NEW ISSUE—BOOK-ENTRY ONLY

RATING:
Standard & Poor's
Note Participations: "SP-1+"
Each District's Respective Note: "SP-1+"
(See "RATING" herein)

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel to the Districts, based upon an analysis of existing laws, statutes, regulations, rulings and judicial decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Notes represented by the Note Participations is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Notes represented by the Note Participations is exempt from State of California personal income tax. Special 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 Note Participations. See "TAX MATTERS" herein.

$43,065,000
CALIFORNIA EDUCATION NOTES PROGRAM
NOTE PARTICIPATIONS, SERIES 2009A

Interest Rate: 2.00% **Yield: 0.52%** **CUSIP No.: 13017Y AA7**

Dated: Date of Delivery **Due: July 30, 2010**

The California Education Notes Program, Note Participations, Series 2009A (the "Note Participations") are being executed and delivered pursuant to the terms of a Trust Agreement, dated as of July 1, 2009 (the "Trust Agreement"), by and between certain California public school districts (collectively, the "Districts") and Wells Fargo Bank, National Association, as trustee (the "Trustee"). The Note Participations evidence and represent proportionate and undivided interests in certain tax and revenue anticipation notes (individually, a "Note" and collectively, the "Notes") and debt service payments on the Notes to be made by the related Districts, in the same aggregate principal amount as the Note Participations. The Note Participations are payable by the Districts identified herein. In accordance with California law and each authorizing resolution (each a "Note Resolution"), 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, attributable to the Fiscal Year 2009-10 and legally available for payment therefor.

The Note Participations will be prepared in fully registered form and, when executed and delivered, will be registered in the name of CEDE & CO., as owner of the Note Participations and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Note Participations. Individual purchases and sales of the Note Participations may be made in book-entry form only, in Authorized Denominations. Purchasers will not receive certificates representing their interest in the Note Participations purchased. Principal and interest evidenced by the Note Participations will be payable by wire transfer to DTC, which in turn is required to remit such principal and interest to DTC Participants for subsequent disbursement to the Beneficial Owners of the Note Participations, as more fully described herein.

The Note Participations are not subject to prepayment or redemption prior to maturity.

The Note Participations are being sold to provide operating cash for the Districts' respective working capital expenditures and the investment and reinvestment of funds for the Districts prior to the receipt of anticipated tax payments and other revenues received in or accrued to Fiscal Year 2009-10. Each Note is secured by a pledge of certain unrestricted revenues received by the District issuing such Note for its general fund received in or accrued to the Fiscal Year 2009-10, 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 Note Resolution requires the applicable District to set aside and deposit in a special fund to be established by such District certain amounts from the first such amounts received by such District in those months described herein so that the amount on deposit in such fund on such dates as described herein, taking into consideration actual investment earnings accrued to such date, is equal to all of the principal of and interest due on such Note, 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 Note Resolution and Note.

THE NOTE PARTICIPATIONS EVIDENCE AND REPRESENT LIMITED OBLIGATIONS OF THE INDIVIDUAL DISTRICTS, PAYABLE SOLELY FROM CERTAIN FUNDS PLEDGED UNDER THE TRUST AGREEMENT. THE OBLIGATION OF EACH DISTRICT TO PAY PRINCIPAL AND INTEREST EVIDENCED BY THE NOTE PARTICIPATIONS DOES NOT CONSTITUTE A DEBT OF THE DISTRICTS, THE AUTHORITY OR THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF, IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY. IT IS NOT INTENDED AS A SUMMARY OF THE TRANSACTION. INVESTORS ARE ADVISED TO READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

The Note Participations are offered when, as and if executed and delivered and accepted by the Underwriter, subject to the approval of validity by Stradling Yocca Carlson & Rauth, A Professional Corporation, San Francisco, California, Bond and Disclosure Counsel. The Note Participations in definitive form are expected to be available for delivery through the facilities of DTC in New York, New York on or about July 30, 2009.

STONE & YOUNGBERG

Dated: July 8, 2009

No broker, dealer, salesman 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 Financial Advisor, the Districts or the Underwriter. 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 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 Note Participations 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 Financial Advisor and the Underwriter to be reliable. The Underwriter has reviewed the information in the Official Statement in accordance with, and as part of, their responsibility to investors under the federal securities law 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 Note Participations. Statements contained in this Official Statement which involve estimates, forecasts or opinions, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts.

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 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."

In connection with this offering, the Underwriter may overallot or effect transactions which stabilize or maintain the market price of the Note Participations at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget," "project," "forecast" or other similar words.

Issuers of the Notes

SCHOOL DISTRICTS

Acalanes Union High School District
Moreland School District
Mountain View Whisman School District
Portola Valley School District
San Marino Unified School District
San Mateo Union High School District
Saratoga Union School District

SPECIAL SERVICES

Financial Advisor

Keygent LLC
Manhattan Beach, California

Bond and Disclosure Counsel

Stradling Yocca Carlson & Rauth,
A Professional Corporation
San Francisco, California

Underwriter

Stone & Youngberg LLC
Los Angeles, California

Trustee

Wells Fargo Bank, National Association
Los Angeles, California

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INTRODUCTORY STATEMENT

This introduction is not a summary of this Official Statement. It is only a brief description of and is qualified by more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents described herein. References to and summaries of provisions of the Constitution and laws of the State of California and any documents referred to herein do not purport to be complete, and such references are qualified in their entirety by reference to the complete provisions.

This Official Statement, including the cover page and appendices hereto (the "Official Statement"), sets forth certain information concerning the California Education Notes Program Note Participations, Series 2009A (the "Note Participations").

Pursuant to the California Education Notes Program (the "Program"), the participating public school districts (collectively, the "Districts") in the State of California (the "State") are issuing the tax and revenue anticipation notes (the "Notes") and executing and delivering the Note Participations pursuant to a Trust Agreement, dated as of July 1, 2009 (the "Trust Agreement"), by and among the Districts and Wells Fargo Bank, National Association, as trustee (the "Trustee"). Each District participating in the Program is the issuer of its Note which, when combined with the Notes of other Districts participating in the Program, shall be evidenced by the Note Participations which evidence and represent a fractional and undivided interest in the Note of each District, such that each District participating in the Program is severally, not jointly, liable on each such Note Participation in the proportion that the face amount of such District's Note bears to the total aggregate face amount of the Notes issued by all Districts participating in the Program.

The Note Participations will be executed and delivered in an aggregate principal amount equal to the aggregate principal amount of the Notes. The Notes are being issued to provide operating cash for the participating Districts' current working capital expenditures, capital expenditures and the investment and reinvestment of funds prior to the receipt of anticipated tax payments and other revenues. The Notes will be delivered to and deposited with the Trustee for the benefit of the registered owners of the Note Participations, and the payments on such Notes will be used for the payment of the principal of and interest on the Notes evidenced by the Note Participations and the Notes shall not be used for any other purpose while any of the Note Participations remain outstanding. For information on the Districts and the Notes of the Districts, see Appendices A, B, C, D, E and J hereto.

The 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 legislative body of each such District (each a "Note Resolution"). The issuance of a District's Note will provide moneys to meet such District's anticipated cash flow needs for its Fiscal Year ending on June 30, 2010 ("Fiscal Year 2009-10") created by timing differences between its anticipated expenditures for Fiscal Year 2009-10 and its estimated receipt of certain revenues for Fiscal Year 2009-10. The aggregate principal amount of Notes issued will equal the aggregate principal amount of the Note Participations.

The Note Participations each evidence and represent a fractional undivided interest in the Notes and enjoy the benefits of a security interest in the money held in certain funds established pursuant to the Trust Agreement, subject to the provisions of the Trust Agreement permitting the disbursement thereof as set forth therein. **NEITHER THE OBLIGATION OF EACH DISTRICT TO PAY PRINCIPAL OF AND INTEREST ON ITS RELATED NOTE, NOR THE NOTE PARTICIPATION EVIDENCING SUCH DISTRICT'S OBLIGATION, CONSTITUTES A DEBT OF THE DISTRICTS OR THE STATE OF**

CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF, IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Copies of the Trust Agreement and the standard form of the Note Resolution summarized herein are available upon request during the initial offering period from Wells Fargo Bank, National Association, Corporate Trust Services, 707 Wilshire Blvd., 17th Floor, Los Angeles, California 90017.

All capitalized words, unless otherwise defined herein, shall have the meanings set forth in APPENDIX F—"DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF THE TRUST AGREEMENT" or, if not defined therein, in the Trust Agreement.

DESCRIPTION OF THE NOTE PARTICIPATIONS

Denominations; Payment of Principal and Interest

The Note Participations will be prepared in fully registered form and, when executed and delivered, will be registered in the name of CEDE & Co., as registered Owner of the Note Participations and nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Note Participations. Individual purchases may be made in book-entry form only in Authorized Denominations. Purchasers will not receive certificates representing their interest in the Note Participations purchased. So long as CEDE & Co. is the registered Owner of the Note Participations, as nominee of DTC, references herein to the Owners of the Note Participations shall mean CEDE & Co. and shall not mean the actual purchasers (the "Beneficial Owners") of the Note Participations.

The Note Participations will be dated the date of initial execution and delivery thereof and will evidence and represent principal of the Notes and interest accrued thereon from the date of initial issuance of the Notes and execution and delivery of the Note Participations, at the rate per annum set forth on the inside cover page hereof. The Note Participations mature on July 30, 2010. Interest and principal of the Note Participations is payable as provided herein.

So long as CEDE & Co. is the registered Owner of the Note Participations, the principal and interest evidenced by the Note Participations will be payable by wire transfer by the Trustee to CEDE & Co., as nominee for DTC, which is expected, in turn, to remit such amounts to DTC Participants (as defined herein) for subsequent disbursement to the Beneficial Owners. See APPENDIX H—"THE BOOK-ENTRY ONLY SYSTEM." Interest payable with respect to the Note Participations will be calculated on the basis of a 360-day year consisting of 12 30-day months.

Registration and Transfer of Note Participations

So long as the Note Participations are subject to the DTC book-entry system, they will be registered, and may be transferred, as described in APPENDIX H—"THE BOOK-ENTRY ONLY SYSTEM."

Redemption

The Note Participations are not subject to redemption prior to their Maturity Date.

ESTIMATED SOURCES AND USES OF PROCEEDS

The following table lists the estimated sources and uses of proceeds in connection with the Note Participations.

Sources		
Principal Amount	$	43,065,000.00
Original Issue Premium		633,916.80
TOTAL SOURCES	$	43,698,916.80
Uses		
Deposit to Proceeds Fund[1]	$	43,555,000.00
Costs of Issuance[2]		137,703.63
Repayment Fund		6,213.17
TOTAL USES	$	43,698,916.80

(1) Available to be withdrawn by Districts on and after the closing date.
(2) Includes underwriter's discount, legal, financial advisory and rating fees and other costs of issuance.

SECURITY AND SOURCE OF PAYMENT

Notes

The Note Participations evidence and represent proportionate and undivided interests in the Notes, and in debt service payments attributable to such Notes to be made thereon by the related Districts. The Notes are general obligations of the respective Districts and, to the extent not paid from moneys pledged pursuant to the respective Note Resolution of the related District, will be paid from other moneys of the Districts legally available therefor. However, except for such Pledged Revenues as described herein, the Districts are not prohibited from pledging, encumbering and utilizing their moneys for other purposes and there can be no assurance that such moneys will be available for the payment of the principal of and interest on the Notes represented by the Note Participations and the Notes evidenced thereby. **No District has any obligation to pay the principal of or interest on the Note of any other District**.

See APPENDIX A hereto for a listing of each District, the estimated principal amount of each Note and the percentage of each Note of the principal amount of the Note Participations, and the projected Note payment coverage for each District.

The principal amount of a District's Note, together with the interest thereon, will 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 to be received by such District for its general fund and are received in or accrue to Fiscal Year 2009-10 and which are legally available for payment thereof. As security for the payment of the principal of and interest on its Note, each District pledges certain unrestricted revenues which are received by such District for its general fund and are attributable to Fiscal Year 2009-10 (the "Pledged Revenues"). See APPENDIX C—"CASH FLOWS AND ALTERNATIVE CASH RESOURCES." The principal of a District's Note, and the interest thereon, constitute a first lien and charge on such pledged revenues and are payable from the first moneys received by such District from such pledged revenues and, to the extent not so paid, will be paid from any other taxes, income, revenue, cash receipts and other moneys of such District lawfully available therefor. The term "unrestricted revenues" means, with respect to a District, 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 of such District attributable to Fiscal Year 2009-10 and which generally are available for the payment of current expenses and other obligations of such District.

In order to effect the pledge of such revenues, each District has agreed under its Note Resolution to establish and maintain a special account within its general fund (its "Payment Account") and further agrees and covenants to maintain its Payment Account until the payment of the principal of its Note and the interest thereon. A District may establish its Payment Account with the Trustee. Each District has agreed under its Note Resolution to cause to be deposited directly into its Payment Account the first amounts received in those months of Fiscal Year 2009-10 set forth for such District in APPENDIX C—"CASH FLOWS AND ALTERNATIVE CASH RESOURCES" and in APPENDIX D—"REPAYMENT MONTHS, PERCENTAGES AND AMOUNTS" (the "Repayment Months") (and any amounts received thereafter attributable to Fiscal Year 2009-10) until the amount on deposit in its Payment Account, together with the amount, if any, on deposit in any subaccount thereof (a "Payment Subaccount"), and taking into consideration anticipated investment earnings thereon to be received by the maturity date thereof, is equal, in the respective Repayment Months, to the percentages of the principal and interest due on such Note as specified for such District in APPENDIX C—"CASH FLOWS AND ALTERNATIVE CASH RESOURCES."

Pursuant to the Trust Agreement, following a transfer to and deposit in a District's Payment Account of the amounts required to be transferred to and deposited therein as described above, the Trustee shall request a certificate evidencing transfer and deposit, and the District is required within seven (7) Business Days after the date of such written request to file such certificate. If the District fails to make or cause to be made such transfer to and deposit in its Payment Account, such failure will constitute an Event of Default, and the Trustee will have the right, without declaring such District's Note to be immediately due and payable, to require the District to pay to the Trustee an amount equal to the principal of such Note and interest thereon to maturity. Notwithstanding the foregoing, any District for which the Trustee is holding or investing moneys or securities on behalf of said District (which moneys or securities are intended to be that District's Payment Account deposit) need not present the certificate described above; likewise, the Trustee need not send a request for such certificate to said District.

Any moneys placed in a District's Payment Account will be for the benefit of the Owners of the Note Participations. The moneys in such Payment Account will be applied only for the purposes for which such Payment Account is created until the principal of such District's Note and all interest thereon are paid or until provision has been made for the payment of the principal of and interest on the Note.

On or before the date specified in the Trust Agreement, the moneys in such District's Payment Account will be transferred to the Bond Payment Fund established under the Trust Agreement (the "Bond Payment Fund"), to pay the interest on and principal of each such District's Note when due.

Deposit of Notes; Application of Note Participation Payment Fund

Under the Trust Agreement, the Notes, as evidenced and represented by the Note Participations related thereto are irrevocably deposited with and pledged and transferred to the Trustee for the benefit of the Owners of the Note Participations and the payments on such Notes will be used for the punctual payment of the interest on and principal evidenced and represented by the Note Participations and the Notes shall not be used for any other purpose while any of the Note Participations remain Outstanding. Such deposit, pledge and transfer constitutes a first and exclusive lien on the principal and interest payments of and all other rights under such Notes for the foregoing purpose in accordance with the terms of the Trust Agreement.

All principal and interest payments on a District's Note will be paid directly by such District to the Trustee. All principal and interest payments on a District's Note received by the Trustee will be deposited by the Trustee, as and when received, in the applicable Payment Account within the Note Participation Payment Fund and will be held in trust by the Trustee for the benefit and security of the Owners of the Note Participations to the extent provided in the Trust Agreement.

Pursuant to the Trust Agreement, the Trustee is required to deposit the moneys contained in the Note Participation Payment Fund created by the Trust Agreement at the following respective times in the following respective funds in the manner hereinafter provided, each of which funds the Trustee agrees to maintain so long as any Note Participations are Outstanding, and the money in each of such funds will be disbursed only for the purposes and uses authorized:

(a) *Interest Fund*. The Trustee shall deposit in the Interest Fund that amount of money representing the interest due and payable on the Notes on such date; and such money shall be used and withdrawn by the Trustee solely for the purpose of paying interest evidenced and represented by the Note Participations on such date.

(b) *Principal Fund*. The Trustee, on the related principal payment date, shall deposit in the Principal Fund that amount of money representing the principal becoming due and payable on the Notes on such principal payment date. All moneys in the Principal Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the principal evidenced and represented by the Note Participations on the principal payment date thereof.

Defaulted Notes

If a District fails to pay any of the principal of or interest on its Note on the due date thereof, such Note will become a Defaulted Note. The Trustee will hold such Defaulted Note for the benefit of the Owners of the Note Participations in proportion to their respective interests as and in the manner specified in the Trust Agreement. If the Note as evidenced and represented by the Note Participations shall become a Defaulted Note, the unpaid portion (including the interest component, if applicable) thereof shall be deemed outstanding and shall not be deemed to be paid until the holders of the Note Participations which evidence and represent the Note are paid the full principal amount represented by the unsecured portion of the Note plus interest accrued thereon (calculated at the Default Rate) to the date of deposit of such aggregate required amount with the Trustee. Holders of the Note Participations will be deemed to have received such principal amount upon deposit of such moneys with the Trustee. A District shall not be liable on a Defaulted Note except to the extent of any available revenues received in or accrued to its fiscal year ending June 30, 2010.

Investment of Note Proceeds and Pledged Revenues

The Note proceeds, or an amount related to the Note proceeds, less amounts used to pay costs of issuance, and the Pledged Revenues will be invested either in certain investment agreements (the "Investment Agreements") to be held by the Trustee or in the Treasury Pools (defined herein) of the respective county in which such District is located. For further information on the criteria for investment agreements, see the definition of "Permitted Investments" in APPENDIX F. A description of each District's current intention with respect to the investment of its Note proceeds is provided in APPENDIX E—"INVESTMENT OF NOTE PROCEEDS" and APPENDIX J—"COUNTY TREASURY POOLS."

INVESTMENT OF DISTRICT FUNDS

Most District funds are deposited into the appropriate county treasury to the credit of the proper fund of the District. Certain moneys not required for the immediate necessities of a District may be invested in investments specified in Sections 16430 or 53601 of the Government Code. Accordingly, all funds of each District not subject to the exception, including cash receipts and other moneys received by each District for deposit to the general fund of such District and received in or accrued to fiscal year 2009-10, including such District's Pledged Revenues and unrestricted revenues, are typically deposited with the Treasury Pool for their county, to remain on deposit therein and generally available for the payment of current expenses and other obligations of the Districts, until deposited into their respective Payment Accounts. Acalanes Union High School District and Portola Valley School District expect to invest note proceeds in the Local Agency Investment Fund. The remaining school districts participating in the Program expect to invest note proceeds in their respective county Treasury Pool.

The Districts are located in various counties within the State of California, the treasurer and tax collector (generally, a "Treasurer") for each of which maintains a pooled fund for the investment of surplus, discretionary and other moneys of, among others, special districts located in such county (each, a "Treasury Pool"). Each District is eligible for investment in its Treasury Pool, and all Districts maintain balances with their county Treasurers, including their general funds. For information on the respective county Treasury Pools, see APPENDIX J—"COUNTY TREASURY POOLS."

Each Treasury Pool in the State is subject to statutory restrictions and additional policy restrictions as may be determined by the respective county board of supervisors. Treasury Pools consist of the deposits of the applicable county, cities, special districts and other independent public agencies, with a certain class of "involuntary" depositors, including school districts. Discretionary Treasury Pool participants make up varying percentages of each Treasury Pool, but always comprise a minority of those participants. Decisions as to the investment of a Treasury Pool are made by a county investment officer, often the Treasurer, who establishes policies for such investments, taking into account the restrictions set forth in Section 53601 *et seq*. of the Government Code of the State, the applicable county board's policies, his or her own judgment, and certain other criteria such as safety of principal, liquidity and return on investment. Monthly reports of investments in the Treasury Pool are made available to the respective boards of supervisors, and investments are subject to internal controls and audits.

Each county maintains a county treasury oversight committee, pursuant to Section 27131 of the Government Code, which meets periodically to review and monitor the investments and investment policies of the Treasurer for compliance.

None of the Districts controls the investments made by its county Treasurer in its Treasury Pool, and each Treasury Pool will fluctuate by the amount invested and compositions of the investments during each fiscal year. Accordingly, the Districts cannot make representations regarding the security afforded by investments in their respective Treasury Pools. For current information on the respective county Treasury Pools, see APPENDIX J—"COUNTY TREASURY POOLS."

RISK FACTORS

In evaluating a purchase of the Note Participations, potential investors should consider the following factors, together with all other information in this Official Statement.

Limited Obligations of the Districts

The Note Participations are limited obligations of each District, severally and not jointly, payable solely from payments with respect to the Notes related thereto. The obligation of each District to pay principal of and interest on the Notes evidenced by the Note Participations does not constitute a debt of the Districts within the meaning of any constitutional or statutory debt limitation or restriction.

Limited Source of Repayment for Notes and Defaulted Notes

The primary source of repayment of the Note Participations is payments on the Notes. In order for Owners of the Note Participations to be paid in full in a timely manner, at least approximately 100% of the payments with respect to the Notes must be paid as and when due. A District is liable on its Note (even in the event that such Note becomes a Defaulted Note) only to the extent of its unrestricted revenues received in or accrued to Fiscal Year 2009-10. If such unrestricted revenues are not sufficient to pay its Note or Defaulted Note, as the case may be, such District is not obligated to pay such Note or Defaulted Note from any other sources (including subsequent fiscal years' revenues).

Bankruptcy

As described herein, each District agrees under its Note Resolution to cause to be deposited directly into its Payment Account the first Pledged Revenues received in such District's Repayment Months. The filing of bankruptcy by one or more of the Districts could delay or impair the payment of the related Series of Note Participations. Further, the opinion of Special Counsel as to the enforceability of the Notes is expressly qualified by the declaration of bankruptcy.

No Joint Obligation

The obligation of a District to make payments on or in respect to its Note is a several and not a joint obligation and is strictly limited to such District's repayment obligation under its Note Resolution and its Note.

FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA

Major Revenues

School district principal revenues consist of guaranteed State moneys, *ad valorem* property taxes and funds received from the State in the form of categorical aid under ongoing programs of local assistance. All State aid is subject to the appropriation of funds in the State's annual budget. Decreases in State revenues may affect appropriations made by the legislature to school districts.

Each school district receives a portion of the local property taxes that are collected within its district boundaries. This amount is compared to the total revenue limit; the balance is received in the form of state aid. Therefore, the sum of the property taxes and state aid equal the district's revenue limit. Districts which receive the minimum amount of state aid are known as "Basic Aid" districts. San Mateo Union High School District, Mountain View Whisman School District, Portola Valley School District and Saratoga Union School District are each Basic Aid Districts.

School districts in the State have historically received most of their income under a formula known as the State revenue limit. This apportionment, which is funded by State general fund moneys and local property taxes (and in the case of school districts, certain other local revenues), is allocated to the school districts based on the ADA of the school districts for either the current or preceding school year. Generally, such apportionments will amount to the difference between the school district's revenue limit and the district's local property tax allocation. 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 all California school districts of the same type (*i.e.,* all unified school districts, all high school districts or all elementary school districts).

A small part of a school district's budget is from local sources other than property taxes, such as 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. The California lottery is another source of funding for school districts, providing approximately 3% of a school district's budget. 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. The initiative authorizing the lottery mandates the funds be used for instructional purposes, and prohibits their use for capital purposes.

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 is entitled to receive from state and local sources. Prior to 1973-74, taxpayers in districts with low property values per pupil paid higher tax rates than taxpayers in districts with high property values per pupil. However, despite higher tax rates, less was spent per pupil in districts with low property values per pupil than districts with high property values per pupil. Thus, the State revenue limit helps to alleviate the inequities between the two types of districts.

The State revenue limit is calculated three times a year for each school district. 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 Principal Apportionment. Calculations are reviewed by the county and submitted to the State Department of Education to review the calculations for accuracy, calculate the amount of state aid owed to such school district 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 are necessary for 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 school districts. 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. Fourth, revenue limit add-ons are calculated for each school district if such school district qualified 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 based on the State revenue limit to which each school district is entitled for the current year.

State Budget Measures

The following information concerning the State's budgets has been obtained from publicly available information which the District believes to be reliable; however, the District does not guaranty the accuracy or completeness of this information and has not independently verified such information.

2008-09 Budget. The 2008-09 Budget Act (the "2008-09 Budget") was signed by the Governor on September 23, 2008. On November 1, 2008, the Legislative Analyst's Office released its report on the 2008-09 Budget and related legislation entitled "California Spending Plan 2008-09" (the "LAO Report"). The following information regarding the 2008-09 Budget is adapted from the LAO Report.

The 2008-09 Budget assumed the State ended the 2007-08 fiscal year with a general fund ending balance of $3.9 billion. The 2008-09 Budget projected $101.9 billion in budget-year revenues, a decrease of 0.5% from 2007-08, and authorized expenditures of $103.4 billion, an increase of 0.1% from 2007-08. Under the 2008-09 Budget, the State was projected to have a year-end reserve of $1.7 billion and spend $1.4 billion more than it was projected to receive. Based on the 2008-09 Budget's policies, the State was projected to once again face multi-billion dollar operating shortfalls in the coming years. This was because many of the solutions enacted in the 2008-09 Budget were of a one-time nature.

In order to address the State's operating shortfall, the 2008-09 Budget included the following major solutions:

- *Proposition 98.* The 2008-09 Budget provided for a 0.68 % cost-of-living ("COLA") adjustment for K-14 education programs—substantially below the 5.66% COLA that would be otherwise required under State law.

- *Budgetary Borrowing.* The 2008-09 Budget borrowed $648 million from various state special funds. These funds were not expected to be paid back until fiscal year 2010-11 or later. This borrowing was in addition to the $750 million in special fund loans from prior fiscal years. The State entered fiscal year 2008-09 with more than $18 billion in outstanding budgetary borrowing, which was projected to necessitate more than $2 billion in repayments during fiscal year 2008-09.

- *Budget Stabilization Account Transfer.* The Governor issued an executive order to suspend the annual transfer to the Budget Stabilization Account, from which the State makes debt service payments on economy recovery bonds ("ERBs"). Consequently, a $1.5 billion supplemental debt service payment for outstanding ERBs were not expected to be made.

- *Tax Related Changes.* The 2008-09 Budget included a significant number of tax-related changes, which collectively were expected to yield a combined $8 billion in additional revenues. Significant changes included: (i) suspending for two years net operating loss deductions for certain larger companies, (ii) restricting the use of specific business-related tax credits for larger companies, (iii) accelerating the timing of estimated tax payments and limited liability company fee payments, (iv) altering the state's accounting practices to accrue certain taxes earlier, and (v) increasing penalties for corporations that underpay taxes. The long-term impact of these changes beyond fiscal year 2008-09 was much smaller, including reducing State General Fund revenues in 2009-10 below what they would otherwise have been.

- *Transportation*. The budget used almost $1.7 billion in public transportation funds to reduce General Fund expenditures. The budget plan assumed $800 million in General Fund benefit for 2008-09.

- *Social Services Savings*. The 2008-09 Budget achieved ongoing savings of about $162 million by deleting a California Work Opportunity and Responsibility to Kids ("CalWORKs") COLA for one year. The 2008-09 Budget also achieved ongoing savings of approximately $276 million by deleting the State's Supplemental Security Income/State Supplementary Program COLA for two years.

- *Governor's Vetoes*. The Governor vetoed $510 million in General Fund expenditures from the budget passed by the Legislature. The largest veto was to $191 million in funding for low-income seniors' tax relief programs. The Governor also vetoed $22 million from the California Department of Corrections and Rehabilitation budget.

The 2008-09 Budget included $58.1 billion in total ongoing Proposition 98 spending for school district and community college districts ("California Community Colleges"), including $41.9 billion in State General Fund support. This reflected an increase of $1.5 billion, or 2.7%, over the prior year. The bulk of this increase, approximately $1.1 billion, was covered by higher local property tax revenues, with less than $400 million of the increase covered with General Fund monies.

Not reflected in this figure, however, were several significant spending decisions that affected Proposition 98 funding in fiscal year 2007-08. This included approximately $1 billion in one-time funds supporting ongoing K-14 programs and $200 million in one-time reductions. Because the majority of the $1.5 billion new Proposition 98 funding was used to backfill programs funded by these one-time funds and reductions, the actual amount of Proposition 98 resources available to support new activities in fiscal year 2008-09 was $300 million, or 0.5%, over the prior year.

The substantial reliance on one-time and special fund monies discussed above complicated year-to-year spending comparisons for K-12 education. Based on the 2008-09 Budget, ongoing Proposition 98 K-12 spending was $8,726 per pupil in 2008-09, an increase of $262, or 3.1%, over the previous year. If the one-time and special fund monies are included, however, the year-to-year increase in per pupil Proposition 98 funding was $111, or less than 1%, over the previous year.

The 2008-09 Budget incorporated the following major changes in ongoing Proposition 98 funding:

- *COLAs*. For both K-12 education and the community colleges, the bulk of new spending ($284 million) was to account for the 0.68% COLA. Of this amount, $240 million was for school district revenue limit funding, $4 million was for county office of education revenue limit funding, and $40 million was for community college apportionments. No COLA is provided for categorical programs.

- *Growth*. Whereas K-12 education achieved estimated savings of $128 million from a projected decline in average daily attendance, the budget included $114 million to fund 2% enrollment growth at California Community Colleges.

- *Child Care*. The 2008-09 Budget made an adjustment of $22 million to fund anticipated growth in both CalWORKs and non-CalWORKs child care.

The 2008-09 Budget provided the California Community Colleges with $6.4 billion in Proposition 98 funding, which was an increase of $240 million, or 3.9%, over the previous year. However, this year-to-year increase fell to 2.7% when factoring in additional funding provided to backfill funds provided on a one-time basis during 2007-08 to address a shortfall in California Community Colleges local property tax revenues. Specifically, the 2008-09 Budget included a total of $74.9 million to compensate for this shortfall, and was derived from three sources: (i) a $47.3 million reappropriation of unspent California Community College enrollment funds from 2006-07, (ii) a $21.6 million reappropriation of unspent 2007-08 funds from the school district ASES program, (iii) and $5.9 million in surplus 2007-08 student fee revenue.

The 2009 Budget Act. On February 19, 2009, the Legislature passed a series of bills (the "2009 Budget Act") designed as a comprehensive solution to the State's budget deficit, which had been projected to grow to approximately $41.6 billion between fiscal years 2008-09 and 2009-10. On March 13, 2009, the Legislative Analyst's Office (the "LAO") released a report analyzing the provisions of the 2009 Budget Act (the "2009 Budget Act Report"). The following information has been adapted from the 2009 Budget Act Report.

According to the LAO, the 2009 Budget Act is a valid budget for fiscal year 2009-10, adopted nearly five months ahead of the State constitutional budgetary deadline. The 2009 Budget Act, however, contains provisions that are designed to achieve solutions in both fiscal years 2008-09 and 2009-10.

For fiscal year 2008-09, the 2009 Budget Act assumes year-end revenues of approximately $91.7 billion and expenditures of approximately $94.1 billion. The 2009 Budget Act also eliminates the $1.7 billion reserve projected by the 2008-09 Budget, projecting that the State will end fiscal year 2008-09 with a $3.4 billion deficit. For fiscal year 2009-10, the 2009 Budget Act projects total revenues of $97.7 billion and authorizes expenditures of $92.2 billion, allowing the State to build up a $2.1 billion reserve. The LAO generally concurs with the 2009 Budget Act's forecast for year-end 2008-09 revenues. For 2009-10, however, the LAO projects year-end revenues that are approximately $8 billion less than those assumed by the 2009 Budget Act, reflecting recent negative developments in the State's economic condition. Consequently, the LAO projects that the State will end the 2009-10 fiscal year with a $6 billion deficit. The LAO notes the need for additional budgetary solutions in fiscal year 2009-10 beyond those contained in the 2009 Budget Act.

To address the projected $41.6 billion deficit, the 2009 Budget Act includes $15.7 billion in expenditure reductions, $12.5 billion in revenue increases, and $5.4 billion in borrowings. Approximately $6 billion of theses solutions were rejected by the voters at a May 19, 2009 state election. The 2009 Budget Act also projects the receipt of approximately $8.5 billion in stimulus funds from the federal government as part of the American Recovery and Reinvestment Act of 2009 ("ARRA"), signed into law by the President of the United States on February 17, 2009. Of the solutions included in the 2009 Budget Act, approximately $2.8 billion of expenditure reductions and tax increases can be "triggered off"—meaning they will not go into effect—if the State receives at least $10 billion in combined federal funding pursuant to ARRA during fiscal years 2008-09 and 2009-10.

The 2009 Budget Act includes the following major expenditure reductions:

- *No COLAs.* $1.2 billion in combined spending-related savings for fiscal years 2008-09 and 2009-10 by suspending COLAs for various programs, including Supplemental Security Income ("SSI"), State Supplementary Payment ("SSP"), California Work Opportunities and Responsibilities to Kids ("CalWORKs") and Medi-Cal, as well as trial courts and the University of California and California State University systems.

- *Deferred Spending*. The 2009 Budget Act also defers approximately $500 million in costs for expenses the State will face in future years, including approximately $200 million in tribal revenues to the General Fund that would otherwise have been used to pay off prior transportation loans. The 2009 Budget Act also defers approximately $91 million in mandate reimbursements to local governments.

- *Health.* $184 million in savings in fiscal year 2009-10 by eliminating certain optional Medi-Cal benefits and reducing reimbursements rates to public hospitals by 10%. This provision may be triggered off by the receipt of sufficient federal stimulus funds. The 2009 Budget Act also assumes $160 million in savings from reductions to reimbursement rates for developmental health service providers.

- *Social Services.* $74 million in savings in fiscal year 2009-10 for In-Home Supportive Service ("IHSS") expenditures from the reduction of IHSS provider wages, as well as $4 million in savings by eliminating state assistance with Medi-Cal co-payments for new IHSS participants. The 2009 Budget Act also achieves $147 million in savings by reducing CalWORKs grants by 4% and $268 million in savings by reducing SSI/SSP grants by 2.3%. All of these Social Services reductions can be triggered off by the receipt of sufficient federal stimulus funds.

- *Transportation.* $460 million in combined savings in fiscal years 2008-09 and 2009-10 for transportation services expenditures by reducing state funding of the State Transit Assistance program in fiscal year 2008-09 and eliminating such funding in fiscal year 2009-10.

- *Employee Compensation.* $1.2 billion in combined savings for fiscal years 2008-09 and 2009-10, realized primarily from the continued implementation of monthly one and two-day furloughs for state employees.

- *Higher Education Savings*. $232 million in unallocated reductions for higher education funding, as well as an additional $100 million unallocated reduction for fiscal year 2009-10 that may be triggered off by the receipt of sufficient federal stimulus funds.

- *Other Reductions.* The 2009 Budget Act also includes (i) a $171.4 million reduction in judiciary expenditures in fiscal year 2009-10 that may be triggered off by the receipt of sufficient federal stimulus funds, and (ii) $580 million in unspecified correctional services reductions.

The 2009 Budget Act reduces total Proposition 98 funding in fiscal year 2008-09 to $50.7 billion, including $35 billion in General Fund support, and which is approximately $7.3 billion below the level set by the 2008-09 Budget. The bulk of this reduction—approximately $2.4 billion—represents cuts to K-14 programs. Major components of this reduction include (i) $287 million through elimination of the COLA included as part of the 2008-09 budget, (ii) $944 million of K-12 and county office of education revenue limit payments and (iii) $944 million from K-12 categorical programs.

The 2009 Budget Act retires existing Proposition 98 settle-up obligations ($1.1 billion) and uses special funds to directly support the Home-to-School Transportation program ($619 million). The 2009 Budget Act also defers $3.2 billion in K-14 payments to June 2009, of which $320 million is from California

Community College apportionments. Specifically, monthly apportionment payments for February, March and April of 2008 are deferred to July 2009. These deferrals are in addition to an existing $200 million California Community College apportionment that was deferred to October of 2009. Both deferrals are permanent, and will be applied in future fiscal years.

For fiscal year 2009-10, the 2009 Budget Act provides for $54.9 billion in Proposition 98 funding, including $39.5 billion in General Fund support, representing an increase of $4.2 billion from the level set for 2008-09. However, $4.6 billion of this funding will be used to backfill programs for one-time solutions enacted as part of the 2008-09 Budget. To accommodate this backfill, as well as fund $253 million in new growth and baseline adjustments—including $185 million for a 3% growth at California Community Colleges—the 2009 Budget Act maintains the programmatic cuts set for 2008-09 and makes additional cuts of $702 million to K-12 and child care programs. Specifically, these additional cuts reflect reductions of (i) $268 million to K-12 and county office of education revenue limit payments, (ii) $268 million to K-12 categorical programs, (iii) $53 million to reimbursement rates and family fees for child care providers and (iv) $114 million through elimination of the High Priority Schools Grant Program.

As mentioned above, the 2009 Budget Act assumes an additional $12.5 billion in revenues, including $1.5 billion in fiscal year 2008-09 and $11 billion in fiscal year 2009-10, through the enactment of the following major revenue and borrowing solutions:

- *Sales Tax.* $5.8 billion from a temporary one-cent increase in the state sales tax, including $1.2 billion of additional revenue for fiscal year 2008-09 and $4.6 billion of such revenues for fiscal year 2009-10. The increased tax becomes effective April 1, 2009 and is set to lapse on July 1, 2011.

- *Vehicle License Fees.* $2 billion from a temporary increase in vehicle license fees, including $346 million in additional revenues for fiscal year 2008-09 and $1.7 billion of such revenues in fiscal year 2009-10. This increase is set to lapse on July 1, 2011.

- *Personal Income Tax*. $1.8 billion from a temporary increase of 0.125% in each personal income tax rate. The 2009 Budget Act also provides for $1.8 billion from an additional personal income tax increase of 0.125% that may be triggered off if sufficient federal stimulus funds are received. This tax increase is set to lapse after tax year 2010.

- *Reduction of Dependent Tax Credit.* $1.4 billion from a temporary reduction in the value of dependent credit for income tax purposes. This reduction is set to lapse after tax year 2010.

- *Borrowing.* The 2009 Budget Act provides for $328 million in borrowing from various State special funds.

Additional information regarding the 2009 Budget Act is available from the LAO's website: www.lao.ca.gov.

Governor's May Revision to the 2009 Budget Act. On May 14, 2009, the Governor released his May Revision to the 2009 Budget Act (the "May Revision"). On May 21, 2009, the Legislative Analysts Office (the "LAO") released its Overview of the May Revision. The following information is adapted from the LAO's Overview of the May Revision.

The May Revision estimates the gap between revenues and expenditures for fiscal year 2008-09 and 2009-2010 has grown to $21.3 billion as a result of negative revenue and expenditure trends, including, the voters' rejection on May 19, 2009 of $5.8 billion of budget-balancing measures included in Propositions 1C, 1D, and 1E, lower revenue estimates for 2008-09 and 2009-10 of $3.5 billion and $9.0 billion respectively, an increase of $1.1 billion of Proposition 98 spending requirements and $1.1 billion in additional program spending requirements, as well as other changes.

To address the projected $21.3 billion deficit and restore a $2 billion State reserve balance in 2009-2010, the May Revision proposes $21 billion of budget solutions, consisting of about $10 billion of expenditure reductions, $7.5 billion of borrowing, and approximately $3.5 billion of revenue actions.

The May Revision includes the following proposed major expenditure reductions:

- *Proposition 98 Reductions.* The May Revision proposes to reduce 2008-09 and 2009-10 Proposition 98 spending for K-12 schools and community colleges by more than $5 billion below that required by the 2009 Budget Act.

- *Medi-Cal Reductions*. $1.1 billion of total reductions to Medi-Cal, including $750 million of reductions that would likely require federal approval.

- *University System Reductions*. The May Revision proposes reducing General Fund support for the University of California and California State University by a total of $1 billion and replacing those funds with a like amount of federal stimulus funds. The General Fund savings are on top of $510 million federal funds swap assumed in the 2008-09 Budget Act. Available federal stimulus funds, however, will not be sufficient to fully offset the combined $1.5 billion cut, leaving approximately $230 million net reduction.

- *In-Home Supportive Services*. The May Revision includes several proposals which would result in a combined General Fund savings of about $500 million in IHSS. Specifically, the May Revision would limit the scope of services and copayments currently provided to the less disabled, reduce state participation in wages to the minimum wage, restrict program eligibility to the more severely disabled, and enhance fraud prevention activities.

- *Reductions in General Fund Costs by Using "Spillover" Revenues.* $336 million savings to the General Fund by using spillover sales tax revenues in 2009-10 for transit bond debt service costs.

- *Prison System Reductions*. The May Revision includes proposals to begin approving applications for prison commutations submitted by undocumented immigrants. The administration's plan would result in their release from state prison and deportation by the United States government. In addition, the May Revision proposes changing sentencing options for specified crimes that may be treated either as felonies or misdemeanors, instead making these offenses punishable by jail and/or probation rather state prison. The proposals would reduce corrections spending by $282 million.

- *Supplementary Security Income/State Supplementary Program (SSI/SSP) Grant Reductions*. The May Revision proposal would reduce the maximum monthly grants under SSI/SSP grant programs to the federal minimum amounts, effective September 2009. This proposal would result in state savings of $249 million in 2009-10.

From levels assumed in February, the May Revision estimates that the Proposition 98 minimum guarantee has fallen by $1.6 billion in 2008-09 and $3.8 billion in 2009-10. The bulk of the 2008-09 reduction is a $1.3 billion decrease in revenue limit funding, with an additional $287 million reduction in 2009-10. For California Community Colleges the May Revision reduces support for categorical programs by $85 million in 2008-09 and an additional $249 million in 2009-10. In addition, for 2009-10, the May Revision proposes to reduce enrollment growth from 3% to 1% for a combined savings of $127 million and lower the funding rate for recreational courses for combined savings of $120 million.

One-third of the proposed May Revision K-14 solutions is comprised of two additional deferrals. For California Community Colleges, $115 million in 2008-09 apportionment payments would be deferred until 2009-10, while $1.7 billion in 2009-10 K-12 revenue limits payments would be deferred until 2010-11.

The May Revision also includes proposals designed to provided greater flexibility in dealing with budgetary reductions. For K-12 school districts, the May Revision proposes changing State law to provide school districts with the option of reducing instructional time the equivalent of up to 7.5 days a year for the next three years. For California Community Colleges, the May Revision proposes consolidating the existing 22 categorical programs into a block grant. This consolidation would allow California Community Colleges discretion to shift funding among existing categorical programs or away from these programs to other priorities.

As mentioned above, the May Revision proposes $7.5 billion of borrowing:

- *Revenue Anticipation Warrants*. The May Revision proposes counting $5.5 billion of RAW proceeds in 2009-10 as a credit towards the 2009-10 budget. Under the May Revision, the State would have to repay the $5.5 billion of RAWs with interest by the end of fiscal year 2010-11.

- *Borrowing Local Government Property Taxes.* $2 billion from borrowing property tax revenues received by cities, counties, and special districts. The May Revision proposes that the borrowing would be instituted across the board, with each agency lending 8% of its 2008-09 property tax revenues. Repayment would be required within three years with interest. The May Revision also proposes legislation to create an authority that would allow local agencies to borrow against future state payments collectively, rather than just individually.

The May Revision includes no proposed increases in existing tax rates; but does propose the following revenue related items:

- *Increased Personal Income Tax Withholding*. The May Revision would accelerate some personal income tax withholding payments from the 2010-11 fiscal year into 2009-10 by increasing withholding schedules for taxpayers by 10%. The administration estimates the measure would result in $1.7 billion of increased 2009-10 receipts.

- *Accelerated Estimated Payment Receipts.* The May Revision proposes to require an increase in the amount of estimated payments due by individuals and corporations in June from 30% of estimated tax liability to 40%. The administration projects this would accelerate $610 million of payments from the 2010-11 fiscal year into 2009-10.

- *Proposed Partial Sale of State Compensation Insurance Fund (SCIF).* The May Revision proposes that the state sell parts of SCIF's business. The May Revision assumes that the portion sold could generate $1 billion of proceeds to help address the 2009-10 budget deficit.

- *Other Proposals.* The May Revision proposes various other revenue proposals, including an additional payment on all residential and commercial property insurance premiums to fund state and local fire and emergency response activities, higher fees for employers to fund occupational safety and health and labor standards enforcement activities, and higher state fees at certain state parks.

The LAO considers the Governor's May Revision revenue forecast reasonable, however under the LAO's updated forecast, combined revenues in 2008-09 and 2009-2010 are approximately $3 billion lower than the Governor's, reflecting a decline in jobs and personal income. The LAO estimates that the structural deficit will remain, with an imbalance between revenues and expenditures of greater than $15 billion in fiscal year 2010-11, with the annual shortfall increasing in the subsequent three fiscal years. Approximately $12 billion of the May Revision's proposed solutions are one-time in nature. The LAO strongly recommends that the State Legislature reject the May Revision proposal to count $5.5 billion of borrowed RAW proceeds toward the 2009-10 budget, noting it would simply defer $5.5 billion of the budget problem one year and would set a terrible precedent for State finances in the future by rendering meaningless constitutional restrictions on State debt obligations and requirements for a balanced budget. In addition, the LAO warns that certain of the measures proposed by the May Revision are risky and that the expected savings related to such measures may not materialize.

Additional information regarding the May Revision is available from the LAO's website: www.lao.ca.gov.

Future Actions. The Districts cannot predict what actions will be taken in the future by the State Legislature and the Governor to address changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the Districts will have no control. Certain actions or results could produce a significant shortfall of revenue and cash, and could consequently impair the State's ability to fund schools and community colleges. Continued State budget shortfalls in future fiscal years may also have an adverse financial impact on the financial condition of the Districts.

PARTICIPATING DISTRICTS' INFORMATION

Certain information regarding the Districts is included in the appendices hereto. Financial information for each District is included in APPENDIX B—"DISTRICT FINANCIAL INFORMATION." Projected cash flows for the coming fiscal year for each District are included in APPENDIX C—"CASH FLOWS AND ALTERNATIVE CASH RESOURCES." The estimates and timing of receipts and disbursements in such Cash Flow Analyses are based on certain assumptions and should not be construed as statements of fact. The cash flow projections represent the current best estimate of the Districts, based on information available as of the date of the projections. However, due to the uncertainties inherent in the State of California budgeting process (See "FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA—State Budget Measures"), these projections are subject to change and may vary considerably from actual cash flows experienced by the Districts during the 2009-10 fiscal year. APPENDIX J contains certain additional information pertaining to Acalanes Union High School District, San Mateo Union High School District and San Marino Unified School District, which comprise the three largest participants with respect to the Note Participations.

Payment of State assistance in the amounts anticipated depends on the State's adhering to its current 2008-09 budget, including the appropriations therein provided for local assistance. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—PROPOSITION 98" and APPENDIX A—"NOTE AMOUNT BY DISTRICT AND COVERAGE ANALYSIS."

Each District maintains insurance or self-insurance in such amounts and with such retentions and other terms providing coverages for property damage, fire and theft, general public liability and workers' compensation, as are adequate, customary and comparable with such insurance maintained by similarly situated school districts. In addition, based upon prior claims experience, each District believes that its respective recorded liabilities for self-insured claims is adequate.

The information regarding the Districts has been taken or constructed from the official records of the District. Such information has been reviewed by an authorized representative of each District acting in his or her official capacity. Such representative has determined that as of the date hereof the information contained herein is, to the best of his or her knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact, or omit to state a material fact, necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

General Information Regarding Districts

Each of the Districts has made the following representations with respect to its financial and operational facts:

- During the past 10 years, the District has not failed to deposit moneys in their repayment funds established for the payment of principal of and interest on tax and revenue anticipation notes issued by or on behalf of the District;

- During the past 10 years, the District has not defaulted on a lease or debt obligation;

- There is no action, suit, proceeding or investigation pending or threatened which, if determined adversely to the District, could materially adversely impact the District's ability to repay its District Note;

- No other conditions or events, including but not limited to labor disputes or hazardous materials, exist or have occurred which may materially adversely affect the finances of the District; and

- The District knows of no other information which should be disclosed in connection with the issuance of the Notes, in order to make the information in this Official Statement, in the light of the circumstances, in which it is presented not misleading.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIIIA of the California Constitution

On June 6, 1978, the California voters approved Proposition 13 ("Proposition 13"), which added Article XIIIA to the State Constitution ("Article XIIIA"). Article XIIIA limits the amount of any *ad valorem* tax on real property to one percent of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and (as a result of an amendment to Article XIIIA approved by State voters on June 3, 1986) on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under 'full cash value,' or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment." The full cash value may be increased at a rate not to exceed two percent per year to account for inflation. Article XIIIA has subsequently been amended to print reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster and in other minor or technical ways.

Article XIIIA has been amended to allow for temporary reductions of assessed value in instances where the fair market value of real property falls below the base year value. Proposition 8—approved by the voters in November of 1978—provides for the enrollment of the lesser of the base year value or the market value of real property, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a similar decline. In these instances, the market value is required to be reviewed annually until the market value exceeds the base year value. Reductions in assessed value could result in a corresponding increase in the annual tax rate levied by the County of each Participating District to pay debt service on the outstanding general obligation bonds of the respective Participating District. See "THE BONDS — Security and Sources of Payment" and "TAX BASE FOR REPAYMENT OF BONDS — Assessed Valuations."

Article XIIIA requires a vote of two-thirds of the qualified electorate of a city, county, special district or other public agency to impose special taxes, while totally precluding the imposition of any additional *ad valorem*, sales or transaction tax on real property. Article XIIIA exempts from the 1% tax limitation any taxes above that level required to pay debt service (i) on any indebtedness approved by the voters prior to July 1, 1978, or (ii) as the result of an amendment approved by State voters on July 3, 1986, on any bonded indebtedness approved by two-thirds of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978, or (iii) bonded indebtedness incurred by a school district or school district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% or more of the votes cast of the proposition, but only if certain accountability measurers are included in the proposition. In addition, Article XIIIA requires the approval of two-thirds of all members of the state legislature to change any state taxes for the purpose of increasing tax revenues.

Legislation Implementing Article XIIIA

Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, Districts 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 1979.

That portion of annual property tax revenues generated by increases in assessed valuations within each tax rate area within a county, subject to redevelopment agency, if any, claims on tax increment and subject to changes in organizations, if any, of affected jurisdictions, is allocated to each jurisdiction within the tax rate area in the same proportion that the total property tax revenue from the tax rate area for the prior year was allocated to such jurisdictions.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the annual adjustment not to exceed 2% are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a District continues as part of its allocation in future years.

Beginning in fiscal year 1981-82, 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 100% of assessed value on the tax rolls. Consequently, the tax rate is expressed as $1 per $100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of taxable value (unless noted differently) and all tax rates reflect the $1 per $100 of taxable value.

Both the United States Supreme Court and the California State Supreme Court have upheld the general validity of Article XIIIA.

Unitary Property

Some amount of property tax revenue of the Districts is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions ("unitary property"). Under the State Constitution, such property is assessed by the State Board of Equalization ("SBE") as part of a "going concern" rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the counties by SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the Districts) according to statutory formulae generally based on the distribution of taxes in the prior year.

The California electric utility industry has been undergoing significant changes in its structure and in the way in which components of the industry are regulated and owned. Sale of electric generation assets to largely unregulated, nonutility companies may affect how those assets are assessed, and which Districts are to receive the property taxes. The Districts are unable to predict the impact of these changes on its utility property tax revenues, or whether legislation may be proposed or adopted in response to industry restructuring, or whether any future litigation may affect ownership of utility assets or the State's methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the Districts. See "FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA—Major Revenues" herein.

Article XIIIB of the California Constitution

Article XIIIB of the State Constitution ("Article XIIIB"), as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies. As amended, Article XIIIB defines

(a) "change in the cost of living" with respect to school districts to mean the percentage change in California per capita income from the preceding year, and

(b) "change in population" with respect to a school district to mean the percentage change in the average daily attendance of the school district from the preceding fiscal year.

For fiscal years beginning on or after December 1, 1990, the appropriations limit of each entity of government shall be the appropriations limit for the 1986-87 fiscal year adjusted for the changes made from that fiscal year pursuant to the provisions of Article XIIIB, as amended.

The appropriations of an entity of local government subject to Article XIIIB 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 XIIIB includes a requirement that all revenues received by an entity of government other than 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 returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years.

Article XIIIB also includes a requirement that fifty percent 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 "Propositions 98 and 111" below.

Article XIIIC and Article XIIID of the California Constitution

On November 5, 1996, the voters of the State of California approved Proposition 218, popularly known as the "Right to Vote on Taxes Act." Proposition 218 added to the California Constitution Articles XIIIC and XIIID (respectively, "Article XIIIC" and "Article XIIID"), which contain a number of provisions affecting the ability of Districts, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges.

According to the "Title and Summary" of Proposition 218 prepared by the California Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any District from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the California Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4. Article XIIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIIC or XIIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

The Districts do not impose any taxes, assessments, or property-related fees or charges which are subject to the provisions of Proposition 218. They do, however, receive a portion of the basic one percent *ad valorem* property tax levied and collected by the Counties pursuant to Article XIIIA of the California Constitution. The provisions of Proposition 218 may have an indirect effect on the Districts, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the Districts thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the Districts.

Proposition 46

On June 3, 1986, California voters approved Proposition 46, which added an additional exemption to the 1% tax limitation imposed by Article XIIIA. Under this amendment to Article XIIIA, local governments and school districts may increase the property tax rate above 1% for the period necessary to retire new general obligation bonds, if two-thirds of those voting in a local election approve the issuance of such bonds and the money raised through the sale of the bonds is used exclusively to purchase or improve real property.

Proposition 98

On November 8, 1988, California voters approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act"). Certain provisions of the Accountability Act, have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changes State funding of public education below the university level and the operation of the State's appropriations limit. The Accountability Act guarantees State funding for K-12 school districts and school districts (hereinafter referred to collectively as "K-14 school districts") at a level equal to the greater of (a) the same percentage of General Fund revenues as the percentage appropriated to such districts in 1986-87, or (b) the amount actually appropriated to such districts from the State general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the Legislature to suspend this formula for a one year period. The current level of guaranteed funding pursuant to Proposition 98 is 34.55% of the State general fund.

The Accountability Act also changes how tax revenues in excess of the State appropriations limit are distributed. Any excess State tax revenues up to a specified amount would, instead of being returned to taxpayers, be transferred to K-14 school districts. Any such transfer to K-14 school districts would be excluded from the appropriations limit for K-14 school districts and the K-14 school district appropriations limit for the next year would automatically be increased by the amount of such transfer. These additional moneys would enter the base funding calculation for K-14 school districts for subsequent years, creating further pressure on other portions of the State budget, particularly if revenues decline in a year following an Article XIIIB surplus. The maximum amount of excess tax revenues which could be transferred to K-14 school districts is 4% of the minimum State spending for education mandated by the Accountability Act.

Since the Accountability Act is unclear in some details, there can be no assurances that the Legislature or a court might not interpret the Accountability Act to require a different percentage of State general fund revenues to be allocated to K-14 school districts, or to apply the relevant percentage to the State's budgets in a different way than is proposed in the Governor's Budget.

Proposition 111

On June 5, 1990, the voters of California approved the "Traffic Congestion Relief and Spending Limitation Act of 1990 ("Proposition 111"), which modified the State Constitution to alter the Article XIIIB spending limit and the education funding provisions of Proposition 98. Proposition 111 took effect on July 1, 1990.

The most significant provisions of Proposition 111 are summarized as follows:

a. Annual Adjustments to Spending Limit. The annual adjustments to the Article XIIIB spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in California per capita personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.

b. Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIIIB are now determined based on a two year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two year period, if there are excess State tax revenues, 50% of the excess is to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.

c. Exclusions from Spending Limit. Two new exceptions have been added to the calculation of appropriations which are subject to the Article XIIIB spending limit. First, excluded are all appropriations for "qualified capital outlay projects" as defined by the Legislature. Second, excluded are any increases in gasoline taxes above the current nine cents per gallon level, sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990.

d. Recalculation of Appropriations Limit. The Article XIIIB appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.

e. School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) a certain percentage of State general fund revenues (the "first test") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIIIB by reference to per capita personal income) and enrollment (the "second test"). Under Proposition 111, schools will receive the greater of (1) the first test, (2) the second test, or (3) a third test, which will replace the second test in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in California per capita personal income. Under the third test, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. 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 State general fund revenue growth exceeds personal income growth.

Proposition 39

On November 7, 2000, California voters approved an amendment (commonly known as Proposition 39) to the California Constitution. This amendment (1) allows school facilities bond measures to be approved by 55 percent (rather than two-thirds) of the voters in local elections and permits property taxes to exceed the current 1 percent limit in order to repay the bonds and (2) changes existing statutory law regarding charter school facilities. As adopted, the constitutional amendments may be changed only with another Statewide vote of the people. The statutory provisions could be changed by a majority vote of both houses of the Legislature and approval by the Governor, but only to further the purposes of the proposition. The local school jurisdictions affected by this proposition are K-12 school districts, school districts, including the District, and county offices of education. As noted above, the California Constitution previously limited property taxes to 1 percent of the value of property. Property taxes may only exceed this limit to pay for (1) any local government debts approved by the voters prior to July 1, 1978 or (2) bonds to buy or improve real property that receive two-thirds voter approval after July 1, 1978.

The 55 percent vote requirement would apply only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 places certain limitations on local school bonds to be approved by 55 percent of the voters. These provisions require that the tax rate levied as the result of any single election be no more than $60 (for a unified school district), $30 (for a high school or elementary school district), or $25 (for a school district), per $100,000 of taxable property value. These requirements are not part of this proposition and can be changed with a majority vote of both houses of the Legislature and approval by the Governor.

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 can not (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-third approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Beginning, in 2008-09, 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 their 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 with in 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.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID of the California Constitution and Propositions 1A, 39, 46 and 98 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting revenues of the District or the Districts' ability to expend revenues. The nature and impact of these measures cannot be anticipated by the Districts.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, A Professional Corporation, San Francisco, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Notes represented by the Note Participations is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Notes represented by the Note Participations is exempt from State of California personal income tax. Bond Counsel notes that, with respect to corporations, interest on the Notes represented by the Note Participations is not included as an adjustment in the calculation of alternative minimum taxable income.

Bond Counsel's opinion as to the exclusion from gross income of interest on the Notes represented by the Note Participations is based upon certain representations of fact and certifications made by the Districts and others and is subject to the condition that the Districts comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Notes to assure that interest on the Notes will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest on the Notes represented by the Note Participations to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Note Participations. The Districts have covenanted to comply with all such requirements.

Although Bond Counsel has rendered an opinion that interest on the Notes represented by the Note Participations is excluded from gross income for federal income tax purposes provided that the Districts continue to comply with certain requirements of the Code, the ownership of the Note Participations and the accrual or receipt of interest with respect to the Note Participations may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Notes represented by the Note Participations, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Note Participations.

It is possible that subsequent to the issuance of the Note Participations there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the Note Participations or the market value of the Note Participations.

No assurance can be given that subsequent to the issuance of the Note Participations such changes or interpretations will not occur.

The amount by which a Owner's original basis for determining gain or loss on the sale or exchange of a Note Participation (generally the purchase price) exceeds the amount payable on maturity constitutes amortizable premium which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the Owner's basis in the Note Participation (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a Owner realizing a taxable gain when the Note Participation is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Note Participation to the Owner. Purchasers should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Note Participations will be selected for audit by the IRS. It is also possible that the market value of the Note Participations might be affected as a result of such an audit (or by an audit of similar obligations).

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest on the Notes represented by the Note Participations for federal income tax purposes with respect to any Note Participation if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as APPENDIX G. Bond Counsel expresses no opinion therein on the accuracy, completeness or sufficiency of this Official Statement or other offering material related to the Note Participations.

LITIGATION

There is no action, suit or proceeding known to be pending or threatened against any of the Districts, restraining or enjoining the execution or delivery of the Note Participations, the Trust Agreement or the Notes or in any way contesting or affecting the validity of the foregoing or, any action of the Districts taken with respect to any of the foregoing.

There is no litigation pending or, to the knowledge of the respective Districts, threatened, questioning the existence of the Districts, or the title of the officers of the respective Districts to their respective offices, or the power and authority of the Districts to issue and deliver the Notes or the Trustee to execute and deliver the related Note Participations.

RATING

Standard & Poor's Rating Services ("S&P") has assigned the rating of "SP-1+" to the Note Participations. Each of the participating Districts was separately rated "SP-1+". The Districts supplied certain information to S&P to be considered in evaluating the Note Participations. The rating reflects only the view of the rating agency issuing such rating, and any explanation of the significance of such rating on the Note Participations should be obtained from such rating agency. There is no assurance that any rating will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by the rating agency issuing such rating if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of any rating may have an adverse effect on the market price of the Note Participations.

UNDERWRITING

Stone & Youngberg LLC (the "Underwriter"), has contracted to purchase the Note Participations at a price of $43,672,001.17 (representing the principal amount of the Note Participations, plus net original issue premium of $633,916.80, less an Underwriter's discount of $26,915.63).

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

CONTINUING DISCLOSURE

Material Events Undertaking

Pursuant to the Trust Agreement, the Districts have agreed to give, or cause to be given, to the Municipal Securities Rulemaking Board (the "Repository"), in a timely manner notice of the following "Listed Events" with respect to such District's Note and the Note Participations if determined by the District to be material: (1) principal and interest payment delinquencies; (2) non-payment related defaults, (3) modification to the rights of the Owners; (4) contingent or unscheduled Note or Note Participation calls; (5) defeasances; (6) rating changes; (7) adverse tax opinions or events adversely affecting the tax-exempt status of the Notes or the Note Participations; (8) unscheduled draws on any debt service reserves reflecting financial difficulties; and (9) any release, substitution, or sale of property securing repayment of the Notes or Note Participations. These covenants have been made in order to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5) (the "Rule"). Saratoga Union School District has in the past failed to file certain tables of its continuing disclosure annual report required to be filed pursuant to its prior continuing disclosure obligations. Saratoga Union School District has now made all required filings under the Rule as of the date hereof. Each of the remaining participating Districts has never failed to file its required continuing disclosure annual report.

The undertakings regarding material event disclosure set forth in the Trust Agreement may be amended, and any provision thereof may be waived, by written agreement of the parties thereto, without the consent of the Owners of the Note Participations (except to the extent required under clause (3)(ii) below), if all of the following conditions are satisfied: (1) such amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the Participants or the type of business conducted thereby; (2) the undertakings therein as so amended or waived would, in the opinion of nationally recognized Bond Counsel expert in federal securities laws addressed to the Districts and the Trustee, have complied with the requirements of the Rule at the time of the primary offering of the Note Participations, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (3) the proposed amendment or waiver either (i) is approved by the Owners in the manner provided in the Trust Agreement for amendments to the Trust Agreement with the consent of the Owners, or (ii) does not, in the opinion of the nationally recognized Bond Counsel or counsel expert in federal securities laws addressed to the Participants and the Trustee, materially impair the interests of the owners of Note Participations; and (4) the Participants shall have delivered copies of such opinions and amendment to each Repository.

The Districts' obligations under the Trust Agreement shall terminate upon the defeasance or payment in full of all of the Notes and the Note Participations. The undertakings in the Trust Agreement relating to continuing disclosure shall inure solely to the benefit of the Districts, the Trustee, the Dissemination Agent, the Underwriter and the Owners and Beneficial Owners, from time to time of the Note Participations, and shall create no rights in any other person or entity.

See also APPENDIX F—"DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF THE TRUST AGREEMENT".

CERTAIN LEGAL MATTERS

At the time of the delivery of the Note Participations, Stradling Yocca Carlson & Rauth, A Professional Corporation, San Francisco, California, Bond Counsel, will deliver its final approving opinions in the forms set forth in APPENDIX G. A copy of such approving opinions will be available for delivery with each certificate representing a beneficial interest in the Note Participations.

AUTHORIZATION AND APPROVAL

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

This Official Statement, and its distribution and use by the Underwriter, have been duly authorized and approved by the Districts.

ACALANES UNION HIGH SCHOOL DISTRICT

By: /s/ Christopher Learned
Assistant Superintendent, Business Services

MORELAND SCHOOL DISTRICT

By: /s/ Dana F. Taylor
Assistant Superintendent, Business Services

MOUNTAIN VIEW WHISMAN SCHOOL DISTRICT

By: /s/ Craig A. Goldman
Chief Financial Officer

PORTOLA VALLEY SCHOOL DISTRICT

By: /s/ Tim Hanretty
Assistant Superintendent

SAN MARINO UNIFIED SCHOOL DISTRICT

By: /s/ Julie Boucher
Assistant Superintendent, Business Services

SAN MATEO UNION HIGH SCHOOL DISTRICT

By: /s/ Elizabeth McManus
Deputy Superintendent, Business Services

SARATOGA UNION SCHOOL DISTRICT

By: /s/ Rosanna Jeng
Chief Business Official

APPENDIX A

NOTE AMOUNT BY DISTRICT AND COVERAGE ANALYSIS

This Appendix contains tables listing the participating Districts, the principal amount of the Note being issued by each such District, the principal amount of the Note of such District as a percentage of the principal amount of the Note Participations, and projected note payment coverage for each District.

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NOTE AMOUNT BY DISTRICT AND COVERAGE ANALYSIS

Issuer	Principal Amount	% of Pool	Est. Ending Cash & Reserves	Coverage With Cash & Reserves	Alternate Liquidity	Coverage With Alternate Liquidity
Acalanes Union High School District	9,885,000	23.0%	10,099,031	2.02 x	12,725,370	3.31 x
Moreland School District	2,299,000	5.3%	4,483,371	2.95 x	6,218,027	5.65 x
Mountain View Whisman School District	2,372,000	5.5%	4,705,541	2.98 x	553,271	3.22 x
Portola Valley School District	1,641,000	3.8%	1,151,728	1.70 x	80,000	1.75 x
San Marino Unified School District	4,636,000	10.8%	4,300,605	1.93 x	555,743	2.05 x
San Mateo Union High School District	19,259,000	44.7%	17,976,123	1.93 x	5,545,000	2.22 x
Saratoga Union School District	2,973,000	6.9%	2,606,027	1.88 x	3,010,000	2.89 x
Totals & Averages	43,065,000	100.0%		2.20 x		3.01 x

APPENDIX B

DISTRICT FINANCIAL INFORMATION

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DISTRICT FINANCIAL INFORMATION

Acalanes Union High School District

	2005-06 Audited	2006-07 Audited	2007-08 Audited	2008-09 2nd Interim
GENERAL FUND REVENUES, EXPENDITURES AND FUND BALANCES				
Total Revenues	49,797,227	55,104,231	55,908,374	54,380,449
Total Expenditures	50,341,639	53,985,702	55,426,125	55,223,755
Total Other Financing Sources/(Uses)	(16,143)	20,171	(320,982)	(175,000)
Beginning Fund Balance	4,280,796	3,720,241	4,858,941	5,020,210
Adjustments	-	-	-	-
Ending Fund Balance	3,720,241	4,858,941	5,020,208	4,001,904
GENERAL FUND BALANCE SHEET				
Total Assets	4,573,414	6,316,406	5,823,469	
Total Liabilities	853,173	1,457,465	803,261	
Total Fund Balance	3,720,241	4,858,941	5,020,208	
Total Liabilities and Fund Balance	4,573,414	6,316,406	5,823,469	

Moreland School District

	2005-06 Audited	2006-07 Audited	2007-08 Audited	2008-09 2nd Interim
GENERAL FUND REVENUES, EXPENDITURES AND FUND BALANCES				
Total Revenues	32,124,569	35,128,157	34,009,370	34,137,633
Total Expenditures	29,667,292	31,334,147	35,632,102	37,927,786
Total Other Financing Sources/(Uses)	(409,208)	(196,382)	443,764	573,324
Beginning Fund Balance	1,701,951	3,750,020	7,347,648	6,168,680
Adjustments	-	-	-	-
Ending Fund Balance	3,750,020	7,347,648	6,168,680	2,951,852
GENERAL FUND BALANCE SHEET				
Total Assets	8,764,749	8,480,402	7,346,730	
Total Liabilities	5,014,729	1,132,754	1,178,050	
Total Fund Balance	3,750,020	7,347,648	6,168,680	
Total Liabilities and Fund Balance	8,764,749	8,480,402	7,346,730	

Mountain View Whisman School District

	2005-06 Audited	2006-07 Audited	2007-08 Audited	2008-09 2nd Interim
GENERAL FUND REVENUES, EXPENDITURES AND FUND BALANCES				
Total Revenues	34,225,687	37,959,972	40,493,461	39,420,687
Total Expenditures	33,841,307	36,170,915	38,780,053	41,303,259
Total Other Financing Sources/(Uses)	(212,711)	(293,139)	(268,205)	(771,377)
Beginning Fund Balance	2,814,301	3,090,870	4,586,788	6,076,745
Adjustments	104,900	-	-	
Ending Fund Balance	3,090,870	4,586,788	6,031,991	3,422,796
GENERAL FUND BALANCE SHEET				
Total Assets	4,361,246	11,207,697	12,290,301	
Total Liabilities	1,270,376	6,620,909	6,258,310	
Total Fund Balance	3,090,870	4,586,788	6,031,991	
Total Liabilities and Fund Balance	4,361,246	11,207,697	12,290,301	

Portola Valley School District

	2005-06 Audited	2006-07 Audited	2007-08 Audited	2008-09 2nd Interim
GENERAL FUND REVENUES, EXPENDITURES AND FUND BALANCES				
Total Revenues	9,626,322	10,517,906	11,243,359	11,048,134
Total Expenditures	9,545,872	10,729,956	11,314,167	11,355,695
Total Other Financing Sources/(Uses)	(23,600)	266,703	68,806	360,205
Beginning Fund Balance	409,672	466,522	521,175	574,064
Adjustments	-	-	-	(54,891)
Ending Fund Balance	466,522	521,175	519,173	571,817
GENERAL FUND BALANCE SHEET				
Total Assets	2,452,921	1,466,583	1,675,557	
Total Liabilities	1,986,399	945,408	1,156,384	
Total Fund Balance	466,522	521,175	519,173	
Total Liabilities and Fund Balance	2,452,921	1,466,583	1,675,557	

San Marino Unified School District

	2005-06 Audited	2006-07 Audited	2007-08 Audited	2008-09 2nd Interim
GENERAL FUND REVENUES, EXPENDITURES AND FUND BALANCES				
Total Revenues	25,460,902	30,236,874	29,690,651	29,312,793
Total Expenditures	25,294,921	30,242,966	29,924,517	30,684,083
Total Other Financing Sources/(Uses)	(429,628)	(252,622)	(151,139)	146,556
Beginning Fund Balance	3,119,196	2,855,549	2,596,835	2,211,830
Adjustments	-	-	-	
Ending Fund Balance	2,855,549	2,596,835	2,211,830	987,096
GENERAL FUND BALANCE SHEET				
Total Assets	4,961,333	7,590,922	3,524,505	
Total Liabilities	2,105,784	4,994,087	1,312,675	
Total Fund Balance	2,855,549	2,596,835	2,211,830	
Total Liabilities and Fund Balance	4,961,333	7,590,922	3,524,505	

San Mateo Union High School District

	2005-06 Audited	2006-07 Audited	2007-08 Audited	2008-09 2nd Interim
GENERAL FUND REVENUES, EXPENDITURES AND FUND BALANCES				
Total Revenues	85,130,425	94,471,079	96,560,168	97,855,485
Total Expenditures	87,594,601	88,930,454	87,278,206	104,960,295
Total Other Financing Sources/(Uses)	527,055	(2,506,700)	(2,620,822)	(724,513)
Beginning Fund Balance	5,059,259	3,122,138	6,156,063	12,817,203
Adjustments	-	-	-	-
Ending Fund Balance	3,122,138	6,156,063	12,817,203	4,987,880
GENERAL FUND BALANCE SHEET				
Total Assets	21,064,538	27,460,167	33,684,474	
Total Liabilities	17,942,400	21,304,104	20,867,271	
Total Fund Balance	3,122,138	6,156,063	12,817,203	
Total Liabilities and Fund Balance	21,064,538	27,460,167	33,684,474	

Saratoga Union School District

	2005-06 Audited	2006-07 Audited	2007-08 Audited	2008-09 2nd Interim
GENERAL FUND REVENUES, EXPENDITURES AND FUND BALANCES				
Total Revenues	19,827,989	21,553,338	22,990,602	22,989,071
Total Expenditures	19,177,146	20,814,353	22,840,258	24,248,397
Total Other Financing Sources/(Uses)	(78,201)	(347,648)	(108,601)	(115,608)
Beginning Fund Balance	725,342	1,297,984	1,689,321	1,626,616
Adjustments	-	-	-	
Ending Fund Balance	1,297,984	1,689,321	1,731,064	251,682
GENERAL FUND BALANCE SHEET				
Total Assets	2,120,552	3,123,913	2,947,819	
Total Liabilities	822,568	1,434,592	1,216,755	
Total Fund Balance	1,297,984	1,689,321	1,731,064	
Total Liabilities and Fund Balance	2,120,552	3,123,913	2,947,819	

APPENDIX C

CASH FLOWS AND ALTERNATIVE CASH RESOURCES

This Appendix contains current and projected cash flows and a description of alternative cash resources for each District. The projected cash flow amounts are projections only; there can be no assurance that such projections will be realized. Further, investors should note that amounts shown as alternative cash resources for a District will not necessarily be available for the payment of the Note of such District.

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CASH FLOWS AND ALTERNATIVE CASH RESOURCES

Acalanes Union High School District

2008-09 Cash Flow							
Month	**Beginning Balance**	**Revenues**	**TRAN Amount**	**Expenditures**	**TRAN Pledge**	**Prior Year Transactions**	**Ending Balance**
July 2008	1,584,988	228,234	11,035,000	2,923,071			9,925,151
August 2008	9,925,151	2,816,942		4,203,848			8,538,245
September 2008	8,538,245	1,686,425		4,839,357			5,385,313
October 2008	5,385,313	1,072,670		4,819,843			1,638,140
November 2008	1,638,140	3,254,484		4,619,082			273,542
December 2008	273,542	20,546,967		4,669,196			16,151,313
January 2009	16,151,313	811,785		4,599,415			12,363,683
February 2009	12,363,683	1,915,095		4,789,135	4,414,000		5,075,643
March 2009	5,075,643	434,085		4,626,285	1,103,500		(220,057)
April 2009	(220,057)	17,984,467		4,622,847	1,103,500		12,038,063
May 2009	12,038,063	1,878,651		4,835,395	4,414,000		4,667,319
June 2009	4,667,319	4,024,748		4,919,643			3,772,424

2009-10 Cash Flow							
Month	**Beginning Balance**	**Revenues**	**TRAN Amount**	**Expenditures**	**TRAN Pledge**	**Prior Year Transactions**	**Ending Balance**
July 2009	4,689,388 [1]	1,391,309	9,885,000	3,615,044			12,350,653
August 2009	12,350,653	954,224		3,990,021			9,314,856
September 2009	9,314,856	1,017,603		4,593,205			5,739,254
October 2009	5,739,254	1,139,819		4,574,683			2,304,390
November 2009	2,304,390	2,807,448		4,384,134			727,704
December 2009	727,704	20,486,214		4,431,699			16,782,219
January 2010	16,782,219	439,421		4,365,467	4,942,500		7,913,672
February 2010	7,913,672	1,515,468		4,545,537			4,883,602
March 2010	4,883,602	399,565		4,390,971			892,196
April 2010	892,196	18,537,042		4,387,708	4,942,500		10,099,031
May 2010	10,099,031	1,372,494		4,589,444			6,882,080
June 2010	6,882,080	1,465,776		4,669,407			3,678,449

Alternative Cash Resources	
Fund	**Est. 2009-10 Ending Balance**
Adult Education Fund	390,500
Cafeteria Special Revenue Fund	5,500
Deferred Maintenance Fund	1,478,870
Capital Facilities Fund	170,000
County School Facilities Fund	80,500
Special Reserve Fund for Capital Outlay Projects	10,600,000
Total	12,725,370

[1] July 2009 beginning cash includes unrestricted special reserves transferable to general fund.

CASH FLOWS AND ALTERNATIVE CASH RESOURCES

Moreland School District

2008-09 Cash Flow

Month	Beginning Balance	Revenues	TRAN Amount	Expenditures	TRAN Pledge	Prior Year Transactions	Ending Balance
July 2008	5,783,389	391,961		1,081,036		(83,541)	5,010,773
August 2008	5,010,773	610,665		1,089,658		(170,183)	4,361,597
September 2008	4,361,597	1,628,003		3,544,949		166,234	2,610,885
October 2008	2,610,885	3,116,054		3,134,671		168,825	2,761,093
November 2008	2,761,093	2,360,158		3,242,582		81,193	1,959,862
December 2008	1,959,862	5,200,472		3,254,882		41,092	3,946,544
January 2009	3,946,544	4,054,437		3,172,076		167,376	4,996,281
February 2009	4,996,281	1,165,630		3,127,248		69,492	3,104,155
March 2009	3,104,155	2,218,404		3,186,988		(78,466)	2,057,105
April 2009	2,057,105	6,267,398		3,281,421		(61,269)	4,981,813
May 2009	4,981,813	1,642,993		3,209,019		(5,628)	3,410,159
June 2009	3,410,159	5,417,495		3,502,686		-	5,324,968

2009-10 Cash Flow

Month	Beginning Balance	Revenues	TRAN Amount	Expenditures	TRAN Pledge	Prior Year Transactions	Ending Balance
July 2009	6,425,208 [1]	467,934	2,299,000	1,149,191			8,042,951
August 2009	8,042,951	934,477		1,172,130			7,805,298
September 2009	7,805,298	633,901		3,748,107			4,691,092
October 2009	4,691,092	3,718,012		3,282,518			5,126,586
November 2009	5,126,586	2,348,115		3,367,729			4,106,972
December 2009	4,106,972	5,221,174		3,373,064			5,955,082
January 2010	5,955,082	4,089,714		3,310,767	1,149,500		5,584,529
February 2010	5,584,529	1,419,758		3,250,133			3,754,154
March 2010	3,754,154	2,334,875		3,325,505			2,763,524
April 2010	2,763,524	6,302,630		3,433,283	1,149,500		4,483,371
May 2010	4,483,371	1,629,695		3,347,612			2,765,454
June 2010	2,765,454	6,096,798		3,805,455			5,056,797

Alternative Cash Resources

Fund	Est. 2009-10 Ending Balance
Cafeteria Special Revenue Fund	15,231
Deferred Maintenance Fund	201,639
Special Reserve Fund for Capital Outlay Projects	6,001,157
Total	6,218,027

[1] July 2009 beginning cash includes unrestricted special reserves transferable to general fund.

CASH FLOWS AND ALTERNATIVE CASH RESOURCES

Mountain View Whisman School District

2008-09 Cash Flow

Month	Beginning Balance	Revenues	TRAN Amount	Expenditures	TRAN Pledge	Prior Year Transactions	Ending Balance
July 2008	5,594,952	2,099,493	3,215,000	2,063,817		(251,649)	8,593,979
August 2008	8,593,979	673,281		1,587,825		(172,283)	7,507,152
September 2008	7,507,152	590,861		3,671,643		422,960	4,849,330
October 2008	4,849,330	3,950,577		3,994,045		284,545	5,090,407
November 2008	5,090,407	1,880,442		3,499,260		837,597	4,309,186
December 2008	4,309,186	6,649,404		3,375,520		(26,581)	7,556,489
January 2009	7,556,489	6,235,610		3,631,518		619,675	10,780,256
February 2009	10,780,256	2,829,600		3,964,000	1,286,000	(274,300)	8,085,556
March 2009	8,085,556	3,184,153		3,988,000	321,500	(274,300)	6,685,909
April 2009	6,685,909	3,184,153		3,964,000	321,500	(234,300)	5,350,262
May 2009	5,350,262	3,184,153		3,964,000	1,286,000	(274,300)	3,010,115
June 2009	3,010,115	4,373,601		4,271,008		(183,273)	2,929,435

2009-10 Cash Flow

Month	Beginning Balance	Revenues	TRAN Amount	Expenditures	TRAN Pledge	Prior Year Transactions	Ending Balance
July 2009	3,403,470 [1]	3,596,365	2,372,000	1,998,499			7,373,336
August 2009	7,373,336	412,384		1,460,635			6,325,085
September 2009	6,325,085	344,935		3,377,533			3,292,488
October 2009	3,292,488	3,640,362		3,674,109			3,258,740
November 2009	3,258,740	1,912,139		3,218,958			1,951,921
December 2009	1,951,921	6,770,356		3,105,130			5,617,147
January 2010	5,617,147	6,324,163		3,340,622	1,186,000		7,414,688
February 2010	7,414,688	2,964,608		3,646,471			6,732,825
March 2010	6,732,825	3,236,868		3,668,549			6,301,144
April 2010	6,301,144	3,236,868		3,646,471	1,186,000		4,705,541
May 2010	4,705,541	3,236,868		3,646,471			4,295,937
June 2010	4,295,937	3,236,533		3,928,887			3,603,583

Alternative Cash Resources

Fund	Est. 2009-10 Ending Balance
Deferred Maintenance Fund	553,271
Total	553,271

[1] July 2009 beginning cash includes unrestricted special reserves transferable to general fund.

CASH FLOWS AND ALTERNATIVE CASH RESOURCES

Portola Valley School District

2008-09 Cash Flow

Month	Beginning Balance	Revenues	TRAN Amount	Expenditures	TRAN Pledge	Prior Year Transactions	Ending Balance
July 2008	207,104	144,575	1,425,000	632,935			1,143,744
August 2008	1,143,744	160,890		595,933			708,701
September 2008	708,701	65,400		1,109,853			(335,752)
October 2008	(335,752)	592,256		707,398			(450,894)
November 2008	(450,894)	755,764		1,094,101			(789,231)
December 2008	(789,231)	3,921,755		1,046,408			2,086,116
January 2009	2,086,116	(4,778)		970,850			1,110,488
February 2009	1,110,488	10,561		1,045,521	570,000		(494,472)
March 2009	(494,472)	3,546,100		1,038,500	142,500		1,870,628
April 2009	1,870,628	-		1,038,500	142,500		689,628
May 2009	689,628	8,707		1,038,500	570,000		(910,165)
June 2009	(910,165)	1,959,786		946,264			103,357

2009-10 Cash Flow

Month	Beginning Balance	Revenues	TRAN Amount	Expenditures	TRAN Pledge	Prior Year Transactions	Ending Balance
July 2009	1,159,442 [1]	350,989	1,641,000	715,294			2,436,137
August 2009	2,436,137	131,228		585,230			1,982,135
September 2009	1,982,135	61,708		1,089,920			953,923
October 2009	953,923	527,427		694,693			786,656
November 2009	786,656	748,101		1,074,452			460,306
December 2009	460,306	3,838,431		1,027,615			3,271,123
January 2010	3,271,123	16,875		953,414	820,500		1,514,084
February 2010	1,514,084	10,467		1,026,744			497,807
March 2010	497,807	3,514,119		1,019,849			2,992,076
April 2010	2,992,076	-		1,019,849	820,500		1,151,728
May 2010	1,151,728	8,628		1,019,849			140,507
June 2010	140,507	1,835,738		929,270			1,046,976

Alternative Cash Resources

Fund	Est. 2009-10 Ending Balance
Deferred Maintenance Fund	20,000
Capital Facilities Fund	60,000
Total	80,000

[1] July 2009 beginning cash includes unrestricted special reserves transferable to general fund.

CASH FLOWS AND ALTERNATIVE CASH RESOURCES

San Marino Unified School District

2008-09 Cash Flow

Month	Beginning Balance	Revenues	TRAN Amount	Expenditures	TRAN Pledge	Prior Year Transactions	Ending Balance
July 2008	1,236,861	911,701	4,500,000	222,555		(682,477)	5,743,530
August 2008	5,743,530	1,690,664		1,030,113		(34,488)	6,369,593
September 2008	6,369,593	3,280,173		2,371,169		123,252	7,401,849
October 2008	7,401,849	1,234,633		2,736,419		169,950	6,070,013
November 2008	6,070,013	1,429,432		3,021,613		244,116	4,721,948
December 2008	4,721,948	5,793,440		2,881,623		88,872	7,722,637
January 2009	7,722,637	2,399,668		2,709,532		242,241	7,655,014
February 2009	7,655,014	2,457,085		2,598,389	1,800,000	129,837	5,843,547
March 2009	5,843,547	1,262,514		2,727,015	450,000	189,334	4,118,380
April 2009	4,118,380	4,595,661		2,583,974	450,000	493,903	6,173,970
May 2009	6,173,970	1,731,115		2,610,439	1,800,000	115,430	3,610,076
June 2009	3,610,076	1,468,856		3,485,039		336,534	1,930,427

2009-10 Cash Flow

Month	Beginning Balance	Revenues	TRAN Amount	Expenditures	TRAN Pledge	Prior Year Transactions	Ending Balance
July 2009	1,930,427	1,381,317	4,636,000	1,039,879			6,907,865
August 2009	6,907,865	919,497		738,629			7,088,733
September 2009	7,088,733	721,741		2,335,203			5,475,271
October 2009	5,475,271	2,197,998		3,115,157			4,558,112
November 2009	4,558,112	1,323,511		2,631,798			3,249,825
December 2009	3,249,825	6,751,701		3,007,338			6,994,188
January 2010	6,994,188	3,239,168		2,556,798	2,318,000		5,358,558
February 2010	5,358,558	3,159,151		2,556,798			5,960,911
March 2010	5,960,911	920,177		2,556,798			4,324,290
April 2010	4,324,290	4,851,113		2,556,798	2,318,000		4,300,605
May 2010	4,300,605	1,560,439		2,556,798			3,304,246
June 2010	3,304,246	1,288,608		2,517,076			2,075,778

Alternative Cash Resources

Fund	Est. 2009-10 Ending Balance
Cafeteria Special Revenue Fund	14,297
Deferred Maintenance Fund	382,129
Special Reserve Fund for Other Than Capital Outlay Projects	60,065
Capital Facilities Fund	51,752
Special Reserve Fund for Capital Outlay Projects	47,500
Total	555,743

CASH FLOWS AND ALTERNATIVE CASH RESOURCES

San Mateo Union High School District

2008-09 Cash Flow

Month	Beginning Balance	Revenues	TRAN Amount	Expenditures	TRAN Pledge	Prior Year Transactions	Ending Balance
July 2008	13,523,098	853,472	22,375,000	3,327,507		(236,209)	33,187,854
August 2008	33,187,854	(498,855)		7,732,375		633,367	25,589,991
September 2008	25,589,991	489,741		8,457,610		(131,795)	17,490,327
October 2008	17,490,327	5,701,341		11,449,206		(1,395,930)	10,346,532
November 2008	10,346,532	5,695,481		11,219,350		6,800,235	11,622,898
December 2008	11,622,898	37,868,788		7,898,056		(554,451)	41,039,179
January 2009	41,039,179	1,144,616		6,116,571	11,187,500	2,563	24,882,287
February 2009	24,882,287	1,452,401		12,815,094		-	13,519,594
March 2009	13,519,594	1,154,176		9,447,145		-	5,226,625
April 2009	5,226,625	35,445,342		10,097,145	11,187,500	-	19,387,323
May 2009	19,387,323	3,772,106		9,957,145		-	13,202,284
June 2009	13,202,284	6,276,874		9,285,959		-	10,193,199

2009-10 Cash Flow

Month	Beginning Balance	Revenues	TRAN Amount	Expenditures	TRAN Pledge	Prior Year Transactions	Ending Balance
July 2009	10,193,199	456,996	19,259,000	2,893,456			27,015,739
August 2009	27,015,739	(945,148)		6,842,018			19,228,574
September 2009	19,228,574	(397,595)		7,627,554			11,203,424
October 2009	11,203,424	5,221,221		9,892,616			6,532,029
November 2009	6,532,029	5,145,054		10,770,816			906,266
December 2009	906,266	37,678,468		6,338,699			32,246,035
January 2010	32,246,035	568,863		5,268,604	9,629,500		17,916,794
February 2010	17,916,794	1,255,320		9,578,082			9,594,031
March 2010	9,594,031	706,202		8,414,680			1,885,553
April 2010	1,885,553	34,842,355		9,122,285	9,629,500		17,976,123
May 2010	17,976,123	3,240,738		8,830,457			12,386,404
June 2010	12,386,404	6,194,876		8,675,436			9,905,844

Alternative Cash Resources

Fund	Est. 2009-10 Ending Balance
Adult Education Fund	2,000,000
Child Development Fund	30,000
Deferred Maintenance Fund	1,000,000
Capital Facilities Fund	115,000
Special Reserve Fund for Capital Outlay Projects	2,400,000
Total	5,545,000

CASH FLOWS AND ALTERNATIVE CASH RESOURCES

Saratoga Union School District

2008-09 Cash Flow

Month	Beginning Balance	Revenues	TRAN Amount	Expenditures	TRAN Pledge	Prior Year Transactions	Ending Balance
July 2008	2,365,336	(2,666)	3,000,000	690,199		(285,739)	4,386,731
August 2008	4,386,731	561,724		859,061		(713,555)	3,375,840
September 2008	3,375,840	22,415		2,068,548		109,020	1,438,727
October 2008	1,438,727	1,883,348		2,074,236		33,066	1,280,905
November 2008	1,280,905	1,626,334		1,993,104		(38,237)	875,900
December 2008	875,900	4,688,199		2,264,246		5,488	3,305,340
January 2009	3,305,340	3,428,781		2,170,310		(5,720)	4,558,091
February 2009	4,558,091	3,022,081		2,450,677	1,200,000	-	3,929,495
March 2009	3,929,495	1,969,789		2,450,677	300,000	-	3,148,606
April 2009	3,148,606	1,939,789		2,450,677	300,000	-	2,337,718
May 2009	2,337,718	1,909,789		2,450,677	1,200,000	-	596,830
June 2009	596,830	1,939,487		2,441,593		156,958	251,683

2009-10 Cash Flow

Month	Beginning Balance	Revenues	TRAN Amount	Expenditures	TRAN Pledge	Prior Year Transactions	Ending Balance
July 2009	2,452,339 [(1)]	497,328	2,973,000	653,704			5,268,962
August 2009	5,268,962	353,692		813,637			4,809,018
September 2009	4,809,018	20,396		1,959,170			2,870,244
October 2009	2,870,244	1,585,174		1,964,557			2,490,860
November 2009	2,490,860	1,628,145		1,887,715			2,231,290
December 2009	2,231,290	4,511,862		2,144,520			4,598,632
January 2010	4,598,632	3,388,389		2,055,552	1,486,500		4,444,969
February 2010	4,444,969	2,916,840		2,321,094			5,040,715
March 2010	5,040,715	1,862,036		2,321,094			4,581,657
April 2010	4,581,657	1,831,964		2,321,094	1,486,500		2,606,027
May 2010	2,606,027	1,801,892		2,321,094			2,086,825
June 2010	2,086,825	1,831,752		2,312,490			1,606,087

Alternative Cash Resources

Fund	Est. 2009-10 Ending Balance
Cafeteria Special Revenue Fund	10,000
Deferred Maintenance Fund	600,000
Building Fund	1,000,000
Capital Facilities Fund	1,400,000
Total	3,010,000

[(1)] July 2009 beginning cash includes unrestricted special reserves transferable to general fund.

APPENDIX D

REPAYMENT MONTHS, PERCENTAGES AND AMOUNTS

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REPAYMENT MONTHS, PERCENTAGES AND AMOUNTS

		January 31, 2010 Principal Payment		April 30, 2010 Principal Payment		May 31, 2010 Interest Payment	
Issuer	**Principal Amount**	**Percent**	**Amount**	**Percent**	**Amount**	**Percent**	**Amount**
Acalanes Union High School District	9,885,000	50%	4,942,500	50%	4,942,500	100%	197,700
Moreland School District	2,299,000	50%	1,149,500	50%	1,149,500	100%	45,980
Mountain View Whisman School District	2,372,000	50%	1,186,000	50%	1,186,000	100%	47,440
Portola Valley School District	1,641,000	50%	820,500	50%	820,500	100%	32,820
San Marino Unified School District	4,636,000	50%	2,318,000	50%	2,318,000	100%	92,720
San Mateo Union High School District	19,259,000	50%	9,629,500	50%	9,629,500	100%	385,180
Saratoga Union School District	2,973,000	50%	1,486,500	50%	1,486,500	100%	59,460
Totals	43,065,000		21,532,500		21,532,500		861,300

APPENDIX E

INVESTMENT OF NOTE PROCEEDS

This Appendix contains a description of each District's current intention with respect to the investment of its Note proceeds. There can be no assurance that the actual manner in which a District invests its Note proceeds will not differ from the manner in which such District currently anticipates it will invest such proceeds.

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INVESTMENT OF NOTE PROCEEDS

Issuer	Principal Amount	County Investment Pool	Local Agency Investment Fund
Acalanes Union High School District	9,885,000		9,885,000
Moreland School District	2,299,000	2,299,000	
Mountain View Whisman School District	2,372,000	2,372,000	
Portola Valley School District	1,641,000		1,641,000
San Marino Unified School District	4,636,000	4,636,000	
San Mateo Union High School District	19,259,000	19,259,000	
Saratoga Union School District	2,973,000	2,973,000	
Totals	43,065,000	31,539,000	11,526,000

APPENDIX F

DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF THE TRUST AGREEMENT

The following is a brief summary of certain provisions of the legal documents related to the Note Participations which are not described in the Official Statement to which this Appendix is attached. This summary is not intended to be definitive and is qualified in its entirety by reference to the fully executed Trust Agreement and Note Resolutions for the complete terms thereof. Copies of the Trust Agreement and Note Resolutions are available upon request from the respective School Districts.

DEFINITIONS

"Authorized Denomination" means $5,000 or any multiple thereof.

"Authorized School District Representative" means the person or persons designated as such in the School District Note Resolution or any other person at the time designated to act on behalf of such School District by written certificate furnished to the Trustee, containing the specimen signature of such person and signed on behalf of such School District by an Authorized School District Representative.

"Business Day" means any day except Saturday, Sunday or any day on which banks located in the city in which the designated corporate trust office of the Trustee is located, or in the City of Los Angeles, California are required or authorized to remain closed.

"Certificate" or "Request" with respect to a School District means an instrument in writing signed on behalf of such School District by an Authorized School District Representative.

"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 School District and related to the authorization, execution and delivery of the Notes and the related sale of the Note Participations, including, but not limited to, costs of preparation and reproduction and delivery of documents, filing and recording fees, fees and charges of the Trustee and its counsel, legal fees and charges, fees and disbursements of consultants and professionals, fees and charges for preparation, execution and safekeeping of the Note Participations and any other costs, charges or fees in connection with the original execution and delivery of the Note Participations and the issuance of the Notes.

"Costs of Issuance Funds" means the Series 2009A Costs of Issuance Fund.

"Defaulted Note" means a Note the principal of or interest on which is not paid when due.

"Default Rate" means the rate of interest per annum payable with respect to the outstanding portion of each Defaulted Note which if the Defaulted Note is unpaid, will equal the Note Rate.

"Financial Advisor" means Keygent LLC, or any other successor thereto.

"Interest Funds" means the Series 2009A Interest Fund.

"Interest Payment Date" means the Maturity Date.

"Maturity Date" means July 30, 2010.

"Moody's" means Moody's Investors Service, a corporation duly organized and existing under any by virtue of the laws of the State of Delaware, and its successors and assigns.

"Note Participation Payment Funds" means the Series 2009A Note Participation Payment Fund.

"Note Participations" means $43,065,000 principal amount of the California Education Notes Program, Note, Note Participation, Series 2009A authorized by, at any time Outstanding, and are executed and delivered by the Trustee under and pursuant to the Trust Agreement.

"Note Payment Deposit Date" means July 25, 2010.

"Note Rate" means the stated rate of interest payable on the Notes.

"Note Resolutions" means the respective resolutions adopted by the board of trustees of the School Districts authorizing the issuance of the Notes and approving the execution and delivery of the Trust Agreement, and the Note Participations.

"Notes" means one or more series of taxable or tax-exempt tax and revenue anticipation notes issued by the School Districts in the respective aggregate principal amounts described in the Trust Agreement, which are attributable to the Series 2009A Note Participations, as indicated in the Trust Agreement.

"Opinion of Counsel" means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds.

"Outstanding," when used as of any particular time with reference to Note Participations, means (subject to the subheading entitled "AMENDMENT OF OR SUPPLEMENT TO THE TRUST AGREEMENT — Disqualified Note Participations") all Note Participations except —

(1) Note Participations cancelled by the Trustee or surrendered to the Trustee for cancellation;

(2) Note Participations paid or deemed to have been paid within the meaning of the Trust Agreement; and

(3) Note Participations in lieu of or in exchange or substitution for which other Note Participations shall have been executed and delivered by the Trustee under the Trust Agreement.

"Owner" means the registered owner of any Outstanding Note Participation.

"Payment Account Deposit Certification" means a certification of the School District in the form set forth in the Trust Agreement that the deposit required to be made to the Payment Account pursuant to the Note Resolution has been made.

"Payment Accounts" means the accounts created by the School Districts pursuant to the Note Resolutions.

"Payment Subaccount" means any subaccounts held on behalf of the School Districts by the Trustee in the Note Participation Payment Funds.

"Permitted Investments" means any of the following to the extent then permitted by law:

1. (a) Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America ("United States Treasury Obligations"), (b) obligations

fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (d) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

2. Obligations of instrumentalities or agencies of the United States of America. These are specifically limited to:

-- Federal Home Loan Mortgage Corporation (FHLMC)
Participation Certificates (excluding stripped mortgage securities which are purchased at prices exceeding their principal amounts)
Debt Obligations

-- Federal Home Loan Banks (FHL Banks)
Consolidated debt obligation

-- Federal National Mortgage Association (FNMA) Debt obligations and
Mortgage backed securities (Excluding stripped mortgage securities-which are purchased at prices exceeding their principal amounts).

Book entry securities listed in 1 and 2 above must be held in a trust account with the Federal Reserve Bank or with a clearing corporation or chain of clearing corporations which has an account with the Federal Reserve Bank.

3. Federal Housing Administration debentures.

4. Commercial paper, payable in the United States of America, having original maturities of not more than 92 days and which are rated A+ by S&P and Prime-1 by Moody's.

5. Interest bearing demand or time deposits issued by state banks or trust companies, savings and loan associations, federal savings banks or any national banking associations, the deposits of which are insured by the Bank Insurance Fund (BIF) or the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation (SAIF) or any successors thereto. These deposits: (a) must be continuously and fully insured by BIF or SAIF, or (b) must have maturities of less than 366 days and be deposited with banks the short term obligations of which are rated A+ by S&P and P-1 by Moody's.

6. Money market mutual funds or portfolios investing in short-term US Treasury securities rated AAAm or AAAm-G by S&P and Aaa by Moody's, including those which the Trustee and its affiliates or subsidiaries provide advisory or management services.

7. Investment agreements which are with investment institutions, or with a financial entity whose obligations are guaranteed or insured by a financial entity, having long-term obligations which are rated "AA" or higher by S&P and "Aa" or higher by Moody's as to long term instruments and which are approved by S&P and Moody's; provided that if such rating falls below AA- or Aa3, by S&P or Moody's, respectively, the investment agreement will require the Trustee to replace such financial institution or will provide for the investment agreement to be collateralized at levels and under such conditions as would be acceptable to

S&P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach).

8. The Local Agency Investment Fund administered by the State of California.

9. Such other investments as are reviewed by S & P.

"Pricing Confirmation Supplement" means that certain Pricing Confirmation Supplement attached to each Purchase Agreement as agreed and accepted by each of the respective School Districts.

"Principal Funds" means the Series 2009A Principal Fund.

"Principal Office of the Trustee" means the corporate trust office of the Trustee, which, for the Trustee initially appointed under the Trust Agreement, is located in Los Angeles, California, *provided* that a different office may be designated by the Trustee in writing to the School Districts.

"Principal Payment Date" means the date on which principal evidenced and represented by the Note Participations becomes due and payable, being the Maturity Date.

"Proceeds Funds" means the Series 2009A Proceeds Fund.

"Program" means the California Independent Public Schools Note Program pursuant to which the Note Participations are executed and delivered to assist School Districts in financing cash flow deficits.

"Purchase Agreement" means that certain Purchase Agreement by and between each of the respective School Districts and the Purchaser relating to the Notes and the Note Participations.

"Purchaser" means Stone & Youngberg LLC, as Purchaser of the Note Participations evidencing and representing interests in the Notes.

"Rating Agency" means each national rating agency then maintaining a rating on the Note Participations.

"Repayment Month" means those months identified as pledge months in the Pricing Confirmation Supplement executed by each School District.

"School District" or "School Districts" means the school districts listed in the Trust Agreement and in each case their successors and assigns.

"Series 2009A Costs of Issuance Fund" means the fund by that name established in the Trust Agreement.

"Series 2009A Interest Fund" means the fund by that name established in the Trust Agreement.

"Series 2009A Note Participations Payment Fund " means the fund by that name established in the Trust Agreement.

"Series 2009A Principal Fund" means the fund by that name established in the Trust Agreement..

"Series 2009A Proceeds Fund" means the fund by that name established in the Trust Agreement.

"S&P" means Standard & Poor's Ratings Group, a division of McGraw-Hill Companies.

"Special Counsel" means Stradling Yocca Carlson & Rauth, a Professional Corporation.

"Trust Agreement" means the Trust Agreement executed and entered into as of July 1, 2009, by and between the Trustee and the School Districts, as originally executed and entered into and as it may from time to time be amended or supplemented in accordance therewith.

"Trustee" means Wells Fargo 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 principal corporate trust office in Los Angeles, California, or any other bank or trust company at its principal corporate trust office which may at any time be substituted in its place as Trustee as provided in the Trust Agreement.

TRUSTEE'S DUTIES REGARDING NOTES

Return of Paid Notes. Each Note, when paid in full, will be cancelled by the Trustee and returned to the School District that issued such Note.

NOTE PAYMENTS

Deposit of Notes. The Notes, as evidenced and represented by the applicable series of Note Participations, have been irrevocably deposited with and pledged and transferred to the Trustee, who is the registered owner of each Note for the benefit of the Owners of the Note Participations to which such Notes are attributable, and the payments on the Notes will be used for the punctual payment of the interest and principal evidenced and represented by such Note Participations, and the Notes will not be used for any other purpose while any of the Note Participations to which such Notes are attributable remain Outstanding. This deposit, transfer and pledge will constitute a first and exclusive lien on the principal and interest payments of the Notes for the foregoing purpose in accordance with the terms hereof. Each School District has approved and the Trustee has accepted the deposit of the Notes.

All principal and interest payments on the Notes will be paid directly by each School District to the Trustee. Principal and interest payments on each series of Notes received by the Trustee will be held in trust by the Trustee under the terms of the Trust Agreement and will be deposited by it, as and when received, in the appropriate Payment Subaccount within the Series 2009A Note Participation Payment Fund, which fund the Trustee has agreed to maintain so long as any Series 2009A Note Participations are Outstanding, and all money in such funds will be held in trust by the Trustee for the benefit and security of the Owners of such Note Participations to the extent provided in the Trust Agreement. If the Trustee receives Note repayments from a School District which, together with other amounts on deposit in one of the Note Participation Payment Funds allocable to such School District, are in excess of the amounts required to pay the principal of and interest due on such School District's Note, such excess amounts will be transferred to such School District following payment of the Note Participations evidencing and representing principal and interest on such School District's Note.

Moneys received by the Trustee attributable to a School District will not be used in any manner (directly or indirectly) to make up any deficiency in any other School District's Note repayments.

Deposit of Money in the Note Participation Payment Funds. The Trustee will deposit the money contained in the Note Participation Payment Fund at the following respective times in the following respective funds in the manner provided in the Trust Agreement, each of which funds the Trustee has agreed to maintain so long as any Series 2009A Note Participations, as applicable, are Outstanding, and the money in each of such funds will be disbursed only for the purposes and uses authorized in the Trust Agreement:

(a) **Interest Funds.** The Trustee, on each Interest Payment Date, will deposit in the Series 2009A Interest Fund that amount of money representing the interest becoming due and payable on the Notes on such Interest Payment Date. All money in the Interest Fund will be used and withdrawn by the

Trustee solely for the purpose of paying the interest evidenced and represented by the Series 2009A Note Participations on each Interest Payment Date.

(b) **Principal Funds.** The Trustee, on the Principal Payment Date, will deposit in the Series 2009A Principal Fund that amount of money representing the principal becoming due and payable on the Notes on such Principal Payment Date. All moneys in the Principal Fund will be used and withdrawn by the Trustee solely for the purpose of paying the principal evidenced and represented by the Series 2009A Note Participations on the Principal Payment Date.

Investments. Any money held by the Trustee at any time in any Funds created under the Trust Agreement will, to the fullest extent practicable, be invested as directed in writing by an Authorized School District Representative in Permitted Investments which will, as nearly as practicable, mature on or before the dates on which such money is anticipated to be needed for disbursement under the Trust Agreement. In the absence of any written direction from the School District, the Trustee will invest any money held in any Funds created under the Trust Agreement in Permitted Investments identified in Section 6 of the definition thereof which will, as nearly as practicable, mature on or before the dates on which such money is anticipated to be needed for disbursement under the Trust Agreement. The amounts held in the Proceeds Funds will be accounted for separately for the respective School Districts. The Trustee may act as principal or agent in the acquisition or disposition of any investment and may at its sole discretion, for the purpose of any such investment, commingle any of the money held by it under the Trust Agreement. The Trustee will 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 Trust Agreement. 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 will 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 will be credited to the fund, account or subaccount from which such investment was made.

Confirmation of Deposits to Payment Accounts. (a) The Trustee will, on the fifteenth day of each month identified as a Repayment Month, unless the Repayment Month is July, in which case on July 1, for each School District in its respective Note, send a request for a Payment Account Deposit Certification, substantially in the form attached as Exhibit C to the Trust Agreement, requesting that such School District confirm and certify that it has made the required deposit (in the amount and on the date specified in the Pricing Confirmation Supplement for each School District attached to the Purchase Agreement) into its Payment Account created pursuant to its Note Resolution. Such Payment Account Deposit Certification will be signed by an Authorized School District Representative and delivered to the Trustee within seven Business Days after the date of such request. In the event that the Trustee has not received the Payment Account Deposit Certification from a School District within seven Business Days following the date such Payment Account Deposit Certification was due from a School District, the Trustee will be entitled to conclude that the deposit into such School District's Payment Account has not been made and will immediately notify each rating agency then rating the Note Participations, the Purchaser and the Underwriter of such event, which constitutes an "Event of Default" under such School District's Note Resolution. Upon the occurrence of such an event, the Trustee will exercise the rights and remedies set forth in the Trust Agreement. Notwithstanding anything to the contrary in the Trust Agreement, any School District for which the Trustee is holding or investing moneys or securities on behalf of said School District (which moneys or securities are intended to be that School District's Payment Account deposit, either pursuant to the Trust Agreement or through some other arrangement between the Trustee and the School District) need not present a Payment Account Deposit Certification; likewise, the Trustee need not send a request for a Payment Account Deposit Certification to said School District.

(b) On the Note Payment Deposit Date, the Trustee will transfer all amounts held by it on behalf of each School District to the Note Participation Payment Funds, as described in the Trust Agreement.

COVENANTS

Compliance with Trust Agreement. The Trustee will not execute or deliver any Note Participations in any manner other than in accordance with the provisions of the Trust Agreement; and the School Districts will not suffer or permit any default to occur thereunder, but will faithfully observe and perform all the agreements, conditions, covenants and terms contained therein required to be observed and performed by them.

Amendment of Notes. The School Districts and the Trustee will not amend or permit the amendment of the Notes without (a)(1) a determination that such amendment does not materially adversely affect the interest of the Owners or (2) the written consents of the Owners of Note Participations to which such Notes are attributable, of a majority in aggregate principal amount of the Note Participations then Outstanding to which such Notes are attributable, and (b) an Opinion of Counsel to the effect that such amendment will not cause interest on such Notes to be included in gross income for federal income tax purposes; *provided* that no such amendment will reduce the rate of interest or amount of principal or extend the time of payment thereof with respect to any Note.

Observance of Laws and Regulations. The School Districts will faithfully observe and perform all lawful and valid obligations or regulations now or hereafter imposed on them by contract, or prescribed by any state or national law, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right or privilege now owned or hereafter acquired by them, including their right to exist and carry on their respective businesses, to the end that such observance or performance is material to the transactions contemplated by the Trust Agreement.

Tax Covenants. (a) The School Districts 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 Notes, as evidenced and represented by the Note Participations, under Section 103 of the Code. The School Districts will not directly or indirectly use or permit the use of any proceeds of the Note Participations or the obligations which they evidence and represent or any other funds held under the Trust Agreement or take or omit to take any action that would cause the Note Participations or the obligation which they represent to be “private activity bonds” within the meaning of Section 141(a) of the Code or obligations which are “federally guaranteed” within the meaning of Section 149(b) of the Code.

(b) The School Districts will not directly or indirectly use or permit the use of any proceeds of the Note Participations or the obligations which they represent or any other funds held under the Trust Agreement or take or omit to take any action that would cause the Note Participations or the obligations which they evidence and represent to be “arbitrage bonds” within the meaning of Section 148 of the Code. To that end, the School Districts have covenanted to comply with all requirements of Section 148 of the Code to the extent applicable to the Notes. In the event that at any time any School District is of the opinion (which opinion may be based on an Opinion of Counsel), that for purposes of the Trust Agreement it is necessary to restrict or to limit the yield on the investment of any moneys held by the Trustee under the Trust Agreement with respect to such School District, such School District will so instruct the Trustee in writing, and the Trustee will take such action as may be necessary in accordance with such instructions.

Liens. So long as a series of Note Participations is Outstanding, the School Districts will not create or suffer to be created any pledge of or lien on the Notes attributable to such series of Note Participations other than the pledge and lien created by the Trust Agreement.

Accounting Records and Statements. The Trustee will keep proper books of record and account in accordance with industry standards in which complete and correct entries will be made of all transactions made by the Trustee relating to the receipt, investment, disbursement, allocation and application of all funds received by the Trustee under the Trust Agreement. Such records will specify the account or fund to which each investment (or portion thereof) held by the Trustee is to be allocated and will set forth, in the case of each investment: (a) its purchase price; (b) identifying information, including par amount, coupon rate, and payment dates; (c) the amount received at maturity or its sale price, as the case may be; (d) the amounts and dates of any payments made with respect thereto; and (e) such documentation as is required to be obtained as evidence to establish that all investments have been purchased in arms' length transactions with no amounts paid to reduce the yield on the investments.

Such records will be open to inspection by the any School District at any reasonable time during regular business hours on reasonable notice.

Recordation and Filing. The School Districts will file, record, register, renew, refile and rerecord all such documents, including financing statements (or continuation statements in connection therewith), as may be required by law in order to maintain at all times a security interest in the Notes under and pursuant to the Trust Agreement, all in such manner, at such times and in such places as may be required in order to fully perfect, preserve and protect the benefit, protection and security of the Owners and the rights of the Trustee under the Trust Agreement, and the School Districts will do whatever else may be necessary or be reasonably required in order to perfect and continue the pledge of and lien on the Notes as provided in the Trust Agreement.

Further Assurances. Whenever and so often as requested to do so by the Trustee or any Owner, the School Districts will promptly execute and deliver, or cause to be executed and delivered, all such other and further assurances, documents or instruments and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Trustee, and the Owners the benefit, protection and security conferred, or intended to be conferred, upon them by the Trust Agreement.

DEFAULT AND LIMITATIONS OF LIABILITY

Action on Default. If any default in the payment of principal of or interest on a Note or any other "Event of Default" defined in a Note Resolution shall occur and be continuing, or if any default shall be made by any School District in the performance or observance of any other of the covenants, agreements or conditions on its part contained in the Trust Agreement and such default shall have continued for a period of thirty (30) days after written notice thereof shall have been given to such School District by the Trustee or the Owners of not less than a majority in aggregate principal amount evidenced and represented by the Note Participations at the time Outstanding to which such Note is attributable then such default will constitute an "Event of Default" under the Trust Agreement, and in each and every such case during the continuance of such Event of Default the Trustee or the Owners of not less than a majority in aggregate principal amount evidenced and represented by the Note Participations at the time Outstanding to which such Note is attributable will be entitled, upon notice in writing to such School District, but subject to the provisions of the Trust Agreement, to exercise the remedies provided to the owner of the Note then in default or under the Note Resolution pursuant to which it was issued which are necessary or desirable to collect the principal of the Note and the interest thereon to maturity.

The Owners of a series of Note Participations, for purposes of the Trust Agreement and the Note Resolution of each School District whose Note is attributable to such series of Note Participations to the extent of their interest, will be treated as owners of such Notes and will be entitled to all rights and security of the owners of Notes pursuant to each such Note and Note Resolution and the Trust Agreement, and will be treated for all purposes as owners of such Notes. Each School District has recognized the rights of the Owners of the Note Participations to which such School District's Note is attributable acting directly or through the Trustee, to enforce the obligations and covenants contained in its Note, its Note Resolution and the Trust Agreement; *provided* that in no event will a School District be liable for any obligations, covenants or damages except those which arise out of its Note and its Note Resolution, and, in particular, no School District will be liable for any obligations, liabilities, acts or omissions of any other School District.

Other Remedies of the Trustee. The Trustee will have the right

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

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Trustee or the Owners; or

(c) by suit in equity upon the happening of any default under the Trust Agreement to require any School District and any supervisor, council member, board member, trustee, member, officer and employee to account as the trustee of any express trust.

Non-Waiver. A waiver by the Trustee of any default under the Trust Agreement or breach of any obligation thereunder will not affect any subsequent default thereunder or any subsequent breach of an obligation thereunder 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 Trust Agreement will impair any such right or remedy or will 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 this article may be enforced and exercised from time to time and as often as will be deemed expedient by the Trustee.

If any action, proceeding or suit to enforce any right or to exercise any remedy is abandoned, the Trustee or the School Districts will be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Application of Funds. (a) All moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Trust Agreement will be deposited into a segregated payment account of the Note Participation Payment Funds relating to the defaulting School District's Note and be applied by the Trustee after payment of all amounts due and payable under the Trust Agreement hereof in the following order upon presentation of the several Note Participations to which such Note is attributable, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid; the Trustee will obtain and follow the instructions contained in an Opinion of Counsel and rebate or set aside for rebate from the specified funds held under the Trust Agreement, subject to the prior payment in full of all amounts applicable to the respective School District specified in clause (ii) above, any amount pursuant to such instructions required to be paid to the United States of America under the Code:

<u>First</u>, <u>Costs and Expenses</u>: to the payment of the costs and expenses of the Trustee and of the Owners in declaring such Event of Default, including reasonable compensation to its or their agents, attorneys and counsel;

<u>Second</u>, <u>Interest</u>: to the payment to the persons entitled thereto of all payments of interest evidenced and represented by the Note Participations to which such Note is attributable then due in the order of the due date of such payments, and, if the amount available will 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, subject to subparagraph (b) of this heading; and

Third, Principal: to the payment to the persons entitled thereto of the unpaid principal evidenced and represented by any Note Participations to which such Note is attributable which shall have become due, in the order of their due dates, with interest on the overdue principal and interest represented by the Note Participations at a rate equal to the Default Rate and, if the amount available will not be sufficient to pay in full all the amounts due with respect to the Note Participations 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, subject to subparagraph (b) of this heading.

Remedies Not Exclusive. No remedy conferred in the Trust Agreement upon or reserved therein to the Trustee is intended to be exclusive and all remedies will be cumulative and each remedy will be in addition to every other remedy given thereunder or now or thereafter 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.

Exercise of Remedies; Relative Rights of the Note Participation Owners. Upon the exercise by any Owner or the Trustee, of its right of action to institute suit directly against a School District whose Note is attributable to such Owner's Note Participation to enforce payment of the obligation evidenced and represented by such Note Participation, any moneys recovered by such action will be deposited with the Trustee and applied as provided in the Trust Agreement.

Limited Liability of the School Districts. Except as expressly provided in the respective Notes and Note Resolutions, the School Districts will not have any obligation or liability to the Trustee or the Owners, with respect to the Trust Agreement or the preparation, execution, delivery, transfer, exchange or cancellation of the Note Participations 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 Trust Agreement required to be performed by it.

Notwithstanding anything to the contrary in the Trust Agreement or in any Note or document referred to therein, no School District will incur any obligation under the Trust Agreement, except to the extent payable from unencumbered revenues attributable to its 2009-2010 fiscal year, nor will any School District incur any obligation on account of any default, action or omission of any other School District.

No Liability by the Trustee to the Owners. Except as expressly provided in the Trust Agreement, the Trustee will not have any obligation or liability to the Owners with respect to the payment when due of the Notes by the School Districts, or with respect to the observance or performance by the School Districts of the other agreements, conditions, covenants and terms contained in the Notes and the Note Resolutions.

THE TRUSTEE

Employment and Duties of the Trustee. The School Districts have appointed and agreed to employ the Trustee to receive, deposit and disburse the payments on the Notes as provided in the Trust Agreement, to prepare, execute, deliver, transfer, exchange and cancel the Note Participations as provided therein, to pay the interest and principal evidenced and represented by the Note Participations to the Owners thereof as provided therein and to perform the other obligations contained therein; all in the manner provided therein and subject to the conditions and terms thereof. By executing and delivering the Trust Agreement, the Trustee has undertaken to perform such obligations (and only such obligations) as are specifically set forth therein, and no implied covenants or obligations will be read therein against the Trustee.

Removal and Resignation of the Trustee. Fifty percent of the School Districts may at any time remove the Trustee initially a party to the Trust Agreement and any successor thereto by giving written notice of such removal by mail to the Trustee, all of the School Districts and all Owners of Note Participations, and such Trustee may at any time resign by giving written notice by mail of such resignation to the School Districts and all Owners of Note Participations. Upon giving any such notice of removal or upon receiving any such notice of removal or resignation, the School Districts will promptly appoint a successor Trustee by an instrument in writing; *provided*, that in the event the School Districts do not appoint a successor Trustee within sixty (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 will be a bank or trust company 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 (or the parent holding company of which has a combined capital and surplus)of at least $75,000,000 and subject to supervision or examination by state or national authorities. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this section the combined capital and surplus of such bank or trust company will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

Any removal or resignation of a Trustee and appointment of a successor Trustee will become effective only upon the written acceptance of the appointment by the successor Trustee.

Compensation of the Trustee. The Trustee shall be paid for its services solely from amounts held in the Costs of Issuance Funds or paid by the School Districts specifically for such purpose and reimburse the Trustee for all its advances and expenditures under the Trust Agreement, including, but not limited to, advances to and fees and expenses of accountants, agents, appraisers, consultants, counsel or other experts employed by it in the observance and performance of its rights and obligations under the Trust Agreement; *provided*, that the Trustee will not have any lien for such compensation or reimbursement against any money held by it in any of the funds established under the Trust Agreement, although the Trustee may take whatever legal actions are available to it directly against the School Districts to recover such compensation or reimbursement.

Protection of the Trustee. The Trustee will be protected and will incur no liability in acting or proceeding in good faith upon any affidavit, bond, certificate, consent, notice, request, requisition, resolution, statement, telegram, voucher, waiver or other paper or document which it will in good faith believe to be genuine and to have been adopted, executed or delivered by the proper party or pursuant to any of the provisions hereof, and the Trustee will be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee may consult with counsel, who may be counsel to the School Districts, with regard to legal questions arising under the Trust Agreement, and the opinion of such counsel will be full and complete authorization and protection in respect to any action taken or suffered by it under the Trust Agreement in good faith in accordance therewith.

The Trustee will not be responsible for the sufficiency of the payments on the Notes, or of the assignment made to it of all rights to receive the payments on the Notes and will not be deemed to have knowledge of any Event of Default unless and until it will have actual knowledge thereof or have received written notice thereof at its principal corporate trust office in Los Angeles, California. The Trustee will not be accountable for the use or application by the School Districts, or any other party, of any funds which the Trustee properly releases to the School Districts or which the School Districts may otherwise receive from time to time. The Trustee makes no representation concerning, and has no responsibility for, the validity, genuineness, sufficiency, or performance by parties other than the Trustee of the Trust Agreement, any Note Participation, any Note, any Note Resolution, or of any other paper or document, or for taking any action on them (except as specifically and expressly stated for the Trustee in the Trust Agreement), or with respect to any obligation of the School Districts.

Whenever in the observance or performance of its rights and obligations under the Trust Agreement or under the Note Participations the Trustee will deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Trust Agreement, such matter (unless other evidence in respect thereof be therein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate of the majority of the School Districts, and such certificate will be full warrant to the Trustee for any action taken or suffered under the provisions of the Trust Agreement upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

The Trustee may buy, sell, own, hold and deal in any of the Note Participations and may join in any action which any Owner may be entitled to take with like effect as if it were not a party to the Trust Agreement. The Trustee, either as principal or agent, may also engage in or be interested in any financial or other transaction with the School Districts, and may act as agent, depository or trustee for any committee or body of Owners or of owners of obligations of the School Districts as freely as if it were not the Trustee under the Trust Agreement.

The Trustee will not be answerable for the exercise of any of its rights under the Trust Agreement or for the performance of any of its obligations thereunder or for anything whatsoever in connection with the funds established thereunder, except only for its own willful misconduct or negligence.

No provision of the Trust Agreement will require the Trustee 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 under the Trust Agreement, or in the exercise of any of its rights thereunder, if it will have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it, and before taking any remedial action thereunder the Trustee may require that indemnity satisfactory to it be furnished for all expenses to which it may be put and to protect it from all liability thereunder.

The School Districts will indemnify the Trustee for any liability incurred by the Trustee as a result of the Trustee executing the Representation Letter on behalf of the School Districts.

The School Districts agree to indemnify and hold the Trustee, its officers, directors, employees and agents harmless from and against any loss, liability, cost, expense or claim whatsoever which it may incur without negligence or willful misconduct on the Trustee's part, arising out of the acceptance of the duties of the Trustee under the Trust Agreement and the administration thereof or in the exercise or performance of its powers and duties thereunder, including without limitation those of its attorneys, including the costs and expenses of defending against any claim of liability. Such indemnity should survive the termination and discharge of the Trust Agreement.

The Trustee will have no responsibility with respect to any information statement, recital or the content of any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Notes and Note Participations, other than information statements which have been provided by the Trustee.

The Trustee will not be liable with respect to any action taken or not taken by it at the direction of the Owners of a majority in aggregate principal amount of the Note Participations outstanding relating to the exercise of any right or remedy available to the Trustee or the exercise of any trust or power conferred upon the Trustee under the Trust Agreement.

The Trustee has executed the Note Participations solely in its capacity as Trustee under the Trust Agreement and is not liable thereon in its individual or personal capacity and all payments to be made thereon by the Trustee will be made solely from funds held by the Trustee under the Trust Agreement.

Notices to Rating Agencies. The Trustee will notify each Rating Agency, in writing, upon occurrence of any of the following events: any amendment, supplement or other change to the Trust Agreement from the form originally executed and entered into; *provided, however*, that the Trustee will incur no liability for failure to so notify.

AMENDMENT OF OR SUPPLEMENT TO THE TRUST AGREEMENT

Amendment or Supplement of Trust Agreement. The Trust Agreement and the rights and obligations of the Owners and the Trustee thereunder may be amended or supplemented at any time by an amendment thereof or supplement thereto which will become binding when the written consents the Owners of a majority in aggregate principal amount of the Note Participations then Outstanding, exclusive of Note Participations disqualified as provided in the Trust Agreement, are filed with the Trustee. No such amendment or supplement will (1) reduce the rate of interest evidenced and represented by any Note Participation or extend the Interest Payment Date or reduce the amount of principal evidenced and represented by any Note Participation or extend the Principal Payment Date thereof without the prior written consent of the Owner of the Note Participation so affected, or (2) reduce the percentage of Owners whose consent is required by the terms of the Trust Agreement for the execution of certain amendments thereof or supplements thereto, or (3) modify any of the rights or obligations of the Trustee without its prior written consent thereto.

The Trust Agreement and the rights and obligations of the Owners and the Trustee thereunder may also be amended or supplemented at any time by an amendment thereof or supplement thereto but without the written consents of any Owners, in order 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 the Notes for federal income tax purposes, or, but only to the extent that such amendment will not materially adversely affect the interests of the Owners, 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 Trust Agreement required to be observed or performed by the School Districts other agreements, conditions, covenants and terms thereafter to be observed or performed by the School Districts, or to surrender any right reserved therein to or conferred therein on the School Districts;

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

(c) to modify, amend or supplement the Trust Agreement or any supplement thereto in such manner as to permit the qualification thereof and thereof under the Trust Indenture Act of 1939 or any similar federal statute thereafter in effect or to permit the qualification of the Note Participations 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 twenty percent of the School Districts or Bond Counsel so determine, to add to the Trust Agreement or any supplement thereto such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute.

Disqualified Note Participations. Note Participations held for the account of the School Districts (but excluding Note Participations held in any pension or retirement fund of the School Districts) will not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Note Participations provided in the Trust Agreement, and will not be entitled to consent to or take any other action provided therein, and the Trustee may adopt appropriate regulations to require each Owner, before his consent provided for therein will be deemed effective, to reveal if the Note Participations as to which such consent is given are disqualified as provided in this Section.

Procedure for Amendment with Written Consent of the Owners. The Trust Agreement may be amended by supplemental agreement as provided in this paragraph in the event the consent of the Owners is required pursuant to the Trust Agreement. A description of the proposed amendment, together with a request to the Owners for their consent thereto, will be mailed by the Trustee to each Owner of a Note Participation at his address as set forth in the Note Participation registration books maintained pursuant to the Trust Agreement, but failure to receive copies of such description and request so mailed will not affect the validity of the supplemental agreement when assented to as in this Section provided. Nothing in the Trust Agreement will be deemed to require the mailing of the supplemental agreement itself to the Owners.

Such supplemental agreement will not become effective unless there will be filed with the Trustee the written consent of the Owners of at least a majority in aggregate principal amount of the Note Participations then Outstanding (exclusive of Note Participations disqualified as provided in the Trust Agreement) and notices will have been mailed as provided in the Trust Agreement. Each such consent will be effective only if accompanied by proof of ownership of the Note Participations for which such consent is given, which proof will be acceptable to the Trustee. Any such consent will be binding upon the Owner of the Note Participation giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Trustee prior to the date when the Trustee has received the required percentage of consents of the Owners of the Note Participations and acknowledged the same to the School Districts.

After the Owners of the required percentage of Note Participations will have filed their consents to such supplemental agreement, the Trustee will acknowledge to the School Districts the effectiveness of the agreement and will mail a notice to the School Districts and the Owners of the Note Participations in the manner provided in the Trust Agreement for the mailing of such description, stating in substance that such supplemental agreement has been consented to by the Owners of the required percentage of Note Participations and is effective as provided in the Trust Agreement (but failure to mail copies of said notice will not affect the validity of such supplemental agreement or consents thereto). A record, consisting of the papers required by this Section to be filed with the Trustee, will be proof of the matters therein stated until the contrary is proved.

Endorsement or Replacement of Note Participations after Amendment or Supplement. After the effective date of any action taken as provided in the Trust Agreement, the Trustee may determine that the Note Participations may bear a notation by endorsement in form approved by the Trustee as to such action, and in that case upon demand of the Owner of any Outstanding Note Participation and presentation of the Note Participation for such purpose at the office of the Trustee a suitable notation as to such action will be made on such Note Participation. If the Trustee will so determine, new Note Participations so modified as in the opinion of the Trustee will be necessary to conform to such action will be prepared, and in that case upon demand of the Owner of any Outstanding Note Participations such new Note Participations will be exchanged without cost to each Owner for Note Participations then Outstanding at the office of the Trustee upon surrender of such Outstanding Note Participations. All Note Participations surrendered to the Trustee pursuant to the provisions of this paragraph will be cancelled by the Trustee and will not be redelivered.

Amendment or Supplement by Mutual Consent. The provisions of the Trust Agreement will not prevent any Owner from accepting any amendment or supplement as to the particular Note Participations owned by him; *provided*, that due notation thereof is made on such Note Participations.

DEFEASANCE

Discharge of Note Participations and Trust Agreement.

(a) If the Trustee will pay or cause to be paid or there will otherwise be paid to the Owners of all Outstanding Note Participations of a series the interest and principal evidenced and represented thereby at the times and in the manner provided in the Trust Agreement, then such Owners will cease to be entitled to the pledge of and lien on the Notes and Note Payments attributable to such series of Note Participations and any interest in the funds held under the Trust Agreement as provided therein, and all agreements and covenants of the School Districts whose Notes are attributable to such Note Participations to such Owners thereunder and under such School District's Note Resolution will thereupon cease, terminate and become void and will be discharged and satisfied.

(b) Any Outstanding Note Participations will on their Principal Payment Date be deemed to have been paid within the meaning of and with the effect expressed in subparagraph (a) of this heading if there will be on deposit with the Trustee moneys which are sufficient to pay the interest and principal evidenced and represented by such Note Participations payable on and prior to their Principal Payment Date.

(c) Any Outstanding Note Participations will prior to their Principal Payment Date be deemed to have been paid within the meaning of and with the effect expressed in subparagraph (a) of this heading if there will have been deposited with the Trustee either moneys in an amount which will 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, will be sufficient to pay when due the interest evidenced and represented by such Note Participations on and prior to their Principal Payment Date and the principal evidenced and represented by such Note Participations.

(d) After the payment of the interest and principal evidenced and represented by all Outstanding Note Participations as provided in this subparagraph, the Trustee will execute and deliver to the School Districts all such instruments as they may deem necessary or desirable to evidence the discharge and satisfaction of the Trust Agreement, and the Trustee, after payment of all fees and expenses of the Trustee, will pay over or deliver to the School Districts all money or deposits or investments held by it pursuant to the Trust Agreement which are not required for the payment of the interest and principal evidenced and represented by such Note Participations.

Unclaimed Money. Anything contained in the Trust Agreement to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of the interest or principal evidenced and represented by any Note Participations which remains unclaimed for two (2) years after the date when the payments evidenced and represented by such Note Participations have become payable, if such money was held by the Trustee on such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the date when the interest and principal evidenced and represented by such Note Participations have become payable, will be repaid by the Trustee to the School Districts as their absolute property free from trust, and the Trustee will thereupon be released and discharged with respect thereto and the Owners will look only to the School Districts for the payment of the interest and principal evidenced and represented by such Note Participations; *provided*, that before being required to make any such payment to the School Districts, the Trustee may, as a charge on such funds, give notice by mail to all Owners of Note Participations that such money remains unclaimed and that after a date named in such notice, which date will not be less than sixty (60) days after the date of giving such notice, the balance of such money then unclaimed will be returned to the School Districts.

MISCELLANEOUS

Content of Certificates; Post-Issuance Legal Opinions. Every Certificate of any School District with respect to compliance with any agreement, condition, covenant or term contained in the Trust Agreement will include: (a) a statement that the person or persons executing such certificate have read such agreement, condition, covenant or term and the definitions in the Trust Agreement relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements contained in such certificate are based; (c) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such agreement, condition, covenant or term has been complied with; and (d) a statement as to whether, in the opinion of the signers, such agreement, condition, covenant or term has been complied with.

Any Certificate of any School District may be based, insofar as it relates to legal matters, upon an Opinion of Counsel unless the person or persons executing such certificate know that the Opinion of Counsel with respect to the matters upon which his or their certificate may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous. Any Opinion of Counsel may be based, insofar as it relates to factual matters and information with respect to which is in the possession of the School District, upon a representation by an officer or officers of the School District unless the counsel executing such Opinion of Counsel knows that the representation with respect to the matters upon which his opinion may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous.

Should any of the post-issuance Opinions of Counsel referred to in the Trust Agreement, the Note Resolutions or in any School District Certificate be delivered by bond counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation, or if the Note Participations are prepaid or remain Outstanding in connection with a transaction which is approved by counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation, the Trustee, promptly after such opinion is delivered, will mail, first-class, postage prepaid, (1) a copy of each said opinion to each Owner at said Owner's address as it appears in the registration book kept by the Trustee and (2) a notice indicating that the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation delivered in connection with the delivery of the Note Participations may no longer be relied upon. The School Districts will cooperate with the Trustee in order to effectuate the provisions of this paragraph.

Funds. Any fund or account required to be established and maintained in the Trust Agreement by the Trustee may be established and maintained in the accounting records of the Trustee either as an account or a fund, and may, for the purpose of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund; but all such records with respect to all such funds will at all times be maintained in accordance with industry practice and with due regard for the instructions, if any, delivered to the Trustee pursuant to the Trust Agreement and for the protection of the security of the Note Participations and the rights of the Owners.

Partial Invalidity. If any one or more of the agreements, conditions, covenants or terms contained in the Trust Agreement required to be observed or performed by or on the part of the School Districts or the Trustee will be contrary to law, then such agreement or agreements, such condition or conditions, such covenant or covenants or such term or terms will be null and void and will be deemed separable from the remaining agreements, conditions, covenants and terms thereof and will in no way affect the validity thereof or of the Note Participations, and the Owners will retain all the benefit, protection and security afforded to them thereunder and under all provisions of applicable law. The School Districts and the Trustee have declared that they would have executed and entered into the Trust Agreement and each and every other article, section, paragraph, subdivision, sentence, clause and phrase thereof and would have authorized the execution and delivery of the Note Participations pursuant thereto irrespective of the fact that any one or more of the articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

California Law. The Trust Agreement will be construed and governed in accordance with the laws of the State of California.

APPENDIX G

PROPOSED FORM OF BOND COUNSEL OPINION

July 30, 2009

Participants identified
in the Trust Agreement

California Education Notes Program
Note Participants, Series 2009A
(Final Opinion)

Ladies and Gentlemen:

We have acted as Bond Counsel to various Districts (the "Participants"), in connection with the execution and delivery of $43,065,000 aggregate principal amount of the California Education Notes Program, Note Participations, Series 2009A (the "Note Participations"), evidencing and representing proportionate and undivided interests in (i) the tax and revenue anticipation notes (the "Notes") issued by the Participants identified in the Trust Agreement (as hereinafter defined) and identified in the Official Statement, dated July 8, 2009 (the "Official Statement"), relating to the Note Participations, and (ii) the debt service payments on the Notes to be made by the Participants. The Note Participations are executed and delivered pursuant a trust agreement, dated as of July 1, 2009, between Wells Fargo Bank National Association (the "Trustee") and the Participants which are a party to the respective trust agreement (the "Trust Agreement"). Each Note is issued pursuant to and by authority of a resolution of each respective Participant, each passed and adopted (collectively, the "Resolutions") under and by authority of Article 7.6, Chapter 4, Part 1, Division 2, Title 5 of the California Government Code, and designated the respective Participant's "2009-2010 Tax and Revenue Anticipation Note."

In such connection, we have reviewed the Trust Agreement, the Resolutions, the Notes, opinions of counsel to the Participants regarding issuance of the Notes by the Participants and the adoption, legality, validity and enforceability of the Resolutions, the Notes and other matters, the opinion of counsel to the Trustee, certificates of the Participants regarding tax and other matters (the "Certificates"), certificates of the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

Certain agreements, requirements and procedures contained or referred to in the Resolutions, the Certificates and other relevant documents may be changed and certain actions (including, without limitation, prepayment of the Note Participations) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Note or the interest thereon evidenced and represented by the Note Participations if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

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. Our engagement with respect to the Note Participations has concluded with their execution and delivery, 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 copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the

Participants. 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 Resolutions, the Trust Agreement and the Certificates, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest evidenced and represented by the Note Participations to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Resolutions, the Notes, the Trust Agreement and evidenced and represented by the Note Participations, and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other similar 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 public entities such as the Participants in the State of California. We express no opinion with respect to any indemnification, contribution, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the official statement or other offering materials relating to the Notes or the Note Participations 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. Each Note constitutes the valid and binding obligation of the respective issuing Participant. The principal of and interest on each Note are payable from the Pledged Revenues (as that term is defined in the respective Resolution) of the issuing Participant and, to the extent not so paid, are payable from any other moneys of such Participant lawfully available therefor.

2. The Resolutions have been duly adopted by the Participants and each constitutes a valid and binding obligation of the respective Participant.

3. The Trust Agreement, assuming due authorization, execution and delivery by the Participants and the Trustee, constitutes the valid and binding obligations of, the respective Participants which are a party thereto.

4. The Note Participations, upon execution and delivery thereof by the Trustee, are entitled to the benefits of the Trust Agreement.

5. Interest on the Notes paid by the Participants and received by the registered owners of the Note Participations 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. Interest is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is not included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of such interest represented by, the Note Participations.

Respectfully submitted,

STRADLING YOCCA CARLSON & RAUTH

APPENDIX H

THE BOOK-ENTRY ONLY SYSTEM

The information in this Appendix concerning The Depository Trust Company ("DTC"), New York, New York, and DTC's book entry system has been obtained from DTC and the Districts take no responsibility for the completeness or accuracy thereof. The Districts cannot and do not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Note Participations, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Note Participations, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Note Participations, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for the Notes, in the aggregate principal amount of such issue, 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 1 7A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest 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 Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes 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 Notes 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 Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to The District 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 Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

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

APPENDIX I

COUNTY TREASURY POOLS

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COUNTY TREASURY POOLS

ACALANES UNION HIGH SCHOOL DISTRICT

CONTRA COSTA COUNTY INVESTMENT POOL
SUMMARY OF ASSETS HELD
QUARTERLY REPORT
Quarter Ending March 31, 2009

As of March 31, 2009, the total Investment Pool for Contra Costa County (the "County") equaled $1,898,584.707. The fair value was $1,903,858,637 which was 100.3% of cost. The following table shows the portfolio structure of the County Pool as of March 31, 2009:

Investments	Fair Value	Cost	Par Value	Percent of Portfolio
U.S. Treasuries	$21,973,371.28	$20,854,375.69	$21,336,000.00	1.10%
U.S. Agencies	285,190,370.86	280,549,857.35	278,234,717.12	14.78
Money Market Instruments	955,161,243.32	956,579,192.48	956,586,076.96	50.38
Local Agency Investment Funds	432,231,011.00	431,441,674.65	431,441,674.65	22.72
Other	129,603,436.07	129,460,402.11	129,460,402.11	6.82
Cash	79,699,204.55	79,699,204.55	79,699,204.55	4.20
Total	$1,903,858,637.08	$1,898,584,706.83	$1,896,758,075.39	100.00%

Source: Contra Costa County Treasurer.

The County Treasurer's investment portfolio has no securities lending, reverse repurchase agreements or derivatives. The weighted average maturity of the total Investment Pool was 105.28 days. More than 88% of the portfolio or over $1.697 billion will mature in less than a year. The County is unable to determine if it can meet its cash flow needs for the next six months due to the State's cash and budget deficit.

MORELAND SCHOOL DISTRICT

MOUNTAIN VIEW WHISMAN SCHOOL DISTRICT

SARATOGA UNION SCHOOL DISTRICT

SANTA CLARA COUNTY INVESTMENT POOL
QUARTERLY REPORT

As of March 31, 2009, the book value of the Santa Clara County Investment Pool was $3,438,397,810.08, the par value was $3,438,507,641.08, and the market value was $3,448,031,957.66. The following table summarizes the composition of the Investment Pool as of March 31, 2009.

SANTA CLARA COUNTY INVESTMENT POOL
Portfolio Composition
(As of March 31, 2009)

Type of Maturity	Market Value	% of Total Market Value	Average Days to Maturity
Negotiable Certificates of Deposit	$15,039,630.00	0.44%	44
Federal Agency Bonds	1,210,932,862.26	35.12	641
Treasury Notes	102,109,375.00	2.96	539
Corporate Bonds	12,097,324.13	0.35	1,150
FDIC Guaranteed Corporate Bonds	106,889,557.00	3.10	785
FDIC Guaranteed Commercial Paper	194,118,748.00	5.63	38
FDIC Guaranteed Commercial Paper Coupon	49,940,300.00	1.45	197
Federal Agency Amortizing Bonds	3,645,702.27	0.11	330
Municipal Bonds	42,297,740.00	1.23	66
Commercial Paper, Discount Notes	235,795,392.86	6.84	29
Federal Agency, Discount Notes	548,305,500.00	15.90	234
Dreyfus Money Market Fund	225,356,735.43	6.54	1
Other Money Market Funds	275,543,334.66	7.99	1
Columbia Government Money Market Fund	--	0.00	0
TOTAL	$3,448,031,957.66	100.00%	377

Source: Santa Clara County Treasurer-Tax Collector.

As of March 31, 2009, the weighted average maturity of the Investment Pool was 341 days. As of such date, the Investment Pool had 22% invested in cash equivalent-money market funds, 15% of its assets invested in securities maturing in 90 days or less, 24% of its assets invested in securities maturing between 90 days and one year, 21% maturing in one to two years, and 19% of its assets invested in securities maturing in over two years. As of March 31, 2007, the Investment Pool's annual yield to maturity was 2.109%

SAN MARINO UNIFIED SCHOOL DISTRICT

LOS ANGELES COUNTY TREASURY POOL
Month Ending May 31, 2009

As of May 31, 2009, investments in the Treasury Pool were held for local agencies including school districts, community college districts, special districts and discretionary depositors such as cities and independent districts in the following amounts:

Local Agency	***Invested Funds (in billions)***
County of Los Angeles and Special Districts	$8.320
Schools and Community Colleges	10.166
Independent Public Agencies	2.143
Total	$20.629

Of these entities, the involuntary participants accounted for approximately 89.61%, and all discretionary participants accounted for 10.39%of the total Treasury Pool.

The Treasurer prepares a monthly Report of Investments (the "Investment Report") summarizing the status of the Treasury Pool, including the current market value of all investments. This report is submitted monthly to the Board of Supervisors. According to the Investment Report dated June 26, 2009, the May 31, 2009 book value of the Treasury Pool was approximately $20.629 billion and the corresponding market value was approximately $20.737 billion.

The Treasury Pool is highly liquid. As of May 31, 2009, approximately 49.59% of the investments mature within 60 days, with an average of 530.87 days to maturity for the entire portfolio.

The following table identifies the types of securities held by the Treasury Pool as of May 31, 2009.

Type of Investment	***% of Pool***
U.S. Government and Agency Obligations	46.00%
Certificates of Deposit	18.69
Commercial Paper	30.29
Bankers Acceptances	0.00
Municipal Obligations	0.19
Corporate Notes & Deposit Notes	4.83
Asset Backed Instruments	0.00
Repurchase Agreements	0.00
Other	0.00
Total	100.00%

Source: Los Angeles County Treasurer and Tax Collector.

PORTOLA VALLEY SCHOOL DISTRICT

SAN MATEO UNION HIGH SCHOOL DISTRICT

SAN MATEO COUNTY INVESTMENT POOL
SUMMARY OF ASSETS HELD
MONTHLY REPORT
Month Ending June 30, 2009

As of June 30, 2009, the total Investment Pool for San Mateo County (the "County") equaled $2,490,859,641.88. The market value was $2,486,978,662.58. The following table shows the portfolio structure of the County Pool as of June 30, 2009:

Investments	Market Value	Cost	Market Value + Accrued Interest	Percent of Portfolio
Repurchase Agreements	$250,000,000.00	$250,000,000.00	$250,000,000.00	10.07%
Floating Rate Securities	275,335,705.00	280,760,250.00	275,904,595.39	11.09
Corporate Bonds	65,354,260.00	65,160,535.56	65,938,582.22	2.63
Federal Agency – Floating Rate Securities	45,004,650.00	44,989,000.00	45,075,099.81	1.81
Federal Agency Securities	916,635,784.50	914,832,559.02	918,585,878.25	36.92
United States Treasuries	779,524,687.50	785,027,625.07	780,136,206.34	31.39
FDIC- TLGP CB (Temporary Liquidity Guarantee Program)	70,986,562.50	70,197,783.34	71,201,993.06	2.86
FDIC- TLGP CP (Temporary Liquidity Guarantee Program)	69,993,083.00	69,891,888.89	69,993,083	2.82
FDIC- TLGP CB FL (Temporary Liquidity Guarantee Program)h	10,126,800.00	10,000,000.00	10,143,224.51	0.41
Total	$2,482,961,532.50	$2,490,859,641.88	$2,486,978,662.58	100.00%

Source: San Mateo County Treasurer.

The current average maturity of the portfolio is 1.0 years with an average duration of 0.9 years. The portfolio continues to hold no derivative products.

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APPENDIX J

SELECTED DISTRICT GENERAL AND FINANCIAL INFORMATION

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FINANCIAL AND DEMOGRAPHIC INFORMATION

The District

The Acalanes Union High School District (the "District") is located in the western portion of Contra Costa County (the "County") approximately 20 miles east of San Francisco. The District encompasses an area of approximately 80 square miles and has an estimated population of 107,733

The District was established in 1940 and provides secondary educational services to the residents of the Cities of Lafayette and Orinda, the town of Moraga, a portion of the City of Walnut Creek, and of certain surrounding unincorporated areas in Contra Costa County. The 2008-09 assessed valuation of the area served by the District is $23,600,163,028. The District's estimated average daily attendance for fiscal year 2008-09 is 5,673.

Financial Statements of the District

The following table shows the District's revenues, expenditures and fund balances for fiscal years 2004-05 through 2007-08 and the District's projected totals for fiscal year 2008-09.

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ACALANES UNION HIGH SCHOOL DISTRICT
GENERAL FUND REVENUES, EXPENDITURES AND FUND BALANCES
Fiscal Years 2004-05 through 2008-09

	2004-05 Audited Actual	2005-06 Audited Actual	2006-07 Audited Actual	2007-08 Audited Actual	2008-09 Projected Totals [1]
REVENUES					
Revenue Limit Sources					
State Apportionments	$6,718,009	$6,244,083	$7,323,146	$7,583,043	$5,570,002
Local Taxes	25,516,163	27,322,758	29,160,059	30,377,958	31,234,718
Revenue Limit Transfers	--	--	--	--	228,118
Total Revenue Limit Sources	32,234,172	33,566,841	36,483,205	37,961,001	37,032,838
Federal Revenues	925,432	857,715	810,845	782,518	792,387
Other State Revenues	2,677,417	3,074,028	4,876,009	3,876,559	3,257,224
Other Local Revenues	9,491,410	12,298,643	12,934,172	13,288,296	13,298,000
Total Revenues	45,328,431	49,797,227	55,104,231	55,908,374	54,380,449
EXPENDITURES					
Certificated Salaries	22,620,954	25,151,371	26,825,630	27,528,662	27,129,497
Classified Salaries	6,605,886	7,439,103	8,233,533	8,600,358	8,233,208
Employee Benefits	8,667,017	9,558,917	10,060,573	10,831,982	11,045,815
Books & Supplies	1,658,376	2,592,763	2,811,818	2,506,422	2,347,689
Services & Other Operating Expenses	5,535,184	5,589,021	5,896,004	5,923,890	6,685,197
Capital Outlay	388,380	26,977	162,400	58,889	32,349
Other Expenditures	(46,005)	(16,513)	(4,256)	(24,078)	--
Other Outgo	--	--	--	--	(250,000)
Debt Service	--	--	--	--	--
Total Expenditures	45,429,792	50,341,639	53,985,702	55,426,125	55,223,755
Excess (Deficiency)of Revenues Over Expenditures	(101,361)	(544,412)	1,118,529	482,249	(843,306)
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	--	--	72,395	--	--
Operating Transfers out	(11,897)	(16,143)	(52,224)	(320,982)	(175,000)
Total Other Financing Sources (Uses)	1,792,576	(16,143)	20,171	(320,982)	(175,000)
Net Change in Fund Balances	(113,258)	(560,555)	1,138,700	161,267	(1,018,306)
Fund Balance – Beginning of Fiscal Year	4,394,054	4,280,796	3,720,241	4,858,941	5,020,210
Fund Balance – End of Fiscal Year	$4,280,796	$3,720,241	$4,858,941	$5,020,208	$4,001,904

[1] From the District's Second Interim Report for fiscal year 2008-09.
Source: The District

General Fund and Adopted Budget

The following table reflects the comparison of the District's General Fund Adopted Budgets for fiscal years 2006-07 through 2008-09 and audited actuals for fiscal years 2006-07 through 2007-08.

ACALANES UNION HIGH SCHOOL DISTRICT
Comparison of General Fund Budgets
Fiscal Years 2006-07 through 2008-09

	2006-07 Adopted Budget	2006-07 Actuals	2007-08 Adopted Budget	2007-08 Actuals	2008-09 Adopted Budget
REVENUES					
Revenue Limit Sources					
State Apportionment	$9,360,530	$7,323,146	$9,100,207	$7,583,043	$6,822,337
Local Sources	27,178,721	29,160,059	28,597,725	30,377,958	31,200,262
Total Revenue Limit Sources	36,539,251	36,483,205	37,697,932	37,961,001	38,022,599
Federal Revenue	774,039	810,845	754,561	782,518	723,342
Other State Revenue	2,664,213	4,876,009	3,469,167	3,876,559	3,351,234
Other Local Revenue	11,872,136	12,934,172	12,221,469	13,288,296	13,012,028
TOTAL REVENUES	51,849,639	55,104,231	54,143,129	55,908,374	55,109,203
EXPENDITURES					
Certificated Salaries	25,091,745	26,825,630	27,060,554	27,528,662	26,943,335
Classified Salaries	7,474,846	8,233,533	8,165,805	8,600,358	8,114,499
Employee Benefits	9,832,183	10,060,573	10,445,092	10,831,982	10,873,763
Books & Supplies	2,489,304	2,811,818	2,989,487	2,506,422	2,411,668
Services & Other Operating Expenses	6,178,487	5,896,004	6,032,802	5,923,890	6,230,337
Capital Outlay	56,675	162,400	52,500	58,889	--
Other Expenditures	--	(4,256)	--	(24,078)	--
Other Outgo	--	--	--	--	--
TOTAL EXPENDITURES	51,123,240	53,985,702	54,746,240	55,426,125	54,573,602
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	726,399	1,118,529	(603,111)	482,249	535,601
OTHER FINANCING SOURCES/(USES)					
Operating Transfers In	--	72,395	--	--	--
Operating Transfers Out	(15,000)	(52,224)	--	(320,982)	(100,000)
TOTAL OTHER FINANCING SOURCES/(USES)	(15,000)	20,171	--	(320,982)	(100,000)
Net change in Fund Balance	711,399	1,138,700	(603,111)	161,267	435,601
Fund Balance at beginning of year	3,720,241	3,720,241	4,858,941	4,858,941	4,357,211
Fund Balance at end of year	$4,431,640	$4,858,941	$4,255,830	$5,020,208	$4,792,812

Source: The District.

Administration

The District is governed by a five-member Board of Trustees (the "Board"), each of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. The members of the Board, together with their office and the date their term expires, are listed in the following table:

Board Member	Office	Term Expires
Kathy Coppersmith	President	December 2012
Vanessa Crews	Clerk	December 2010
Tom Mulvaney	Member	December 2010
Gwen Reinke	Member	December 2012
Richard Whitmore	Member	December 2010

The Superintendent of the District is responsible for administering the affairs of the District in accordance with the policies of the Board. John Stockton is the District's Superintendent and Christopher Learned is the Assistant Superintendent, Business Services.

Brief biographies of the Superintendent and the Assistant Superintendent, Business Services follow:

John Stockton, Superintendent. Mr. Stockton was promoted to Acalanes Union High School Superintendent on July 1, 2009. Mr. Stockton began his tenure with the District on January 24, 2005, as the Associate Superintendent – Educational Services. Mr. Stockton has thirty-seven years of experience in the California public education system; twenty-six years of his experience has been in management positions. Mr. Stockton worked for twenty-three years in the Clovis Unified School District as a teacher, activities director, counselor, head counselor, and assistant principal. He was a high school principal and curriculum director in the Visalia Unified School District. Mr. Stockton worked as a central office administrator in the Fairfield-Suisun Unified School District. Mr. Stockton graduated summa cum laude with a social science B.A. from California State University, Fresno. He earned his M.A. in Educational Administration from the University of San Francisco.

Christopher Learned, Assistant Superintendent, Business Services. Mr. Learned is in his eleventh year with the District, the last eight as Assistant Superintendent, Business Services. He has over thirty-one years of experience in education. Mr. Learned holds a M.B.A. from the University of Phoenix, and a B.A. in Business Administration from California State University, Hayward.

Average Daily Attendance

The following table shows the District's average daily attendance ("A.D.A.") over the last 11 years and an estimate for the current Fiscal Year.

AVERAGE DAILY ATTENDANCE
FISCAL YEARS 1997-98 THROUGH 2008-09*
Acalanes Union High School District

Year	Average Daily Attendance
1997-98	4,829
1998-99	4,845
1999-00	5,049
2000-01	5,150
2001-02	5,320
2002-03	5,507
2003-04	5,553
2004-05	5,663
2005-06	5,671
2006-07	5,603
2007-08	5,673
2008-09	5,673*

* Estimated.
Source: The District

Labor Relations

As of January 1, 2009, the District employed approximately 339 full-time equivalent certificated employees and 201 classified employees. These employees, except management and some part-time employees, are represented by the two bargaining units as noted below:

BARGAINING UNITS
Acalanes Union High School District

Labor Organization	Number of Employees In Bargaining Unit	Contract Expiration Date
Acalanes Education Association	321	06/30/2009
Service Employees International	180	06/30/2011

Source: The District

Retirement Programs

STRS and CalPERS. The District participates in the State of California Teacher's Retirement System ("STRS"). This plan covers basically all fulltime certificated employees. The District's contribution to STRS for the fiscal year ending June 30, 2008, 2007, and 2006, were $2,250,131, $2,163,197, and $2,019,411, respectively, and is projected to be $2,204,305 for fiscal year 2008-09.

The District also participates in the State of California Public Employees' Retirement System ("CalPERS"). This plan covers all classified personnel who are employed four or more hours per day. Both systems are operated on a statewide basis. The District's contribution to CalPERS for the fiscal year ended June 30, 2008, 2007, and 2006, were $724,998, $802,867, and $968,533, respectively, and is projected to be $712,992 for fiscal year 2008-09.

Contribution rates to these two retirement systems vary annually depending on changes in actuarial assumptions and other factors, such as changes in benefits. The contribution rates are based on statewide rates set by the STRS and CalPERS retirement boards. STRS has substantial statewide unfunded liability. Since this liability has not been broken down by each school district, it is impossible to determine the District's share.

Other Post-Employment Benefits

The District has contracted to provide supplemental post-retirement benefits and healthcare coverage (the "Post-Employment Benefits") to certain retired employees. To be eligible, employees must be at least 55 years of age and have at least 10 years of service to the District. As of June 30, 2008, 41 employees met those eligibility requirements. Expenditures for the Post-Employment Benefits are recognized on a pay-as-you-go basis. During fiscal year 2007-08, the District recognized expenditures of $463,515 for the Post-Employment Benefits.

Fourteen individuals receive $57 per month toward medical benefits for life. During the year expenditures of $10,131 were recognized for this benefit.

The District has received a study by Total Compensation, Inc. on August 25, 2008 (the "Actuarial Study") with respect to its liability in connection with such post-employment health care benefits. The Actuarial Study, dated as of August 1, 2008, determined that the actuarial accrued liability with respect to the District's Post-Employment Benefits is $9,999,476, and that the present value of total projected benefits is $13,258,106. The Actuarial Study also concluded that the annual required contribution ("ARC") for the year beginning August 1, 2008 is $1,070,907. The ARC is the annual amount that would be necessary to fund the OPEB in accordance with the Governmental Accounting Standards Board's Statements No. 43 and 45.

Insurance

The District is a member of four Joint Powers Authorities ("JPAs") for insurance purposes; the Contra Costa County Schools Insurance Group (CCCSIG) for Workers' Compensation Insurance; the East Bay Schools Insurance Group (EBSIG) for Property and Liability Insurance, the Northern California Relief for excess liability insurance, and the Schools Self-insurance of Contra Costa County (SSICCC) for dental and vision benefits. The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

The JPAs arrange for and/or provide coverage for their members. The JPAs are governed by a board consisting of a representative from each member district. The boards control the operations of the JPAs, including selection of management and approval of operating budgets independent of any influence by the member districts beyond their representation on the Board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the JPA.

Based upon prior claims experience, the District believes that it has adequate insurance coverage.

Assessed Valuations

Property within the District had an assessed valuation for fiscal year 2008-09 of $23,600,163,028. Shown in the following table are the assessed valuations for the District.

ASSESSED VALUATIONS
Fiscal Year 2005-06 through 2008-09
Acalanes Union High School District

	Local Secured	Utility	Unsecured	Total Before Rdv. Increment	Total After Rdv. Increment
2005-06	$19,004,752,623	$1,475,950	$428,699,704	$19,434,928,277	$18,740,738,624
2006-07	20,685,834,324	1,476,589	450,100,666	21,137,411,579	20,304,474,439
2007-08	22,115,176,261	1,476,589	456,882,163	22,573,535,013	21,661,742,238
2008-09	23,111,571,673	1,419,775	487,171,580	23,600,163,028	22,592,092,620

Source: California Municipal Statistics, Inc.

Tax Rates

For taxing purposes, the State Board of Equalization has divided the area served by the District into 120 separate tax rate areas. The largest tax rate area in the District is Tax Rate Area 09000. TRA 09000 has a total 2008-09 assessed valuation of $5,484,472,872, approximately 23.24% of the District's total assessed valuation. The components of the property tax rate levied in Tax Rate Area 09000 for fiscal years 2005-06 through 2008-09 are set forth in the following table:

TAX RATE COMPONENTS - TRA 09000
Per $100 of Assessed Valuation
Acalanes Union High School District

	Tax Rates Per $100 of Assessed Value			
	2005-06	2006-07	2007-08	2008-09
1% General Fund Levy[1]	$1.0000	$1.0000	$1.0000	$1.0000
Service Area R-8 Bond	.0048	.0050	.0076	.0090
East Bay Regional Park	.0057	.0085	.0080	.0100
Contra Costa Community College District	.0047	.0043	.0108	.0066
Acalanes Union High School District	.0279	.0292	.0259	.0289
Walnut Creek Elementary	.0230	.0218	.0222	.0265
Total Tax Rate	$1.0661	$1.0688	$1.0745	$1.0810

(1) Maximum rate for purposes other than paying debt service in accordance with Article XIIIA of the State Constitution.
Source: California Municipal Statistics, Inc.

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Largest Property Owners

The following table shows the 20 largest owners of taxable property in the District as determined by secured assessed valuation in fiscal year 2008-09.

ACALANES UNION HIGH SCHOOL DISTRICT
Largest 2008-09 Local Secured Taxpayers

	Property Owner	Primary Land Use	% of Total[1]
1. First Walnut Creek Mutual	Cooperatives – Rossmoor	$262,454,963	1.14%
2. Second Walnut Creek Mutual	Cooperatives – Rossmoor	201,613,827	0.87
3. Macerich Northwest Associates	Shopping Center	101,503,800	0.44
4. Rreef America REIT II Corp.	Office Building	96,463,807	0.42
5. Fidelity Non-Profit Management Foundation	Office Building	86,149,628	0.37
6. CA Plaza @ Walnut Creek Inc.	Office Building	83,664,404	0.36
7. Escuela Shopping Center LLC	Shopping Center	76,937,576	0.33
8. Property Calif. SCJLW One Corp.	Office Building	73,112,459	0.32
9. SVF Oak Road Walnut Creek Corp.	Office Building	72,235,000	0.31
10. ASN Bay Landing LLC	Apartments	64,909,322	0.28
11. California State Teachers Retirement System	Office Building	64,543,740	0.28
12. Northwestern Mutual Life Insurance Co.	Office Building	59,966,689	0.26
13. CA-Treat Towers LP	Office Building	55,204,039	0.24
14. PK II Walnut Creek	Movie Theater & Commercial	54,060,000	0.23
15. Growers Square Inc.	Office Building	49,476,963	0.21
16. Security Capital Pacific Trust	Apartments	49,221,947	0.21
17. OG Property Owner LLC	Residential Development	46,438,220	0.20
18. James & Mei Fong Tong	Hotel	45,660,419	0.20
19. 1450 Treat Boulevard Inc.	Office Building	44,296,800	0.19
20. Ashford Walnut Creek LP	Hotel	42,485,711	0.18
		$1,630,399,314	7.05%

(1) 2008-09 Local Secured Assessed Valuation: $23,111,571,673
Source: California Municipal Statistics, Inc.

District Debt Structure

Long-Term Debt. A schedule of changes in long-term debt for the year ended June 30, 2008, is shown below:

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
Compensated Absences	$318,324	$321,629	$318,324	$321,629
General Obligation Bonds:				
Current Interest	131,895,000	--	2,545,000	129,350,000
Capital Appreciation	17,645,290	1,093,199	745,000	17,993,489
Totals	$149,858,614	$1,414,828	$3,608,324	$147,665,118

Source: The District.

General Obligation Bonds. The following table shows the total debt service with respect to the District's outstanding general obligation bonded debt.

Year Ending (August 1)	2000 G.O. Refunding Debt Service	2002 G.O. Refunding Debt Service	Election of 2002, Series A Debt Service(1)	2004 G.O. Refunding, Series A Debt Service	2004 G.O. Refunding, Series B Debt Service	2005 G.O. Refunding (2013 Crossover) Debt Service(2)	2005B G.O. Refunding (2013 Crossover) Debt Service(2)	Total Debt Service
2009	$2,241,900.00	$1,632,237.50	$1,280,000.00	$1,537,978.76	$727,000.00	--	--	$7,419,116.26
2010	2,248,150.00	1,577,237.50	1,640,000.00	1,586,628.76	731,250.00	--	--	7,783,266.26
2011	2,254,900.00	1,552,237.50	2,035,000.00	1,586,128.76	729,000.00	--	--	8,157,266.26
2012	2,262,600.00	1,537,237.50	2,430,000.00	1,589,128.76	735,500.00	--	--	8,554,466.26
2013	2,264,250.00	1,542,237.50	2,840,000.00	1,585,378.76	730,250.00	--	--	8,962,116.26
2014	1,339,850.00	1,577,237.50	--	2,462,466.26	738,750.00	$3,265,356.26	$1,077,200.00	10,460,860.02
2015	--	3,207,237.50	--	2,182,093.76	740,250.00	3,727,606.26	1,127,200.00	10,984,387.52
2016	--	3,192,237.50	--	2,943,093.76	--	4,025,181.26	1,535,200.00	11,695,712.52
2017	--	3,197,237.50	--	2,937,593.76	--	4,537,806.26	1,786,050.00	12,458,687.52
2018	--	3,207,237.50	--	2,924,993.76	--	5,058,143.76	2,077,462.50	13,267,837.52
2019	--	3,222,237.50	--	2,914,193.76	--	5,604,093.76	2,396,550.00	14,137,075.02
2020	--	3,190,125.00	--	2,939,993.76	--	6,177,100.00	2,750,950.00	15,058,168.76
2021	--	3,167,312.50	--	2,965,793.76	--	6,776,050.00	3,127,775.00	16,036,931.26
2022	--	3,152,962.50	--	2,977,975.00	--	7,403,550.00	3,549,662.50	17,084,150.00
2023	--	6,150,650.00	--	--	--	8,056,675.00	3,992,937.50	18,200,262.50
2024	--	6,207,300.00	--	--	--	8,662,500.00	4,514,975.00	19,384,775.00
2025	--	--	--	--	--	--	2,105,000.00	2,105,000.00
	$12,611,650.00	$47,312,962.50	$10,225,000.00	$33,133,441.38	$5,132,000.00	$63,294,062.56	$30,040,962.50	$201,750,078.90

(1) Excludes debt service on the refunded 2002 Bonds.
(2) Excludes debt service on the 2005 Bonds on and prior to the Crossover Date.

General Obligation Bonds Anticipation Notes. The District received authorization at an election of the registered voters of the District held on November 4, 2008, to issue not to exceed $93,000,000 principal amount of general obligation bonds (the "2008 Authorization"). In April 2009, the District issued the Acalanes Union High School District (Contra Costa County, California) 2009 General Obligation Bond Anticipation Notes, Series A (the "Series A Notes") in the aggregate principal amount of $9,000,000 and the Acalanes Union High School District (Contra Costa County, California) 2009 General Obligation Bond Anticipation Notes, Series B in an aggregate principal amount of $6,000,000 (the "Series B Notes" and together with the Series A Notes, the "Notes"). The Notes were issued to finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities and the upgrading of the District's technology systems in anticipation of proceeds from general obligation bonds to be issued by the District pursuant to the 2008 Authorization. The Notes mature on April 1, 2010, and bear interest at 3.25%.

Tax and Revenue Anticipation Notes. On July 4, 2008, in association with the California School Cash Reserve Program, the District issued tax and revenue anticipation notes (TRANS) in the amount of $11,035,000. The notes mature on July 6, 2009, and bear interest at 3%. Proceeds from the notes can be drawn upon during the year if cash shortages arise.

FINANCIAL AND DEMOGRAPHIC INFORMATION

The District

The San Mateo Union High School District (the "District") includes the communities of Burlingame, Foster City, Hillsborough, Millbrae, San Bruno and San Mateo. The District operates six comprehensive high schools, a continuation high school and an adult school. The District's projected 2008-09 enrollment is approximately 8,550 students including special education and continuing education students. Over 14,000 adults are served through the adult school. The District serves a resident population of 221,151 as of 2008 and has a 2008-09 assessed valuation of $49,015,421,714.

The District is governed by a five-member Board of Trustees, each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. The management and policies of the District are administered by a Superintendent appointed by the Board who is responsible for day-to-day District operations as well as the supervision of the District's other key personnel. Mr. Scott Laurence is the current Superintendent of the District.

Financial Statements of the District

The following table shows the District's revenues, expenditures and fund balances for fiscal years 2004-05 through 2007-08 and the District's projected totals for fiscal year 2008-09.

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SAN MATEO UNION HIGH SCHOOL DISTRICT
GENERAL FUND REVENUES, EXPENDITURES AND FUND BALANCES
Fiscal Years 2004-05 through 2008-09

	Audited Actuals 2004-05	Audited Actuals 2005-06	Audited Actuals 2006-07	Audited Actuals 2007-08	Projected Totals 2008-09[1]
REVENUES:					
Revenue Limit Sources:					
State	$242,647	$242,035	$159,876	$(289,194)	$(255,363)
Local	68,139,724	71,227,393	77,730,264	82,556,017	97,600,122
Federal	2,516,106	2,349,634	2,138,552	2,318,134	2,947,551
Other State	4,751,764	4,118,290	8,274,554	6,567,121	5,407,526
Other Local	4,841,381	7,193,073	6,167,833	5,408,090	3,515,752
TOTAL	80,491,622	85,130,425	94,471,079	96,560,168	97,855,485
EXPENDITURES:					
Certificated Salaries	39,835,625	41,131,085	40,164,920	40,683,282	49,548,337
Classified Salaries	15,194,590	15,710,683	14,596,802	14,338,437	16,103,065
Employee Benefits	16,106,181	16,882,371	16,914,622	16,334,184	18,794,119
Books & Supplies	3,984,967	3,726,318	4,393,716	3,741,238	7,051,282
Services/Other Operating Expenditures	6,798,749	8,185,606	9,297,793	8,398,756	10,957,091
Transfers of Indirect/Direct Support Costs	(359,210)	(336,629)	--	--	(386,040)
Capital Outlay	182,904	--	--	706,748	--
Other Outgo	809,971	2,295,167	3,562,601	3,075,561	2,892,441
TOTAL	82,553,777	87,594,601	88,930,454	87,278,206	104,960,296
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(2,062,155)	(2,464,176)	5,540,625	9,281,962	(7,104,810)
OTHER FINANCING SOURCES/(USES):					
Transfers In	867,184	1,272,945	345,242	368,691	--
Transfers Out	(715,184)	(745,890)	(2,851,942)	(2,989,513)	(724,513)
TOTAL	152,000	(527,055)	(2,506,700)	(2,620,822)	(724,513)
NET INCREASE (DECREASE) IN FUND BALANCE	(1,910,155)	(1,937,121)	3,033,925	6,661,140	(7,829,323)
Fund Balance, beginning of year	6,969,414	5,059,259	3,122,138	6,156,063	12,817,203
Fund Balance, end of year	$5,059,259	$3,122,138	$6,156,063	$12,817,203	$4,987,880

[1] From the District's Second Interim Report dated March 12, 2009.
Source: The District

General Fund and Adopted Budget

The following table reflects the comparison of the District's General Fund Adopted Budgets for fiscal years 2006-07 through 2008-09 and audited actuals for fiscal years 2006-07 through 2007-08.

SAN MATEO UNION HIGH SCHOOL DISTRICT
Comparison of General Fund Budgets
Fiscal Years 2006-07 through 2008-09

REVENUES:	Adopted Budget 2006-07	Audited Actuals 2006-07	Adopted Budget 2007-08	Audited Actuals 2007-08	Adopted Budget 2008-09
Revenue Limit Sources:					
State	$952,509	$159,876	$(223,675)	$(289,194)	$(242,081)
Local	74,178,870	77,730,264	79,553,109	82,556,017	96,073,669
Federal	2,170,643	2,138,552	2,118,456	2,318,134	2,363,110
Other State	3,824,166	8,274,554	6,144,204	6,567,121	5,268,996
Other Local	4,167,211	6,167,833	3,766,245	5,408,090	4,048,124
TOTAL	85,293,399	94,471,079	91,358,339	96,560,168	96,315,750
EXPENDITURES:					
Certificated Salaries	41,268,118	40,164,920	42,863,447	40,683,282	44,946,028
Classified Salaries	15,518,766	14,596,802	14,420,921	14,338,437	15,817,521
Employee Benefits	17,737,184	16,914,622	16,878,375	16,334,184	18,489,509
Books & Supplies	1,708,125	4,393,716	2,942,789	3,741,238	3,441,145
Services/Other Operating Expenditures	8,446,438	9,297,793	9,644,796	8,398,756	9,946,432
Transfers of Indirect/Direct Support Costs	(403,888)	--	(398,000)	--	--
Capital Outlay	--	--	706,748	706,748	--
Other Outgo	2,801,832	3,562,601	2,872,611	3,075,561	(386,040)
TOTAL	87,076,575	88,930,454	89,931,668	87,278,206	95,478,053
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(1,783,176)	5,540,625	1,426,671	9,281,962	837,697
OTHER FINANCING SOURCES/(USES):					
Transfers In	--	345,242	--	368,691	--
Transfers Out	(534,000)	(2,851,942)	(560,000)	(2,989,513)	(694,513)
TOTAL	(534,000)	(2,506,700)	(560,000)	(2,620,822)	(694,513)
NET INCREASE (DECREASE) IN FUND BALANCE	(2,317,176)	3,033,925	866,671	6,661,140	143,184
Fund Balance, beginning of year	2,532,191[(2)]	3,122,138	6,156,063	6,156,063	12,817,203
Fund Balance, end of year	$215,015	$6,156,063	$7,022,734	$12,817,203	$12,960,388

Source: The District.

Administration

The District is governed by a five-member Board of Trustees (the "Board"), each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. Current members of the Board, together with their office and the date their term expires, are listed below:

SAN MATEO UNION HIGH SCHOOL DISTRICT
Board of Trustees

Name	Office	Term Expires
Linda Lees Dwyer	President	December 2009
Peter H. Hanley	Vice President	December 2009
David Pine	Clerk	December 2011
Stephen E. Rogers	Trustee	December 2011
Robert H. Griffin	Trustee	December 2009

The Superintendent of the District is responsible for administering the affairs of the District in accordance with the policies of the Board. Currently, Scott Laurence is the Superintendent of the District and Elizabeth McManus is the Deputy Superintendent, Business Services of the District.

Brief biographies of the Superintendent and the Deputy Superintendent, Business Services follow:

Scott Laurence, Superintendent. Mr. Laurence was hired by the District as Superintendent in 2009. Prior to joining the District, Mr. Laurence spent 23 years at Palo Alto Unified School District in a variety of positions, the most current being Assistant Superintendent of Administrative Services. Mr. Laurence received a Masters degree from Stanford University in Education.

Elizabeth McManus, Deputy Superintendent, Business Services. Ms. McManus was named Deputy Superintendent, Business Services of the District effective July 1, 2008 and was previously the District's Associate Superintendent, Business Services since July 2006. Prior to joining the District, Ms. McManus served other public education and non-profit corporations for 17 years. In addition, Ms. McManus has also had an extensive career in the private sector, working as a business analyst in strategic planning for Rockwell International, a supervisor of field accounting for Taco Bell Corporation, and a supervisor of operations analysis with U.S. Sprint.

Average Daily Attendance

The average daily attendance for the 2007-08 academic year was 8,128 and for the 2008-09 academic year is estimated to be 8,274. On average throughout the District, the pupil-teacher ratio is approximately 27.5:1 in grades 9-12.

The following table shows the average daily attendance for the District for the last five years, the budgeted figure for 2008-09 and the District's revenue limit per A.D.A. for the six fiscal years shown.

SAN MATEO UNION HIGH SCHOOL DISTRICT
Fiscal Years 2003-04 through 2008-09
Average Daily Attendance and Revenue Limit

Fiscal Year	Average Daily Attendance[1]	Revenue Limit Per A.D.A.
2003-04	8,013	$5,578.60
2004-05	7,971	5,815.60
2005-06	8,116	6,060.13
2006-07	8,051	6,370.14
2007-08	8,128	6,706.59
2008-09	8,274	7,085.60

Note: All amounts are rounded to the nearest whole number.
[1] Data based on state legislation which reconfigured Average Daily Attendance to represent actual attendance without regard to excused absences.
Source: The District.

In 2007-08, the District received $82,266,823 from revenue limit sources, accounting for approximately 85.2% of its General Fund revenue. For 2008-09, the District has estimated $85,984,656 of revenue limit source income, which is approximately 87.9% of its projected General Fund revenue.

Labor Relations

As of April 1, 2009, the District employed approximately 810.9 full-time equivalent employees including 483.9 full-time equivalent certificated employees and 327.0 classified, management and supervisory full-time equivalent employees. In addition, the District employs 405 part-time faculty and staff. These employees, except management and some part-time employees, are represented by two bargaining units as noted below:

SAN MATEO UNION HIGH SCHOOL DISTRICT
Labor Relations

Labor Organization	Number of Employees in Organization	Contract Expiration Date
California Teachers Association	565	June 30, 2010
California School Employees Association (CSEA)	364	June 30, 2009

Source: The District.

Retirement Programs

The District participates in the State of California Teachers Retirement System ("STRS"). This plan covers all full-time and most part-time certificated employees. The District's contribution to STRS was $3,139,518 for fiscal year 2006-07, was $3,536,753for fiscal year 2007-08 and for fiscal year 2008-09 is projected at $4,044,694. 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.

The District also participates in the State of California Public Employees Retirement System ("PERS"). This plan covers all classified personnel who are employed more than four hours per day. The District's contribution to PERS was $1,352,417 for fiscal year 2006-07, was $1,393,874 for fiscal year 2007-08 and is projected to be $1,626,656 for fiscal year 2008-09. In order to receive PERS benefits, an employee must be at least 50 years old and have provided five years of service to California public schools.

Contribution rates to these two retirement systems vary annually depending on changes in actuarial assumptions and other factors, such as changes in benefits. The contribution rates are based on statewide rates set by the STRS and PERS retirement boards. STRS has substantial statewide unfunded liability. Since this liability has not been broken down by each school district, it is impossible to determine the District's share.

Other Post-Employment Benefits

The District provides post-employment health care benefits in the form of a medical insurance premium credit up to a maximum of $250.00 per month for ten years or until age 65, whichever comes first. As of June 30, 2008, 80 employees participated in this program at an estimated future cost of $345,616 to the District, which is recorded as a long-term liability. For the fiscal year ended June 30, 2008, expenditures of $140,949 were recognized for post-employment benefits.

The District has received a study by Steven Itelson on July 1, 2008 (the "Actuarial Study") with respect to its liability in connection with such post-employment health care benefits. The Actuarial Study, dated as of July 30, 2008, determined that the actuarial accrued liability with respect to the District's Post-Employment Benefits is $1,902,600, and that the present value of total projected benefits is $2,998,900. The Actuarial Study also concluded that the annual required contribution ("ARC") for the year beginning July 1, 2008 is $208,400. The ARC is the annual amount that would be necessary to fund the OPEB in accordance with the Governmental Accounting Standards Board's Statements No. 43 and 45.

Insurance

The District is a member of the San Mateo County Schools Insurance Group ("SMCSIG") public entity risk pool. The District pays an annual premium to the entity for its workers' compensation, property liability and medical insurance coverage. The relationship between the District and the pool is such that it is not a component unit of the District for financial reporting purposes.

Based upon prior claims experience, yearly claims audits and other reviews of ongoing claims, the District believes it is adequately insured.

Basic Aid

The District is a "Basic Aid" district. A majority of the funding that California schools receive is determined by the state revenue limit formula. This formula is based on an amount of support per pupil, which is increased each year by a legislatively determined cost of living adjustment. The per pupil amount is multiplied by a district's average daily attendance to determine the total revenue limit.

Each district receives a portion of the local property taxes that are collected within the district boundaries. This amount is compared to the total revenue limit; the balance is received in the form of State aid. Therefore, the sum of the property taxes and State aid equal the district's revenue limit. Districts which receive the minimum amount of State aid are known as "Basic Aid" districts.

Basic Aid districts (including the District) are those districts whose local property tax collections are of such a large magnitude that when compared to the district's total revenue limit, result in the receipt of the minimum State aid. This amount is defined in the State constitution as "basic aid." In some districts, the local tax collections exceed the total revenue limit. Current law in California allows these districts to keep the excess 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 determining factors.

Assessed Valuations

The assessed valuation of property in the District is established by the San Mateo County Assessor, except for public utility property, which is assessed by the State Board of Equalization.

Property within the District had an assessed valuation for fiscal year 2008-09 of $49,015,421,714. Shown in the following table are the assessed valuations for the District from fiscal year 2004-05 to fiscal year 2008-09.

SAN MATEO UNION HIGH SCHOOL DISTRICT
Fiscal Years 2004-05 to 2008-09
Assessed Valuation

	Secured	Utility	Unsecured	Total
2004-05	$32,864,327,254	$12,971,290	$4,478,498,907	$37,355,797,451
2005-06	35,359,549,459	12,558,782	4,174,921,429	39,547,029,670
2006-07	38,680,079,503	11,724,762	4,045,523,909	42,737,328,174
2007-08	41,685,629,380	7,819,752	4,079,309,837	45,772,758,969
2008-09	44,604,612,133	7,819,740	4,402,989,841	49,015,421,714

Source: California Municipal Statistics, Inc.

Tax Rates

The following table summarizes the total *ad valorem* tax rates levied by all taxing entities in a typical tax rate area within the District during the five-year period from fiscal year 2004-05 to fiscal year 2008-09.

SAN MATEO UNION HIGH SCHOOL DISTRICT
$1 Per $100 of Assessed Valuation
Summary of *Ad Valorem* Tax Rates

Typical Total Tax Rate (TRA 12-001)

	2004-05	2005-06	2006-07	2007-08	2008-09
General	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
City of San Mateo Bond	.0253	.0220	.0210	.0193	.0175
San Mateo-Foster City School District Bond	.0384	.0382	.0332	.0333	.0315
San Mateo High School District Bond	.0174	.0174	.0156	.0150	.0298
San Mateo Community College District Bond	.0065	.0065	.0184	.0171	.0165
Total	1.0876%	1.0841%	1.0882%	1.0847%	1.0953%

Source: California Municipal Statistics, Inc.

Largest Property Owners

The following table shows the 20 largest owners of taxable property in the District as determined by secured assessed valuation in fiscal year 2008-09.

SAN MATEO UNION HIGH SCHOOL DISTRICT
Largest 2008-09 Local Secured Taxpayers

	Property Owner	Primary Land Use	2008-09 Assessed Valuation	% of Total[(1)]
1.	Spieker Properties	Office Building	$ 345,596,502	0.77%
2.	Gilead Vintage Park LP	Industrial	270,387,845	0.61
3.	Franklin Templeton Corporate Services Inc.	Office Building	251,175,728	0.56
4.	ASN Bay Meadows I LLC	Apartments	224,122,196	0.50
5.	Visa International Services / Visa Land Development	Office Building	223,035,740	0.50
6.	ASN Tranforan Crossing I LLC	Apartments	171,184,357	0.38
7.	Bohannon Development Co.	Shopping Center	155,336,094	0.35
8.	The Gap Inc.	Office Building	151,411,824	0.34
9.	Park Place Realty Holding Co. Inc.	Office Building	147,900,000	0.33
10.	Sobrato Interests	Office Building	144,324,053	0.32
11.	Electronics for Imaging Inc.	Office Building	141,353,377	0.32
12.	Peninsula Office Park	Office Building	124,852,385	0.28
13.	BRE Properties Inc.	Apartments	123,621,045	0.28
14.	Applera Corporation	Industrial	112,027,843	0.25
15.	Essex Hillsdale Garden Apartments	Apartments	100,011,000	0.22
16.	SI VII LLC Lessee & SI XVII LLC	Apartments	99,848,202	0.22
17.	Oyster Point Properties Inc.	Undeveloped	97,912,388	0.22
18.	Tanforan Park Shopping Center LLC	Shopping Center	93,903,533	0.21
19.	Concar Acquisition Company	Office Building	92,926,500	0.21
20.	DW Bridgepointe LLC	Shopping Center	91,555,192	0.21
			$3,162,485,804	7.09%

(1) 2008-09 Local Secured Assessed Valuation: $44,604,612,133.
Source: California Municipal Statistics, Inc.

District Debt Structure

Long-Term Debt. A schedule of changes in long-term debt for the year ended June 30, 2008 is show below:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
General Obligation Bonds	$126,054,950	$62,700,000	$3,805,000	$184,949,950
Certificates of Participation	74,516,238	--	240,000	74,276,236
Unamortized (discount)/premium on long-term liabilities	423,002	1,021,213	6,080	1,438,135
Other post retirement benefits	486,565	--	140,949	345,616
Compensated absences	834,267	52,869	--	887,136
Totals	$202,315,020	$63,774,082	$4,192,029	$276,432,597

Certificates of Participation. On March 30, 2007, the District sold $74,516,236.40 of Certificates of Participation (the "2007 Certificates") to refinance outstanding certificates of participation of the District and to complete modernization and construction projects. The 2007 Certificates mature in varying amounts through 2043. At June 30, 2008, the District's certificate payment obligations were as follows:

Year Ending June 30	Debt Service
2009	$3,030,158
2010	3,307,308
2011	3,611,058
2012	3,576,358
2013	3,743,520
2014-2018	16,975,249
2019-2023	21,612,103
2024-2028	29,283,703
2029-2033	29,679,981
2034-2038	25,198,500
2039-2043	24,723,001
2044-2048	5,268,499
TOTAL	$170,009,438

On June 15, 2009 the District paid off $7,510,000 of outstanding 2007 Certificates from unspent proceeds.

General Obligation Bonds. In April 2001, the District issued its Election of 2000 General Obligation Bonds, Series A, in the aggregate principal amount of $60,000,000 (the "Series A Bonds"). In July 2002, the District issued its Election of 2000 General Obligation Bonds, Series B, in the aggregate principal amount of $49,996,151.60 (the "Series B Bonds"). In March 2004, the District issued its Election of 2000 General Obligation Bonds, Series C, in the aggregate principal amount of $27,503,797.65 (the "Series C Bonds"), representing the full remaining balance of the bonds authorized by the November 7, 2000 election. In September 2004, the District issued its 2004 General Obligation Refunding Bonds in the aggregate principal amount of $55,960,000 (the "2004 Refunding Bonds"), the proceeds of which were used to advance refund all of the outstanding Series A Bonds.

Pursuant to an election of registered voters of the District held on November 7, 2006 which authorized the issuance and sale of $298,000,000 principal amount of general obligation bonds of the District (the "2006 Authorization"), in June 2008, the District issued its Election of 2006 General Obligation Bonds, Series 2008A in the aggregate principal amount of $62,700,000 (the "Series 2008A Bonds"). The District has $235,300,000 remaining under its 2006 Authorization.

The annual requirements to amortize the District's general obligation bonds, assuming no optional redemptions are made, are as follows:

Year Ending September 1	Series B Bonds	Series C Bonds	2004 Refunding Bonds	Series 2008A Bonds	Total Annual Debt Service
2009	$2,740,000.00	$918,188.76	$3,886,331.26	$7,795,369.95	$15,339,889.97
2010	2,990,000.00	985,538.76	4,613,568.76	3,109,081.26	11,698,188.78
2011	3,250,000.00	1,050,163.76	4,622,318.76	2,749,081.26	11,671,563.78
2012	3,530,000.00	1,120,463.76	4,614,818.76	2,837,881.26	12,103,163.78
2013	3,815,000.00	1,192,495.00	4,620,043.76	2,978,081.26	12,605,620.02
2014	4,120,000.00	1,270,882.50	4,618,618.76	3,127,481.26	13,136,982.52
2015	4,435,000.00	1,349,107.50	4,618,750.00	3,285,481.26	13,688,338.76
2016	4,765,000.00	1,434,307.50	4,616,000.00	3,446,481.26	14,261,788.76
2017	5,105,000.00	1,522,677.50	4,551,250.00	3,620,081.26	14,799,008.76
2018	5,465,000.00	1,615,865.00	4,552,250.00	3,795,481.26	15,428,596.26
2019	5,840,000.00	1,708,365.00	4,555,500.00	3,987,281.26	16,091,146.26
2020	6,235,000.00	1,812,165.00	4,550,500.00	4,180,031.26	16,777,696.26
2021	6,645,000.00	1,918,000.00	4,552,250.00	4,389,531.26	17,504,781.26
2022	7,080,000.00	2,021,250.00	4,555,000.00	4,604,318.76	18,260,568.76
2023	7,530,000.00	2,135,000.00	4,553,250.00	4,829,237.50	19,047,487.50
2024	8,000,000.00	2,265,000.00	4,551,750.00	5,062,675.00	19,879,425.00
2025	8,490,000.00	2,385,000.00	--	5,311,450.00	16,186,450.00
2026	12,620,000.00	3,135,000.00	--	5,574,200.00	21,329,200.00
2027	--	16,195,000.00	--	5,844,887.50	22,039,887.50
2028	--	16,850,000.00	--	6,129,200.00	22,979,200.00
2029	--	--	--	6,430,475.00	6,430,475.00
2030	--	--	--	6,738,725.00	6,738,725.00
2031	--	--	--	7,067,500.00	7,067,500.00
2032	--	--	--	7,407,750.00	7,407,750.00
Total	$102,655,000.00	$62,884,470.04	$72,632,200.06	$114,301,763.83	$352,473,433.93

Tax and Revenue Anticipation Notes. On July 1, 2008, the District issued $22,375,000 of tax and revenue anticipation notes (the "2008 Notes") which matured on July 1, 2009 with an interest rate of 3.0% to provide for anticipated cash flow deficits from operations. The 2008 Notes were a general obligation of the District and were payable from revenues and cash receipts generated by the District during the fiscal year ended June 30, 2009. Repayment terms required the entire 2008 Notes principal and accrued interest to be set aside.

FINANCIAL AND DEMOGRAPHIC INFORMATION

The District

The San Marino Unified School District (the "District") was established in 1952 and encompasses approximately 3.75 square miles located in Los Angeles County and includes the City of San Marino ("San Marino") and some adjacent unincorporated areas of San Gabriel and Pasadena. The District is located below the foothills of the Angeles Crest mountains and south of the City of Pasadena. The District is currently operating two elementary schools, one middle school and one high school. Total assessed valuation of taxable property in the District in fiscal year 2008-09 is $4,389,162,068. The District operates under the jurisdiction of the County of Los Angeles Superintendent of Schools.

Financial Statements of the District

The following table shows the District's revenues, expenditures and fund balances for fiscal years 2004-05 through 2007-08 and the District's projected totals for fiscal year 2008-09.

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SAN MARINO UNIFIED SCHOOL DISTRICT
GENERAL FUND REVENUES, EXPENDITURES AND FUND BALANCES
Fiscal Years 2004-05 through 2008-09

	Audited Actuals 2004-05	Audited Actuals 2005-06	Audited Actuals 2006-07	Audited Actuals 2007-08	Projected Totals 2008-09[1]
REVENUES					
Revenue Limit Sources	$15,839,471	$16,710,796	$17,919,490	$18,629,264	$17,856,291
Federal Revenues	695,723	635,404	666,684	826,402	947,967
Other State Sources	2,297,602	2,359,468	3,744,752	2,673,556	2,249,923
Other Local Revenue	6,632,653	5,755,234	7,905,948	7,561,429	8,258,612
Total Revenues	25,465,449	25,460,902	30,236,874	29,690,651	29,312,793
EXPENDITURES					
Certificated Salaries	11,190,921	11,891,346	13,791,000	14,483,625	14,336,273
Classified Salaries	4,377,726	4,497,979	5,448,981	5,663,219	5,665,054
Employee Benefits	4,317,267	4,379,942	4,875,442	4,947,237	5,211,422
Books and Supplies	1,293,237	1,278,023	1,878,257	1,416,527	1,769,701
Services & Other Operating Expenses	2,165,298	2,450,389	3,178,480	3,165,085	3,415,169
Other Outgo	133,521	15,923	11,632	249,587	75,000
Capital Outlay	1,014,384	781,319	1,093,924	36,760	249,464
Direct Support/Indirect Costs	(27,022)	--	(34,750)	(37,523)	(38,000)
Total Expenditures	24,465,333	25,294,921	30,242,966	29,924,517	30,684,083
EXCESS (DEFICIENCY) OF REVENUES OTHER FINANCING SOURCES (USES)	1,000,116	165,981	(6,092)	(233,866)	(1,371,290)
Interfund Transfers In	175,000	75,000	107,000	170,315	153,134
Interfund Transfers Out	(257,049)	(504,628)	(359,622)	(321,454)	(6,578)
Other Sources	--	--	--	--	--
Total Other Financing Sources (Uses)	(82,049)	(429,628)	(252,622)	(151,139)	146,556
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)	918,067	(263,647)	(258,714)	(385,005)	(1,224,734)
Fund Balance (Deficit), July 1	2,201,129	3,119,196	2,855,549	2,596,835	2,211,830
Fund Balance (Deficit), June 30	$3,119,196	$2,855,549	$2,596,835	$2,211,830	$987,096

(1) From the District's Second Interim Report for Fiscal Year 2008-09.
Source: The District

General Fund and Adopted Budget

The following table reflects the comparison of the District's General Fund Adopted Budgets for fiscal years 2006-07 through 2008-09, audited actuals for fiscal years 2006-07 through 2007-08 and projected actuals for fiscal year 2008-09.

SAN MARINO UNIFIED SCHOOL DISTRICT
Comparison of General Fund Budgets
Fiscal Years 2006-07 through 2008-09

	Adopted Budget 2006-07	Audited Actuals 2006-07	Adopted Budget 2007-08	Audited Actuals 2007-08	Adopted Budget 2008-09	Projected Actuals 2008-09[1]
REVENUES						
Revenue Limit Sources	$17,872,640	$17,919,490	$18,618,248	$18,629,264	$18,336,449	$17,856,291
Federal Revenues	629,418	666,684	621,797	826,402	936,729	947,967
Other State Sources	2,299,257	3,744,752	2,521,501	2,673,556	2,356,677	2,249,923
Other Local Revenue	4,665,778	7,905,948	5,569,743	7,561,429	6,870,768	8,258,612
Total Revenues	25,467,093	30,236,874	27,331,289	29,690,651	28,500,623	29,312,793
EXPENDITURES						
Certificated Salaries	13,191,160	13,791,000	13,779,657	14,483,625	13,874,445	14,336,273
Classified Salaries	4,908,888	5,448,981	5,520,186	5,663,219	5,439,228	5,665,054
Employee Benefits	4,620,986	4,875,442	5,099,621	4,947,237	5,411,410	5,211,422
Books and Supplies	718,224	1,878,257	716,686	1,416,527	896,454	1,769,701
Services & Other Operating Expenses	1,933,581	3,178,480	2,055,229	3,165,085	2,835,138	3,415,169
Other Outgo	25,000	11,632	25,000	249,587	75,000	75,000
Capital Outlay	100,000	1,093,924	75,000	36,760	15,000	249,464
Debt Service	--	--	--	--	--	--
Direct Support/Indirect Costs	(34,410)	(34,750)	(34,496)	(37,523)		(38,000)
Total Expenditures	25,462,429	30,242,966	27,236,883	29,924,517	28,508,625	30,684,083
EXCESS (DEFICIENCY) OF REVENUES OTHER FINANCING SOURCES (USES)	4,664	(6,092)	94,406	(233,866)	(8,002)	(1,371,290)
Interfund Transfers In	107,000	107,000	107,000	170,315	151,829	153,134
Interfund Transfers Out	(160,000)	(359,622)	(160,000)	(321,454)	(177,000)	(6,578)
Other Sources	--	--	--	--	--	--
Total Other Financing Sources (Uses)	(53,000)	(252,622)	(53,000)	(151,139)	(25,171)	146,556
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)	(48,336)	(258,714)	41,406	(385,005)	(33,173)	(1,224,734)
Fund Balance (Deficit), July 1	2,855,549	2,855,549	2,596,835	2,596,835	2,211,830	2,211,830
Fund Balance (Deficit), June 30	$2,807,213	$2,596,835	$2,638,241	$2,211,830	$2,178,657	$987,096

(1) Projected based on District's Second Interim Report for Fiscal Year 2008-09.
Source: The District.

Administration

The District is governed by a Board of Education (the "Board"). The Board includes five voting members elected by the voters of the District, each of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between three and two available positions. Current members of the Board, together with their offices and the dates their terms expire, are listed below:

BOARD OF EDUCATION
San Marino Unified School District

Board Member	Office	Term Expires
Jeanie Caldwell	President	November 2009
Dr. Jeng Yen	Vice President	November 2009
C. Joseph Chang	Clerk	November 2009
Karen Preston	Member	November 2011
Chris Norgaard	Member	November 2011

The Superintendent of the District is responsible for administering the affairs of the District in accordance with the policies of the Board. Gary W. Woods is the District Superintendent. Julie Boucher is the Assistant Superintendent, Business Services.

Brief biographies follow:

Gary W. Woods , Superintendent. Dr. Woods currently serves as Superintendent of the District. Prior to joining the District, he served as an Area Superintendent in the Pajaro Valley Unified School District in Santa Cruz County. He was responsible for 12 of 36 schools within Pajaro Valley Unified School District. Dr. Woods' experience in education includes: high school English instructor, a part time university instructor, elementary and middle school site administrator, and a number of district level administrative positions. Dr. Woods earned a Bachelor's degree from the University of California, Davis, a Master's degree from California State University, Stanislaus, and a Doctorate in Educational Administration and Leadership from the University of the Pacific.

Julie Boucher, Assistant Superintendent, Business Services. Ms. Boucher was hired by the District as Assistant Superintendent, Business Services in 1998. Prior to joining the District, she spent ten years at Glendale Unified School District as a Financial Analyst. She received her Bachelor of Science degree from the University of New Hampshire in Hotel Administration and her Master of Business Administration degree from California State University, Los Angeles in Finance.

Average Daily Attendance

The total average daily attendance for the 2007-08 academic year was 3,139. On average throughout the District, the pupil:teacher ratio is approximately 20:1 in grades K-3, 28:1 in grades 4-5 and 30:1 in grades 6-12.

The following table shows the average daily attendance and enrollment for the District for the last four fiscal years and a projection for fiscal year 2008-09.

AVERAGE DAILY ATTENDANCE AND ENROLLMENT
Fiscal Year 2004-05 through 2008-09
San Marino Unified School District

Fiscal Year	Average Daily Attendance	FTES Enrollment
2004-05	3,243	3,301
2005-06	3,245	3,282
2006-07	3,208	3,242
2007-08	3,197	3,199
2008-09[1]	3,145	3,202

Note: All amounts are rounded to the nearest whole number.
[1] Projected.
Source: The District.

In 2007-08, the District received $18,629,264 from revenue limit sources, accounting for approximately 62.7% of its General Fund revenue. For 2008-09, the District has estimated $17,856,291 of revenue limit source income, which is approximately 60.9% of its projected General Fund revenue.

Labor Relations

As of June 1, 2009, the District employed approximately 179.80 full-time equivalent certificated employees and approximately 114.40 full-time equivalent classified employees and 24 part-time faculty and staff. These employees, except management and some part-time employees, are represented by the two bargaining units as noted below:

DISTRICT EMPLOYEES
San Marino Unified School District

Labor Organization	Number of Employees In Bargaining Unit	Contract Expiration Date
San Marino Teachers Association	172	June 30, 2011
California Schools Employees Association	112	June 30, 2011

Source: The District.

District Retirement Systems

STRS and PERS. Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System ("STRS") and classified employees are members of the Public Employees' Retirement System ("PERS").

All full-time certificated employees participate in STRS, a cost-sharing, multiple-employer contributory public employee retirement system. STRS provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

All full-time and some part time classified employees participate in PERS, a cost-sharing multiple-employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provision are established by the State statutes, as legislatively amended, with the Public

Employees' Retirement Laws. The District is part of a "cost-sharing" pool within PERS. One actuarial valuation is performed for those employers participating in the pool, and the same contributions rated applies to each.

The District's contributions to STRS for the fiscal years 2006-07 and 2007-08 were $1,111,499 and $1,167,821, respectively. The District estimates that its STRS contribution for fiscal year 2008-09 will be $1,129,592.

The District's contributions to PERS for the fiscal years 2006-07 and 2007-08 were $419,793 and $449,260, respectively. The District estimates that is PERS contribution for fiscal year 2008-09 will be $469,590.

The District is currently required by statute to contribute 8.25% of eligible salary expenditures to STRS, while participants contribute 8% of their respective salaries. STRS has a substantial statewide unfunded liability. Since this liability has not been broken down by each school district, it is impossible to determine the District's share. The District is required to contribute to PERS at an actuarially determined rate, which was 9.306% of eligible salary expenditures for fiscal year 2007-08, while participants contribute 7% of their respective salaries.

Other Postemployment Benefits

The District provides post-employment dental and health care benefits, in accordance with District employment contracts, to all employees who retire from the District. Currently, 36 employees meet those requirements. The District contributes 100% of the amount of premiums incurred by retirees and their dependents prior to age 65. Expenditures for post-employment benefits are recognized on a pay-as-you-go basis, as retiree's claims/premiums are paid.

Governmental Accounting Standards Board Statement No. 45 ("GASB 45") requires governmental agencies that fund post-employment benefits on a pay-as-you-go basis, such as the District, to account for and report the outstanding obligations and commitments related to such post-employment benefits in essentially the same manner as for pensions. The District retained Demsey Filliger (the "Actuarial Consultant") to calculate the District's post-employment benefits funding status. In a report dated February 28, 2009 (the "Report"), the Actuarial Consultant concluded that, as of July 1, 2008, the District's unfunded actuarial accrued liability for post employment benefits based upon a 5% discount rate was $645,181.

Joint Powers Authority

The District participates in four joint ventures (each a "JPA") under joint powers agreements: the West San Gabriel Valley Schools' Liability and Property Joint Powers Authority ("WSGLP"), the West San Gabriel Valley Schools' Workers Compensation Joint Powers Authority ("WSGWC"), the Southern California Schools Employee Benefit Association Authority ("SCSEBA") and the Alliance of School Cooperative Insurance Program ("ASCIP"). The relationships between the District and the JPAs are such that none of the JPAs is a component unit of the District for financial reporting purposes.

Each of the JPAs is governed by a board consisting of a representative from each member district. The governing board controls the operations of its JPAs independent of any influence by the member districts beyond their representation on a the governing board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the JPAs.

Assessed Valuations

Property within the District had an assessed valuation for fiscal year 2008-09 of $4,389,162,068. Shown in the following table are the assessed valuations for the District.

ASSESSED VALUATIONS
Fiscal Year 2003-04 through 2008-09
San Marino Unified School District

	Local Secured	Utility	Unsecured	Total
2003-04	$3,120,693,954	--	$11,098,055	$3,131,792,009
2004-05	3,327,649,724	--	11,310,143	3,338,959,867
2005-06	3,597,375,693	--	11,732,292	3,609,107,985
2006-07	3,850,746,224	--	12,483,833	3,863,230,057
2007-08	4,100,482,995	--	12,317,918	4,112,800,913
2008-09	4,376,674,721	--	12,487,347	4,389,162,068

Source: California Municipal Statistics, Inc.

Tax Rates

The following table summarizes the total *ad valorem* tax rates levied by all taxing entities in a typical tax rate area within the District from fiscal year 2003-04 to fiscal year 2008-09.

SUMMARY OF *AD VALOREM* TAX RATES
Fiscal Years 2003-04 through 2007-08
Typical Total Tax Rates (TRA 8604)
San Marino Unified School District

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
County General Rate	1.000000%	1.000000%	1.000000%	1.000000%	1.000000%	1.000000%
Los Angeles County	.000992	.000923	.000795	.000663	-	-
Los Angeles County Flood Control District	.000462	.000245	.000049	.000052	-	-
Metropolitan Water District	.006100	.005800	.005200	.004700	.004500	.004300
San Marino Unified School District	.086529	.085154	.075735	.078013	.075861	.075054
Pasadena Area Community College District	.006814	.008786	.004103	.020801	.019720	.017417
Total	1.100897%	1.100908%	1.085882%	1.104229%	1.100081%	1.096771%

Source: California Municipal Statistics, Inc.

Largest Property Owners

The following table shows the 20 largest owners of taxable property in the District as determined by secured assessed valuation in fiscal year 2008-09.

20 LARGEST LOCAL SECURED TAXPAYERS
2008-09 Assessed Valuations
San Marino Unified School District

	Property Owner	Primary Land Use	2008-09 Assessed Valuation	% of Total [1]
1.	Charles B. Thornton Jr.	Residential	$15,903,748	0.36%
2.	RIS Family LP	Residential	12,461,859	0.28
3.	Andrew F. Barth	Residential	10,109,759	0.23
4.	AL US San Gabriel Senior Housing LP	Rest Home	9,059,031	0.21
5.	Fang Z. Liu	Residential	7,545,103	0.17
6.	United National Bank	Office Building	7,358,505	0.17
7.	Raymond M. & Carrie H. Zhong	Residential	7,292,951	0.17
8.	Wholesuccess Limited	Residential	7,107,360	0.16
9.	Grant L. & Margaret C. Cambridge	Residential	6,955,031	0.16
10.	Watty T. Sentoso	Residential	6,738,000	0.15
11.	Yung C. Ma	Residential	6,500,000	0.15
12.	Ying Zhou	Residential	6,450,000	0.15
13.	William H. Tanner	Residential	6,386,347	0.15
14.	975 Orlando LLC	Residential	6,341,342	0.14
15.	Nina C. Khoo	Residential	6,152,389	0.14
16.	Samantha Corporate Building LLC	Office Building	6,120,000	0.14
17.	Wiztime LP	Residential	6,034,320	0.14
18.	John C. Chiang	Residential	5,774,866	0.13
19.	William C. & Diana M. Chang	Residential	5,749,441	0.13
20.	Gary W. & Grace C. Dunn	Commercial	5,666,100	0.13
			$151,706,152	3.47%

(1) 2008-09 Local Secured Assessed Valuation: $4,376,674,721.
Source: California Municipal Statistics, Inc.

District Debt Structure

Long-Term Debt. A schedule of changes in long-term debt for the year ended June 30, 2008, is shown below:

	Balance July 1, 2007	Additions and Adjustments	Deductions	Balance June 30, 2008
General Obligation Bond	$51,231,663	$672,650	$1,200,000	$50,704,313
Capital Leases	274,134	--	130,653	143,481
Compensated absences	27,718	97,855	440	125,133
Totals	$51,533,515	$770,505	$1,331,093	$50,972,927

Source: The District.

General Obligation Bonds. The District received authorization at an election of the registered voters of the District held in June 1996 to issue not to exceed $34,330,000 of general obligation bonds (the "1996 Authorization"). In August 1996, the District issued its 1996 General Obligation Bonds, Series 1996A in the aggregate principal amount of $6,615,000 (the "Series A Bonds"). In May 1998, the District issued its 1998 General Obligation Bonds, Series B in the aggregate principal amount of $27,715,000 (the "Series B Bonds"). The Series B Bonds were the second series of bonds issued pursuant to the 1996 Authorization and mature on June 1, 2023. As of July 1, 2009, the principal balance outstanding was $23,200,000.

In August 2000, the District issued its General Obligation Bonds (Election of 2000), Series 2000A in the aggregate principal amount of $17,999,807.60 (the "Series 2000A Bonds"). The Series 2000A Bonds were the first series of bonds issued pursuant to a regularly scheduled election of the registered voters of the District and mature through July 2025. As of July 1, 2009, the principal balance outstanding of the Series 2000A Bonds was $15,929,807.60.

In April 2001, the District issued its 2001 General Obligation Bonds Refunding Bonds in the amount of $6,535,000 to refund the Series A Bonds (the "Series A Refunding Bonds"). The Series A Refunding Bonds mature on August 1, 2021. At July 1, 2009, the principal balance outstanding of the Series A Refunding Bonds was $4,695,000.

The following table shows future debt service payments on all of the District's outstanding general obligation bonds assuming no optional redemptions are made:

Year Ending August 1	Series B Bonds	Series 2000A Bonds	Series A Refunding Bonds	Total Annual Debt Service
2009	$2,036,215.00	$946,850.00	$ 484,255.00	$ 3,467,320.00
2010	2,099,540.00	1,053,225.00	488,920.00	3,641,685.00
2011	2,167,450.00	1,127,112.50	487,720.00	3,782,282.50
2012	2,234,275.00	1,206,012.50	490,830.00	3,931,117.50
2013	2,297,275.00	1,292,262.50	493,172.50	4,082,710.00
2014	2,366,125.00	1,384,500.00	494,572.50	4,245,197.50
2015	2,212,887.50	1,694,125.00	495,000.00	4,402,012.50
2016	2,268,850.00	1,809,325.00	497,500.00	4,575,675.00
2017	2,318,250.00	1,820,000.00	499,000.00	4,637,250.00
2018	2,371,087.50	1,945,000.00	504,500.00	4,820,587.50
2019	2,421,837.50	2,070,000.00	503,750.00	4,995,587.50
2020	2,480,237.50	2,195,000.00	502,000.00	5,177,237.50
2021	2,535,500.00	2,330,000.00	509,250.00	5,374,750.00
2022	2,907,750.00	2,665,000.00	--	5,572,750.00
2023	2,949,250.00	2,830,000.00	--	5,779,250.00
2024	--	5,820,000.00	--	5,820,000.00
2025	--	6,080,000.00	--	6,080,000.00
Total	$35,666,530.00	$38,268,412.50	$ 6,450,470.00	$80,385,412.50

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