

**NEW ISSUE—BOOK ENTRY ONLY****RATING:**

Moody's: "MIG 1"  
(See "Rating" herein)

In the opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, subject, however, to certain qualifications described in this Official Statement, under existing law, interest on the Notes (i) is excludable from gross income of the owners thereof for federal income tax purposes, (ii) is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, and (iii) is not taken into account in computing adjusted current earnings, which is used as an adjustment in determining the federal alternative minimum tax for certain corporations. In addition, in the opinion of Bond Counsel, interest on the Notes is exempt from personal income taxation imposed by the State of California. See "TAX MATTERS" herein.

**\$3,600,000**

**SCHOOL PROJECT FOR UTILITY RATE REDUCTION**  
**2009 Revenue Anticipation Notes**  
**(Natural Gas Purchase Program for Member California School Districts and**  
**Community Colleges and Other Non-Member Affiliated Public Entities)**

**Dated: October 21, 2009****Due: August 18, 2010**

The Notes will be issued in denominations of \$1,000 or any multiple thereof. Principal and interest on the Notes will be payable upon maturity by check or draft of Wells Fargo Bank, National Association, San Francisco, California (the "Paying Agent").

**MATURITY SCHEDULE**

<u>Amount</u>	<u>Coupon</u>	<u>Yield</u>	<u>CUSIP+</u>
\$3,600,000	2.00%	1.20%	807862 AN7

The Notes, in accordance with California law, are general obligations of the School Project for Utility Rate Reduction ("SPURR") payable solely from income, revenue and other moneys of SPURR attributable to SPURR's 2009-2010 fiscal year and lawfully available for payment thereof. As security for the payment of the Notes and the interest thereon, SPURR has pledged (i) an amount equal to \$1,200,000 from the first unrestricted revenues received by SPURR attributable to the month of April, 2010, (ii) an amount equal to \$1,200,000 from the first unrestricted revenues received by SPURR attributable to the month of May, 2010, and (iii) an amount equal to \$1,200,000, plus an amount sufficient to pay interest on the Notes and any deficiency in the amounts required to be deposited during any prior month, from the first unrestricted revenues received by SPURR attributable to the month of June, 2010.

The Notes will be issued by a book entry system with no physical distribution of Notes made to the public. The Depository Trust Company ("DTC"), New York, New York, will act as Depository for the Notes, which will be immobilized in their custody. The Notes will be registered in the name of Cede & Co., as nominee for DTC. The Notes will not be subject to redemption prior to maturity. Principal of and interest on the Notes will be paid at maturity by Wells Fargo Bank, National Association to DTC, for payment to the DTC Participants. See "Book Entry Only System" herein for a further explanation. The Notes are, to the extent more fully described herein, legal investments for commercial banks in California and are eligible to secure deposits of public moneys in the State of California.

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

*The Notes will be offered when, as and if issued and received by the Underwriter, subject to the approval as to their legality by Quint & Thimmig LLP, San Francisco, California, Bond Counsel. Certain legal matters also will be passed upon for the SPURR by Quint & Thimmig LLP, San Francisco, California, as Disclosure Counsel. It is anticipated that the Notes will be available for delivery, through the facilities of DTC, on or about October 21, 2009.*

**Wells Fargo Institutional Securities, LLC****Dated: October 15, 2009**

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No dealer, broker, salesperson or other person has been authorized by SPURR or the Underwriter to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing.

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 Notes by a person in any jurisdiction in which it is unlawful for such person to make an offer, solicitation or sale. This Official Statement is not to be construed as a contract between SPURR or the Underwriter and the purchasers of the Notes. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representation of facts.

The information set forth herein has been obtained from sources believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as representation by SPURR or the Underwriter. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of SPURR since the date hereof. This Official Statement is submitted with respect to the sale of the Notes referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by SPURR. All summaries of the documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

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

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From time to time, Wells Fargo Bank, N. A. and other banks and companies affiliated with WFIS may lend money to an issuer of securities or debt that are underwritten or dealt in by WFIS. Within the prospectus or other documentation provided with each such underwriting or placement there will be a disclosure of any material lending relationship by an affiliate of WFIS with such an issuer and whether the proceeds of such an issuance of such debt securities will be used by the issuer to repay any outstanding indebtedness of any WFIS affiliate.

From time to time, WFIS may participate in a primary or secondary distribution of securities bought or sold by a purchase of bonds or notes. WFIS and its affiliates may also act as an investment advisor to issuers whose securities may be sold to a purchaser of those bonds or notes.

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**SCHOOL PROJECT FOR UTILITY RATE REDUCTION  
("SPURR")**

**Board of Directors**

Steven Adams, *SPURR Board President*, Clovis Unified School District  
John W. Bitoff, *Vice President/Clerk*, San Francisco Unified School District  
Carlene Naylor, *SPURR Treasurer*, Alameda County Office of Education  
Paul Bielen, Sonoma County Junior College District  
Joyce Lopes, Sierra Community College District  
John Quinto, Fresno Unified School District  
Scott Siegel, Ceres Unified School District  
Brian Stephens, Northern Humboldt Union High School District  
William Stephens, Fremont Unified School District

**SPURR Officials**

Michael Rochman, J.D., Managing Director  
Alethea Rollins, Accounting Manager  
Gary Mingle, CPA, Accounting Consultant

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**Bond Counsel**

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San Francisco, California

**Paying Agent**

Wells Fargo Bank, National Association  
San Francisco, California

**Underwriter**

Wells Fargo Institutional Securities, LLC  
San Francisco, California

## OFFICIAL STATEMENT

\$3,600,000

### SCHOOL PROJECT FOR UTILITY RATE REDUCTION ("SPURR") 2009 Revenue Anticipation Notes

#### INTRODUCTION

This Preliminary Official Statement has been prepared under the direction of the School Project for Utility Rate Reduction ("SPURR") in order to furnish information with respect to its sale of certain revenue anticipation notes designated "School Project for Utility Rate Reduction (SPURR), 2009 Revenue Anticipation Notes" (the "Notes") in the principal amount of \$3,600,000. The Notes have been authorized pursuant to a resolution adopted by SPURR on June 25, 2009 (the "Resolution"). The Notes will be issued in full conformity with the Constitution and laws of the State of California (the "State"), including Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the California Government Code (the "Act") and under such statute are general obligations of SPURR but are payable solely from income, revenue and other moneys of SPURR attributable to the fiscal year commencing on July 1, 2009 (the "Fiscal Year 2009-2010") and legally available therefor.

Proceeds from the sale of the Notes will be used for the purchase of natural gas to be sold by SPURR to member school districts and non-member affiliated public entity participants (members and non-member participants to be referred to hereinafter as jointly, the "Participants" or individually as "Participant"). SPURR may issue the Notes only if the principal of and interest on the Notes will not exceed 85 percent of the estimated amount of the then uncollected moneys legally available for the payment of the Notes.

#### THE NOTES

##### Authority for Issuance

The Notes are issued under the authority of the Act and pursuant to the Resolution.

##### Purpose of Issue

SPURR was formed, among other things, for the purpose of aggregating gas and other utility purchases for its member school districts and community college districts and county offices of education. Subsequent to its formation and commencement of operations, SPURR added to and included in its gas aggregation program certain non-member participants. See "THE SCHOOL PROJECT FOR UTILITY RATE REDUCTION—Non-Member Participants—Continued Program Participation—Other Joint Powers Authority Membership Non-Member Affiliated Public Entity" below. SPURR's non-members currently account for less than 30% of the total gas program by both volume and expenditure.

SPURR has been providing natural gas aggregation services since 1991. SPURR aggregates purchasing for the purpose of reducing and managing price volatility with respect to the net effective cost of gas and other gas-related services supplied to the Participants. By aggregating large purchases of natural gas and related services, i.e., interstate and intrastate transportation of gas, gas storage, billing and reporting, the program is intended to provide the benefits of direct access to wholesale markets, as well as the ability, in management's opinion, to protect against price spikes, and to pass those benefits along to the Participants.

In particular, in response to continued volatility in natural gas prices on a national level and in California, which put a great deal of pressure on Participants' energy budgets, SPURR offered Participants fixed rate pricing options for the 2009-2010 program year, backed by fixed price contracts or hedges implemented by SPURR in the wholesale market. For example, a fixed rate set at the beginning of the program year covers 40% of annual usage for participants in the core program. Some individual core Participants have selected a different level of fixed rate coverage. Non-core Participants each select their own level of fixed rate coverage. It is the opinion of SPURR that, as a consequence of this risk-reduction strategy, Participants have a much higher level of budgetary protection than they had in program years prior to implementation of fixed rate strategies (in the 2001-2002 program year). **There can be no assurance as to whether or not these fixed rates will be higher or lower than spot market rates that may be available over the course of the 2009-2010 program year which is the subject of these Notes.**

Issuance of the Notes will provide moneys for the timely monthly purchase of natural gas to be sold by SPURR to Participants in the State of California. From FY 1994-1995 through FY 1998-1999, SPURR's billing practice had been to base invoices to Participants on estimated gas purchases by the various Participants in their gas purchase program. This method of billing by SPURR had over the years presented certain accounting difficulties for many of the Participant districts with regard to their ability to recognize exact monthly expenditures on a timely basis. For this reason SPURR decided, after consultation with a representative cross section of its membership and Participants, that it was in the best interest of its Participants to be invoiced for gas purchases on an "actual" gas usage, i.e., metered, rather than an "estimated" gas usage basis. SPURR would thereby most likely incur monthly operating cash flow deficits resulting from the timing of SPURR's payment for gas it purchases on behalf of its Participants and the time that it is reimbursed for the gas following payment by individual Participants on an actual gas delivery basis. SPURR estimates a cash flow gap of up to 90 days or longer from the time that SPURR pays for monthly gas purchases and the point in time when they are paid by individual member and non-member Participant districts for the respective monthly gas amounts. This is why, commencing with the FY 1999-2000 Revenue Anticipation Notes, SPURR provided an interim financing source for their gas delivery programs. The Notes continue this interim financing approach.

### **Description of the Notes**

The Notes will be dated October 21, 2009, and will mature on August 18, 2010. The Notes will bear interest at the rate specified thereon, payable at maturity and computed on a 30-day month/360-day year basis. The Notes will be issued in fully registered form in denominations of \$1,000, or any multiple thereof. Principal and interest on the Notes will be payable upon maturity by check or draft of Wells Fargo Bank, National Association (the "Paying Agent"). The Notes will not be subject to redemption prior to maturity.

### **Book Entry Only System**

The Notes will be issued by a book entry system, evidencing ownership of the Notes in principal amounts of \$1,000 or integral multiples thereof with no distribution of Notes made to the public. DTC will act as depository for the Notes, which will be immobilized in its custody. The Notes will be registered in the name of Cede & Co., as nominee for DTC. DTC is a limited-purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve system, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" physical registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC was created to hold securities of its participants (the "DTC Participants") and to facilitate the clearance and settlement of securities transactions among DTC Participants in such securities through electronic book entry changes in accounts of the DTC Participants, thereby eliminating the need

for physical movement of securities certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations, some of whom (and/or their representatives) own DTC. Access to the DTC system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly (the "Indirect Participants").

Purchases of the Notes under the book entry system may be made through brokers and dealers who are, or act through, DTC participants. The DTC Participants shall receive a credit balance in the records of DTC. The ownership interest of the actual purchaser of each Note (the "Beneficial Owner") will be recorded through the records of the DTC Participant. Beneficial Owners will receive a written confirmation of their purchase providing details of the Note acquired. Transfers of ownership interests in the Notes will be accomplished by book entries made by DTC and by the DTC Participants who act on behalf of the Beneficial Owners. Beneficial Owners will not receive Notes representing their ownership interest in the Notes. Interest and principal will be paid to DTC, or its nominee, and then paid by DTC to the DTC Participants and thereafter paid by the DTC Participants to the Beneficial Owners when due.

**SPURR WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO THE DTC PARTICIPANTS OR THE INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS.**

Beneficial Owners of the Notes will not receive or have the right to receive physical delivery of such Notes, and will not be or be considered to be owners thereof so long as Cede & Co. is the registered owner of the Notes, as nominee of DTC, references herein to the holders or registered owners of the Notes shall mean Cede & Co. and shall not mean the Beneficial Owners of the Notes.

DTC may determine to discontinue providing its service with respect to the Notes at any time by giving notice to SPURR and discharging its responsibilities with respect thereto under applicable law. Under such circumstances, unless a substitute depository is retained by SPURR, Notes will be delivered and registered as designated by the Beneficial Owners. The Beneficial Owner, upon registration of Notes held in the Beneficial Owner's name, will become the Noteholder.

SPURR may determine that continuation of the system of book entry transfers through DTC (or a successor depository) is not in the best interests of the Beneficial Owners. In such event, Notes will be delivered and registered as designated by the Beneficial Owners. The principal of and interest on the Notes will be paid to DTC or its nominee, Cede & Co., as registered owner of the Notes. Upon receipt of moneys, DTC's current practice is to immediately credit the accounts of the DTC Participants and in accordance with their respective holdings shown on the records of DTC. Payments by DTC Participants and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such DTC Participant or Indirect Participant and not of DTC or SPURR, subject to any statutory and regulatory requirements as may be in effect from time to time.

### **Security for the Notes and Available Sources of Repayment**

The Notes and the interest thereon are general obligations of SPURR but are payable solely from income, revenue and other moneys received by SPURR during Fiscal Year 2009-2010 and legally available for payment thereof. Certain of said moneys have been specifically pledged to the total payment of the Notes and the interest thereon. As security for the payment

of the Notes and the interest thereon, SPURR has pledged (i) an amount equal to \$1,200,000 from the first unrestricted revenues received by SPURR in the month of May, 2010, attributable to the month of April, 2010, (ii) an amount equal to \$1,200,000 from the first unrestricted revenues received by SPURR in the month of June, 2010, attributable to the month of May, 2010, and (iii) an amount equal to \$1,200,000, plus an amount sufficient to pay interest on the Notes and any deficiency in the amounts required to be deposited during any prior month, from the first unrestricted revenues received by SPURR in the month of July, 2010, attributable to the month of June, 2010. The principal of the Notes and the interest thereon shall constitute a first lien and charge against, and shall be payable from, the first moneys received by SPURR from the Pledged Revenues and, to the extent not so paid, shall be paid from any other moneys of SPURR lawfully available therefor (all as provided in Sections 53856 and 53857 of the California Government Code).

The Resolution requires SPURR to transfer the Pledged Revenues, during the month such moneys are received, to the Paying Agent for deposit in a special account (the "Repayment Account") and such moneys to be so held until the Notes and all interest thereon are paid or until provision has been made for the payment of the Notes at maturity with interest to maturity. All moneys held by the Paying Agent in the Repayment Account shall be invested by the Paying Agent, on behalf of SPURR, as directed by the Managing Director of SPURR, and the proceeds of any such investments shall be deposited in the Repayment Account. Such investments may include but need not be limited to, in the Local Agency Investment Fund maintained by the Treasurer of the State of California.

After such date as the amount of Pledged Revenues deposited in the Repayment Account will be sufficient to pay in full the principal of and interest on the Notes, when due, any moneys in excess of such amount remaining in or accruing to the Repayment Account will be transferred to the Gas Enterprise Fund of SPURR. Until the Notes and all interest thereon are paid or until provision has been made for the payment of the Notes at maturity with interest to maturity, the moneys in the Repayment Account will be applied only for the purposes for which the Repayment Account is created.

Not including Note proceeds, SPURR expects to receive an estimated \$47,500,000 in revenues on a cash basis in Fiscal Year 2009-2010. The amount of revenues needed to pay principal and interest on the Notes will be \$3,659,400, providing a note coverage of approximately 12.98 times.

## **THE SCHOOL PROJECT FOR UTILITY RATE REDUCTION**

### **History and Operation**

The School Project for Utility Rate Reduction ("SPURR") is a joint exercise of powers authority duly organized and existing under the laws of the State of California. SPURR was formed pursuant to the terms of a Joint Powers Agreement dated as of September 1, 1989 and Title 1, Division 7, Chapter 5 of the Government Code, with the express purpose to seek reduction of utility rates, especially for electricity and natural gas on behalf of its members.

SPURR inaugurated a program of self-procurement of natural gas supplies that are delivered and accounted for by PG&E in February 1992. Participants pay for their natural gas by depositing monthly payments into an escrow account managed by Union Bank which, upon direction from SPURR, shall transfer payment amounts to Wells Fargo Bank, National Association, the Paying Agent for the Notes.

No SPURR member participating district has ever defaulted on its gas bill; nor has any payee not been paid.

## **Bankruptcy of Pacific Gas & Electric Company, Inc.**

On April 6, 2001, PG&E filed a petition for relief, pursuant to Chapter 11 of the U. S. Bankruptcy Code, in the United States Bankruptcy Court for the Northern District of California (the "Court") requesting protection from its creditors. On December 18, 2003 The Court approved a plan of reorganization for PG&E (the "PG&E Plan") and PG&E emerged from bankruptcy in April 2004 in accordance with the PG&E Plan.

SPURR has no way of predicting how the future disposition of the PG&E Plan shall be implemented and what its ultimate effects on the California energy industry may be, nor, what financial and operational conditions PG&E will face after the implementation of the PG&E Plan or thereafter.

SPURR can therefore give no assurances as to the future ability of PG&E to deliver gas and related services to SPURR or to the Participants.

## **Board of Directors**

SPURR is governed by a nine-person board of directors selected in accordance with the SPURR By-Laws. Non-member Participants are not represented on the board. The principal occupation of each member and officer are as follows:

**Steven Adams—Administrator of Assessment and Accountability—Clovis Unified School District—SPURR Board President.** Responsible for all mandated State and Federal testing, local assessments, categorical funding, geographic information system analysis, and demographic analysis.

**John W. Bitoff—Executive Director of Maintenance and Operations—San Francisco Unified School District—SPURR Board Vice President/Clerk.** Responsible for facilities operations and management, including energy conservation programs, for the district.

**Carlene Naylor—Associate Superintendent, Business—Alameda County Office of Education—SPURR Treasurer.** Responsible for all phases of business management for the office of education including the overall supervision of the business services of each school district in the county.

**Paul Bielen—Director of Facilities Operations—Sonoma County Junior College District.** Manages maintenance programs and construction projects, and related staff and contracting issues, for the district.

**Joyce Lopes—Director of Finance—Sierra Community College District.** Oversees finance, payroll, cashiering, purchasing, food service and the bookstore for the district.

**John Quinto—Manager of Operations—Fresno Unified School District.** Manager of Operations (custodial, gardening, environmental services, energy management, telecommunications, and security) for the district.

**Scott Siegel—Deputy Superintendent, Business Services—Ceres Unified School District.** Responsible for business management of the district, including fiscal controls, budgetary planning, and related services.

**Brian Stephens—Assistant Superintendent, Business Services—Northern Humboldt Union High School District.** Responsible for business management of the district, including fiscal controls, budgetary planning, and related services.

**William Stephens—Assistant Superintendent for Business Services—Fremont Unified School District.** Responsible for business management of the district, including fiscal controls, budgetary planning, and related services.

### **Staff Management**

**Michael Rochman, J. D.—Managing Director of SPURR.** Responsible for managing all phases of SPURR’s operation including the natural gas program. Mr. Rochman is an attorney and non-practicing member of the Bar of the State of California. Prior to assuming the role of Managing Director of SPURR, Mr. Rochman practiced law with a firm of attorneys in San Francisco and he specialized in commercial transactions and general law. He received his J.D. from Boalt Hall School of Law of the University of California, Berkeley.

**Alethea Rollins, Accounting Manager.** Responsible for managing day-to-day operations of the natural gas program including all aspects of accounting, billing and customer service. Ms. Rollins works closely with the Finance Manager to prepare for the annual audit.

**Gary Mingle, Accounting Consultant.** Responsible for managing the day-to-day finance and banking. In addition, Mr. Mingle works closely with accounting manager to maintain the daily accounting books and records. Mr. Mingle is a licensed C.P.A. with a MBA from the University of Chicago.

### **Member School Districts**

There are currently 255 school districts and colleges predominantly in Northern California which are members of SPURR. A complete list of SPURR’s membership is contained in Appendix B. Additionally, 200 member and non-member school districts, universities or public agencies in Northern California participate currently in the natural gas program that supports the repayment of these Notes. These participating members are listed in Appendix A.

*Participants may opt to leave the SPURR gas aggregation program on any July 1 if they provide sufficient notice to SPURR. In effect, although they enter into multi-year contracts with SPURR for gas aggregation and related services, Participants may nevertheless exit the program on 120 days notice prior to the start of the next fiscal year. They remain however responsible for their share of gas payment obligations incurred while participating in the program. Also, any Participant that has specifically agreed to a longer term arrangement with SPURR will be obligated for the duration of that term. The Participants identified in Appendix A—“SPURR Natural Gas Program Participants” are all under contract at least through June 30, 2010, unless specifically noted in the appendix.*

### **Non-Member Participants**

Non-member Participants currently comprise less than 30% of the total gas aggregation program, by volume and dollars, of the overall gas aggregation efforts of SPURR. It has been the policy of SPURR to permit a limited number of non-member Participants into the gas program. Non-member Participants may be cities, counties, public universities, departments of the state government, Southern California school districts which commenced participation in the gas program during a period in which they were not eligible to join SPURR based on geography, departments of the federal government, and, to a very limited extent (less than 5% of program volume), not-for-profit educational institutions. These non-members are referenced by asterisk in Appendix A—“SPURR Natural Gas Program Participants.”

Non-member Participants may opt to leave the SPURR gas aggregation program in the same manner as Member School Districts (See above – “Member School Districts – Continued Program Participation”).

## Revenues and Expenses

The audited statements of revenues, expenditures and changes in net assets for the four fiscal years ended June 30, 2008, and the unaudited statement of revenues, expenditures and changes in net assets for the fiscal year ended June 30, 2009, are shown in the following table.

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS for the five fiscal years ended June 30, 2009

	<b>2005</b> <b>(Audited)</b>	<b>2006</b> <b>(Audited)</b>	<b>2007</b> <b>(Audited)</b>	<b>2008</b> <b>(Audited)</b>	<b>2009</b> <b>(Unaudited)</b>
<b>Revenues</b>					
Operations					
Natural gas revenues	\$31,169,345	\$43,283,358	\$44,180,371	\$49,644,540	\$48,268,572
Investing					
Interest income	103,930	228,672	501,472	347,192	344,112
<b>Total revenues</b>	<u>31,273,275</u>	<u>43,512,030</u>	<u>44,681,843</u>	<u>49,991,732</u>	<u>48,612,684</u>
<b>Expenditures</b>					
Operations					
Natural gas costs:					
Gas supply costs	21,062,939	30,200,974	31,238,488	34,518,743	33,787,014
Transportation costs	9,287,760	11,135,606	12,110,415	12,155,461	12,377,607
Total natural gas costs	30,350,699	41,336,580	43,348,903	46,674,204	46,164,621
Management and administration	505,170	631,072	688,263	1,364,496	1,281,938
	<u>30,855,869</u>	<u>41,967,652</u>	<u>44,037,166</u>	<u>48,038,700</u>	<u>47,446,559</u>
Financing					
Interest Expense	66,602	173,995	404,256	228,419	299,212
Other expense	23,475	30,000	46,718	42,243	46,480
Bank Charges	41,896	31,549	49,298	51,412	52,141
	<u>131,973</u>	<u>235,544</u>	<u>500,272</u>	<u>322,074</u>	<u>397,833</u>
<b>Total expenditures</b>	<u>30,987,842</u>	<u>42,203,196</u>	<u>44,537,438</u>	<u>48,360,774</u>	<u>47,844,392</u>
<b>Net Income (Loss)</b>	285,433	1,308,834	144,405	1,630,958	768,292
<b>Net assets at beginning of year</b>	<u>1,343,352</u>	<u>1,628,785</u>	<u>2,937,619</u>	<u>3,082,024</u>	<u>4,712,982</u>
<b>Net assets at end of year</b>	<u>\$1,628,785</u>	<u>\$2,937,619</u>	<u>\$3,082,024</u>	<u>\$4,712,982</u>	<u>\$5,481,274</u>

## ESTIMATED GAS USAGE OF TOP 12 PARTICIPANTS

<u>Rank</u>	<u>District/Agency</u>	<u>Share of Program Total</u>
1	San Francisco Unified School District	7.19%
2	Fresno Unified School District	3.81
3	City of Stockton	3.64
4	Sacramento City Unified School District	3.15
5	Mt Diablo Unified School District	2.47
6	University of California, Berkeley-Housing	2.46
7	Clovis Unified School District	2.24
8	San Jose Unified School District	2.16
9	Contra Costa Community College District	1.87
10	Modesto City Schools	1.84
11	Peralta Community College	1.83
12	County of Sonoma	1.82
	<b>TOP TWELVE TOTAL</b>	<b>34.48%</b>

SPURR expects to provide more than 40 million total therms to the program participants during this fiscal year period. The "Top 12" users are estimated to represent approximately 34.48% of the total program volume.

### **SPURR's Sources of Revenue**

SPURR's primary source of revenues each year is derived from the sale of natural gas to the program Participants who share in the payment of the operational and administrative fees of the program. For fiscal year 2009-2010, SPURR projects that it will have total revenues of approximately \$47,500,000 of which more than 98% are from the sale of natural gas and the collection of local transportation charges for gas delivery.

### **Outstanding Debt**

As of June 30, 2009, SPURR had no outstanding debt other than its \$7,500,000 2008 Revenue Anticipation Notes (the "2008 Notes") which were fully redeemed on September 15, 2009.

### **Estimated Monthly Cash Flow**

SPURR has prepared the accompanying monthly cash-flow statements covering the past fiscal year and projected fiscal year 2009-2010. The projected fiscal 2009-2010 cash flow shows and takes into consideration the Notes. Without the proceeds of the Notes, a cumulative cash-flow deficit of approximately \$3,600,000 is anticipated in February, 2010. The anticipated deficit occurs due to the timing of expenditures occurring prior to the timing of the receipts during the fiscal year.

The estimates of amounts and timing of receipts and disbursements in the tables on the following pages are based on certain assumptions and should not be construed as statements of fact. The assumptions are based on present circumstances and currently available information and are believed to be reasonable. The assumptions may be affected by numerous factors, and there can be no assurance that such estimates will be achieved.

The Fiscal Year 2009-2010 projected and Fiscal Year 2008-2009 actual cash flows are shown on the following pages.

2009-2010 Projected Cash Flows

[TO COME]

2008-2009 Actual Cash Flows

[TO COME]

## CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING SPURR'S REVENUES

### Article XIII A of the California Constitution

Section 1(a) of Article XIII A limits the maximum ad valorem tax on real property to one percent of full cash value (as defined in Section 2), to be collected by the counties and apportioned according to law. As recently amended, Article XIII A exempts from the one percent tax limitation any taxes above that level required to pay debt service on voter-approved general obligation bonds for real property or improvements thereon. Section 1(b) provides that the one percent limitation does not apply to ad valorem taxes to pay interest or redemption charges on indebtedness approved by the voters prior to July 1, 1978. Section 2 of Article XIII A defined "full cash value" or, thereafter, "the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed two percent per year, or reduction in the consumer price index or compatible local data, or reduced in the event of declining property value caused by damage, destruction or other factors. The State Board of Equalization has adopted regulations, binding on county assessors, interpreting the meaning of "change in ownership" and "new construction" for purposes of determining full cash value of property under Article XIII A.

Article XIII A required a vote of two-thirds of the qualified electorate to impose special taxes, while generally precluding the imposition of any additional ad valorem, sales or transaction tax on real property. As recently amended, Article XIII A requires the approval of two-thirds of all members of the State Legislature to change any State laws resulting in increased tax revenues.

Future assessed valuation growth under Article XIII A (new construction, change of ownership and two percent annual value growth) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools will share the growth of "base" revenues from the tax rate area. SPURR is unable to predict the nature or magnitude of future revenue sources which may be provided by the State to replace lost property tax revenues. Section 4 of Article XIII A effectively prohibits the levying of any other ad valorem property tax above the limits set in Section 1, even with the approval of the affected voters.

### Article XIII B of the California Constitution

Article XIII B limits the annual appropriations of the State and any city, county, school districts or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population and services rendered by the governmental entity. The "base year" for establishing such appropriation limit is the 1978-79 fiscal year and the limit is to be adjusted annually to reflect changes in population, consumer prices and certain increases in the cost of services provided by these public agencies.

Appropriations subject to Article XIII B include generally the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and liability insurance funds. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to an entity or government from (1) regulatory licenses, user charges, and user fees (but only to the extent such proceeds exceed the cost of providing the service or regulation), and (2) the investment of tax revenues. Article XIII B includes a requirement that if an entity's revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

## **Unitary Property**

Assembly Bill 454 (Chapter 921, Statutes of 1986) (“AB 454”) provides that revenues derived from most utility property assessed by the State Board of Equalization (“Unitary Property”), commencing with the 1988-89 fiscal year, will be allocated as follows: (1) each jurisdiction will receive up to 102% of its prior year State-assessed revenue; and (2) if county-wide revenues generated from Unitary Property are less than the previous year’s revenues or greater than 102% of the previous year’s revenues, each jurisdiction will share the burden of the shortfall or excess revenues by a specified formula. This provision applies to all unitary Property except railroads, whose valuation will continue to be allocated to individual tax rate areas.

The provisions of AB 454 do not constitute an elimination of the assessment of any State-assessed properties nor a revision of the methods of assessing utilities by the State Board of Equalization. Generally, AB 454 allows valuation growth or decline of Unitary Property to be shared by all jurisdictions in a county.

## **Statutory Limitations**

On November 4, 1986, State voters approved Proposition 62, an initiative statute limiting the imposition of new or higher taxes by local agencies. The statute (a) requires new or higher general taxes to be approved by two-thirds of the local agency’s governing body and a majority of its voters; (b) requires the inclusion of specific information in all local ordinances or resolutions proposing new or higher general or special taxes; (c) penalizes local agencies that fail to comply with the foregoing; and (d) required local agencies to stop collecting any new or higher general tax adopted after July 31, 1985, unless a majority of the voters approved the tax by November 3, 1988. A final State Court of Appeal decision has declared the majority voter provisions referred to in (d) above to be unconstitutional. A second appellate court decision held unconstitutional both the effective date and majority-vote provisions of Proposition 62. However, the State Supreme Court has ordered that the latter decision to be depublished (making it unavailable for citation as precedent) thus creating uncertainty as to the voter-approval requirement of Proposition 62.

## **Propositions 98 and 111**

On November 8, 1988, the voters approved Proposition 98, an initiative constitutional amendment and statute called “The Classroom Instructional Improvement and Accountability Act” (“Proposition 98”). In addition to adding certain provisions to the Education Code, Proposition 98 also amended Article XIII B and Section 8 of Article XVI of the State Constitution and added Section 8.5 of Article XVI to the State Constitution, the effects of which are to establish a minimum level of State Funding for school districts, to allocate to school districts, within limits, State revenues in excess of the State’s appropriations limit and to exempt such excess funds from school SPURR appropriations limits.

On June 5, 1990, the voters approved Proposition 111 (Senate Constitutional Amendment No. 1) called the “Traffic Congestion Relief and Spending Limit Act of 1990” (“Proposition 111”) which further modified Article XIII B and Sections 8 and 8.5 of Article XVI of the State Constitution with respect to appropriations limitations and school funding priority and allocation. Article XIII B, as amended by both Proposition 98 and Proposition 111, is discussed below under “CONSTITUTIONAL LIMITATIONS ON TAXES AND APPROPRIATIONS—Article XIII B of the California Constitution.”

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

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

(i) The amount which, as a percentage of the State general fund ("General Fund") revenues which may be appropriated pursuant to Article XIII B, equals the percentage of General Fund revenues appropriated for school districts in fiscal year 1986-87;

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

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

If the third test is used in any year, the difference between the third test and the second test will become a "credit" to schools which will be paid in future years when the General Fund revenue growth exceeds personal income growth.

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

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

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

## STATE OF CALIFORNIA FINANCES AND SUPPORT OF SCHOOL EDUCATION

### General

Public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts receive an average of about 55 percent of their operating revenues from various State sources. The primary source of funding for school districts is the revenue limit, which is a combination of State funds and local property taxes. State funds typically make up the majority of a district's revenue limit. School districts also receive substantial funding from the State for various categorical programs.

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

The State requires that from all State revenues there first shall be set apart the moneys to be applied for support of the public school system and public institutions of higher education. California school districts receive a significant portion of their funding from State appropriations. As a result, decreases in State revenues may significantly affect appropriations made by the legislature to school districts.

The following information concerning the State's budgets for the current and most recent preceding years has been compiled from publicly-available information provided by the State. **Neither SPURR nor the Underwriter is responsible for the information relating to the State's budgets provided in this section.** Further information is available from the Public Finance Division of the State Treasurer's Office.

### **The Budget Process**

The State's fiscal year begins on July 1 and ends on June 30 of the following year. The annual budget is proposed by the Governor by January 10 for the next fiscal year. In May the Governor offers a revision to the proposed budget and a final budget act must be adopted by a two-thirds vote of each house of the Legislature no later than June 15, although this deadline is routinely breached. The budget becomes law upon the signature of the Governor, who retains veto power over specific items of expenditure.

As required by Proposition 58, beginning with fiscal year 2004-05, the Legislature may not pass a budget bill in which State general fund expenditures exceed estimated State general fund revenues and fund balances at the time of the passage.

Under the State Constitution, money may be drawn from the Treasury only through an appropriation made by law. The primary source of annual expenditure appropriations is the annual budget act, however, appropriations may be included in other legislation. Bills containing State general fund appropriations must be approved by a two-thirds majority vote in each house of the Legislature and be signed by the Governor, except bills containing appropriations for K-12 schools or community colleges ("K-14 education"), which require a simple majority vote, and continuing appropriations, which are available without regard to the fiscal year and may be provided by statute or the State Constitution. Funds necessary to meet an appropriation are not required to be in the State Treasury at the time an appropriation is enacted; revenues may be appropriated in anticipation of their receipt.

### **Recent State Budgets**

The following information concerning the State's budgets for the current and most recent preceding years has been compiled from publicly-available information provided by the State. **Neither SPURR nor the Underwriter is responsible for the information relating to the State's budgets provided in this section.** Further information is available from the Public Finance Division of the State Treasurer's Office.

*The Budget Process.* The State's fiscal year begins on July 1 and ends on June 30. The annual budget is proposed by the Governor by January 10 of each year for the next fiscal year (the "Governor's Budget"). Under State law, the annual proposed Governor's Budget cannot provide for projected expenditures in excess of projected revenues and balances available from

prior fiscal years. Following the submission of the Governor's Budget, the Legislature takes up the proposal.

Under the State Constitution, money may be drawn from the Treasury only through an appropriation made by law. The primary source of the annual expenditure authorizations is the Budget Act as approved by the Legislature and signed by the Governor. The Budget Act must be approved by a two-thirds majority vote of each House of the Legislature. The Governor may reduce or eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line-item vetoes are subject to override by a two-thirds majority vote of each House of the Legislature.

Appropriations also may be included in legislation other than the Budget Act. Bills containing appropriations (except for K-14 education) must be approved by a two-thirds majority vote in each House of the Legislature and be signed by the Governor. Bills containing K-14 education appropriations only require a simple majority vote. Continuing appropriations, available without regard to fiscal year, may also be provided by statute or the State Constitution.

Funds necessary to meet an appropriation need not be in the State Treasury at the time such appropriation is enacted; revenues may be appropriated in anticipation of their receipt.

*Recent State Budgets.* Certain information about the State budgeting process and the State Budget is available through several State sources. A convenient source of information is the State's website, where recent official statements for State bonds are posted. The references to internet websites shown below are shown for reference and convenience only, the information contained within the websites has not been reviewed by SPURR and is not incorporated herein by reference.

(i) The State Treasurer Internet home page at [www.treasurer.ca.gov](http://www.treasurer.ca.gov), under the heading "Bond Information," posts various State Official Statements, many of which contain a summary of the current State Budget, past State Budgets, and the impact of those budgets on school districts in the State.

(ii) The California State Treasurer's Office Internet home page at [www.treasurer.ca.gov](http://www.treasurer.ca.gov), under the heading "Financial Information," posts the State's audited financial statements. In addition, the "Financial Information" section includes the State's Rule 15c2-12 filings for State bond issues. The "Financial Information" section also includes the "Overview of the State Economy and Government, State Finances, State Indebtedness, Litigation" from the State's most current Official Statement, which discusses the State budget and its impact on school districts.

(iii) The California Department of Finance's Internet home page at [www.dof.ca.gov](http://www.dof.ca.gov), under the heading "California Budget," includes the text of proposed and adopted State Budgets.

(iv) The State Legislative Analyst's Office prepares analyses of the proposed and adopted State budgets. The analyses are accessible on the Legislative Analyst's Internet home page at [www.lao.ca.gov](http://www.lao.ca.gov) under the heading "Products."

THE STATE HAS NOT ENTERED INTO ANY CONTRACTUAL COMMITMENT WITH SPURR OR THE OWNERS OF THE NOTES TO PROVIDE STATE BUDGET INFORMATION TO THE DISTRICT OR THE OWNERS OF THE NOTES. ALTHOUGH THEY BELIEVE THE STATE SOURCES OF INFORMATION LISTED ABOVE ARE RELIABLE, THE DISTRICT ASSUMES NO RESPONSIBILITY FOR THE ACCURACY OF THE STATE BUDGET INFORMATION SET FORTH HEREIN OR INCORPORATED BY REFERENCE HEREIN.

## LEGAL MATTERS

### Litigation

No litigation is pending or, to the best of the knowledge of SPURR, threatened concerning the validity of the Notes, and an opinion, representation or certificate of SPURR's Counsel to that effect will be given at the time of the original delivery of the Notes. SPURR is not aware of any litigation pending or threatened questioning the political existence of SPURR or contesting SPURR's ability to collect or receive pledged revenues or contesting SPURR's ability to issue and retire the Notes.

### Legality for Investment

Under provisions of the California Financial Code, the Notes are legal investments for commercial banks in California to the extent that the Notes, in the informed opinion of the bank, are prudent for the investment of funds of its depositors and are eligible to secure deposits of public moneys in the State of California under provisions of the California Government Code.

## TAX MATTERS

Federal tax law contains a number of requirements and restrictions which apply to the Notes, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. SPURR has covenanted to comply with all requirements that must be satisfied in order for the interest on the Notes to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the Notes to become includable in gross income for federal income tax purposes retroactively to the date of issuance of the Notes.

Subject to SPURR's compliance with the above-referenced covenants, under present law, in the opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, interest on the Notes (i) is excludable from the gross income of the owners thereof for federal income tax purposes, (ii) is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, and (iii) is not taken into account in computing "adjusted current earnings" as described below. The Internal Revenue Code of 1986, as amended (the "Code"), includes provisions for an alternative minimum tax ("AMT") for corporations in addition to the corporate regular tax in certain cases. The AMT for a corporation, if any, depends upon the corporation's alternative minimum taxable income ("AMTI"), which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would generally include certain tax-exempt interest, but not interest on the Notes.

In rendering its opinions, Bond Counsel will rely upon certifications of SPURR with respect to certain material facts within its knowledge. Bond Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

Ownership of the Notes may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Notes should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the "Issue Price") for each maturity of the Notes is the price at which a substantial amount of such maturity of the Notes is first sold to the public. The Issue Price of a maturity of the Notes may be different from the price set forth, or the price corresponding to the yield set forth, on the cover page hereof.

Owners of Notes who dispose of Notes prior to the stated maturity (whether by sale, redemption or otherwise), purchase Notes in the initial public offering, but at a price different from the Issue Price, or purchase Notes subsequent to the initial public offering, should consult their own tax advisors.

If a Note is purchased at any time for a price that is less than the Note's stated redemption price at maturity (the "Reduced Issue Price"), the purchaser will be treated as having purchased a Note with market discount subject to the market discount rules of the Code (unless a statutory de minimis rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Note is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. Such treatment would apply to any purchaser who purchases a Note for a price that is less than its Revised Issue Price. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Note. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Notes.

An investor may purchase a Note at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as "bond premium" and must be amortized by an investor on a constant yield basis over the remaining term of the Note in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax-exempt bond. The amortized bond premium is treated as a reduction in the tax-exempt interest received. As bond premium is amortized, it reduces the investor's basis in the Note. Investors who purchase a Note at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the Note's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Note.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the Notes. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Notes should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the "Service") has an ongoing program of auditing tax exempt obligations to determine whether, in the view of the Service, interest on such tax exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Notes. If an audit is commenced, under current procedures the Service may treat the Issuer as a taxpayer and the Noteholders may have no right to participate in such procedure. The

commencement of an audit could adversely affect the market value and liquidity of the Notes until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax exempt obligations, including the Notes, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Note owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Note owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

In the further opinion of Bond Counsel, interest on the Notes is exempt from California personal income taxes.

Ownership of the Notes may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Notes. Prospective purchasers of the Notes should consult their tax advisors regarding the applicability of any such state and local taxes.

The complete text of the final opinion that Bond Counsel expects to deliver upon the issuance of the Notes is set forth in APPENDIX D—"FORM OF FINAL OPINION OF BOND COUNSEL."

## **RATING**

The Notes are rated "MIG 1" by Moody's Investors Service. Such rating reflects only the view of Moody's Investors Service. An explanation of the significance of such rating may be obtained from the Moody's Investors Service, 7 World Trade Center at 250 Greenwich Street, New York, NY 10007, (212) 553-0300. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward entirely by the rating organization if, in the judgment of said organization, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Notes.

## **UNDERWRITING**

The Notes are to be purchased by Wells Fargo Institutional Securities, LLC (the "Underwriter"). The Underwriter has agreed, subject to certain terms and conditions set forth in the Note Purchase Agreement, to purchase the Notes at a price of \$3,611,080.00, representing the principal amount of the Notes (\$3,600,000), less an Underwriter's discount of \$12,500.00, plus an original issue premium of \$23,580.00. The Underwriter will purchase all the Notes if any are purchased. The Notes may be offered and sold to dealers (including dealers depositing said Notes into investment trusts) and others at prices lower than the initial public offering price, and the public offering price may be changed from time to time by the Underwriter.

## **MISCELLANEOUS**

The execution of this Official Statement has been authorized by SPURR.

At the time of delivery and payment for the Notes, an authorized representative of SPURR will deliver a certificate stating that to the best of his knowledge this Official Statement

does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. Such certificate will also certify that to the best of his knowledge, from the date of this Official Statement to the date of such delivery and payment, there was no material adverse change in the information set forth herein.

SCHOOL PROJECT FOR UTILITY RATE  
REDUCTION

By \_\_\_\_\_ /s/ Michael Rochman \_\_\_\_\_  
Managing Director

**APPENDIX A**

**LIST OF SPURR NATURAL GAS PROGRAM PARTICIPANTS**

**APPENDIX B**  
**LIST OF CURRENT MEMBERSHIP OF SPURR**

**APPENDIX C**

**AUDITED FINANCIAL STATEMENTS OF SPURR  
FOR THE FISCAL YEARS ENDED JUNE 30, 2007, AND JUNE 30, 2008**

## APPENDIX D

### FORM OF FINAL OPINION OF BOND COUNSEL

[Letterhead of Quint & Thimmig LLP]

[Closing Date]

Board of Directors  
School Project for Utility Rate Reduction  
1430 Willow Pass Road, Suite 240  
Concord, California 94520

**OPINION:** \$3,600,000 School Project for Utility Rate Reduction 2008 Revenue Anticipation Notes (Natural Gas Purchase Program for Member California School Districts and Community Colleges)

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Members of the Board of Directors:

We have acted as bond counsel to the School Project for Utility Rate Reduction (“SPURR”) in connection with the issuance by SPURR of \$3,600,000 principal amount of School Project for Utility Rate Reduction 2009 Revenue Anticipation Notes, dated October 21, 2009 (the “Notes”), pursuant to Article 7.6 (commencing with section 53850), Chapter 4, Part 1, Division 2, Title 5 of the California Government Code, and a resolution of the Board of Directors of SPURR (the “Board”) adopted on June 25, 2009 (the “Resolution”). We have examined the law and such certified proceedings and other papers, as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of SPURR contained in the Resolution and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify such facts by independent investigation.

Based upon our examination, we are of the opinion, as of the date hereof, that:

1. SPURR is duly created and validly existing as a joint exercise of powers authority with the power to issue the Notes and to perform its obligations under the Resolution and the Notes.
2. The Resolution has been duly adopted by the Board and creates a valid first lien on the funds pledged under the Resolution for the security of the Notes.
3. The Notes have been duly authorized, executed and delivered by SPURR and are valid and binding general obligations of SPURR enforceable in accordance with their terms.
4. Subject to SPURR’s compliance with certain covenants, interest on the Notes (i) is excludable from gross income of the owners thereof for federal income tax purposes, (ii) is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended (the “Code”), and (iii) interest on the Notes is not taken into account in computing adjusted current earnings, which is used as an adjustment in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such covenants could cause interest on the Notes to be includable in gross income for federal income tax purposes retroactively to the date of issuance of the Notes.
5. Interest on the Notes is exempt from personal income taxation imposed by the State of California.

Ownership of the Notes may result in other tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Notes.

The rights of the owners of the Notes and the enforceability of the Notes and the Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

In rendering this opinion, we have relied upon certifications of SPURR and others with respect to certain material facts. Our opinion represents our legal judgment based upon such review of the law and the facts that we deem relevant to render our opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

## APPENDIX E

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the SCHOOL PROJECT FOR UTILITY RATE REDUCTION ("SPURR") in connection with the issuance by SPURR of \$3,600,000 School Project for Utility Rate Reduction 2009 Revenue Anticipation Notes (the "Notes"). The Notes are being issued pursuant to a resolution adopted by the Board of Directors of SPURR on June 25, 2009 (the "Resolution"). SPURR covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by SPURR for the benefit of the holders and beneficial owners of the Notes and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Notes (including persons holding Notes through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Notes for federal income tax purposes.

"Dissemination Agent" shall mean SPURR or any successor Dissemination Agent designated in writing by SPURR and which has filed with SPURR a written acceptance of such designation. In the absence of such a designation, SPURR shall act as the Dissemination Agent.

"EMMA" or "Electronic Municipal Market Access" means the centralized on-line repository system located at [www.emma.msrb.org](http://www.emma.msrb.org) for documents filed with the MSRB pursuant to the Rule, such as official statements and disclosure information relating to municipal bonds, notes and other securities as issued by state and local governments.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information which may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"Participating Underwriter" shall mean any of the original underwriters of the Notes required to comply with the Rule in connection with offering of the Notes.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Authority under the Securities Exchange Act of 1934, as the same may be amended from time to time.

#### Section 3. Reporting of Significant Events.

(a) *Listed Events*. Pursuant to the provisions of this Section 5, SPURR shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Notes, if material:

- (i) Principal and interest payment delinquencies.
- (ii) Non-payment related defaults.
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (v) Substitution of credit or liquidity providers, or their failure to perform.
- (vi) Adverse tax opinions or events affecting the tax-exempt status of the security.

- (vii) Modifications to rights of security holders.
- (viii) Contingent or unscheduled bond calls.
- (ix) Defeasances.
- (x) Release, substitution, or sale of property securing repayment of the securities.
- (xi) Rating changes.

(b) *Determination of Materiality of Listed Events.* Whenever SPURR obtains knowledge of the occurrence of a Listed Event, SPURR shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) *Notice to Dissemination Agent.* If SPURR has determined that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, SPURR shall promptly notify the Dissemination Agent (if other than SPURR) in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (d).

(d) *Notice of Listed Events.* SPURR shall file, or cause the Dissemination Agent to file, a notice of the occurrence of a Listed Event, if material, with EMMA, in a readable PDF or other electronic format as prescribed by EMMA, with a copy to the Participating Underwriter. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(viii) and (ix) (defeasances) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Noteholders of affected Notes.

Section 4. Identifying Information for Filings with EMMA. All documents provided to EMMA under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 5. Termination of Reporting Obligation. SPURR's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Notes. If such termination occurs prior to the final maturity of the Notes, SPURR shall give notice of such termination in the same manner as for a Listed Event under Section 5.

Section 6. Dissemination Agent.

(a) *Appointment of Dissemination Agent.* SPURR may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not SPURR, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by SPURR pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be SPURR.

(b) *Compensation of Dissemination Agent.* The Dissemination Agent shall be paid compensation by SPURR for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and SPURR from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for SPURR, Holders or Beneficial Owners, or any other party. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any direction from SPURR or an opinion of nationally recognized bond counsel. The Dissemination Agent may at any time resign by giving written notice of such resignation to SPURR.

Section 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, SPURR may amend this Disclosure Certificate (and the Dissemination Agent shall agree to any amendment so requested by SPURR that does not impose any greater duties or risk of liability on the Dissemination Agent), and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) *Change in Circumstances.* If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in

legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Notes, or the type of business conducted;

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

(c) *Consent of Holders; Non-impairment Opinion.* The amendment or waiver either (i) is approved by the Noteholders in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Noteholders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Noteholders or Beneficial Owners.

Section 8. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent SPURR from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If SPURR chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, SPURR shall have no obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

Section 9. Default. In the event of a failure of SPURR to comply with any provision of this Disclosure Certificate, any Noteholder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause SPURR to comply with its obligations under this Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event of any failure of SPURR to comply with this Disclosure Certificate shall be an action to compel performance.

Section 10. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and SPURR agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of SPURR under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Notes.

Section 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of SPURR, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Notes, and shall create no rights in any other person or entity.

Date: [Closing Date]

SCHOOL PROJECT FOR UTILITY RATE  
REDUCTION

By \_\_\_\_\_  
Managing Director