Trustee, at maturity, shall, after having made any transfers required to be made pursuant to (a) above, deposit in the Series A Senior Principal Account in the Pool Principal Fund that amount of money representing the principal becoming due and payable on the Senior Bonds at maturity. All moneys in the Series A Senior Principal Account in the Pool Principal Fund shall be used and

withdrawn by the Trustee solely for the purpose of paying the principal of the Senior Bonds at maturity.

(c) *Series A Subordinate Interest Account in the Pool Interest Fund.* The Trustee, on each Interest Payment Date, shall, after having made any transfers required to be made pursuant to (a) and (b) above, deposit in the Series A Subordinate Interest Account in the Pool Interest Fund that amount of money representing the interest becoming due and payable on the Subordinate Bonds on the such Interest Payment Date. All moneys in the Series A Subordinate Interest Account in the Pool Interest Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Subordinate Bonds on the applicable Interest Payment Date.

(d) *Series A Subordinate Principal Account in the Pool Principal Fund.* The Trustee, at maturity, shall, after having made any transfers required to be made pursuant to (a), (b) and (c) above, deposit in the Series A Subordinate Principal Account in the Pool Principal Fund that amount of money representing the principal becoming due and payable on the Subordinate Bonds at maturity. All moneys in the Series A Subordinate Principal Account in the Pool Principal Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Subordinate Bonds at maturity.

Credit Fund

The Trustee shall draw upon the Letter of Credit in accordance with the terms thereof at such time and in sufficient amounts to make timely payment of the interest on and principal of the Subordinate Bonds. The Trustee shall request payment under the Letter of Credit on each Subordinate Bond Interest Payment Date and the Principal Payment Date. Moneys drawn under or paid pursuant to the Letter of Credit shall be deposited in the Series A Subordinate Credit Account of the Credit Fund.

In the event of default by any District in the payment of any of the principal of and/or interest on its Note on any Interest Payment Date or the Maturity Date, upon payment by the Bank under the Letter of Credit, with respect to the payment of the principal and/or interest, the Bank will succeed and be subrogated to the rights of the Owners of the Subordinate Bonds paid with proceeds of such drawing under the Letter of Credit. Any Note described in the preceding sentence shall on such date be a Defaulted Note and the unpaid portion thereof shall be deemed outstanding and shall not be deemed paid until the conditions for cancellation of such Note as set forth in the Indenture are satisfied.

Defaults and Remedies

Action on Default. If any default in the payment of principal of or interest on a Note or Additional Note, or any other “Event of Default” defined in a Resolution shall occur and be continuing, then such default shall constitute an “Event of Default” under the Indenture, and in each and every such case during the continuance of such Event of Default the Trustee or, subject to the provisions under “— Bank’s or Other Credit Provider’s Control of Remedies” below, the Owners and registered owners of not less than a majority in aggregate principal amount of the corresponding Bonds and series of Additional Bonds, as applicable, at the time Outstanding shall be entitled, upon notice in writing to such District, to exercise the remedies provided to the owner of the Note or Additional Note, as applicable, then in default or under the Resolution pursuant to which it was issued.

Other Remedies of the Trustee. The Trustee shall have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against any District or any trustee, member, officer or employee thereof, and to compel such District or any such trustee, member, officer or employee thereof to observe or perform its or his duties under applicable law and the agreements, conditions, covenants and terms contained in the Indenture, or in the applicable Note or Additional Note, if any, and Resolution, required to be observed or performed by it or him;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Trustee, the Owners, the registered owners of Additional Bonds, if any, the Bank, or each credit enhancer with respect to any Additional Bonds; or

(c) by suit in equity upon the happening of any default under the Indenture to require any District and any trustee, member, officer and employee thereof to account as the trustee of any express trust.

Nonwaiver. A waiver by the Trustee of any default under the Indenture or breach of any obligation under the Indenture shall not affect any subsequent default under the Indenture or any subsequent breach of an obligation under the Indenture or impair any rights or remedies on any such subsequent default thereunder or on any such subsequent breach of an obligation thereunder. No delay or omission by the Trustee to exercise any right or remedy accruing upon any default under the Indenture shall impair any such right or remedy or shall be construed to be a waiver of any such default thereunder or an acquiescence therein, and every right or remedy conferred upon the Trustee by applicable law or by the Indenture may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee.

If any action, proceeding or suit to enforce any right or to exercise any remedy is abandoned or determined adversely to the Trustee, the Bank, any credit enhancer for any series of Additional Bonds, the Authority or the Districts, then such parties shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Notwithstanding anything to the contrary, no waiver by the Trustee of any default under the Indenture or breach of any obligation thereunder with respect to any District shall be effective without the prior written consent of the Bank and, if applicable, each credit enhancer with respect to each series of Additional Bonds, if any.

Application of Funds. All moneys received by the Trustee pursuant to any right given or action taken under the provisions set forth under the caption “SUMMARY OF INDENTURE—Defaults and Remedies” shall be apportioned by the Trustee, after payment of the Trustee’s compensation and other fees of the Trustee, in accordance with the priority provisions set forth in the applicable District’s Resolution. Each such apportioned payment shall be deposited into the segregated Payment Accounts attributable to the corresponding series of Notes and Additional Notes, as applicable, of the defaulting District in the Bond Payment Fund and shall be applied by the Trustee in the following order upon presentation of the several affected series of Senior Bonds and/or Subordinate Bonds, as applicable, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid:

FIRST, to the payment of the costs and expenses of the Trustee and of the Owners and registered owners of Additional Bonds, if any, in declaring such Event of Default, including reasonable compensation to its or their agents, attorneys and counsel;

SECOND, to the payment to the persons entitled thereto of all payments of interest on the applicable series of Bonds or Additional Bonds then due in the order of the due date of such payments and, if the amount available shall not be sufficient to pay in full any payment or payments coming due on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference;

THIRD, to the payment to the persons entitled thereto of the unpaid principal of the applicable series of Bonds or Additional Bonds which shall have become due, in the order of their due dates, with interest on the overdue principal and interest on the applicable series of Bonds or Additional Bonds at a rate equal to the applicable Default Rate and, if the amount available shall not be sufficient to pay in full all the amounts due with respect to the applicable series of Bonds or Additional Bonds on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference; and

FOURTH, to the payment of all Predefault Obligations and Reimbursement Obligations applicable to such District,

provided, however, that (i) all principal of and interest on the related series of Senior Bonds shall be paid prior to any payments due with respect to a corresponding series of Subordinate Bonds (including any payment to the corresponding credit enhancer), and (ii) all amounts in the Senior Credit Account of the Credit Fund attributable to each such series shall be applied solely to payment of the principal of and interest on the corresponding series of Senior Bonds and all amounts in the Subordinate Credit Account of the Credit Fund attributable to each such series shall be applied solely to payment of the principal of and interest on the corresponding series of Subordinate Bonds; and provided, further, that the Trustee shall follow the instructions contained in an Opinion of Counsel provided by the Authority and rebate or set aside for rebate from the specified funds held hereunder any amount pursuant to such instructions required to be paid to the United States of America under the Code.

Remedies Not Exclusive. No remedy conferred in the Indenture upon or reserved therein to the Trustee is intended to be exclusive, and all remedies shall be cumulative and each remedy shall be in addition to every other remedy given thereunder or now or hereafter existing under applicable law or equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by any other applicable law.

Bank's or other Credit Enhancer's Control of Remedies. Notwithstanding anything to the contrary in the Indenture, the Bank, so long as it has not failed to comply with its payment obligations under the Letter of Credit, and each credit enhancer with respect to Additional Bonds, if any, so long as it has not failed to comply with its payment obligations under its credit enhancement for the applicable Additional Bonds, shall have the right to direct the remedies upon any Event of Default under the Indenture but only so long as such action will not materially adversely affect the rights of any Bond Owner or registered owner of Additional Bonds, and the Bank's and each such other credit enhancer's prior consent shall be required to any remedial action proposed to be taken by the Trustee thereunder.

Exercise of Remedies

Upon the exercise by the requisite number of Owners and registered owners of Additional Bonds, the Trustee, the Bank or any credit enhancer for Additional Bonds of its right of action to institute suit directly against a District to enforce payment of a Note or Additional Note, if any, any moneys recovered

by such action shall be deposited with the Trustee and applied as provided above under “—Application of Funds.”

Limited Liability of the Authority

Except as expressly provided in the Indenture, the Authority shall not have any obligation or liability to the Trustee, the Owners or the Bank with respect to the payment when due of the Notes by the Districts, or with respect to the observance or performance by the Districts of the other agreements, conditions, covenants and terms contained in the Notes and the Resolutions, or with respect to the performance by the Trustee of any obligation contained in the Indenture required to be performed by it.

Limited Liability of the Districts

Except as expressly provided in the respective Notes and the Resolutions, the Districts shall not have any obligation or liability to the Authority, the Trustee, the Owners of the Bonds or the Bank with respect to the Indenture or the preparation, execution, delivery, transfer, exchange or cancellation of the Bonds or the receipt, deposit or disbursement of the principal of and interest on the Notes by the Trustee, or with respect to the performance by the Trustee of any obligation contained in the Indenture required to be performed by it.

Notwithstanding anything to the contrary in the Indenture or in any Note or document referred to therein, no District shall incur any obligation thereunder except to the extent payable from unencumbered revenues attributable to its 2009-2010 Fiscal Year, nor shall any District incur any obligation on account of any default, action or omission of any other District.

Limited Liability of the Trustee

Except as expressly provided in the Indenture, the Trustee shall not have any obligation or liability to the Owners or the Bank with respect to the payment when due of the Notes by the Districts, or with respect to the observance or performance by the Districts of the other agreements, conditions, covenants and terms contained in the Notes and the Resolutions.

Amendment or Supplement of Indenture

The Indenture and the rights and obligations of the Owners and the Trustee under the Indenture may be amended or supplemented at any time by an amendment thereof or supplement thereto which shall become binding when the written consents of the Bank, of each credit enhancer with respect to Additional Bonds, if any, and of the Owners and the registered owners of Additional Bonds, if any, of a majority in aggregate principal amount of the Bonds and Additional Bonds then outstanding are filed with the Trustee. No such amendment or supplement shall: (i) reduce the rate of interest on any Bond or extend the time of payment thereof or reduce the amount of principal of any Bond or extend the Maturity Date thereof (it being understood, however, that any such extension shall have no effect on the duration of the Letter of Credit) or modify the payment priority for any Bond without the prior written consent of the Owner of the Bond so affected; (ii) reduce the percentage of Owners and registered owners of Additional Bonds, if any, whose consent is required by the terms of the Indenture for the execution of certain amendments thereof or supplements thereto; or (iii) modify any of the rights or obligations of the Trustee without the Trustee’s prior written consent thereto.

The Indenture and the rights and obligations of the Owners, the registered owners of Additional Bonds, if any, and the Trustee thereunder may also be amended or supplemented at any time by an amendment thereof or supplement thereto, which shall become binding upon execution with the prior

written consent of the Bank and each credit enhancer with respect to Additional Bonds, if any, but without the written consents of any Owners or registered owners of Additional Bonds, if any, in order to make any modifications or changes to certain exhibits to the Indenture or to make any modifications or changes necessary or appropriate in the Opinion of Counsel to preserve or protect the exclusion from gross income of interest on any or all of the Bonds and Additional Bonds for federal income tax purposes or, but only to the extent that such amendment shall not materially adversely affect the interests of the Owners and the registered owners of Additional Bonds, if any, for any purpose including, without limitation, one or more of the following purposes:

(a) to add to the agreements, conditions, covenants and terms contained in the Indenture required to be observed or performed by the Authority, other agreements, conditions, covenants and terms thereafter to be observed or performed by the Authority, or to surrender any right reserved in the Indenture to or conferred therein on the Authority;

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Indenture or in regard to questions arising thereunder which the Authority may deem desirable or necessary; or

(c) to modify, amend or supplement the Indenture or any supplement thereto in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect or to permit the qualification of the Bonds or Additional Bonds, if any, for sale under the securities laws of the United States of America or of any of the states of the United States of America and, if the Authority or Bond Counsel so determine, to add to the Indenture or any supplement thereto such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939, as amended, or similar federal statute.

The Indenture and the rights and obligations of the Owners, the registered owners of the Additional Bonds, if any, and the Trustee under the Indenture may also be amended or supplemented at any time by an amendment thereof or supplement thereto which shall become binding upon execution without the prior written consent of the Bank, any credit enhancer with respect to Additional Bonds, if any, or any Owners, for the purpose of issuing and securing one or more series of Additional Bonds.

Defeasance

If the Trustee shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Outstanding Bonds the interest and principal thereof at the times and in the manner provided in the Bonds and the Indenture, then such Owners shall cease to be entitled to the pledge of and lien on the Notes and Note payments and any interest in the funds held under the Indenture as provided therein, and all agreements and covenants of the Authority to such Owners under the Indenture shall thereupon cease, terminate and become void and shall be discharged and satisfied

Any Outstanding Bonds shall on their Maturity Date be deemed to have been paid within the meaning of and with the effect expressed in the preceding paragraph if there shall be on deposit with the Trustee moneys which are sufficient to pay the interest on and principal of such Bonds payable on and prior to their Maturity Date.

Any Outstanding Bonds shall prior to their Maturity Date be deemed to have been paid within the meaning of and with the effect expressed in the second preceding paragraph if there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient or United States Treasury bills, notes, bonds or certificates of indebtedness, or obligations for which the full faith and credit of the

United States of America are pledged for the payment of interest and principal, and which are purchased with moneys and are not subject to redemption except by the holder thereof prior to maturity (including any such securities issued or held in book entry form on the books of the Department of the Treasury of the United States of America), the interest on and principal of which when paid will provide money which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, in the opinion of an independent certified public accountant delivered to the Trustee and the Bank, to pay when due the interest on such Bonds and the principal of such Bonds on the Maturity Date.

After the payment of the interest on and principal of all Outstanding Bonds as provided in this section, at the Request of the Authority (if provided), the Trustee shall execute and deliver to the Authority and the Districts all such instruments as they may deem necessary or desirable to evidence the discharge and satisfaction of the Indenture, and the Trustee shall pay over or deliver to the Districts all money or deposits or investments held by it pursuant to the Indenture (except for moneys held in the Rebate Fund) which are not required for the payment of the interest on and principal of such Bonds and the Trustee shall surrender the Letter of Credit to the Bank for cancellation by the Bank.

Notwithstanding anything to the contrary in the Indenture, the Indenture shall not be discharged (i) without the prior written consent of the Bank, until all Predefault Obligations and Reimbursement Obligations have been paid or payment duly provided for by the Trustee's retention of sufficient funds to pay all Predefault Obligations and Reimbursement Obligations due or to become due as of the date of such discharge and (ii) until all Additional Bonds, if any, have been paid or deemed to have been paid in the same manner as the Bonds as described above.

Investments

Any money held by the Trustee in each Payment Account and each Proceeds Subaccount attributable to the Bonds shall be invested by the Trustee, to the fullest extent practicable, upon the Request of any District, with respect to the corresponding Proceeds Subaccount or Payment Account, in Permitted Investments which will mature on or before the dates on which such money is anticipated to be needed for disbursement under the Indenture. The Trustee may act as principal or agent in the acquisition or disposition of any such deposit or investment and may at its sole discretion, for the purpose of any such deposit or investment, except as otherwise set forth in the Indenture, commingle any of the money held by it under the Indenture. The Trustee shall not be liable or responsible for any loss suffered in connection with any such deposit or investment made by it under the terms of and in accordance with the Indenture. To the extent the Trustee has not received any instruction with respect to the investment of funds in a Payment Account or a Proceeds Subaccount attributable to the Bonds, such amounts shall be invested by the Trustee in a money market fund offered by the Trustee or any of its affiliates meeting the requirements set forth in clause (d) of the definition of Permitted Investments. The amounts held in the several Payment Accounts and Proceeds Subaccounts will be accounted for separately for the respective Districts. The Trustee may present for redemption or sell any such deposit or investment whenever it shall be necessary in order to provide money to meet any payment of the money so deposited or invested, and the Trustee shall not be liable or responsible for any losses resulting from any such deposit or investment presented for redemption or sold. Any interest or profits on such deposits and investments received by the Trustee shall be credited to the fund or account from which such investment was made.

Moneys held by the Trustee in the Costs of Issuance Fund, Pool Principal Fund and the Pool Interest Fund shall be invested in Permitted Investments as directed by the Authority.

Moneys held in the Credit Fund shall be invested as described in "SUMMARY OF INDENTURE—Credit Fund" herein.

Removal and Resignation of Trustee

The Authority, with the consent of the Bank and any credit enhancer for Additional Bonds, if any, may at any time remove the Trustee by giving written notice of such removal by mail to the Trustee, all of the Districts, all Owners of Bonds and registered owners of Additional Bonds, if any, the Bank and any credit enhancer for Additional Bonds, if any, and the Trustee may at any time resign by giving written notice by mail of such resignation to the Bank, the Districts, all Owners of Bonds and registered owners of Additional Bonds, if any, and any credit enhancer for Additional Bonds, if any. The Bank and any other credit enhancer for Additional Bonds may at any time remove the Trustee if the Bank or other credit enhancer is not in default on its payment obligations under the Letter of Credit or the credit enhancement provided by the other credit enhancer. The Bank or other credit enhancer shall give written notice by mail of such removal to the Trustee, and all of the Districts, the other credit enhancers or the Bank, as applicable, and all Owners of the Bonds and registered owners of Additional Bonds, if any. If such removal is at the request of the Bank or other credit enhancer and the Trustee has not been removed due to its willful misconduct or negligence under the Indenture, the Bank or other credit enhancer shall reimburse the Authority and the Districts for any additional costs resulting from such removal. Upon giving any such notice of removal or upon receiving any such notice of removal or resignation, the Authority shall promptly appoint a successor Trustee acceptable to the Bank and each other credit enhancer by an instrument in writing; provided that if the Authority does not appoint a successor Trustee within 60 days following the giving of any such notice of removal or the receipt of any such notice of resignation, the removed or resigning Trustee may petition any appropriate court having jurisdiction to appoint a successor Trustee. Any successor Trustee shall be a commercial bank with trust powers or trust company in good standing, doing business and having a principal corporate trust office either in Los Angeles or San Francisco, California, having a combined capital (exclusive of borrowed capital) and surplus of at least \$75,000,000 and subject to supervision or examination by state or national authorities.

Any removal or resignation of a Trustee and appointment of a successor Trustee shall become effective only when the Trustee has provided written acceptance of its appointment to the Authority, and the Letter of Credit and each other credit enhancement, if any, are transferred in accordance with its terms.

SUMMARY OF THE CREDIT AGREEMENT

The following is a summary of certain provisions of the Credit Agreement. Reference is made to the Credit Agreement in its entirety for a full recital of the provisions thereof.

Reimbursement and Other Payments

Under the Credit Agreement, each District agrees to pay, or to cause the Trustee to pay, to the Bank from amounts available therefor under the Indenture, any amount that is drawn on the Letter of Credit and applied to the payment of principal or interest on the District's Note, together with interest on such amount, payable on demand. Each District also agrees to pay to the Bank its share of the fees required under the Credit Agreement and, subject to certain limitations, additional amounts sufficient to compensate the Bank for increased costs resulting from changes in applicable law or regulations, or interpretations thereof, and the costs and expenses of the Bank in connection with any Event of Default under the Credit Agreement or the exercise of its rights under the Credit Agreement. Notwithstanding anything to the contrary in the Credit Agreement or in any Note Document referred to in the Credit Agreement, no District shall incur any obligation to reimburse the Bank for any drawing under the Letter of Credit, except to the extent payable from unencumbered revenues attributable to its Fiscal Year 2009-2010, nor shall any District incur any obligation on account of any default, action, or omission of any other District.

Certain Covenants

Each District individually covenants and agrees under the Credit Agreement, among other things (unless the Bank otherwise consents in writing), (a) to observe and perform fully and faithfully all of its obligations thereunder and under the other Note Documents to which it is a party, (b) to comply in all material respects with any and all applicable laws material to the Indenture, the other Note Documents, the Credit Agreement, and the Letter of Credit, (c) to furnish or cause the Trustee to furnish to the Bank promptly, from time to time, such information regarding the operations, financial condition, and property of the District as the Bank may reasonably request, (d) to notify the Bank promptly of any Default or Event of Default of which the District has knowledge, setting forth the details of such Default or Event of Default and any and all action the District has taken or proposes to take with respect thereto, (e) to notify the Bank in writing, promptly after the same shall have become known to the District, of any action, suit, or proceeding at law or in equity, or by or before any governmental instrumentality or other agency that, if adversely determined, might materially impair its ability to perform its obligations under the Credit Agreement or any Note Document or might have a material adverse effect on its operations, property, assets or condition, (f) to the extent authorized by law, to pass, make, do, execute, acknowledge, and deliver every and all such further resolutions, acts, deeds, conveyances, assignments, recordings, filings, transfers, and assurances as may be reasonably requested by the Bank for the better assuring, conveying, granting, assigning, and confirming all and singular the rights, revenues, and other funds pledged or assigned to the payment of the Notes (including the interest thereon) or payment of its obligations under the Credit Agreement or under the Note Documents, and (g) to preserve and maintain its existence, rights and franchises under the laws of the State of California.

Events of Default

Each of the following events constitutes an Event of Default under the Credit Agreement:

- (a) the occurrence and continuance of an “Event of Default” under the Indenture or any other Note Document;
- (b) the failure of any District to pay when due principal of or interest on any Note;
- (c) the failure of any District to pay any amount when due under the Credit Agreement;
- (d) the failure of any District to perform or observe certain covenants under the Credit Agreement;
- (e) the failure of any District to perform or observe any other term, covenant or agreement contained in the Credit Agreement or any of the Note Documents to which it is a party not specified in clauses (a), (b), (c), and (d) above, if such failure shall continue for a period of fifteen calendar days after written notice thereof by the Bank to the applicable District;
- (f) any warranty, representation, or other written statement made by or on behalf of any District contained in the Credit Agreement or in any of the Note Documents or in any instrument furnished in compliance with or in reference to any of the foregoing, is false or misleading in any material respect when made; or
- (g) any material provision of the Credit Agreement or any of the Note Documents to which any District is a party shall at any time for any reason cease to be valid and binding in accordance with its terms on such District, or shall be declared to be null and void, or the validity

or enforceability thereof shall be contested by the District or a proceeding shall be commenced by the District seeking to establish the invalidity or unenforceability thereof, or the District shall deny that it has any further liability or obligation thereunder.

Remedies

Upon the occurrence of an Event of Default, and notice thereof to the Trustee, the Bank may, in its sole discretion, but shall not be obligated to, exercise all or any of its rights and remedies as it may have under applicable law and under any Note Document. No failure or delay on the part of the Bank to exercise any right or remedy under the Credit Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right or remedy under the Credit Agreement preclude any further exercise thereof or the exercise of any further right or remedy thereunder.

TAX EXEMPTION

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based on an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. The amount treated as interest on the Bonds and excluded from gross income may depend upon the taxpayer's election under Internal Revenue Service Notice 94-84. Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, nor is it included in adjusted current earnings when calculating federal corporate alternative minimum taxable income. A complete copy of the proposed opinion of Special Bond is set forth in Appendix C hereto.

Notice 94-84, 1994-2 C.B. 559, states that the Internal Revenue Service (the "IRS") is studying whether the amount of the payment at maturity on short-term debt obligations (i.e., debt obligations with a stated fixed rate of interest which mature not more than one year from the date of issue) that is excluded from gross income for federal income tax purposes is (a) the stated interest payable at maturity or (b) the difference between the issue price of the short-term debt obligations and the aggregate amount to be paid at maturity of the short-term debt obligations (the "original issue discount"). For this purpose, the issue price of the short-term debt obligations is the first price at which a substantial amount of the short-term debt 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). Until the IRS provides further guidance with respect to tax-exempt short-term debt obligations, taxpayers may treat either the stated interest payable at maturity or the original issue discount as interest that is excluded from gross income for federal income tax purposes. However, taxpayers must treat the amount to be paid at maturity on all tax-exempt short-term debt obligations in a consistent manner. Taxpayers should consult their own tax advisors with respect to the tax consequences of ownership of Bonds if the taxpayer elects original issue discount treatment.

Bonds purchased, whether at original issuance or otherwise, for an amount greater than their principal amount payable at maturity, (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a purchaser's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such purchaser. Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The Authority and each of the Districts have made certain representations and covenanted to comply with certain restrictions designed to assure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or a failure to comply with these covenants may result in such interest being included in federal gross income, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with such actions, events or matters.

One of the covenants of the Districts referred to above requires any District that expects to issue more than \$5,000,000 (or in certain circumstances up to \$15,000,000) in tax-exempt obligations within the calendar year (the "Small Issuer Test") reasonably and prudently to calculate the amount, if any, of excess investment earnings on the proceeds of its Note which must be rebated to the United States, to set aside from lawfully available sources sufficient moneys to pay such amounts and to otherwise do all things necessary and within its power and authority to assure that interest on its Note is excluded from gross income for federal income tax purposes. Under the Code, if such District spends 100% of the proceeds of its Note within six months after issuance, there is no requirement that there be a rebate of investment profits in order for interest on the Note to be excluded from gross income for federal income tax purposes. The Code also provides that such proceeds are not deemed spent until all other available moneys (less a reasonable working capital reserve) are spent. Each District expects to satisfy either the Small Issuer Test or the six-month expenditure test or, if it fails to do so, to make any required rebate payments from moneys received or accrued during the 2009-2010 Fiscal Year. To the extent that any rebate cannot be paid from such moneys, the law of California is unclear as to whether such covenant would require the Districts to pay any such rebate. This would be an issue only if it were determined that a District's calculation of expenditures of Note proceeds or of rebatable arbitrage profits, if any, were incorrect.

Although Bond Counsel has rendered an opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and exempt from California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a Bond Owner's federal or state tax liability. The nature and extent of these other tax consequences may depend upon the particular tax status of the Bond Owner and the Bond Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Bond Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals, or clarification of the Code or court decisions may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations and litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the IRS or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the

Authority or the Districts, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority and the Districts have covenanted, however, to comply with the requirements of the Code.

In recent years, the IRS has increased its audit examination of tax and/or revenue anticipation notes, including pooled tax and/or revenue anticipation note programs, for compliance with federal tax law requirements. None of the pool bonds previously issued by the Authority have been the subject of an audit examination by the IRS. However, there can be no assurance that the IRS will not conduct such an audit with respect to the Bonds. Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority, the Districts or the Bond Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. However, Orrick, Herrington & Sutcliffe LLP ("Orrick") has been bond counsel with respect to all of the prior issues of pool bonds issued by the Authority, and Orrick expects to be bond counsel on future issuances of bonds. In the event of an audit examination by the IRS, Orrick expects to be engaged by the Authority to defend the Authority and the exclusion from gross income of the interest on the Bonds.

Under current procedures, parties other than the Authority, the Districts and their appointed counsel, including the Bond Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt obligations is difficult, obtaining an independent review of IRS positions with which the Authority or the Districts legitimately disagree, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of obligations presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the Authority, the Districts or the Bond Owners to incur significant expense.

. ABSENCE OF LITIGATION

There is no action, suit or proceeding known to be pending or threatened, restraining or enjoining the execution or delivery of the Bonds, the Notes, the Indenture or in any way contesting or affecting the validity of the foregoing or any proceedings of the Authority or the Districts taken with respect to any of the foregoing.

There is no litigation pending or, to the knowledge of the Authority, threatened, questioning the existence of the Authority, or the title of the officers of the Authority to their respective offices, or the power and authority of the Authority to issue the Bonds.

FORWARD LOOKING STATEMENTS

This Official Statement contains statements relating to future results that are "forward looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate," "forecast," "intend," "expect," "budgeted" and similar expressions identify forward looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

RATINGS

Moody's Investors Service ("Moody's") has assigned the rating of "MIG1" on the Senior Bonds and Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc. ("S&P"), has assigned the rating of "SP1+" on the Senior Bonds. Moody's has assigned the rating of "MIG1" on the Subordinate Bonds and S&P has assigned the rating of "SP1+" on the Subordinate Bonds, with the understanding that, upon issuance of the Subordinate Bonds, the Letter of Credit will be issued by the Bank. The Bonds are short-term obligations which mature in one year and thus do not qualify for a long-term rating from either Moody's or S&P. Certain information was supplied on behalf of the Authority and the Districts to the rating agencies to be considered in evaluating the Bonds. Any rating issued will reflect only the views of the rating agencies, and any explanation of the significance of such rating on the Bonds should be obtained from the rating agencies as follows: Moody's, 99 Church Street, New York, New York 10007, and S&P, 55 Water Street, New York, New York 10041. There is no assurance that a rating obtained for each of the series of Bonds will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by a rating agency for the Bonds if, in its judgment, circumstances so warrant. The Authority and the Districts undertake no responsibility either to bring to the attention of the Owners of the Bonds downward revision or withdrawal of any rating obtained or to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the rating obtained may have an adverse effect on the market price of the Bonds.

UNDERWRITING

The Senior Bonds are to be purchased by the Underwriter at a price of \$486,503,769.60. The Subordinate Bonds are to be purchased by the Underwriter at a price of \$54,098,250.00. The Purchase Contract provides that the obligations to make such purchase being subject to certain terms and conditions set forth in the Purchase Contract, the approval of certain legal matters by counsel and certain other conditions. In addition to its role as the Underwriter, Piper Jaffray & Co. serves in roles involving the structuring of the Bonds and administering the Program, for which Piper Jaffray & Co. is paid a separate fee from the proceeds of the Bonds.

The Underwriter may offer and sell the Bonds to certain dealers and others at a price lower than the offering price stated on the cover page hereof. The offering price may be changed from time to time by the Underwriter.

CERTAIN LEGAL MATTERS

At the time of the delivery of the Bonds, Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel to the Authority, will deliver its final approving opinion. A proposed form of such approving opinion is contained in Appendix C hereto and will be delivered to The Depository Trust Company with the Bonds. Bond Counsel has undertaken no responsibility for the accuracy, completeness or fairness of this Official Statement.

Certain legal matters will be passed upon for the Underwriter by its counsel, Kutak Rock LLP, for the Bank by its counsel, Foley & Lardner LLP, and for the Districts by Kutak Rock LLP. Payment of the fees of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, Kutak Rock LLP, Underwriter's Counsel and Special Districts' Counsel, and Foley & Lardner LLP, Bank Counsel, is contingent upon the issuance of the Bonds.

TRUSTEE

The Authority has appointed U.S. Bank National Association (the "Trustee"), a national banking association organized under the laws of the United States, to serve as Trustee. The Trustee is to carry out those duties assignable to it under the Indenture and other documents related to the Bonds. Except for the contents of this section, the Trustee has not reviewed or participated in the preparation of this Official Statement and assumes no responsibility for the nature, contents, accuracy or completeness of the information set forth in this Official Statement or for the recitals contained in the Indenture or the Bonds, or for the validity, sufficiency, or legal effect of any of such documents.

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

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

RELATED PARTIES

U.S. Bank National Association, a national banking association, is the initial Trustee and the initial Bank. The United States Comptroller of the Currency, which regulates national banks permits national banks and affiliated national banks to act as both indenture trustee and letter of credit bank if they maintain adequate controls to manage the potential for a conflict of interest. U.S. Bank National Association has indicated that it has adopted and will adhere to procedures and policies which U.S. Bank National Association believes comply with the requirements of the Comptroller of the Currency and are designed to manage such potential conflict of interest.

The Indenture provides that the Trustee may accept, hold and draw upon a Letter of Credit issued by itself or by any of its corporate affiliates to provide security and a source of payment for the Subordinate Bonds. Under the Indenture, the Trustee covenants that it shall at all times maintain adequate controls to manage any potential conflict of interest. The Indenture provides that, notwithstanding any other provision therein to the contrary, while the Bank issuing the Letter of Credit is the Trustee or an affiliate of the Trustee and such Bank has not failed to honor a properly presented draw on the Letter of Credit, the Trustee shall have no discretion with respect to the exercise of remedies upon an event of default under the Indenture and shall do so only upon the written direction of such Bank. The Indenture also provides that the Trustee shall immediately tender its resignation and take prompt steps to have a successor trustee appointed satisfying the requirements of the Indenture if such affiliated Bank shall fail at any time to honor a properly presented draw on the Letter of Credit. The Authority cannot predict whether, as a practical matter in such circumstances, these provisions will be effective to bring about a timely appointment of a successor trustee or whether such appointment will be subject to delays.

CONTINUING DISCLOSURE

Pursuant to a Continuing Disclosure Agreement dated as of July 1, 2009 (the "Continuing Disclosure Agreement"), by and between the Authority and U.S. Bank National Association, as Dissemination Agent, the Authority has agreed (the "Undertaking") for the benefit of the holders and

beneficial owners of the Bonds as follows, pursuant to the requirements of Section (b)(5)(i) of Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. Part 240, Section 240.15c2-12) (the “Rule”).

If a Material Event occurs while any of the Bonds are outstanding, the Authority shall provide a Material Event Notice in a timely manner to the Dissemination Agent. The Dissemination Agent shall forward each Material Event Notice received from the Authority in a timely manner to the Municipal Securities Rulemaking Board. “Material Event” means any of the following events, if material, with respect to the Bonds: (a) principal and interest payment delinquencies; (b) non-payment related defaults; (c) unscheduled draws on debt service reserves reflecting financial difficulties; (d) unscheduled draws on credit enhancements reflecting financial difficulties; (e) substitution of credit or liquidity providers, or their failure to perform; (f) adverse tax opinions or events affecting the tax-exempt status of the Bonds; (g) modifications to rights of the holders and Beneficial Owners (as defined below) of the Bonds; (h) optional, contingent or unscheduled bond calls; (i) defeasances; (j) release, substitution, or sale of property securing repayment of the Bonds; and (k) rating changes. “Material Event Notice” means written or electronic notice of a Material Event.

The Authority’s obligations under the Continuing Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Authority shall give notice of such termination in the same manner as for a Material Event.

Notwithstanding any other provision of the Continuing Disclosure Agreement, the Authority and the Dissemination Agent may amend the Continuing Disclosure Agreement, and any provision of the Continuing Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions regarding the giving of a Material Event Notice, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the holders or Beneficial Owners of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of holders or Beneficial Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of the Continuing Disclosure Agreement, notice of such change shall be given in the same manner as for a Material Event, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver.

Nothing in the Continuing Disclosure Agreement shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in the Continuing Disclosure Agreement or any other means of communication, or including any other notice of occurrence of a Material Event, in addition to that which is required by the Continuing Disclosure Agreement. If the Authority chooses to include any information in any notice of occurrence of a Material Event in addition to that which is specifically required by the Continuing Disclosure Agreement, the Authority shall have

no obligation under the Continuing Disclosure Agreement to update such information or include it in any future notice of occurrence of a Material Event.

In the event of a failure of the Authority to comply with any provision of the Continuing Disclosure Agreement, any holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority to comply with its obligations under the Continuing Disclosure Agreement. A default under the Continuing Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under the Continuing Disclosure Agreement in the event of any failure of the Authority to comply with the Continuing Disclosure Agreement shall be an action to compel performance.

A failure by the Authority to comply in any material respect with the terms of the Continuing Disclosure Agreement must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Pool Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

The Authority has never failed to comply in any material respect with any previous undertaking with regard to said Rule to provide annual reports or notices of material events, as applicable.

The Districts have covenanted to notify the Trustee within 5 days of any Default or Event of Default of which such District has knowledge, setting forth the details of such Default or Event of Default and any and all action which such District has taken or proposes to take with respect thereto.

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EXECUTION AND DELIVERY

The execution and delivery of this Official Statement by the Authority acting on behalf of itself and each of the Districts has been duly authorized by the Authority and each District under its respective Resolution.

CALIFORNIA SCHOOL CASH RESERVE
PROGRAM AUTHORITY

By /s/ Larry F. Brown

Title Treasurer

APPENDIX A

DEFINITIONS OF CERTAIN TERMS

The following terms shall have the following meanings unless the context expressly or by necessary implication requires otherwise:

“Additional Bonds” means all additional bonds of the Authority authorized by and at any time Outstanding pursuant to the Indenture and a Supplemental Indenture.

“Additional Notes” means the additional series of tax and revenue anticipation notes of a District issued pursuant to its Resolution.

“Authority” means the California School Cash Reserve Program Authority, duly organized and existing under and by virtue of the laws of the State of California.

“Authorized District Representative” means the President, Chair or Secretary or Clerk of the governing board of a District or Superintendent of a District or such other officers of a District designated in such District’s Resolution or any other person at the time designated to act on behalf of such District by written certificate furnished to the Trustee, containing the specimen signature of such person and signed on behalf of such District by the Chair, President, Clerk or the Secretary of the governing board of such District or Superintendent of such District.

“Bank” means U.S. Bank National Association, or any successor thereto.

“Bond Payment Fund” means the fund by that name established in the Indenture

“Bonds” means, collectively, the Senior Bonds and the Subordinate Bonds.

“Business Day” means any day except (a) Saturday, (b) Sunday or (c) any day on which banks located in the city in which the designated trust office of the Trustee and the principal office of the Bank is located, or in San Francisco, California, Los Angeles, California, or New York, New York, are required or authorized to remain closed.

“Certificate” or *“Request”* with respect to a District means an instrument in writing signed on behalf of such District by an Authorized District Representative, and with respect to the Authority, means an instrument in writing signed on behalf of the Authority by its Chair, Secretary, Treasurer or Executive Director or other person at the time designated to act on behalf of the Authority by written certificate furnished to the Trustee..

“Code” means the Internal Revenue Code of 1986 and the regulations issued or applicable thereunder.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to a District or the Authority and related to the authorization, execution and delivery of the Notes and the related sale of the Bonds, which may include but are not limited to, the Letter of Credit fees or premium, costs of preparation, reproduction and delivery of documents, filing and recording fees, fees and charges of the Trustee, Trustee counsel fees, bond counsel fees and charges, other legal fees and charges, fees and disbursements of consultants and professionals, fees and charges for preparation, execution, safekeeping and delivery of the Bonds and any other costs, charges or fees (including any supplemental credit

enhancement on any individual Note) in connection with the original issuance of the Notes and the Bonds.

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

“*Credit Agreement*” means the Credit Agreement dated as of July 1, 2009, by and between each of the Districts and the Bank.

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

“*Default Rate*” means the rate of interest per annum payable with respect to each outstanding portion of each Defaulted Note which (a) if the Defaulted Note is paid in whole or in part by an unreimbursed draw on the Letter of Credit, shall equal the rate specified in the Credit Agreement, or (b) if the Defaulted Note is unpaid and the Letter of Credit is not applicable thereto, is the rate of interest per annum sufficient to produce a yield on the outstanding portion of such Defaulted Note equal to the rates of interest payable on the Bonds (or applicable portions thereof) computed on the basis of a 360-day year consisting of twelve thirty-day months.

“*Defaulted Note*” means a Note (a) the principal of and/or interest on which has been paid in whole or in part with proceeds of a drawing under the Letter of Credit which remains not fully reimbursed on the Maturity Date or (b) any of the principal of or interest on which is not paid on the Maturity Date.

“*Districts*” means the California school districts, community college districts and county boards of education and, where appropriate, the counties electing to be the issuers of the Notes for the school districts, community college districts and county boards of education that are not fiscally accountable, and in each case their successors and assigns, which are participating in the Program and issuing the Notes.

“*Indenture*” means the Indenture executed and entered into as of July 1, 2009, by and between the Trustee and the Districts, as originally executed and entered into and as it may from time to time be amended or supplemented in accordance therewith.

“*Letter of Credit*” means the irrevocable direct-pay letter of credit issued by the Bank securing the payment of the principal of and interest on the Subordinate Bonds.

“*Maturity Date*” means the date on which the principal and interest on each Note becomes due and payable, being July 1, 2010.

“*Moody’s*” means Moody’s Investors Service, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

“*Note Documents*” means, at any time, each of the following as in effect or as outstanding, as the case may be, at such time: (a) the Notes, (b) the Indenture, (c) the Purchase Agreements, (d) the Resolutions, (e) the Purchase Contract, (f) the Certificates, and (g) the closing certificates delivered by the Districts in connection with the issuance of the Notes.

“*Notes*” means the tax and revenue anticipation notes issued by the Districts in the respective principal amounts described in the Indenture.

“*Opinion of Counsel*” means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed by the Authority and satisfactory to and approved by the Trustee (who shall be under no liability by reason of such approval).

“*Outstanding*” means all Bonds except—

- (a) Bonds cancelled by the Trustee or surrendered to the Trustee for cancellation;
- (b) Bonds paid or deemed to have been paid within the meaning of the Indenture;
and
- (c) Bonds in lieu of or in exchange or substitution for which other Bonds shall have been authenticated and delivered by the Trustee under the Indenture.

“*Owner*” means the registered owner of any Outstanding Bond.

“*Payment Accounts*” means the subaccounts created in the Bond Payment Fund under the Indenture.

“*Permitted Investments*” means any of the following to the extent then permitted by law and approved by the Bank:

- (a) United States of America Treasury bills, notes, bonds or certificates of indebtedness, or obligations of, or obligations guaranteed directly or indirectly as to full and timely payment, by the United States of America or securities or other instruments evidencing ownership interest in such obligations and rated in the highest applicable rating category by the Rating Agency then rating the Senior Bonds or in specified portions of the interest on or principal of such obligations stripped at Treasury level;
- (b) Any obligations which are then legal investments for moneys of the Districts under the laws of the State of California; provided, that if such investments are not fully insured by the Federal Deposit Insurance Corporation, such investments shall be, or shall be issued by entities the debt securities of which are, rated in the highest short-term (with regard to any modifiers) or one of the two highest long-term rating categories by Moody’s and S&P, (or whichever one of them is then rating the Senior Bonds);
- (c) Units of a money-market fund portfolio composed solely of obligations guaranteed by the full faith and credit of the United States of America rated in one of the two highest rating categories by Moody’s and S&P (or whichever one of them is then rating the Senior Bonds);
- (d) Units of a money-market fund portfolio rated in the highest rating category by S&P and Moody’s;
- (e) With the consent of the Bank, an investment agreement which results in a maintenance of the original rating on the Senior Bonds; provided such agreement is with a financial entity (the “Provider”), or with a financial entity whose obligations are guaranteed or insured by a financial entity (the “Guarantor”), the Provider’s or the Guarantor’s senior debt or investment contracts or obligations under its investment contracts being rated in one of the two highest long-term rating categories by Moody’s and S&P (or whichever one of them is then rating the Senior Bonds) or whose commercial paper rating is in the highest rating category (with regard

to any modifiers) of each such rating agencies (or whichever one of them is then rating the Senior Bonds) or is fully collateralized by investments listed in subsection (a) hereof as required by S&P and Moody's (or whichever one of them is then rating the Senior Bonds) to be rated in one of the two highest rating categories;

(f) Any other prudent investment rated in one of the two highest rating categories by Moody's and S&P (or whichever one of them is then rating the Senior Bonds) approved by the Bank and the Authority;

(g) The Local Agency Investment Fund managed by the office of the Treasurer of the State of California; or

(h) Any County Treasury of a County in which the District is situated, the proceeds of whose note are to be invested, provided that the investment of such proceeds by the applicable County Treasurer is made in compliance with California Government Code Section 53601.

"Predefault Obligations" means (a) the respective obligations of the Districts to the Bank under the Letter of Credit, (b) all indemnification to the Bank by such respective Districts, (c) all other amounts due to the Bank by such respective Districts under the Letter of Credit (including interest on overdue Predefault Obligations to the extent permitted by law); and (d) if applicable, all fees and expenses of the Bank to the extent they are not costs of issuance, becoming due prior to an Event of Default under the respective Resolutions.

"Pool Interest Fund" means the fund by that name established in the Indenture.

"Pool Principal Fund" means the fund by that name established by the Indenture.

"Pricing Confirmation" means, collectively, those certain pricing confirmation supplements expected at the time of pricing each of the series of Notes and attached as Schedule I to the Purchase Agreement applicable to such series of Notes

"Principal Office of the Trustee" means the principal corporate trust office of the Trustee, which, for the Trustee initially appointed under the Indenture, is located in Los Angeles, California; provided that for transfer, exchange, payment and registration of Bonds, "Principal Office of the Trustee" means the corporate trust office of U.S. Bank National Association in Los Angeles, California, or such other office specified by the Trustee.

"Principal Payment Date" means the date on which principal on the Bonds becomes due and payable, being July 1, 2010.

"Proceeds Fund" means the fund by that name established in the Indenture.

"Proceeds Subaccounts" means the Proceeds Subaccounts created in the Proceeds Fund under the Indenture relating to a series of Notes.

"Program" means the California School Cash Reserve Program pursuant to which the Bonds are issued to assist Districts in financing cash flow deficits.

"Purchase Agreement" means, collectively, those certain Purchase Agreements by and between the respective Districts and the Authority relating to the purchase of the applicable series of Notes.

“*Purchaser*” means Piper Jaffray & Co., as the underwriter and purchaser of the Bonds.

“*Rating Agency*” means Moody’s and S&P, or whichever one of them is then rating the Bonds.

“*Reimbursement Obligations*” means (a) the respective obligations of the respective Districts under the Letter of Credit, including, without limitation, obligations evidenced by Defaulted Notes, (b) all indemnification to the Bank by respective Districts under the Letter of Credit, (c) all other amounts at any time due to the Bank by the respective Districts under the Letter of Credit (including any Predefault Obligations and interest on any overdue Reimbursement Obligations to the extent permitted by law), and (d) if applicable, all fees and expenses of the Bank under the Credit Agreement, exclusive of costs of issuance, becoming due as a result of or after an Event of Default under the respective Resolutions.

“*Resolutions*” means the respective resolutions adopted by the governing boards of the Districts and, where applicable (and if a respective county elected to do so), in the case of a school districts, community college districts and county boards of education that are not fiscally accountable, the respective resolutions adopted by the county boards of supervisors, in each case authorizing the issuance of the Notes and approving the execution and delivery of the Indenture and the Bonds.

“*S&P*” means Standard & Poor’s, a division of the McGraw-Hill Companies, Inc., and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “*S&P*” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

“*Senior Bonds*” means the \$478,080,000 California School Cash Reserve Program Authority 2009-2010 Senior Bonds, Series A, authorized by the Indenture and at any time Outstanding thereunder.

“*Senior Notes*” means, with respect to each District, its Note and each series of Additional Notes issued by the District which are payable on a parity basis with its Note.

“*Subordinate Bonds*” means the \$53,125,000 California School Cash Reserve Program Authority 2009-2010 Subordinate Bonds, Series A, authorized by the Indenture and at any time Outstanding thereunder.

“*Subordinate Notes*” means, with respect to each District, each series of Additional Notes issued by the District which are payable on a subordinate basis with its Note.

“*Supplemental Indenture*” means any indenture approved by the Authority in accordance with the Indenture amending or supplementing the Indenture or any Supplemental Indenture, or providing for the issuance of Additional Bonds.

“*Trustee*” means U.S. Bank National Association, a national banking association duly organized and existing under and by virtue of the laws of the United States of America, at its corporate trust office in Los Angeles, California, or any other Bank or trust company at its corporate trust office which may at any time be substituted in its place as Trustee as provided in the Indenture.

“*Underwriter*” means Piper Jaffray & Co.

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APPENDIX B

CERTAIN BACKGROUND INFORMATION FOR DISTRICTS

County	District	Principal Amount of Notes	Estimated FY 2008/09 ADA (1)	Projected FY 2009/10 ADA (1)	FY 2008/09 Total Revenue from Revenue Limit Sources (2)	FY 2008/09 Budgeted Ending General Fund Balance (2)	FY 2007/08 Actual Ending General Fund Balance (3)	Estimated OPEB (1)(4) Actuarial Accrued Liability
Alameda	(5) Pleasanton Unified	9,235,000	14,352	14,403	91,928,467	422,969	1,982,051	26,777,000
Alameda	Sunol Glen Unified	400,000	224	224	1,386,336	183,807	231,551	-
Amador	(5) Amador County Office of Education	455,000	205	205	2,072,415	397,516	1,320,639	-
Amador	(5) Amador County Unified	2,955,000	4,312	4,312	24,204,159	938,042	4,588,046	-
Calaveras	Bret Harte Union High	1,725,000	803	767	9,510,426	1,987,751	2,547,262	1,677,435
Calaveras	Calaveras Unified	1,585,000	3,411	3,411	20,135,384	2,726,160	5,389,076	7,242,952
Calaveras	Vallecito Union Elementary	920,000	766	760	5,683,501	682,383	1,226,366	1,768,744
Contra Costa	Walnut Creek	525,000	3,165	3,194	17,037,562	4,701,341	5,341,846	124,467
Del Norte	Del Norte County Unified	1,140,000	3,429	3,409	19,464,388	1,434,902	6,568,850	2,851,156
El Dorado	Camino Union Elementary	335,000	420	421	2,418,223	638,299	673,358	479,200
Fresno	West Hills Community College	3,895,000	5,201 (6)	5,356 (6)	37,426,547 (7)	2,621,990	4,193,706	5,392,824
Fresno	Sanger Unified	5,000,000	10,049	11,049	51,878,324	6,513,250	6,924,801	5,178,600
Fresno	Central Unified	7,370,000	13,714	13,714	80,184,184	7,081,549	11,479,447	53,027,398
Fresno	Kerman Unified	1,260,000	4,197	4,197	23,812,028	6,134,862	6,475,477	5,943,169
Glenn	(5) Willowas Unified	990,000	1,622	1,581	9,753,471	637,606	1,750,406	2,680,000
Humboldt	Northern Humboldt Union High	765,000	1,580	1,505	10,731,625	90,272	1,270,201	4,779,606
Imperial	Brawley Union High	1,110,000	1,816	1,800	12,463,318	1,518,478	1,416,918	2,453,643
Imperial	Calipatria Unified	1,365,000	1,132	1,132	6,971,820	1,240,433	1,829,682	-
Imperial	Central Union High	3,390,000	3,992	3,992	26,166,755	1,908,109	5,584,240	9,392,463
Imperial	El Centro Elementary	5,000,000	5,472	5,432	30,946,714	7,709,641	8,622,933	16,304,815
Imperial	Holville Unified	840,000	1,697	1,657	9,811,366	1,437,266	2,346,714	766,667
Imperial	San Pasqual Valley Unified	395,000	691	691	4,577,311	1,157,850	2,150,776	-
Inyo	Bishop Union Elementary	675,000	1,197	1,156	6,648,844	1,456,238	1,749,836	2,401,442
Kern	Delano Union Elementary	5,000,000	7,467	7,467	42,014,937	5,021,320	7,397,034	12,574,034
Kern	Lamont	1,235,000	2,532	2,532	14,186,547	2,562,857	3,054,006	6,122,888
Kern	(5) Southern Kern Unified	3,610,000	3,225	3,080	19,748,733	3,148,638	3,552,750	4,296,634
Lake	Lakeport Unified	355,000	1,540	1,512	9,319,976	1,371,018	2,077,327	1,843,652
Lassen	Janeville Union Elementary	85,000	400	400	2,366,352	393,881	567,546	-
Los Angeles	Bellflower Unified	4,365,000	14,018	13,818	81,978,001	22,484,080	23,163,061	11,048,154
Los Angeles	Eastside Union	4,525,000	3,095	3,054	17,573,730	1,815,875	3,197,695	4,575,016
Los Angeles	Lancaster Elementary	5,160,000	14,633	14,162	81,200,571	5,927,822	14,307,557	27,100,534
Los Angeles	(5) Las Virgenes Unified	4,000,000	11,247	11,111	66,036,699	4,203,753	9,633,266	-
Los Angeles	William S. Hart Union High	12,710,000	22,031	21,926	147,973,654	13,398,447	20,536,049	36,700,000
Los Angeles	Walnut Valley Unified	2,830,000	15,048	14,776	87,078,938	13,750,024	13,079,839	6,523,251
Madera	Madera County Board of Education	5,000,000	705	710	10,109,237	3,218,217	2,436,677	8,246,128
Madera	Bass Lake Joint Union	650,000	882	857	5,099,329	1,195,141	1,865,032	2,562,415
Madera	Golden Valley Unified	1,010,000	1,887	1,906	12,922,421	1,901,463	2,220,258	-
Madera	Yosemite Unified	2,845,000	2,190	2,090	15,734,742	1,172,460	2,859,204	3,028,829
Marin	Dixie Elementary	2,895,000	1,771	1,804	10,802,632	3,651,100	3,812,181	1,042,000
Marin	San Rafael City Elementary	4,070,000	3,667	3,725	20,111,306	2,403,799	4,494,291	4,621,185
Marin	San Rafael City High	5,525,000	2,022	2,022	19,348,481	5,388,500	8,080,606	3,820,122
Mariposa	Mariposa County Board of Education	405,000	2,180	2,178	1,614,320	278,066	421,328	6,248,538
Mariposa	Mariposa County Unified	985,000	1,857	1,805	13,265,104	1,351,941	2,367,421	-
Mendocino	Mendocino Unified	390,000	506	474	4,908,193	1,087,949	1,538,763	1,427,542
Mendocino	Arena Union Elementary-Point Arena Joint Union High	1,220,000	355	360	4,543,430	893,646	1,011,528	-
Merced	Ballico-Cressey Elementary	135,000	300	293	1,685,495	449,532	450,121	-
Merced	Hilmar Unified	1,380,000	2,232	2,232	12,635,645	695,627	2,033,990	-
Merced	McSwain Union Elementary	435,000	787	772	4,354,040	875,466	936,707	-
Merced	Planada Elementary	135,000	774	767	4,301,142	646,447	913,737	1,117,729
Merced	Weaver Union Elementary	1,920,000	2,283	2,283	12,313,913	1,691,687	2,593,066	864,448
Mono	Mono County Board of Education	400,000	104	110	2,877,677	999,373	1,489,490	953,510
Mono	Eastern Sierra Unified	1,785,000	450	450	6,760,000	1,642,050	3,035,172	1,438,273
Monterey	Monterey County Board of Education	920,000	1,709	1,709	20,039,604	9,627,141	15,959,690	19,687,925

County	District	Principal Amount of Notes	Estimated FY 2008/09 ADA (1)	Projected FY 2009/10 ADA (1)	FY 2008/09 Total Revenue from Revenue Limit Sources (2)	FY 2008/09 Budgeted Ending General Fund Balance (2)	FY 2007/08 Actual Ending General Fund Balance (3)	Estimated OPEB (1)(4) Actuarial Accrued Liability
Monterey								
Monterey	(5) Ahual Union Elementary	6,210,000	7,141	7,141	39,174,177	3,296,557	12,326,244	9,704,775
Monterey	Monterey Peninsula Unified	2,570,000	10,581	10,550	61,676,527	7,059,231	15,959,690	77,715,411
Monterey	Pacific Grove Unified	5,000,000	1,654	1,662	18,500,692	987,530	2,939,072	6,729,234
Napa	Calistoga Joint Unified	730,000	825	828	8,794,310	1,751,742	2,911,646	1,234,217
Napa	St. Helena Unified	5,000,000	1,312	1,237	17,954,162	629,871	1,236,900	2,461,125
Orange	Huntington Beach City	2,390,000	6,454	6,454	35,267,724	5,824,021	7,175,210	5,173,570
Placer	Placer Union High	3,160,000	4,385	4,325	30,104,237	3,180,433	6,362,092	4,754,416
Riverside	Hemet Unified	14,775,000	22,037	21,776	130,276,237	22,505,300	21,687,938	26,724,934
Riverside	Jurupa Unified	7,970,000	19,214	19,119	114,523,320	13,689,554	19,454,549	24,039,754
Riverside	(5) Palo Verde Unified	155,000	3,456	3,396	19,817,324	2,098,877	3,385,590	-
Riverside	Perris Elementary	3,060,000	5,223	5,223	30,247,484	4,165,381	7,349,281	24,159,630
Riverside	Riverside Community College	10,725,000	29,861 (6)	29,861 (6)	173,629,173 (7)	20,737,438	18,801,018	9,766,024
Riverside	Lake Elsinore Unified	14,775,000	20,539	19,893	125,545,035	8,348,560	14,757,845	14,847,000
Riverside	Temecula Valley Unified	17,230,000	27,405	27,460	161,858,368	14,766,759	26,760,998	-
Riverside	Murrieta Valley Unified	15,035,000	20,413	20,413	120,327,271	14,345,934	19,036,523	3,785,108
Sacramento	Galt Joint Union Elementary	1,760,000	4,119	4,015	23,132,042	2,411,904	4,549,326	5,104,307
Sacramento	Galt Joint Union High	675,000	2,302	2,212	15,342,233	2,348,159	2,771,832	-
Sacramento	River Delta Unified	1,220,000	2,906	2,006	12,049,628	1,112,150	3,882,851	3,313,242
Sacramento	(5) Natomas Unified	11,895,000	10,179	10,420	59,217,481	4,709,431	9,622,263	14,363,145
San Benito	Hollister Elementary	1,535,000	5,452	5,281	31,038,555	1,851,768	3,873,661	11,014,105
San Benito	San Benito High	4,825,000	2,921	2,884	19,826,187	4,674,515	5,101,871	-
San Bernardino	Barstow Unified	1,675,000	6,396	6,146	37,949,665	6,970,447	9,060,747	-
San Bernardino	Redlands Unified	4,930,000	20,314	20,314	117,385,748	13,073,575	20,304,829	22,102,940
San Bernardino	Hesperia Unified	7,395,000	20,512	20,135	117,632,767	13,033,744	18,644,786	22,306,071
San Joaquin	Escalon Unified	1,485,000	2,972	2,922	16,597,215	2,730,790	5,424,565	2,927,396
San Joaquin	Linden Unified	1,125,000	2,433	2,433	14,118,528	2,149,420	2,721,601	1,797,039
San Joaquin	Lodi Unified	8,605,000	27,607	27,202	164,371,640	20,213,735	38,402,488	27,769,135
San Joaquin	Manteca Unified	9,380,000	22,010	21,837	130,433,966	23,152,461	27,873,100	34,339,460
San Joaquin	Ripon Unified	1,085,000	2,880	2,880	16,792,783	2,250,114	3,543,036	3,411,153
San Joaquin	Stockton Unified	19,690,000	34,094	33,703	201,760,855	23,075,753	47,850,536	27,392,944
San Mateo	Bayshore	230,000	427	425	2,580,325	218,631	317,014	-
San Mateo	Belmont-Redwood Shores	3,070,000	2,657	2,737	19,739,356	2,092,209	2,316,042	1,224,799
San Mateo	Hillsborough City	2,710,000	1,428	1,428	12,679,493	2,103,659	2,385,729	2,407,434
San Mateo	Jefferson Union High	2,900,000	4,735	4,675	35,186,210	6,496,988	8,269,360	19,758,350
San Mateo	Pacifica	1,125,000	2,990	2,990	17,807,438	1,534,336	3,012,486	10,305,000
San Mateo	Millbrae Elementary	1,620,000	2,073	2,073	12,651,960	539,761	1,383,689	4,665,975
San Mateo	San Mateo County Community College	29,530,000	21,850 (6)	22,100 (6)	141,459,805 (7)	7,667,474	10,311,551	149,530,877
San Mateo	Woodside Elementary	1,315,000	425	425	4,513,183	1,102,155	870,477	-
Santa Barbara	Buellton Union Elementary	450,000	709	710	3,846,228	757,522	741,628	-
Santa Barbara	Carpinteria Unified	3,515,000	2,342	2,258	15,495,043	2,517,651	3,279,855	1,783,774
Santa Barbara	Cold Spring	400,000	189	189	2,526,034	556,572	464,680	-
Santa Barbara	Hope Elementary	935,000	949	906	6,771,897	952,599	923,425	-
Santa Barbara	Santa Ynez Valley Union High	1,265,000	1,043	1,043	9,646,086	33,753	298,791	-
Santa Clara	Campbell Union High	12,805,000	7,191	7,145	54,592,149	8,353,816	11,375,260	4,810,284
Santa Clara	(5) Cupertino Union	9,855,000	17,281	17,487	94,957,614	22,590,967	12,624,313	-
Santa Clara	(5) Franklin-McKinley	5,000,000	9,558	9,587	53,154,018	6,510,093	7,985,250	-
Santa Clara	Gilroy Unified	9,855,000	10,027	10,393	59,620,556	3,987,379	4,982,478	-
Santa Clara	Lakeside Joint	125,000	85	85	997,330	70,998	138,694	-
Santa Clara	Loma Prieta Joint Union Elementary	855,000	395	384	2,909,614	657,499	757,609	-
Santa Clara	Los Gatos-Saratoga Joint Union High	5,000,000	3,075	3,075	29,605,028	2,166,642	2,773,030	2,956,000
Santa Clara	Morgan Hill Unified	7,365,000	8,772	8,872	49,951,225	8,901,952	9,546,264	5,981,000
Santa Clara	(5) Mount Pleasant Elementary	2,685,000	2,854	2,767	15,715,215	1,257,766	4,690,042	15,125,000
Santa Clara	Palo Alto Unified	5,000,000	10,643	10,902	101,715,608	15,403,957	17,103,536	8,661,249

County	District	Principal Amount of Notes	Estimated FY 2008/09 ADA (1)	Projected FY 2009/10 ADA (1)	FY 2008/09 Total Revenue from Revenue Limit Sources (2)	FY 2008/09 Budgeted Ending General Fund Balance (2)	FY 2007/08 Actual Ending General Fund Balance (3)	Estimated OPEB (1)(4) Actuarial Accrued Liability
Shasta	Shasta County Office of Education	1,420,000	878	875	141,459,805	5,227,411	6,096,036	4,163,381
Shasta	Anderson Union High	495,000	1,791	1,750	11,928,584	3,422,817	4,843,864	1,481,674
Shasta	Bella Vista Elementary	335,000	413	413	2,241,606	657,031	792,462	96,364
Shasta	(5) Cascade Union Elementary	565,000	1,392	1,392	8,064,197	1,623,889	3,038,554	990,443
Shasta	(5) Cottonwood Union Elementary	425,000	1,079	1,060	6,169,827	1,203,334	1,451,057	1,212,861
Shasta	(5) Grant Elementary	325,000	595	595	3,270,316	349,989	565,196	-
Shasta	(5) Pacheco Union Elementary	695,000	592	572	3,583,975	714,688	850,261	270,867
Sonoma	Santa Rosa Elementary School District - Santa Rosa High	5,000,000	15,099	15,073	97,681,814	9,995,906	22,233,745	23,278,900
Sonoma	(5) West Sonoma County Union High	1,050,000	2,231	2,177	15,150,928	1,688,201	3,313,054	2,791,796
Sonoma	Bennett Valley Union	605,000	899	899	5,031,259	998,792	1,227,211	-
Sonoma	Horton	120,000	86	86	1,157,403	308,260	285,114	-
Sonoma	Rincon Valley Union	4,335,000	2,771	2,771	14,823,343	2,355,052	3,213,886	2,531,455
Sonoma	Sonoma Valley Unified	5,000,000	4,162	4,094	26,183,066	1,005,814	5,593,533	2,300,500
Sonoma	(5) Cotati-Rohnert Park Unified	5,000,000	6,072	5,958	38,450,187	4,110,732	4,888,596	13,313,900
Sonoma	Windsor Unified	4,500,000	4,130	4,126	30,035,739	2,013,866	3,206,454	6,500,000
Stanislaus	Stanislaus Union Elementary	2,130,000	3,050	3,046	17,250,204	1,604,277	4,159,557	-
Trinity	Trinity County Board of Education	155,000	41	41	1,067,721	469,741	498,478	813,037
Tulare	Exeter Union Elementary	680,000	1,929	1,929	81,410,606	9,729,192	2,588,524	5,664,272
Tulare	Exeter Union High	655,000	1,109	1,109	7,281,607	1,420,737	1,177,566	4,212,467
Tulare	Pixley Union Elementary	335,000	896	896	4,939,959	2,344,942	2,198,526	1,702,056
Tulare	Terra Bella Union Elementary	425,000	880	880	4,663,390	839,446	1,603,673	-
Tulare	Woodlake Union	1,305,000	1,464	1,484	8,101,953	1,663,510	2,170,045	-
Tulare	Porterville Unified	5,960,000	12,570	12,420	79,182,407	8,033,428	16,904,871	62,848,817
Tuolumne	(5) Curtis Creek Elementary	440,000	570	550	3,330,938	482,843	549,684	-
Tuolumne	Sonora	1,075,000	736	731	4,098,224	444,716	626,131	-
Tuolumne	Sonora Union High	1,540,000	1,380	1,355	9,392,733	586,718	1,467,942	1,414,048
Tuolumne	Big Oak Flat-Groveland Unified	585,000	286	283	4,179,500	763,632	686,873	-
Ventura	Fillmore Unified	3,670,000	3,631	3,631	21,220,358	1,483,267	3,395,326	-
Ventura	Hucemse Elementary	2,510,000	7,823	7,823	43,476,945	3,978,643	8,235,109	19,002,100
Ventura	(5) Ojai Unified	1,890,000	2,936	2,835	17,565,241	1,003,145	2,304,874	7,560,968
Ventura	Oxnard Union High	2,145,000	15,193	15,193	102,382,411	17,750,989	24,534,486	187,339,000
Ventura	Pleasant Valley	3,755,000	6,385	6,385	34,745,879	1,599,394	5,592,201	17,736,136
Ventura	Rio Elementary	3,120,000	4,124	4,246	22,809,673	2,374,779	4,489,634	16,233,421
Ventura	Santa Paula Elementary	2,370,000	3,574	3,574	19,620,745	4,383,261	4,842,170	4,478,872
Ventura	Simi Valley Unified	6,035,000	19,816	19,537	116,871,194	8,649,437	22,169,535	8,950,578
Ventura	Ventura Unified	9,855,000	16,671	16,700	95,961,670	6,207,335	11,958,690	26,812,023
Ventura	Conejo Valley Unified	19,690,000	20,952	20,452	124,533,259	5,883,686	15,840,253	18,239,251
Ventura	Oak Park Unified	1,615,000	3,512	3,572	20,871,940	1,001,000	1,460,135	-
Ventura	Moorpark Unified	4,915,000	7,022	6,930	41,273,704	2,307,878	1,675,610	10,053,493
Yolo	Yolo County Board of Education	1,710,000	689	685	4,460,063	4,103,853	5,289,038	2,196,134
Yolo	Esparto Unified	575,000	995	995	5,995,899	678,309	2,106,540	-
Yolo	Winters Joint Unified	515,000	1,635	1,596	9,830,316	2,525,703	3,159,872	43,792
Yuba	Wheatland Union High	695,000	688	688	4,651,008	989,536	991,227	-
Total: 149		531,205,000						

(1) Source: The participating districts.

(2) Source: 2008-09 Adopted Budget.

(3) Source: 2007-08 Audited Financial Statement.

(4) Other Post Employment Benefits (OPEB)

(5) Qualified as of 2008-09 first and second interim report.

(6) Full-Time Equivalent Students (FTES).

(7) Includes all budgeted State and Local revenue.

APPENDIX C

PROPOSED FORM OF BOND COUNSEL OPINION

July 6, 2009

California School Cash Reserve
Program Authority
5297 Maureen Lane
Moorpark, California 93021

California School Cash Reserve Program Authority
2009-2010 Senior Bonds, Series A
and
California School Cash Reserve Program Authority
2009-2010 Subordinate Bonds, Series A
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the California School Cash Reserve Program Authority (the "Authority") in connection with the issuance of its California School Cash Reserve Program Authority 2009-2010 Senior Bonds, Series A (the "Series A Senior Bonds"), in the aggregate principal amount of \$478,080,000, and its California School Cash Reserve Program Authority 2009-2010 Subordinate Bonds, Series A (the "Series A Subordinate Bonds" and together with the Series A Senior Bonds, the "Series A Bonds"), in the aggregate principal amount of \$53,125,000, issued pursuant to the Indenture, dated as of July 1, 2009 (the "Indenture"), by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the resolutions of the California school districts, community college districts and county boards of education (collectively, the "Districts") identified in Schedule I to the Indenture and, for a District that is not fiscally accountable, in certain cases, a corresponding resolution of the County Board of Supervisors of the County in which such District is located (collectively, the "Counties"), each such resolution (collectively, the "Note Resolutions") approving the issuance of the tax and revenue anticipation notes (the "Series A Notes") issued on the date hereof by or on behalf of such Districts and designated the respective District's "2009-2010 Tax and Revenue Anticipation Note, Series A," the Tax Certificate of the Authority, dated the date hereof (the "Tax Certificate"), certificates of the Authority, of the Districts ("the District Certificates") and of the Trustee, and opinions of counsel to the Trustee, the Districts and others, an opinion of Kutak Rock LLP, as special

counsel to the Districts, regarding the issuance of the Series A Notes by the Districts or Counties, as applicable, and the adoption, legality, validity and enforceability of the Note Resolutions, the Series A Notes and certain other matters, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Series A Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Note Resolutions, the Indenture, the District Certificates and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Series A Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Series A Bonds, the Note Resolutions, the Series A Notes, the Indenture, the District Certificates and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against school districts, community college districts, county boards of education, counties and joint powers authorities in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Indenture, the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering materials relating to the Series A Notes or the Series A Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Series A Bonds constitute the valid and binding special obligations of the Authority, payable from interest and principal payments made by the Districts on their respective Series A Notes.

2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding special obligation of, the Authority.

3. Interest on the Series A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. The amount treated as interest on the Series A Bonds and excluded from gross income may depend upon the taxpayer's election under Internal Revenue Notice 94-84. Such interest is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, nor is it included in adjusted current earnings when calculating federal corporate alternative minimum taxable income. We express no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series A Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

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APPENDIX D

THE BANK

The following information relates to and has been furnished by the Bank for inclusion herein. No other party has independently verified or assumes any responsibility for such information, and each of the Authority, the Districts and the Underwriter cannot and do not make any representation as to the accuracy or completeness of such information or the absence of material adverse changes in such information subsequent to the date hereof. The delivery of this Official Statement does not create any implication that there has been no change in the affairs of the Bank since the date hereof or that the information contained or referred to in this section is correct as of any time subsequent to the date hereof.

U. S. BANK NATIONAL ASSOCIATION

U.S. Bank National Association (“USBNA”) is a national banking association organized under the laws of the United States and is the largest subsidiary of U.S. Bancorp. At March 31, 2009, USBNA reported total assets of \$259 billion, total deposits of \$175 billion and total shareholders’ equity of \$23 billion. The foregoing financial information regarding USBNA has been derived from and is qualified in its entirety by the unaudited financial information contained in the Federal Financial Institutions Examination Council report Form 031, Consolidated Report of Condition and Income for a Bank with Domestic and Foreign Offices (“Call Report”), for the quarter ended March 31, 2009. The publicly available portions of the quarterly Call Reports with respect to USBNA are on file with, and available upon request from, the FDIC, 550 17th Street, NW, Washington, D.C. 20429 or by calling the FDIC at (877) 275-3342. The FDIC also maintains an Internet website at www.fdic.gov that contains reports and certain other information regarding depository institutions such as USBNA. Reports and other information about USBNA are available to the public at the offices of the Comptroller of the Currency at One Financial Place, Suite 2700, 440 South LaSalle Street, Chicago, IL 60605.

U.S. Bancorp is subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and, in accordance therewith, files reports and other information with the Securities and Exchange Commission (the “SEC”). U.S. Bancorp is not guaranteeing the obligations of USBNA and is not otherwise liable for the obligations of USBNA.

Except for the contents of this section, USBNA and U.S. Bancorp assume no responsibility for the nature, contents, accuracy or completeness of the information set forth in this Official Statement.

**STANDARD
& POOR'S**

One Market
Steuart Tower, 15th Floor
San Francisco, CA 94105-1000
tel 415 371-5004
reference no.: 1063712

June 24, 2009

Riverside Community College District
4800 Magnolia Avenue
Riverside, CA 92506
Attention: Mr. Aaron S. Brown

RECEIVED

JUL 07 2009

Associate VC
Finance

Re: ***US\$10,885,000 Riverside Community College District, California, 2009-2010 Tax & Revenue Anticipation Notes, dated: Date of Delivery, due: July 1, 2010***

Dear Mr. Brown:

Pursuant to your request for a Standard & Poor's confidential credit assessment on the above-referenced obligations, we have reviewed the information submitted to us and, subject to the enclosed *Terms and Conditions*, have assigned a credit assessment quality of "High Investment Grade". This credit assessment in no sense represents a rating and should not be represented as a rating. Please let us know if you wish to have Standard & Poor's assign a full rating to the above-referenced obligations.

This confidential credit assessment is provided to you for your internal use only and can be shown only to officers, directors, managers, and employees of your organization. Such persons can be notified about the credit assessment only by providing a copy of this credit assessment letter in its entirety. All recipients of the credit assessment must agree to keep it confidential. The credit assessment will not be published by Standard & Poor's.

Standard & Poor's does not maintain surveillance on credit assessments. Recipients of the credit assessment must be notified that Standard & Poor's will not review or modify the credit assessment after the date of this letter and that a current assessment could be different.

The credit assessment is not investment, financial, or other advice and you should not and cannot rely upon the credit assessment as such. The credit assessment is based on information supplied to us by you or by your agents but does not represent an audit. We undertake no duty of due diligence or independent verification of any information. The assignment of a credit assessment does not create a fiduciary relationship between us and you or between us and other recipients of the credit assessment. We have not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the Securities Act of 1933. The credit assessment is not a "market rating" nor is it a recommendation to buy, hold, or sell the obligations.

Standard & Poor's relies on the issuer/obligor and its counsel, accountants, and other experts for the accuracy and completeness of the information submitted in connection with the credit

Mr. Aaron S. Brown

Page 2

June 24, 2009

assessment. This credit assessment is based on financial information and documents we received prior to the issuance of this letter. Standard & Poor's assumes that the documents you have provided to us are final. If any subsequent changes were made in the final documents, you must notify us of such changes by sending us the revised final documents with the changes clearly marked.

Standard & Poor's is pleased to be of service to you. For more information on Standard & Poor's, please visit our website at www.standardandpoors.com. If we can be of help in any other way, please call or contact us at nypublicfinance@standardandpoors.com. Thank you for choosing Standard & Poor's and we look forward to working with you again.

Sincerely yours,

Standard & Poor's Ratings Services
a division of The McGraw-Hill Companies, Inc.

A handwritten signature in black ink that reads "Standard & Poor's". The signature is written in a cursive, flowing style.

js

enclosure

cc: Mr. Mark J. Farrell, Vice President
Piper Jaffray & Co.



**Standard & Poor's Ratings Services
Terms and Conditions
Applicable To
U.S. Public Finance Credit Assessments**

Request for a credit assessment. Standard & Poor's issues credit assessments for a fee upon request from an issuer, or from an underwriter, financial advisor, investor, insurance company, or other entity, provided that the obligor and issuer (if different from the obligor) each has knowledge of the request. The term "issuer/obligor" in these Terms and Conditions means the issuer and the obligor if the obligor is different from the issuer.

Agreement to Accept Terms and Conditions. Standard & Poor's assigns credit assessments subject to the terms and conditions stated herein and in the credit assessment letter. The use of a Standard & Poor's credit assessment constitutes agreement to comply in all respects with the terms and conditions contained herein and in the credit assessment letter and acknowledges the issuer/obligor's understanding of the scope and limitations of the Standard & Poor's credit assessment as stated herein and in the credit assessment letter.

Fees and expenses. In consideration of our analytic review and assignment of a credit assessment, the issuer/obligor agrees to pay Standard & Poor's a credit assessment fee. Payment of the credit assessment fee is not conditioned on Standard & Poor's issuance of any particular credit assessment. Should the credit assessment not be assigned, the issuer/obligor agrees to compensate Standard & Poor's based on the time, effort, and charges incurred through the date upon which it is determined that the credit assessment will not be issued. The issuer/obligor will reimburse Standard & Poor's for reasonable travel and legal expenses if such expenses are not included in the fee.

Scope of Credit Assessment. The issuer/obligor understands and agrees that (i) a credit assessment is not a rating but is a broad indication of the credit strength of the obligations based on limited information, (ii) a credit assessment should not be represented as a rating, (iii) a credit assessment is an opinion and is not a verifiable statement of fact, (iv) a credit assessment is based on information supplied to Standard & Poor's by the issuer/obligor or by its agents and upon other information obtained by Standard & Poor's from other sources it considers reliable, (v) Standard & Poor's does not perform an audit in connection with any credit assessment and a credit assessment does not represent an audit by Standard & Poor's, (vi) Standard & Poor's relies on the issuer/obligor, its accountants, counsel, and other experts for the accuracy and completeness of the information submitted in connection with the credit assessment, (vii) Standard & Poor's undertakes no duty of due diligence or independent verification of any information, (viii) Standard & Poor's does not and cannot guarantee the accuracy, completeness, or timeliness of the information relied on in connection with a credit assessment or the results obtained from the use of such information, and, (ix) a credit assessment is not a "market" rating nor a recommendation to buy, hold, or sell any financial obligation.

Dissemination of the Credit Assessment. The credit assessment may be disseminated only on a need to know basis and only to (i) employees, officers, directors, and managers of the issuer/obligor for internal use only, and (ii) financial advisors, investment bankers, bond insurers and others who are directly involved in assisting the issuer/obligor with the issuance of the obligations. The credit assessment may be disseminated to the above persons only in accordance with the following conditions: (a) distribution of the credit assessment must comply with any applicable law, (b) the credit assessment letter must be provided in its entirety to all recipients, including the Terms and Conditions, (c) the credit assessment letter shall not be altered or edited in any manner, (d) all recipients of the credit assessment must agree to keep it confidential, and (e) dissemination of the credit assessment shall cease if and when Standard & Poor's withdraws the credit assessment. The credit assessment will not be published by Standard & Poor's. Standard & Poor's may publish explanations of Standard & Poor's credit assessment methodology from time to time and nothing in this Agreement shall be construed as limiting Standard & Poor's ability to modify or refine Standard & Poor's methodology at any time as Standard & Poor's deems appropriate.

Additional Dissemination for Housing Credit Assessments. In addition to the dissemination permitted above, a confidential credit assessment provided for a housing agency or authority may also be disseminated on a need to know basis to employees and officials of the U.S. Department of Housing and Urban Development.

Dissemination of the Summary Analysis (if any). The summary analysis, if provided with the credit assessment, may be disseminated only as described in the immediately preceding two sections.

Information to be Provided by the Issuer/obligor. The issuer/obligor shall meet with Standard & Poor's for an analytic review at any reasonable time Standard & Poor's requests. The issuer/obligor also agrees to provide Standard & Poor's promptly with all information relevant to the credit assessment including information on material changes to information previously supplied to Standard & Poor's. The credit assessment may be affected by Standard & Poor's opinion of the accuracy, completeness, timeliness, and reliability of information received from the issuer/obligor or its agents. Standard & Poor's undertakes no duty of due diligence or independent verification of information provided by the issuer/obligor or its agents. Standard & Poor's reserves the right to withdraw the credit assessment if the issuer/obligor or its agents fails to provide Standard & Poor's with accurate, complete, timely, or reliable information.

Confidential Information. For purposes of this Agreement, "Confidential Information" shall mean information received by Standard & Poor's from the issuer/obligor which has been marked "Proprietary and Confidential" or in respect of which Standard & Poor's has received from the issuer/obligor specific written notice of its proprietary and confidential nature. Notwithstanding the foregoing, information disclosed by the issuer/obligor shall not be deemed to be Confidential Information, and Standard & Poor's shall have no obligation to treat such information as Confidential Information, if such information (i) was substantially known by Standard & Poor's at the time of such disclosure, (ii) was known to the public at the time of such disclosure, (iii) becomes known to the public (other than by Standard & Poor's act) subsequent to such disclosure, (iv) is disclosed lawfully to Standard & Poor's by a third party subsequent to such disclosure, (v) is developed independently by Standard & Poor's without reference to the Confidential Information, (vi) is approved in writing by the issuer/obligor for public disclosure, or (vii) is required by law to be disclosed by the issuer/obligor or Standard & Poor's provided that notice of such required disclosure is given to the issuer/obligor. Commencing on the date hereof, Standard & Poor's will use Confidential Information only in connection with the assignment of credit assessments and the assignment and monitoring of ratings and will not directly disclose any Confidential Information to any third party. Standard & Poor's may also use Confidential Information for research and modeling purposes provided that the Confidential Information is not presented in a way that can be directly tied to the issuer/obligor. The issuer/obligor agrees that the Confidential Information may be used to raise, lower, suspend, withdraw, place on CreditWatch, and change the Outlook assigned to any rating or to withdraw a credit assessment if the Confidential Information is not directly disclosed.

Standard & Poor's Not an Advisor, Fiduciary, or Expert. The issuer/obligor understands and agrees that Standard & Poor's is not acting as an investment, financial, or other advisor to the issuer/obligor and that the issuer/obligor should not and cannot rely upon the credit assessment or any other information provided by Standard & Poor's as investment or financial advice. Nothing in this Agreement is intended to or should be construed as creating a fiduciary relationship between Standard & Poor's and the issuer/obligor or between Standard & Poor's and recipients of the credit assessment. The issuer/obligor understands and agrees that Standard & Poor's has not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the U.S. Securities Act of 1933.

Limitation on Damages. The issuer/obligor agrees that Standard & Poor's, its officers, directors, shareholders, and employees shall not be liable to the issuer/obligor or any other person for any actions, damages, claims, liabilities, costs, expenses, or losses in any way arising out of or relating to the credit assessment or the related analytic services provided for in an aggregate amount in excess of the aggregate fees paid to Standard & Poor's for the credit assessment, except for Standard & Poor's gross negligence or willful misconduct. In no event shall Standard & Poor's, its officers, directors, shareholders, or employees be liable for consequential, special, indirect, incidental, punitive or exemplary damages, costs, expenses, legal fees, or losses (including, without limitation, lost profits and opportunity costs). In furtherance and not in limitation of the foregoing, Standard & Poor's will not be liable in respect of any decisions made by the issuer/obligor or any other person as a result of the issuance of the credit assessment or the related analytic services provided by Standard & Poor's hereunder or based on anything that appears to be advice or recommendations. The provisions of this paragraph shall apply regardless of the form of action, damage, claim, liability, cost, expense, or loss, whether in contract, statute, tort (including, without limitation, negligence), or otherwise. The issuer/obligor acknowledges and agrees that Standard & Poor's does not waive any protections, privileges, or defenses it may have under law, including but not limited to, the First Amendment of the Constitution of the United States of America.

Term. This Agreement shall terminate immediately following the dissemination of the credit assessment to the issuer/obligor. Notwithstanding the foregoing, the paragraphs above, Standard & Poor's Not an Advisor, Fiduciary, or Expert and Limitation on Damages, shall survive the termination of this Agreement.

Third Parties. Nothing in this Agreement, or the credit assessment letter when issued, is intended or should be construed as creating any rights on behalf of any third parties, including, without limitation, any recipient of the credit assessment. No person is intended as a third party beneficiary to this Agreement or to the credit assessment when issued.

Binding Effect. This Agreement shall be binding on, and inure to the benefit of, the parties hereto and their successors and assigns.

Severability. In the event that any term or provision of this Agreement shall be held to be invalid, void, or unenforceable, then the remainder of this Agreement shall not be affected, impaired, or invalidated, and each such term and provision shall be valid and enforceable to the fullest extent permitted by law.

Complete Agreement. This Agreement constitutes the complete agreement between the parties with respect to its subject matter. This Agreement may not be modified except in a writing signed by authorized representatives of both parties.

Governing Law. This Agreement and the credit assessment letter shall be governed by the internal laws of the State of New York. The parties agree that the state and federal courts of New York shall be the exclusive forums for any dispute arising out of this Agreement and the parties hereby consent to the personal jurisdiction of such courts.