2009-1361

NEW ISSUE—BOOK-ENTRY ONLY

RATING:
S&P: "A-"
See "RATING" herein.

In the opinion of Quint & Thimmig LLP, San Francisco, California, Special Counsel, subject, however, to certain qualifications described in this Official Statement, under existing law, interest with respect to the Certificates (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 Special Counsel, interest with respect to the Certificates is exempt from personal income taxation imposed by the State of California. See "TAX MATTERS" herein.

$33,895,000
CERTIFICATES OF PARTICIPATION
(2009 Capital Projects)
Evidencing the Direct, Undivided Fractional Interests of the Owners Thereof in Lease Payments to be Made by the PITTSBURG UNIFIED SCHOOL DISTRICT (Contra Costa County, California) As the Rental for Certain Property Pursuant to a Lease Agreement with the Pittsburg Unified School District Financing Corporation

Dated: Date of Delivery **Due: September 1, as set forth below**

The $33,895,000 Certificates of Participation (2009 Capital Projects) (the "Certificates"), are being executed and delivered to provide funds to (i) finance the costs of construction of various capital improvements throughout the geographic boundaries of the Pittsburg Unified School District (the "District"), (ii) fund a reserve fund for the Certificates, and (iii) pay costs incurred in connection with executing and delivering the Certificates. The Certificates will evidence direct, undivided fractional interests of the owners thereof in Lease Payments (as defined herein) to be made by the District to the Pittsburg Unified School District Financing Corporation (the "Corporation") for the use and occupancy of the Property (as defined herein) under and pursuant to a Lease Agreement, dated as of December 1, 2009, by and between the Corporation and the District (the "Lease Agreement"). The Corporation will assign its right to receive Lease Payments from the District under the Lease Agreement and its right to enforce payment of the Lease Payments when due or otherwise protect its interest in the event of a default by the District thereunder to U.S. Bank National Association, San Francisco, California, as trustee (the "Trustee"), for the benefit of the registered owners of the Certificates.

The Certificates will be executed and delivered in book-entry form only, and will be initially registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (referred to herein as "DTC"). Purchasers of the Certificates (the "Beneficial Owners") will not receive physical certificates representing their interest in the Certificates. Interest with respect to the Certificates accrues from their date of delivery, and is payable semiannually by check mailed on each March 1 and September 1, commencing March 1, 2010. The Certificates may be executed and delivered in denominations of $5,000 or any integral multiple thereof. Payments of principal and interest with respect to the Certificates will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Certificates. (See "THE CERTIFICATES—Book-Entry-Only System" herein).

The Certificates are subject to optional, mandatory, special and extraordinary redemption, as described herein.

The District will covenant in the Lease Agreement to make all Lease Payments due under the Lease Agreement, subject to abatement during any period in which by reason of damage or destruction of the Property, or by reason of eminent domain proceedings with respect to the Property, there is substantial interference with the use and occupancy by the District of the Property or any portion thereof. The District will covenant in the Lease Agreement to take such action as may be necessary to include all Lease Payments in its annual budgets and to make the necessary annual appropriations for all such Lease Payments.

NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE DISTRICT TO MAKE LEASE PAYMENTS UNDER THE LEASE AGREEMENT CONSTITUTES A DEBT OR INDEBTEDNESS OF THE DISTRICT OR THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATIONS OR RESTRICTION OR AN OBLIGATION FOR WHICH THE DISTRICT IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE DISTRICT HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

MATURITY SCHEDULE

$9,385,000 Serial Certificates

CUSIP Prefix: 724585†

Maturity (September 1)	Principal Amount	Interest Rate	Yield	CUSIP Suffix†	Maturity (September 1)	Principal Amount	Interest Rate	Yield	CUSIP Suffix†
2015	1,005,000	3.75 %	3.97%	CJ1	2019	$1,185,000	4.875%	5.08%	CN2
2016	1,045,000	4.10	4.24	CK8	2020	1,245,000	5.125	5.25	CP7
2017	1,085,000	4.375	4.57	CL6	2021	1,310,000	5.25	5.39	CQ5
2018	1,135,000	4.625	4.85	CM4	2022	1,375,000	5.375	5.48	CR3

$12,170,000 6.00% Term Certificates maturing September 1, 2029; Price: 98.852%, to Yield 6.10%—CUSIP: 724585 CY8†

$12,340,000 6.20% Term Certificates maturing September 1, 2034; Price: 98.991%, to Yield 6.28%—CUSIP: 724585 DD3†

The cover page contains certain information for general reference only. It is not a summary of all the provisions of the Certificates. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. See "RISK FACTORS" herein for a discussion of special risk factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Certificates.

The Certificates will be offered when, as and if delivered and received by the Underwriter subject to approval by Quint & Thimmig LLP, San Francisco, California, as Special Counsel. Certain matters will be passed upon for the District by Quint & Thimmig LLP, San Francisco, California, as Disclosure Counsel, and for the Underwriter by Kutak Rock LLP, Denver, Colorado. It is anticipated that the Certificates will be available for delivery to DTC in New York, New York, on or about December 23, 2009.

PiperJaffray.

Dated: December 10, 2009

In connection with this offering, the Underwriter may over-allot or effect transactions which stabilize or maintain the market prices of the Certificates at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Certificates to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

No dealer, broker, salesperson, or other person has been authorized by the District, the Corporation or the Underwriter to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the District, the Corporation or the Underwriter.

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

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 Certificates by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Certificates. 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 representations of fact.

While the District maintains an internet website for various purposes, none of the information on such website is incorporated by reference herein or intended to assist investors in making any investment decision or to provide any continuing information with respect to the Certificates.

When used in this Official Statement and in any continuing disclosure by the District, in any press release and in any oral statement made with the approval of an authorized officer of the District, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "expect," "intend" and similar expressions identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, give rise to any implication that there has been no change in the affairs of the District since the date hereof.

The information set forth herein has been obtained from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation of such by the District or the Corporation. The information and expressions of opinion stated herein are subject to change without notice. The delivery of this Official Statement shall not, under any circumstances, create any implication that there has been no change in the affairs of the District or the Corporation since the date hereof. All summaries of the Certificates, the Lease Agreement, the Trust Agreement, the Assignment Agreement, the Site and Facility Lease, or other documents, are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Superintendent of the District for further information. See "INTRODUCTION—Other Information."

This Official Statement is submitted in connection with the sale of the Certificates referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

THE CERTIFICATES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXCEPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE CERTIFICATES HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

TABLE OF CONTENTS

PITTSBURG UNIFIED SCHOOL DISTRICT
2000 Railroad Avenue
Pittsburg, California 94565
(925) 473-2300
http://www.pittsburg.k12.ca.us/

BOARD OF EDUCATION

Vincent S. Ferrante
President

Percy McGee, Jr.
Vice President

Joseph Arenivar
Member

Dr. Laura Canciamilla
Member

Dr. William Wong
Member

DISTRICT ADMINISTRATION

Barbara B. Wilson, Ph.D., *Superintendent*
Paul Disario, *Interim Assistant Superintendent, Business Services*
Cecile Nunley, *Finance Director*

PROFESSIONAL SERVICES

SPECIAL COUNSEL AND DISCLOSURE COUNSEL
Quint & Thimmig LLP
San Francisco, California

FINANCIAL ADVISOR
Dale Scott & Company, Inc.
San Francisco, California

TRUSTEE
U.S. Bank National Association
San Francisco, California

OFFICIAL STATEMENT

$33,895,000
CERTIFICATES OF PARTICIPATION
(2009 Capital Projects)
Evidencing the Direct, Undivided Fractional Interests of the Owners Thereof in Lease Payments to be Made by the PITTSBURG UNIFIED SCHOOL DISTRICT As the Rental for Certain Property Pursuant to a Lease Agreement with the Pittsburg Unified School District Financing Corporation

INTRODUCTION

This Introduction is not a summary of this Official Statement. It is only a brief description of and a guide to, and is qualified by, the more complete information contained in this Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement and the documents summarized or described herein. The offering of Certificates to potential investors is made only by means of the entire Official Statement.

This Official Statement, which includes the cover page and appendices hereto, provides certain information with respect to the sale of $33,895,000 aggregate principal amount of Certificates of Participation (2009 Capital Projects) (the "Certificates"), evidencing the direct, undivided fractional interests of the registered owners thereof (the "Owners") in Lease Payments (as defined below) to be made by the Pittsburg Unified School District (the "District") as the rental for certain improvements and the sites thereof, as described more fully herein (the "Property"), to be leased by the District pursuant to a Lease Agreement, dated as of December 1, 2009 (the "Lease Agreement"), by and between the Pittsburg Unified School District Financing Corporation (the "Corporation"), a nonprofit, public benefit corporation duly organized and existing under the laws of the State of California (the "State") and the District. The District will lease the Property to the Corporation pursuant to a Site and Facility Lease, dated as of December 1, 2009 (the "Site and Facility Lease"), between the District and the Corporation, for leaseback pursuant to the Lease Agreement.

The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of December 1, 2009 (the "Trust Agreement"), by and among the Corporation, the District and U.S. Bank National Association, San Francisco, California, as trustee (the "Trustee"). Pursuant to an Assignment Agreement, dated as of December 1, 2009 (the "Assignment Agreement"), the Corporation will assign to the Trustee, for the benefit of the Owners, substantially all of the Corporation's rights under the Lease Agreement, including its right to receive and collect Lease Payments and prepayments from the District under the Lease Agreement and the Corporation's rights as may be necessary to enforce payment of Lease Payments.

Capitalized terms appearing herein and not otherwise defined have the respective meanings assigned to those terms in APPENDIX A—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—DEFINITIONS."

Purpose of the Certificates

The Certificates are being executed and delivered to provide funds, together with other available moneys, to (a) finance the acquisition, construction, installation, modernization and equipping of improvements to various District facilities, as more particularly described herein(the "Project"); (b) fund a reserve fund for the Certificates, and (c) pay delivery costs incurred in connection with the execution, delivery and sale of the Certificates.

Security and Sources of Payment for the Certificates

The District is required to pay to the Trustee specified Lease Payments for the use and occupancy of the Property which amounts are equal to the principal and interest represented by the Certificates. See "SOURCES OF PAYMENT FOR THE CERTIFICATES—Lease Payments." The District has covenanted under the Lease Agreement to take such action as may be necessary to include all Lease Payments in its annual budgets and make the necessary annual appropriations therefor, subject to abatement. Lease Payments are subject to abatement during any period during which, by reason of material damage, destruction or condemnation of the Property or any portion thereof, there is substantial interference with the District's use of the Property. APPENDIX A—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—LEASE AGREEMENT."

THE OBLIGATION OF THE DISTRICT TO MAKE LEASE PAYMENTS DOES NOT CONSTITUTE AN OBLIGATION OF THE DISTRICT FOR WHICH THE DISTRICT IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE DISTRICT HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE DISTRICT TO MAKE LEASE PAYMENTS UNDER THE LEASE AGREEMENT CONSTITUTE A DEBT OF THE DISTRICT, THE CORPORATION OR THE STATE OR ANY POLITICAL SUBDIVISIONS THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION OR AN OBLIGATION FOR WHICH THE DISTRICT IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE DISTRICT HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

For a more complete description of the sources of payment for the Certificates, see "SOURCE OF PAYMENT FOR THE CERTIFICATES."

Registration

The Certificates will be delivered in fully registered form only, without coupons, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to actual purchasers of the Certificates (the "Beneficial Owners") in the denominations set forth on the cover page hereof, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Certificates. See "THE CERTIFICATES—Book-Entry-Only System." In the event that the book-entry-only system described below is no longer used with respect to the Certificates, the Certificates will be registered in accordance with the Trust Agreement described herein. See "THE CERTIFICATES—Registration, Transfer and Exchange of Certificates."

Denominations

The Certificates will be in the form of fully registered certificates in the denominations or maturity values of $5,000 or any integral multiple thereof.

Payment

Each Certificate will be dated as of its date of delivery, and payments of interest with respect thereto will be made semiannually on each March 1 and September 1 (each, an "Interest Payment Date"), commencing March 1, 2010.

Interest with respect to the Certificates will be payable from the Interest Payment Date next preceding the date of execution of such Certificate, (a) unless it is executed following the close of business of the 15th day of the month preceding each Interest Payment Date, whether or not such 15th day is a business day (a "Record Date") and on or before the next succeeding Interest Payment Date, in which event interest represented thereby will be payable from such Interest Payment Date, or (b) unless it is executed on or before the first Record Date, in which event interest represented thereby will be payable from their date of delivery; *provided, however*, that if, as of the date of any Certificate, interest represented by such Certificate is in default, interest represented thereby will be payable from the Interest Payment Date to which interest has previously been paid or made available for payment with respect to such Certificate.

The principal represented by the Certificates will be payable on September 1 as specified on the cover of this Official Statement.

Redemption

The Certificates are subject to extraordinary, mandatory and optional redemption. See "THE CERTIFICATES—Redemption."

Tax Matters

Subject to compliance by the District with certain covenants, in the opinion of Quint &Thimmig LLP, San Francisco, California, Special Counsel, under present law, interest with respect to the Certificates (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 the further opinion of Special Counsel, such interest is exempt from California personal income taxes. For a more complete discussion of the opinion of Special Counsel and certain other tax consequences incident to the ownership of the Certificates, including certain exceptions to the tax treatment of interest, see "TAX MATTERS."

Authority for Delivery

The Certificates are being delivered pursuant to the Trust Agreement, which was approved by the District pursuant to a resolution adopted by the Board of Education of the District on November 18, 2009, and by the Corporation pursuant to a resolution adopted by the Board of Directors of the Corporation on November 18, 2009.

Continuing Disclosure

The District will covenant in a continuing disclosure certificate (the "Continuing Disclosure Certificate") to provide, or cause to be provided, to the Municipal Securities Rulemaking Board for purposes of Rule 15c2–12(b)(5) adopted by the Securities and Exchange Commission (the "Rule") certain annual financial information and operating data of the type set forth herein including, but not limited to, its audited financial statements and, in a timely manner, notice of certain material events. See "LEGAL MATTERS—Continuing Disclosure" and APPENDIX D—"FORM OF CONTINUING DISCLOSURE CERTIFICATE" for a description of the specific nature of the annual report and notices of material events and a summary description of the terms of the Continuing Disclosure Certificate pursuant to which such reports and notices are to be made.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The District has not entered into any contractual commitment to provide information on a continuing basis to investors or any other party, except to the extent such information is required to be provided pursuant to the District's contracts with nationally recognized statistical ratings organizations, and the District makes, and has made, no representation or warranty that it will do so.

Brief descriptions of the Certificates, the security for the Certificates and the District are included in this Official Statement together with summaries of certain provisions of the Certificates, the Lease Agreement, the Trust Agreement, the Assignment Agreement, the Site and Facility Lease, and certain other documents. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Lease Agreement, the Trust Agreement, the Assignment Agreement, the Site and Facility Lease, and other documents are qualified in their entirety by reference to such documents, and references herein to the Certificates are qualified in their entirety by reference to the form thereof included in the Trust Agreement, copies of which are available for inspection at the office of the Superintendent, Pittsburg Unified School District, 2000 Railroad Avenue, Pittsburg, California 94565, telephone (925) 473-2300.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds in connection with the Certificates are as follows:

SOURCES OF FUNDS	
Principal Amount of Certificates	$33,895,000.00
Less: Original Issue Discount	(375,880.25)
Less: Underwriter's Discount	(271,160.00)
Total Sources of Funds	$33,247,959.75
USES OF FUNDS	
Deposit to Project Fund (1)	$30,000,000.00
Deposit to Reserve Fund (2)	2,948,280.00
Deposit to Delivery Costs Fund (3)	299,679.75
Total Uses of Funds	$33,247,959.75

(1) Represents amounts required to finance the Project. See "THE PROJECT."
(2) Represents the Reserve Requirement.
(3) Delivery costs are expenses of the District associated with selling the Certificates to be deposited in the Delivery Costs Fund and include costs of printing, fees of Bond Counsel, Disclosure Counsel, Underwriter's Counsel, the Financial Advisor, the rating agency and the Trustee and other miscellaneous costs of the transaction.

SCHEDULE OF CERTIFICATE PAYMENTS

The following table shows the annual debt service due with respect to the Certificates.

Year Ending September 1	Principal or Sinking Fund Installment	Interest	Total
2010	—	$ 1,336,465.98	$ 1,336,465.98
2011	—	1,940,031.26	1,940,031.26
2012	—	1,940,031.26	1,940,031.26
2013	—	1,940,031.26	1,940,031.26
2014	—	1,940,031.26	1,940,031.26
2015	1,005,000	1,940,031.26	2,945,031.26
2016	1,045,000	1,902,343.76	2,947,343.76
2017	1,085,000	1,859,498.76	2,944,498.76
2018	1,135,000	1,812,030.00	2,947,030.00
2019	1,185,000	1,759,536.26	2,944,536.26
2020	1,245,000	1,701,767.50	2,946,767.50
2021	1,310,000	1,637,961.26	2,947,961.26
2022	1,375,000	1,569,186.26	2,944,186.26
2023	1,450,000	1,495,280.00	2,945,280.00
2024	1,540,000	1,408,280.00	2,948,280.00
2025	1,630,000	1,315,880.00	2,945,880.00
2026	1,725,000	1,218,080.00	2,943,080.00
2027	1,830,000	1,114,580.00	2,944,580.00
2028	1,940,000	1,004,780.00	2,944,780.00
2029	2,055,000	888,380.00	2,943,380.00
2030	2,180,000	765,080.00	2,945,080.00
2031	2,315,000	629,920.00	2,944,920.00
2032	2,460,000	486,390.00	2,946,390.00
2033	2,610,000	333,870.00	2,943,870.00
2034	2,775,000	172,050.00	2,947,050.00
TOTALS	33,895,000	34,111,516.08	68,006,516.08

THE PROJECT

The Project consists of capital improvements throughout the geographic boundaries of the District but primarily the reconstruction of Pittsburg High School.

THE PROPERTY

Pursuant to the Site and Facility Lease, the District will lease the Property to the Corporation. Pursuant to the Lease Agreement, the Corporation will, in turn, lease the Property back to the District. See APPENDIX A—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—SITE AND FACILITY LEASE" and "—LEASE AGREEMENT."

The Property consists of the District's **Rancho Medanos Junior High School**, located at 2301 Range Road, Pittsburg, California, on the Site. The school consists of approximately 82,433 square feet of building space including 27 standard classrooms, five science rooms, two computer rooms and four technology, art, music and special day education classrooms. The school site also houses seven portable classrooms, an amphitheater, a 66,000 square foot hardcourt area and approximately 6.2 acres of play fields.

THE CERTIFICATES

General Provisions

The Certificates will be dated as of their date of delivery and will be payable as to interest from such date, semiannually on each March 1 and September 1, commencing March 1, 2010 (each an "Interest Payment Date"). Interest with respect to the Certificates will be calculated on the basis of a 360-day year comprised of twelve 30-day months. The Certificates will be delivered in denominations of $5,000 or any integral multiple thereof. The Certificates will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Certificates. Payments of principal, premium, if any, and interest with respect to the Certificates will be paid by the Trustee to DTC which is obligated in turn to remit such principal, premium, if any, and interest with respect to the Certificates to its DTC Participants for subsequent disbursement to the Beneficial Owners of the Certificates. See "DTC and the Book-Entry System" below and APPENDIX E—"BOOK-ENTRY SYSTEM."

Interest with respect to the Certificates is required to be payable from the Interest Payment Date next preceding the date of execution thereof, unless: (i) it is executed as of an Interest Payment Date, in which event interest with respect thereto is required to be payable from such Interest Payment Date; or (ii) it is executed after a Regular Record Date (i.e., close of business on the fifteenth day of the month preceding each Interest Payment Date) and before the following Interest Payment Date, in which event interest with respect thereto is required to be payable from such Interest Payment Date; or (iii) it is executed on or before February 15, 2010, in which event interest with respect thereto is required to be payable from the date of delivery of the Certificates; *provided, however*, that if, as of the date of execution of any Certificate, interest is in default with respect to any Outstanding Certificates, interest represented by such Certificate is required to be payable from the Interest Payment Date to which interest has previously been paid or made available for payment with respect to the Outstanding Certificates. Payment of defaulted interest is required to be paid by check mailed to the Owners as of a special record date to be fixed by the Trustee in its sole discretion, notice of which shall be given to the Owners not less than 10 days prior to such special record date.

Trustee

U.S. Bank National Association, San Francisco, California, will act as the Trustee. As long as DTC's book-entry method is used for the Certificates, the Trustee will send any notice of redemption or other notices to owners only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the redemption of the Certificates called for redemption or of any other action premised on such notice.

The Trustee, the District, the Corporation and the Underwriter of the Certificates have no responsibility or liability for any aspects of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership, of interests in the Certificates.

So long as the outstanding Certificates are registered in the name of Cede & Co. or its registered assigns, the Trustee and the District shall cooperate with Cede & Co., as sole registered owner, or its registered assigns in effecting payment of the principal and interest with respect to the Certificates by arranging for payment in such manner that funds for such payments are properly identified and are made immediately available on the date they are due.

Payment

Interest represented by each Certificate will be paid on each Interest Payment Date by check of the Trustee mailed on such Interest Payment Date by first class mail, postage prepaid, to the person appearing on the Registration Books as the Owner thereof as of the close of business on the preceding Record Date, at such Owner's address as it appears on the Registration Books; *provided, however*, that at the written request of the Owner of the Certificates in an aggregate principal amount of at least $1,000,000, which written request is on file with the Trustee as of any Record Date, interest represented by such Certificates shall be paid on each succeeding Interest Payment Date by wire transfer in immediately available funds to such account within the United States of America as shall be specified in such written request.

The principal and redemption price represented by any Certificate at maturity or upon prior redemption shall be payable in lawful money of the United States of America upon presentation and surrender of such Certificate at the Office of the Trustee.

Redemption

Extraordinary Redemption. The Certificates are subject to extraordinary redemption, in whole or in part, on any Interest Payment Date, in an order of maturity determined by the District, from the Net Proceeds of insurance or eminent domain proceedings credited towards the redemption of the Lease Payments pursuant to the Lease Agreement, at a redemption price equal to 100% of the principal amount to be redeemed, together with accrued interest represented thereby to the date fixed for redemption, without premium.

Optional Redemption. The Certificates maturing on or before September 1, 2019, are not subject to optional redemption prior to maturity. The Certificates maturing on and after September 1, 2020, are subject to optional redemption in whole or in part on any date in such order of maturity as shall be designated by the District (or, if the District shall fail to so designate the order of redemption, in *pro rata* among maturities) and by lot within a maturity, on or after September 1, 2019, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium, from the proceeds of the optional prepayment of Lease Payments made by the District pursuant to the Lease Agreement.

Special Optional Redemption from General Obligation Bond Proceeds or from State Grants. The Certificates are subject to special optional redemption in whole or in part on any date on and after September 1, 2011, in such order of maturity as shall be selected by the District and by lot within a maturity, from the proceeds of District general obligation bonds (authorizing a project or projects financed with a portion of the proceeds of the Certificates) or State grants for educational facilities, to the extent credited towards the prepayment of the Lease Payments by the District pursuant to the Lease Agreement, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium.

Mandatory Redemption. The Certificates maturing on September 1, 2029, are subject to mandatory redemption in part on September 1 in each year on and after September 1, 2023, to and including September 1, 2029, from the principal components of scheduled Lease Payments required to be paid by the District pursuant to the Lease Agreement with respect to each such redemption date (subject to abatement, as set forth in the Lease Agreement), at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, as follows:

Year (September 1)	Principal Amount of Certificates to be Redeemed
2023	$1,450,000
2024	1,540,000
2025	1,630,000
2026	1,725,000
2027	1,830,000
2028	1,940,000
2029†	2,055,000

†Maturity.

The Certificates maturing on September 1, 2034, are subject to mandatory redemption in part on September 1 in each year on and after September 1, 2030, to and including September 1, 2034, from the principal components of scheduled Lease Payments required to be paid by the District pursuant to the Lease Agreement with respect to each such redemption date (subject to abatement, as set forth in the Lease Agreement), at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, as follows:

Year (September 1)	Principal Amount of Certificates to be Redeemed
2030	$2,180,000
2031	2,315,000
2032	2,460,000
2033	2,610,000
2034†	2,775,000

†Maturity.

Selection of Certificates for Redemption

Whenever provision is made in the Trust Agreement for the redemption of Certificates and less than all outstanding Certificates are to be redeemed the Trustee will select Certificates for redemption from outstanding Certificates not previously called for redemption in such order of maturity as will be designated by the District (and, in lieu of such designation, pro rata among maturities and by lot within a maturity). For the purposes of such selection, Certificates shall be deemed to be composed of $5,000 portions, and any such portion may be separately redeemed. The Trustee shall promptly notify the District and the Corporation in writing of the Certificates or portions thereof so selected for redemption.

Notice of Redemption

The Trustee shall give notice of the redemption of the Certificates on behalf and at the expense of the District. Such notice shall state the redemption date and redemption price and, if less than all of the then outstanding Certificates are to be called for redemption, shall designate the numbers of the Certificates to be redeemed by giving the individual number of each Certificate or by stating that all Certificates between two stated numbers, both inclusive, have been called for redemption, and shall require that such Certificates be surrendered on the redemption date at the Office of the Trustee for redemption at said redemption price, giving notice also that further interest represented by the Certificates will not accrue after the redemption date. Such notice shall further state that on the redemption date there shall become due and payable, the principal and premium, if any, represented by each Certificate together with accrued interest represented thereby to said date, and that from and after such date interest represented thereby shall cease to accrue and be payable.

Notice of such redemption shall be mailed by first class mail with postage redeemed, to one or more of the Information Services (as defined in the Trust Agreement) and to the owners of the Certificates designated for redemption at their respective addresses appearing on the Registration Books, at least 30 days but not more than 60 days prior to the redemption date. In addition, notice of redemption shall be given by telecopy or certified, registered or overnight mail to each of the Securities Depositories (as defined in the Trust Agreement) at least 2 days prior to such mailing to the Certificate owners. Such notice shall, in addition to setting forth the above information, set forth, in the case of each Certificate called only in part, the portion of the principal represented thereby which is to be redeemed; *provided, however*, that neither failure to receive such notice so mailed nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the redemption of such Certificates or the cessation of accrual of interest represented thereby from and after the date fixed for redemption.

If, on said date of redemption, moneys for the redemption of all the Certificates to be redeemed, together with interest to said date of redemption, shall be held by the Trustee so as to be available therefor on such date of redemption, then, from and after said date of redemption, interest represented by the Certificates shall cease to accrue and become payable. All moneys held by the Trustee for the redemption of Certificates shall be held in trust for the account of the Owners of the Certificates so to be redeemed, and shall be held by the Trustee in cash uninvested.

All Certificates paid at maturity or redeemed prior to maturity pursuant to the Trust Agreement shall be canceled upon surrender thereof and destroyed.

Partial Redemption of the Certificates

Upon surrender of any Certificate redeemed in part only, the Trustee shall execute, authenticate and deliver to the Owner thereof, at the expense of the District, a new Certificate or Certificates of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Certificate surrendered and of the same interest rate and the same maturity.

Defeasance

If and when any Outstanding Certificates shall be paid and discharged in any one or more of the following ways:

(a) by well and truly paying or causing to be paid the principal of and interest and redemption premiums (if any) represented by such Outstanding Certificates, as and when the same become due and payable; or

(b) by depositing with the Trustee or any other fiduciary, under an escrow deposit and trust agreement, security for the payment of Lease Payments relating to such Certificates as more particularly described in the Lease Agreement, said security to be held by the Trustee on behalf of the District to be applied by the Trustee or by such other fiduciary to pay or prepay such Lease Payments as the same become due, pursuant to the Lease Agreement;

and if such Certificates are to be redeemed prior to the maturity thereof notice of such redemption shall have been mailed pursuant to the Trust Agreement or provision satisfactory to the Trustee shall have been made for the mailing of such notice, then, notwithstanding that such Certificates shall not have been surrendered for payment, all rights hereunder of the Owners of such Certificates and all obligations of the Corporation, the Trustee and the District with respect to such Certificates shall cease and terminate, except only the obligations of the Trustee under the Trust Agreement, and the obligation of the Trustee to pay or cause to be paid, from Lease

Payments paid by or on behalf of the district from funds deposited pursuant to paragraph (b) above, to the Owners of such Certificates not so surrendered and paid all sums represented thereby when due and in the event of deposits pursuant to paragraph (b), such Certificates shall continue to represent direct. Undivided fractional interests of the Owners, thereof in the Lease Payments.

Any funds held by the Trustee, at the time of discharge of the obligations represented by all Outstanding Certificates as a result of one of the events described in paragraphs (a) or (b) above, which are not required for the payment to be made to Owners, shall, upon payment in full of all fees and expenses of the Trustee (including attorneys' fees) then due, be paid over to the District.

Registration, Transfer and Exchange of Certificates

In the event that the book-entry system as described above is no longer used with respect to the Certificates, the following provisions will govern the registration, transfer, and exchange of the Certificates.

The Trustee shall keep or cause to be kept sufficient records for the registration and registration of transfer of the Certificates, which shall at all reasonable times be open to inspection by the District and the Corporation during regular business hours and upon prior notice; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on the Registration Books, Certificates as provided in the Trust Agreement.

The registration of any Certificates may, in accordance with its terms, be transferred upon the Registration Books by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Certificate for cancellation at the Office of the Trustee, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee, duly executed. Whenever any Certificate or Certificates shall be surrendered for registration of transfer, the Trustee shall execute and deliver a new Certificate or Certificates representing the same maturity, interest rate and aggregate principal amount, if any authorized denominations.

Certificates may be exchanged at the Office of the Trustee, for a like aggregate principal amount of Certificates representing other authorized denominations of the same interest rate and maturity. The District shall pay all costs of the Trustee incurred in connection with any such exchange, except that the Trustee may require the payment by the Certificate Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

The Trustee may refuse to transfer or exchange either (i) any Certificate during the period established by the Trustee for the selection of Certificates for redemption, or (ii) the portion of any Certificate which the Trustee has selected for redemption pursuant to the provisions of the Trust Agreement.

Mutilated, Lost, Destroyed, or Stolen Certificates

In the event that the book-entry system as described above is no longer used with respect to the Certificates, the following provisions will apply to mutilated, lost, destroyed or stolen Certificates.

If any Certificate shall become mutilated, the Trustee, at the expense of the Owner of such Certificate, shall execute and deliver a new Certificate of like principal amount, interest rate and maturity in replacement for the Certificate so mutilated, but only upon surrender to the Trustee of the Certificate so mutilated. Every mutilated Certificate so surrendered to the Trustee shall be canceled by it and destroyed by the Trustee, who shall upon request deliver a certificate of destruction to the District. If any Certificate shall be lost, destroyed or stolen, evidence of such loss, destruction or theft must be submitted to the Trustee, and, if such evidence is satisfactory to the Trustee and the District and, if an indemnity satisfactory to the Trustee and the District shall be given, the Trustee, at the expense of the Certificate Owner, shall execute and deliver a new Certificate of like principal amount, interest rate and maturity and numbered as the Trustee shall determine in lieu of and in replacement for the Certificate so lost, destroyed or stolen. The Trustee may require payment of an appropriate fee for each replacement Certificate delivered and of the expenses which may be incurred by the Trustee in carrying out the duties under the Trust Agreement. Any Certificate issued in lieu of any Certificate alleged to be lost, destroyed or stolen shall be equally entitled to the benefits of the Trust Agreement with all other Certificates secured by this Trust Agreement. The Trustee shall not be required to treat both the original Certificate and any replacement Certificate as being Outstanding for the purpose of determining the principal amount of Certificates which may be executed and delivered hereunder or for the purpose of determining any percentage of Certificates Outstanding hereunder, but both the original and replacement Certificate shall be treated as one and the same. Notwithstanding any other provision of the Trust Agreement, in lieu of delivering a replacement for a Certificate which has been mutilated, lost, destroyed or stolen, and which has matured, the Trustee may make payment with respect to such Certificate upon receipt of indemnity satisfactory to the Trustee and the District.

SOURCES OF PAYMENT FOR THE CERTIFICATES

General

Each Certificate represents a direct, fractional, undivided interest in the Lease Payments to be made by the District under the Lease Agreement. The Corporation, pursuant to the Assignment Agreement, will assign substantially all of its rights under the Lease Agreement, including its right to receive Lease Payments from the District as well as its right to enforce the Lease Agreement, to the Trustee for the benefit of the Owners. The Lease Payments are equal to the annual principal and interest represented by the Certificates. The Lease Payments will be paid from the District's general fund and other legally available moneys.

The obligation of the District to make Lease Payments does not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation. Neither the Certificates nor the obligation of the District to make Lease Payments under the Lease Agreement constitute a debt of the District or the State or any political subdivisions thereof within the meaning of any Constitutional or statutory debt limitation or restriction or an obligation for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation.

Lease Payments

Subject to the provisions of the Lease Agreement regarding abatement in the event of loss of use of any item or portion of the Property and regarding redemption of Lease Payments, the District agrees to pay to the Corporation the Lease Payments (denominated into components of principal and interest) for the Property to be due and payable in immediately available funds on the Interest Payment Dates immediately following the Lease Payment Dates (such Lease Payment Date being the 15th calendar day of the month immediately preceding such Interest Payment Dates), and to be deposited by the District with the Trustee on each of the

Lease Payment Dates. Any amount held in the Lease Payment Fund on any Lease Payment Date (other than amounts resulting from the redemption of the Lease Payments in part but not in whole pursuant to the Lease Agreement and other than amounts required for payment of past due principal or interest represented by any Certificates not presented for payment) shall be credited towards the Lease Payment then required to be paid hereunder; and no Lease Payment need be deposited with the Trustee on any Lease Payment Date then required to be deposited with the Trustee. The Lease Payments payable in any fiscal year shall be for the use of the Property during such fiscal year.

Lease Payments shall be abated during any period in which, by reason of material damage, destruction or condemnation, there is substantial interference with the use and right of possession by the District with respect to any item or portion of the Property. See "RISK FACTORS—Abatement."

Covenant to Budget

The District has covenanted in the Lease Agreement to take such action as may be necessary to include all Lease Payments and Additional Payments coming due in each of its annual budgets during the term of the Lease Agreement and to make the necessary annual appropriations for all such Lease Payments and Additional payments. Annually, the District will furnish to the Trustee a certificate stating that the Lease Payments have been included in the final budget of the District for the current fiscal year, such certificate to be filed within 30 days after the adoption of such budget and in any event no later than September 1 in the calendar year in which the District adopts such budget. Such covenants on the part of the District shall be deemed to be and shall be construed to be duties imposed by law in the performance of the official duty of such officials to enable the District to carry out and perform the covenants and agreements in the Lease Agreement agreed to be carried out and performed by the District.

Reserve Fund

Pursuant to the Trust Agreement, a Reserve Fund is required to be funded in the amount of the "Reserve Requirement." Moneys in the Reserve Fund shall be held in trust as a reserve for the payment when due of the Lease Payments on behalf of the District. "Reserve Requirement" means, as of the Closing Date, an amount equal to the lesser of (a) 10% of the principal amount of the Certificates, or (b) the maximum amount of Lease Payments coming due in the current or any future fiscal year, or (c) 125% of average annual Lease Payments. The Reserve Requirement as of the date of delivery of the Certificates is $2,948,280.00.

Insurance

The Lease Agreement requires the District to continue to maintain or cause to be maintained the following insurance against risk of physical damage to the Property and other risks for the protection of the Certificate Owners, the Corporation, and the Trustee:

> (i) *Public Liability and Property Damage Insurance*. The District shall maintain or cause to be maintained throughout the term of the Lease Agreement, but only if and to the extent available from reputable insurers at reasonable cost in the reasonable opinion of the District, a standard comprehensive general insurance policy or policies in protection of the Corporation, District, and their respective members, officers, agents, employees and assigns. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damages occasioned by reason of the operation of the Property. Such policy or policies shall provide coverage in the minimum liability limits

of $1,000,000 for personal injury or death of each person and $3,000,000 for personal injury or deaths of two or more persons in each accident or event (subject to a deductible of not to exceed $250,000), and in a minimum amount of $150,000 (subject to a deductible of not to exceed $50,000) for damage to property resulting from each accident or event. Such insurance may, however, be in the form of a single limit policy in the amount of $3,000,000 covering all such risks, subject to a deductible of not to exceed $250,000. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the District, and may be maintained in whole or in part in the form of self-insurance by the District, subject to the Lease Agreement, or in the form of the participation by the District in a joint powers authority or other program providing pooled insurance. The Net Proceeds of such liability insurance shall be applied by the District toward extinguishment or satisfaction of the liability with respect to which paid.

(ii) *Fire and Extended Coverage Insurance*. The District shall procure and maintain, or cause to be procured and maintained, throughout the term of the Lease Agreement, insurance against loss or damage to the Property by fire and lightning, with extended coverage and vandalism and malicious mischief insurance. Such insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance shall be in an aggregate amount at least equal to the lesser of: (a) 100% of the replacement value of the facilities; or (b) 100% of the aggregate principal amount of the Outstanding Certificates. All policies of such insurance shall be subject to deductible clauses of not to exceed $100,000 for any one loss. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the District, and may be maintained in whole or in part in the form of self-insurance by the District, subject to the provisions of the Lease Agreement, or in the form of participation by the District in a joint powers authority or other program providing pooled insurance.

(iii) *Rental Interruption Insurance*. The District shall procure and maintain, or cause to be procured and maintained, throughout the term of the Lease Agreement, rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of the Property as a result of any of the hazards covered by casualty insurance, in an amount at least equal to the maximum Lease Payments coming due and payable during any two consecutive Fiscal Years during the remaining Term of the Lease Agreement. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the District, and may be maintained in whole or in part in the form of the participation by the District in a joint powers authority or other program providing pooled insurance. The Net Proceeds of such insurance, if any, shall be paid to the Trustee and deposited in the Lease Payment Fund, and shall be credited towards the payment of the Lease Payments as the same become due and payable.

(iv) *Title Insurance*. The District shall, at its expense, (a) cause the Site and Facility Lease, the Lease Agreement or a memorandum thereof in form and substance approved by Special Counsel, and the Assignment Agreement to be recorded in the office of the Contra Costa County Recorder with respect to the Property, and (b) obtain a CLTA title insurance policy insuring the District's leasehold estate thereunder in the Property, subject only to Permitted Encumbrances, in an amount at least equal to the aggregate principal amount of the Certificates. All Net Proceeds received under any such title insurance policy shall be deposited with the Trustee in the Lease Payment Fund and shall be credited towards the redemption of the remaining Lease Payments pursuant to the Lease Agreement.

In the event that any insurance required pursuant to the Lease Agreement shall be provided in the form of self-insurance, the District shall file with the Trustee annually, within 90 days following the close of each fiscal year, a statement of the risk manager of the District or an independent insurance adviser engaged by the District identifying the extent of such self-insurance and stating the determination that the District maintains sufficient reserves with respect thereto. In the event that any such insurance shall be provided in the form of self-insurance by the District, the District shall not be obligated to make any payment with respect to any insured event except from such reserves.

Action on Default

Whenever any event of default referred to in the Lease Agreement has happened and is continuing, the Corporation may exercise any and all remedies available pursuant to law or granted pursuant to the Lease Agreement; *provided, however,* that notwithstanding anything in the Lease Agreement or in the Trust Agreement to the contrary, there will be no right under any circumstances to accelerate the Lease Payments or otherwise declare any Lease Payments not then in default to be immediately due and payable. The Corporation will have the right upon a default by the District to terminate the Lease Agreement, re-enter such component of the Property, eject the District from such component of the Property or to re-let such component of the Property for the account of the District, and the Corporation waives any such rights that it might have, including any right pursuant to Section 1951.2 or 1952.3 of the California Civil Code. See "THE PROPERTY." The Corporation's rights under the Lease Agreement upon such default by the District shall be (so long as the Corporation does not terminate the Lease Agreement or the District's right to possession of such component of the Property) to enforce all of its rights and remedies under the Lease Agreement, including the right to recover Lease Payments as they become due under the Lease Agreement pursuant to Section 1951.4 of the California Civil Code, by pursing any legal remedy available.

For further information concerning certain risks associated with the exercise of remedies under the Lease Agreement, see "RISK FACTORS—Limited Recourse on Default" and APPENDIX A—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—LEASE AGREEMENT."

Abatement

The obligation of the District to pay Lease Payments will be abated during any period in which by reason of damage, destruction or taking by eminent domain or condemnation with respect to any item or portion of the Property there is substantial interference with the District's use and possession of such item or portion of the Property.

If the Property shall be taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the term of the Lease Agreement shall cease with respect thereto as of the day possession shall be so taken. If less than all of the Property shall be taken permanently, or if the Property shall be taken temporarily, under the power of eminent domain, (a) the Lease Agreement shall continue in full force and effect with respect thereto and shall not be terminated by virtue of such taking and the parties waive the benefit of any law to the contrary, and (b) there shall be a partial abatement of Lease Payments allocated thereto, in an amount to be agreed upon by the District and the Corporation such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Property. Notwithstanding the foregoing, there shall be no abatement of Lease Payments to the extent that amounts in the Reserve Fund are available to pay Lease Payments which would otherwise be abated under the Lease Agreement, it being declared pursuant to the Lease Agreement that such proceeds and amounts constitute a special fund for the payment of the Lease Payments.

The amount of Lease Payments shall be abated during any period in which by reason of damage or destruction (other than by eminent domain as described above) there is substantial interference with the use and occupancy by the District of the Property or any portion thereof. The parties agree that the amount of Lease Payments under such circumstances shall not be less than the amount of the Lease Payments required to pay principal and interest with respect to the Certificates, as scheduled, unless such unpaid amounts are determined to be greater than the fair rental value of the portions of the Property not damaged or destroyed (giving due consideration to the estimated fair market value of the Property, other obligations of the parties under the Lease Agreement, the uses and purposes which may be served by the Property and the benefits therefrom which will accrue to the District and the general public), based on the opinion of an MAI appraiser with expertise in valuing such properties or other appropriate method of valuation, in which event the Lease Payments shall be abated such that they represent said fair rental value.

Such abatement shall continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, the Lease Agreement shall continue in full force and effect and the District waives any right to terminate the Lease Agreement by virtue of any such damage and destruction. Notwithstanding the foregoing, there shall be no abatement of Lease Payments to the extent that the proceeds of hazard insurance, rental interruption insurance or amounts in the Reserve Fund are available to pay Lease Payments which would otherwise be abated under the Lease Agreement, it being declared pursuant to the Lease Agreement that such proceeds and amounts constitute a special fund for the payment of the Lease Payments.

Additional Payments

In addition to the Lease Payments, the District shall pay when due all costs and expenses incurred by the Corporation to comply with the provisions of the Trust Agreement, including without limitation all Delivery Costs (to the extent not paid from amounts on deposit in the Delivery Costs Fund), annual compensation due to the Trustee, all of its reasonable costs payable as a result of the performance of and compliance with its duties under the Trust Agreement and all other amounts due to the Trustee pursuant to the Trust Agreement, and all costs and expenses of attorneys, auditors, engineers and accountants. Such costs and expenses shall be payable as additional amounts of rental pursuant to the Lease Agreement in consideration of the right of the District to the use and occupancy of the Property.

CONTRA COSTA COUNTY INVESTMENT POOL

This section provides a general description of the Contra Costa County's (the "County") investment policy, current portfolio holdings, and valuation procedures. The information has been adapted from material prepared by the County for inclusion in this Official Statement. The District makes no representation as to the accuracy or completeness of such information. Further information may be obtained from the office of the Treasurer-Tax Collector of the County, Auditor/Controller's Office, 625 Court Street, Room 103, Martinez, CA 94553-1282, telephone: 925-646-2184.

Funds held by the County in the Investment Pool (the "County Pool") are invested in accordance with the County's Statement of Investment Policy prepared by the County Treasurer-Tax Collector (the "Treasurer") as authorized by section 53601 of the Government Code of California. The Investment Policy is submitted to the County Board of Supervisors annually. The Treasurer is in the process of preparing amendments to the County's Investment Policy for approval by County Board of Supervisors to reflect changes to State law. The

Treasurer does not anticipate any major substantive changes to the Investment Policy in connection with the approval of these amendments.

The County Pool represents moneys entrusted to the Treasurer by the County and schools and special districts within the County. State law requires that all moneys of the County, school districts, and certain special districts be held by the Treasurer.

Moneys deposited in the County Pool by the participants represent an individual interest in all assets and investments in the County Pool based upon the amount deposited. All income is distributed to participants based on the average daily balance.

The Treasurer's Investment Policy allows for the purchase of a variety of securities and provides for limitations as to exposure, maturity and rating which vary with each security type. The composition of the portfolio will change over time as old investments mature, or are sold, and as new investments are made.

Funds on deposit with the Treasurer are managed to insure preservation of capital through high quality investments, maintenance of liquidity and then yield. Further, no single investment of operating funds can exceed five years.

The book value of the Portfolio structure of the County Pool as of June 30, 2009, was as follows:

PORTFOLIO STATISTICS
Contra Costa County
As of June 30, 2009

	Par Value	Cost	Fair Value	Portfolio % of Cost	Portfolio % of Par
Managed by Treasurer's Office					
U.S. Treasuries (STRIPS, Bills, Notes)	$ 42,851,000.00	$ 42,377,572.64	$ 43,259,869.76	2.18%	2.20%
U.S. Agencies	270,325,866.92	273,274,022.67	277,041,137.52	14.04	13.90
Money Market Instruments					
Bankers Acceptances	81,687,000.00	81,446,078.37	81,608,843.85	4.18	4.20
Repurchase Agreement	185,000,000.00	185,000,000.00	185,000,000.00	9.50	9.51
Commercial Paper	340,867,000.00	340,687,906.95	340,846,166.67	17.50	17.53
Negotiable Certificates of Deposit	251,515,000.00	251,515,000.00	251,655,639.26	12.92	12.93
Corporate Notes	33,001,000.00	33,045,212.53	32,584,340.61	1.70	1.70
Time Deposit	60,003,076.96	60,003,076.96	60,006,518.61	3.08	3.09
Subtotal	952,079,076.06	951,697,274.81	951,701,509.00	48.88	48.96
Total	1,265,255,943.88	1,267,348,870.12	1,272,002,516.28	65.10	65.07
Managed by Outside Contractors					
LAIF	468,588,842.02	468,588,842.02	469,200,230.03	24.07	24.10
Other	129,461,635.41	129,743,492.29	129,942,390.02	6.66	6.66
Total	598,050,477.43	598,332,334.31	599,142,620.05	30.73	30.76
Cash	81,187,438.27	81,187,438.27	81,187,438.27	4.17	4.18
Total Cash and Investments	$1,944,493,859.58	$1,946,868,642.70	$1,952,332,574.60	100.00%	100.00%

The portfolio is in compliance with the County's Investment Policy. The investments in the County Pool are scheduled to mature at the times and in the amounts necessary to meet the County's expenditures and other scheduled withdrawals.

THE DISTRICT

General Information

The District includes approximately 25 square miles in the northern part of Contra Costa County and provides educational services (K-12) services to the residents of most of the City of Pittsburg (the "City"). The District operates eight elementary schools, two middle schools, and two high schools, serving over 9,500 students. The estimated population of the District is 52,723.

Board of Education

The District is governed by a Board of Education consisting of five members. Members are elected to four-year terms in staggered years. The day-to-day operations are managed by a board-appointed Superintendent of Schools. Dr. Barbara B. Wilson has served in this capacity since June 2007.

Name	Position	Expiration of Term
Vincent S. Ferrante	President	November 2010
Percy D. McGee, Jr.	Vice President	November 2010
Joseph Arenivar	Member	November 2010
Dr. Laura Canciamilla	Member	November 2012
Dr. William Wong	Member	November 2010

The administrative staff of the District includes Dr. Linda Rondeau, Deputy Superintendent; Dr. Paul Disario, Assistant Superintendent – Business; Ms. Dorothy Epps, Assistant Superintendent – Human Resources.

Average Daily Attendance and Base Revenue Limit

The following table summarizes the historical and current year estimated average daily attendance for the District.

AVERAGE DAILY ATTENDANCE
(Second Period Report)
Pittsburg Unified School District

Fiscal Year	Average Daily Attendance
2004-05	8,966
2005-06	8,714
2006-07	8,873
2007-08	8,847
2008-09	9,102
	Projected
2009-10	9,102
2010-11	9,102

Source: Pittsburg Unified School District

The District is not a Basic Aid District. The District's statutory base revenue limit per A.D.A. under the State revenue limit formula was $5,788.09 for 2007-08, and is projected to be $6,116.09 per A.D.A. for 2008-09. See "GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION — State Funding of School Districts" herein.

Employee Relations

Currently the District employs 505.2 full-time equivalent (FTE) certificated employees, 319.7 FTE classified employees and 54 management employees. There are two formal bargain units operating in the District which are described in the table below.

LABOR ORGANIZATIONS
Pittsburg Unified School District

Labor Organization	Contract Expiration
Pittsburg Teachers Association	June 30, 2011
California Schools Employees Association	June 30, 2011

Source: Pittsburg Unified School District

Insurance Programs

The District maintains insurance with Schools Insurance Group, with such retentions and other terms providing coverage for property damage, fire and theft, general public liability and workers' compensation as the District believes are adequate, customary and comparable with such insurance maintained by similarly situated school districts. In addition, based upon prior claims experience, the District believes that the recorded liabilities for insured claims are adequate.

Worker's compensation insurance is obtained through Schools Insurance Group. The rental interruption insurance will be provided by Schools Insurance Group.

Employee Retirement Systems

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 California Public Employees' Retirement System (CalPERS).

California Public Employees' Retirement System (CalPERS). The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2007-08 was 9.306% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2006, 2007 and 2008 were $996,621, $1,069,173 and $1,140,808, respectively, and equal 100% of the required contributions for each year.

State Teachers' Retirement System (STRS). Plan Description: The District contributes to the State Teachers' Retirement System (STRS), a costsharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS Executive Office, 7667 Folsom Boulevard, Sacramento, California 95826.

Active plan members are required to contribute 8.0% of their salary. The required employer contribution rate for fiscal year 2007-08 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal years ending June 30, 2006, 2007 and 2008 were $2,781,379, $2,824,124 and $3,013,647, respectively, and equal 100% of the required contributions for each year.

Postemployment Benefits

In addition to the pension benefits described above, the District provides postretirement healthcare benefits to District employees who retire from the District on or after attaining the age 55 until age 65, provided they have met certain service requirements. For employees retiring on June 1, 1978 and thereafter, the District contributes toward the health benefit program, capped in the same dollar amount and with the same coverage limitations for retirees as it does for active employees. At June 30, 2008, 65 District retirees are receiving the post-retirement healthcare benefits.

Year Ending June 30,	Payments
2009	$ 447,247
2010	341,808
2011	288,585
2012	218,908
2013	136,296
2014-2018	279,387
2019-2023	61,654
2024-2025	15,815
	$ 1,789,700

Source: Pittsburg Unified School District

DISTRICT FINANCIAL INFORMATION

District Budget

The District is required by provisions of the State Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. The budget process for school districts was substantially amended by Assembly Bill 1200 ("AB 1200"), which became State law on October 14, 1991. Portions of AB 1200 are summarized below.

School districts must adopt a budget on or before July 1 of each year. The budget must be submitted to the county superintendent within five days of adoption or by July 1, whichever occurs first. A district may be on either a dual or single budget cycle. The dual budget option requires a revised and readopted budget by September 8 that is subject to State-mandated standards and criteria. The revised budget must reflect changes in projected income and expenses subsequent to July 1. The single budget is only readopted if it is disapproved by the county office of education, or as needed. The District is on a single budget cycle and adopts its budget on or before July 1.

For both dual and single budgets submitted on July 1, the county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, will determine if the budget allows the district to meet its current obligations and will determine if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments. On or before August 15, the county superintendent will approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district board must be notified by August 15 of the county superintendent's recommendations for revision and reasons for the recommendations. The county superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the superintendent's recommendations. The committee must report its findings no later than August 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. The law does not provide for conditional approvals; budgets must be either approved or disapproved. No later than September 22, the county superintendent must notify the Superintendent of Public Instruction of all school districts whose budget may be disapproved.

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

Under the provisions of AB 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent two fiscal years. The county office of education reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meets its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the remainder of the fiscal year or subsequent two fiscal years. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years.

Under current law, the District Board of Education approves an adopted budget by July 1 of each fiscal year. The following table shows the District's budgets for fiscal year 2008-09 and its adopted budget for fiscal year 2009-10.

GENERAL FUND BUDGET
Fiscal Years 2008-09 and 2009-10
Pittsburg Unified School District

	Actual FY 2008-09	Adopted FY 2009-10
Revenues:		
Revenue limit sources	$ 52,431,986.19	$ 48,352,248.00
Federal sources	7,113,107.24	9,203,669.00
Other State sources	14,562,333.83	13,308,198.00
Other Local sources	3,575,089.34	4,261,753.00
Total revenues	77,682,516.60	75,125,868.00
Expenditures:		
Certificated salaries	34,460,867.79	33,663,646.00
Classified salaries	10,860,182.15	9,971,117.00
Employee benefits	15,589,512.05	15,321,454.00
Books & supplies	3,484,572.83	50,247,173.00
Contract services & operating expenditures	11,334,106.81	12,645,055.00
Capital OUTLAY	500,166.11	284,889.00
Other outgo	15,695.00	16,000.00
Transfers of indirect/direct support costs	(461,843.75)	397,291.00
Total expenditures	75,783,258.99	76,532,043.00
Excess of revenues over expenditures	1,899,257.60	1,406,175.00
Other financing sources (uses):		
Operating transfers in	1,008,559.00	2,000,000.00
Operating transfers out	306,288.69	300,000.00
Total other financing sources (uses)	$ 702,270.31	$ 1,700,000.00

Source: Pittsburg Unified School District

Accounting Practices

The accounting practices of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to Section 41010 of the California Education Code, is to be followed by all California school districts.

The District's expenditures are accrued at the end of the fiscal year to reflect the receipt of goods and services in that year. Revenues generally are recorded on a cash basis, except for items that are susceptible to accrual (measurable and/or available to finance operations). Current taxes are considered susceptible to accrual. Delinquent taxes not received after the fiscal year end are not recorded as revenue until received. Revenues from specific state and federally funded projects are recognized when qualified expenditures have been incurred. State block grant apportionments are accrued to the extent that they are measurable and predictable. The State Department of Education sends the District updated information from time to time explaining the acceptable accounting treatment of revenue and expenditure categories.

The District's accounting is organized on the basis of fund groups, with each group consisting of a separate set of self-balancing accounts containing assets, liabilities, fund balances, revenues and expenditures. The major fund classification is the General Fund which accounts for all financial resources not requiring a special type of fund. The District's fiscal year begins on July 1 and ends on June 30.

Financial Statements

The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. Audited financial statements for the District for the fiscal year ended June 30, 2008, and prior fiscal years are on file with the District and available for public inspection at the office of the Superintendent of the District, 2000 Railroad Avenue, Pittsburg, California, 94565, telephone number (925) 473-4000. Copies of such financial statements will be mailed to prospective investors and their representatives upon request directed to the District at such address. The District's audited financial statements for the year ended June 30, 2008, are included in Appendix B hereto.

COMPARATIVE FINANCIAL DATA—GENERAL FUND
FISCAL YEAR ENDING JUNE 30, 2005, 2006, 2007, 2008 AND 2009
Pittsburg Unified School District

BALANCE SHEET

	Fiscal Year				
	2004-05	2005-06	2006-07	2007-08	2008-09(1)
ASSETS					
Cash and investments:	$4,003,149	$2,525,579	$ 5,084,961	$ 2,140,325	$ 2,628,213
Accounts Receivable:	5,236,310	6,207,955	6,520,845	8,464,957	12,394,444
Due from other funds	271,124	—	—	—	—
Total Assets	$9,510,583	$8,733,534	$11,605,806	$11,826,362	$15,022,656
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$1,475,592	$1,024,173	$3,367,769	$1,685,585	$1,062,669
Deferred revenue	731,206	465,436	318,630	902,888	2,120,570
Due to other funds	116,853	123,478	—	—	—
Total liabilities	$2,323,651	$1,613,387	$3,686,399	$2,588,473	$3,183,240

Source: Pittsburg Unified School District audited financial statements.
(1) Unaudited figures.

COMPARATIVE FINANCIAL DATA - GENERAL FUND
FISCAL YEAR ENDING JUNE 30, 2005, 2006, 2007, 2008 AND 2009
Pittsburg Unified School District

INCOME AND EXPENSE STATEMENT

	Fiscal Year				
	2004-05	2005-06	2006-07	2007-08	2008-09 (1)
REVENUES					
Revenue Limit Sources:					$52,431,986
State Apportionments	$ 35,018,918	$ 38,530,819	$ 42,291,180	$ 44,764,527	
Local Sources	10,466,569	9,794,281	8,745,146	8,051,385	
Federal Sources	5,805,392	6,452,303	5,187,899	4,444,975	7,113,107
Other State Sources	9,630,479	9,367,279	13,622,330	15,050,414	14,562,334
Other Local Sources	4,388,709	4,596,110	5,055,207	4,561,913	3,575,089
Total Revenues	65,310,067	68,740,792	74,901,762	76,873,214	77,682,517
EXPENDITURES					
Certificated salaries	31,394,368	32,564,017	33,636,239	35,326,852	34,460,868
Classified salaries	9,426,972	9,590,841	10,580,961	10,844,818	10,860,182
Employee benefits	13,056,571	14,258,862	1,518,772	15,325,326	15,589,512
Books and supplies	3,128,553	3,603,601	4,190,002	3,458,293	3,484,573
Contract services and operating expenses	7,460,069	8,131,419	9,939,964	10,324,837	11,334,107
Capital outlay	813,745	322,342	333,974	525,632	500,166
Other outgo	(194,867)	7,183	15,682	15,765	15,695
Allocation of Indirect Costs					(461,844)
Debt service		9,988	9,989	9,988	
Total Expenditures	65,085,411	68,488,253	73,895,583	75,871,511	75,783,259
Excess (deficiency) of revenues over (under) expenditures	224,656	252,539	1,006,179	1,001,703	1,899,258
Other financing sources					
Operating transfers in	271,124	262,458	293,817	316,779	1,008,559
Operating transfers out	(583,673)	(581,782)	(500,736)	-	306,289
Total financing sources (uses)	(312,549)	(319,324)	(206,919)	316,779	702,270
Net change in fund balances	(87,893)	(66,785)	799,260	1,318,482	2,601,528
Fund Balance, July 1	7,274,825	7,186,932	7,120,147	7,919,407	9,237,889
Fund Balance, June 30	$ 7,186,932	$ 7,120,147	$ 7,919,407	$ 9,237,889	$11,839,417

Source: Pittsburg Unified School District audited financial statements.
(1) Unaudited figures.

Revenue Sources

The District categorizes its general fund revenues into four sources: (1) revenue limit sources (consisting of a mix of State and local revenues), (2) federal revenues, (3) other State revenues and (4) other local revenues. Each of these revenue sources is described below.

Revenue Limit Sources. Since fiscal year 1973-74, California school districts have operated under general purpose revenue limits established by the State Legislature. In general, revenue limits are calculated for each school district by multiplying (1) the actual daily attendance for such district by (2) a base revenue limit per unit of average daily attendance (“A.D.A.”). The revenue limit calculations are adjusted annually in accordance with a number of factors designated primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type.

Funding of the District's revenue limit is provided by a mix of (1) local property taxes and (2) State apportionments of basic and equalization aid. Generally, the State apportionments will amount to the difference between the District's revenue limit and its local property tax revenues.

Beginning in 1978-79, Proposition 13 and its implementing legislation provided for each county to levy (except for levies to support prior voter-approved indebtedness) and collect all property taxes, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each county.

The revenue limit sources comprised approximately 67% of general fund revenues in fiscal year 2008-09 and are estimated to equal approximately 65% of such revenues in fiscal year 2009-10.

Federal Revenues. The federal government provides funding for several District programs, including special education programs, programs under the Educational Consolidation and Improvement Act, and specialized programs such as Drug Free Schools, Education for Economic Security, and the free and reduced lunch program. The federal revenues, most of which are restricted, comprised approximately 9% of general fund revenues in fiscal year 2008-09 and are estimated to equal approximately 12.2% of such revenues in fiscal year 2009-10.

Other State Revenues. As discussed above, the District receives State apportionment of basic and equalization aid in an amount equal to the difference between the District's revenue limit and its property tax revenues. In addition to such apportionment revenue, the District receives substantial other State revenues.

These other State revenues are primarily restricted revenues funding items such as the Special Education Master Plan, School Improvement Program, Economic Impact Aid, Class Size Reduction Program, home-to-school transportation and instructional materials. Other State revenues comprised approximately 19% of general fund revenues in fiscal year 2008-09 and are estimated to equal approximately 18% of such revenues in fiscal year 2009-10.

Other Local Revenues. In addition to property taxes, the District receives additional local revenues from items such as interest earnings, transportation fees, leases and rentals, special education support and other local sources. Other local revenues comprised approximately 4.6% of general fund revenues in fiscal year 2008-09 and are estimated to equal approximately 5.6% of such revenues in fiscal year 2009-10.

Ad Valorem Property Taxation

Taxes are levied for each fiscal year on taxable real and personal property located in the County as of the preceding January 1. Real property which changes ownership or is newly constructed is revalued at the time the change in ownership occurs or the new construction is completed. The current year property tax rate will be applied to the reassessment, and the taxes will then be adjusted by a proration factor to reflect the portion of the remaining tax year for which taxes are due.

For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "Secured roll" is then part of the assessment roll also containing State-assessed property, and property, the taxes on which are a lien on real property sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in installments, on November 1 and February 1 of each fiscal year, and if unpaid become delinquent on December 10 and April 20, respectively. A penalty of 10% attaches immediately to all delinquent payments. Property on the secured roll with respect to which taxes are delinquent becomes tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of a penalty of 1.5% per month from the time of becoming tax delinquent to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is subject to sale by the Treasurer.

Property taxes on the unsecured roll are due on February 1 and if unpaid become delinquent on August 1. A penalty of 1% attaches immediately to delinquent unsecured taxes. If unsecured taxes are unpaid at 5 p.m. on October 31, an additional penalty of 1.5% attaches to them on the first day of each month until paid. The County has four ways of collecting delinquent unsecured personal property taxes: (1) bringing a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizing and selling personal property improvements or possessor's interest belonging or assessed to the delinquent taxpayer.

Assessed Valuations

District taxes are collected by the County at the same time and on the same tax tolls as are County, city and special district taxes. Assessed valuations are the same for both District and County taxing purposes. The valuation of secured property by the County is established as of February 1, and is subsequently equalized in August of each year.

The table below shows the assessed valuation in the District for fiscal years 2005-06 to 2009-10.

HISTORIC ASSESSED VALUATIONS
Pittsburg Unified School District

Fiscal Year	Local Secured	Utility	Unsecured	Total	% Change
2005-06	$3,577,608,962	$638,929,753	$669,093,872	$4,885,632,587	7.30%
2006-07	4,242,668,038	529,088,058	688,977,202	5,460,733,298	11.77
2007-08	4,466,682,189	493,394,418	650,336,655	5,610,413,262	2.74
2008-09	4,217,830,090	515,631,604	725,978,921	5,459,440,615	(2.69)
2009-10	3,351,118,609	500,377,913	807,626,999	4,659,123,521	(14.66)

Source: California Municipal Statistics, Inc.

Tax Rates

The table below summarizes the total *ad valorem* tax rates levied by all taxing entities in a typical Tax Rate Area ("TRA") within the District from fiscal year 2005-06 to fiscal 2009-10.

DEFINITIONS AND SUMMARY OF AD VALOREM TAX RATES
Pittsburg Unified School District

Typical Total Tax Rates (TRA 7-004 - 2009-10 Assessed Valuation: $2,039,374,929)

	2005-06	2006-07	2007-08	2008-09	2009-10
County-wide Rate (a)	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
Bay Area Rapid Transit District	--	0.0048	0.0050	0.0076	0.0057
Contra Costa Community College District	0.0042	0.0047	0.0043	0.0108	0.0126
Pittsburg Unified School District	0.0309	0.0606	0.0508	0.0948	0.1066
East Bay Regional Park District	0.0057	0.0057	0.0085	0.0080	0.0108
Total All Property	1.0264%	1.0758%	1.0686%	1.1212%	1.1357
Total Land Only	0.0057%	0.0050%	0.0043%	0.0039%	0.0048

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

Alternative Method of Tax Apportionment

The Board of Supervisors of the County has approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 *et seq*. of the California Revenue and Taxation Code. The Teeter Plan guarantees distribution of 100% of the general taxes levied to the taxing entities within the County, with the County retaining all penalties and interest penalties affixed upon delinquent properties and redemptions of subsequent collections. Under the Teeter Plan, the County apportions secured property taxes on an cash basis to local political subdivisions, including the District, for which the County acts as the tax-levying or tax-collecting agency. At the conclusion of each fiscal year, the County distributes 100% of any taxes delinquent as of June 30th to the respective taxing entities. Teeter Plan was effective beginning the fiscal year commencing July 1, 1993.

The Teeter Plan is applicable to secured property tax levies. As adopted by the County, the Teeter Plan excludes Mello-Roos Community Facilities Districts, special assessment districts, and benefit assessment districts.

The Teeter Plan is to remain in effect unless the Board of Supervisors of the County orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors receives a petition for its discontinuance joined in by resolutions adopted by at least two-thirds of the participating revenue districts in the County, in which event the Board of Supervisors is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. If the Teeter Plan is discontinued subsequent to its implementation, only those secured property taxes actually collected would be allocated to political subdivisions (including the District) for which the County acts as the tax-levying or tax-collecting agency, but penalties and interest would be credited to the political subdivisions.

Tax Levies and Delinquencies

Beginning in 1978-79, Article XIIIA and its implementing legislation shifted the function of property taxation primarily to the counties, except for levies to support prior-voted debt, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each County.

The following table reflects the historical secured tax levy and year-end delinquencies for the District.

PITTSBURG UNIFIED SCHOOL DISTRICT
Secured Tax Charge and Delinquency

Fiscal Year	Secured Tax Charge (1)	Amount Delinquent as of June 30	Percent Delinquent as of June 30
2005-06	$2,473,846.98	$ 77,065.29	3.12%
2006-07	2,369,523.11	153,218.56	6.47
2007-08	4,647,800.76	416,226.64	8.96
2008-09	2,649,861.72	145,038.33	5.47

Source: California Municipal Statistics, Inc.
(1) General obligation bond debt service levy only. Prior years not available.

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 2009-10, representing 34.56% of the total assessed valuation.

FISCAL YEAR 2009-10 LARGEST LOCAL SECURED TAXPAYERS
Pittsburg Unified School District

	Property Owner	Primary Land Use	2009-10 Assessed Valuation	% of Total (1)
1.	Delta Energy Center, LLC	Power Plant	$ 439,900,000	11.42%
2.	USS Posco Industries	Industrial	303,868,260	7.89
3.	Dow Chemical Company	Industrial	108,844,034	2.83
4.	Mirant Delta LLC	Power Plant	89,300,000	2.32
5.	Kirker Creek BBS LP	Apartments	63,395,898	1.65
6.	Sierra Pacific Properties Inc.	Apartments	60,914,758	1.58
7.	GWF Power Systems	Industrial	48,683,172	1.26
8.	Fund VIII PR Pittsburg LLC	Apartments	23,029,619	0.60
9.	FRG Presidents Park III LLC	Apartments	21,129,810	0.55
10.	Albert D. Seeno Construction Co.	Shopping Center	19,965,950	0.52
11.	Contra Costa Waste Service Inc.	Industrial	19,125,438	0.50
12.	Deutsche Bank National Trust Company	Residential Properties	18,499,060	0.48
13.	Aspen Loveridge LLC	Apartments	17,278,134	0.45
14.	Union Carbide Industrial Gases Inc.	Industrial	15,243,591	0.40
15.	Wal-Mart Real Estate Business	Shopping Center	15,110,517	0.39
16.	Esther Sura Berger	Shopping Center	14,972,930	0.39
17.	Valero Logistics Operations	Industrial	14,143,242	0.37
18.	Public Storage Inc.	Industrial	12,734,496	0.33
19.	Signode Corporation	Industrial	12,626,364	0.33
20.	Don & Lonne Carr	Industrial	12,350,051	0.32
			$1,331,115,324	34.56%

Source: California Municipal Statistics, Inc.
(1) 2009-10 Local Secured Assessed Valuation: $3,851,496,522.

Long-Term Liabilities

Capitalized Lease Obligations

The District leases various buildings and equipment under agreements that have been capitalized and recorded as long term liabilities in the financial statements. The District will receive no sublease rental revenues nor pay any contingent rentals for this equipment.

Certificates of Participation

In July 1997 the Alameda/Contra Costa Schools Financing Authority, in the name of Pittsburg Unified School District, issued Series D Certificates of Participation in the amount of $1,020,000, with an interest rate of 4.50%.

In February 1999, the Pittsburg Unified School District Financing Corporation issued Certificates of Participation in the amount of $11,720,000, with an interest rate of 3.75% to 4.70%.

In February 2001, the Pittsburg Unified School District Financing Corporation issued Certificates of Participation in the amount of $3,000,000, with an interest rate of 3.50% to 4.40%.

General Obligation Bonds

1998 General Obligation Bonds. In 1998, the District issued $5,000,000 of General Obligation Bonds. The Bonds require annual principal payments through 2023, plus interest. Annual interest rates for these general obligation bonds range from 3.70% to 7.00%. With the issuance of the 2005 Refunding Bonds (see below), the 1998 General Obligation Bonds are considered defeased and have been removed from the District's financial statements.

1999 General Obligation Bonds. In 1999, the District issued $10,000,000 of General Obligation Bonds. The Bonds require annual principal payments through 2024, plus interest. Annual interest rates for these general obligation bonds range from 4.00% to 7.00%.

2000 General Obligation Bonds. In 2000, the District issued $5,000,000 of General Obligation Bonds. The Bonds require annual principal payments through 2025, plus interest. Annual interest rates for these general obligation bonds range from 5.10% to 6.25%. With the issuance of the 2005 Refunding Bonds, a portion of the 2000 General Obligation Bonds are considered defeased and have been removed from the District's financial statements.

2003 General Obligation Bonds. In 2003, the District issued $8,825,000 of General Obligation Bonds. The Bonds require annual principal payments through 2022, plus interest. Annual interest rates for these general obligation bonds range from 3.50% to 4.50%.

2005 General Obligation Bonds. In 2005, the District issued $17,100,000 of General Obligation Bonds. The Bonds require annual principal payments through 2029, plus interest. Annual interest rates for these general obligation bonds range from 3.50% to 12.00%.

2005 General Obligation Refunding Bonds. In 2005, the District issued $8,565,000 of General Obligation Refunding Bonds. Of this amount, $8,387,151 was placed into an escrow account to advance refund the remaining $3,995,000 of the 1998 General Obligation Bonds and $4,050,000 of the 2000 General Obligation Bonds. The 2005 General Obligation Refunding Bonds require annual principal payments through 2024, plus interest. Annual interest rates for these general obligation bonds range from 3.40% to 4.375%.

2006 General Obligation Bonds. In 2006, the District issued $13,350,000 of General Obligation Bonds, The Bonds require annual principal payments through 2030, plus interest. Annual interest rates for these general obligation bonds range from 4.00% to 6,00%.

2008 General Obligation Bonds. In 2008, the District issued $10,050,000 of General Obligation Bonds. The Bonds require annual principal payments through 2033, plus interest. Annual interest rates for these general obligation bonds range from 4.00% to 8.00%.

2008 General Obligation Bonds. In 2008, the District issued $15,000,000 of General Obligation Bonds. The Bonds require annual principal payments through 2033, plus interest. Annual interest rates for these general obligation bonds range from 4.00% to 8.00%.

2009 General Obligation Bonds. In 2009, the District issued $35,000,000 of General Obligation Bonds. The Bonds require annual principal payments through 2039, plus interest. Annual interest rates for these general obligation bonds range from 3.00% to 5.625%.

A schedule of changes in long-term liabilities for the fiscal year ended June 30, 2008, is shown below:

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008	Amounts Due Within One Year
Capitalized lease obligations	$ 394,140		$ 384,372	$ 9,768	$ 9,768
Certificates of Participation	12,060,000		620,000	11,440,000	640,000
General Obligation Bonds	54,935,000	$25,050,000	1,725,000	78,260,000	3,860,000
Compensated absences	252,185	2,544		254,729	254,729
Postemployment benefits	2,039,028	235,346	484,674	1,789,700	447,247
Totals	$69,680,353	$25,287,890	$3,214,046	$91,754,197	$5,211,744

Payments on the capitalized lease obligations are made from the District's General Fund. Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund, derived from ad valorem property taxes.

Overlapping Debt

Set forth below is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. and effective November 1, 2009. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District in whole or in part. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

The contents of the Debt Report are as follows: (1) the first column indicates the public agencies which have outstanding debt as of the date of the Debt Report and whose territory overlaps the District; (2) the second column shows the respective percentage of the assessed valuation of the overlapping public agencies identified in column 1 which is represented by property located in the District; and (3) the third column is an apportionment of the dollar amount of each public agency's outstanding debt (which amount is not shown in the table) to property in the District, as determined by multiplying the total outstanding debt of each agency by the percentage of the District's assessed valuation represented in column 2.

STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
Pittsburg Unified School District

2009-10 Assessed Valuation:	$4,659,123,521
Redevelopment Incremental Valuation:	3,043,600,284
Adjusted Assessed Valuation:	$1,615,523,237

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 11/1/09
Bay Area Rapid Transit District	0.370%	$ 1,554,000
Contra Costa Community College District	1.251	2,161,665
Pittsburg Unified School District	100.	106,740,000
City of Pittsburg 1915 Act Bonds	22.768-100.	3,455,414
East Bay Regional Park District	0.533	537,584
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$114,448,663

DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Contra Costa County General Fund Obligations	1.246%	$ 3,545,555
Contra Costa County Pension Obligations	1.246	5,799,569
Contra Costa Community College District Certificates of Participation	1.251	13,136
Contra Costa Fire Protection District Pension Obligations	2.810	3,377,058
Pittsburg Unified School District Certificates of Participation	100.	10,140,000 (1)
City of Pittsburg Pension Obligations	82.469	32,382,324
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$55,257,642
Less: Contra Costa County General Fund Obligations supported by revenue funds		1,649,222
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$53,608,420
GROSS COMBINED TOTAL DEBT		$169,706,305 (2)
NET COMBINED TOTAL DEBT		$168,057,083

(1) Excludes issue to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2009-10 Assessed Valuation:
Direct Debt ($106,740,000) 2.29%
Total Direct and Overlapping Tax and Assessment Debt 2.46%

Ratios to Adjusted Assessed Valuation:
Combined Direct Debt ($116,880,000)...7.23%
Gross Combined Total Debt..10.50%
Net Combined Total Debt...10.40%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/09: $0

Source: California Municipal Statistics, Inc.

GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION

State Funding of School Districts

Annual State apportionments of basic and equalization aid to K-12 school districts for general purposes are made according to a revenue limit per unit of A.D.A. If a district's total revenue limit exceeds its property tax revenue, its annual State apportionments, subject to certain adjustments, amount to the difference between the revenue limit and a district's actual property tax receipts (after any redevelopment agency tax increment or other deductions or "shifts" that may be in effect under State law). A.D.A. is determined by school districts twice a year, in December ("First Period A.D.A.") and April ("Second Period A.D.A.").

The calculation of the amount of State apportionment a school district is entitled to receive each year is summarized as follows: first, the prior year Statewide revenue limit per A.D.A. is recalculated with certain adjustments for equalization and other factors; second, this adjusted prior year Statewide revenue limit per A.D.A. is inflated according to formulas based on the implicit price deflator for government goods and services and the Statewide average revenue limit per A.D.A. for each type of A.D.A., yielding the school district's current year "component" revenue limits per A.D.A.; third, the current year component revenue limits per A.D.A. are applied to the school district's A.D.A. for either the current or prior year, as the district elects; fourth, revenue limit adjustments known as "add-ons" are calculated for each school district if the school district qualifies for such add-ons (for example, add-ons to adjust for small school district size and providing meals for needy pupils, among others); and fifth, local property tax revenues are deducted from the total revenue limit calculated for each district to arrive at the amount of State apportionment each school district is entitled to for the current year.

The State revenue limit is calculated three times a year for each school district on the basis of projections submitted by the district on or about December 10, based on First Period A.D.A., and April 15 and June 30, both based on Second Period A.D.A. A.D.A. calculations are based on actual attendance and do not include excused absences. Revenue limit calculations are made by each school district, reviewed by the County Office of Education and submitted to the State Department of Education. The State Department of Education reviews the calculations for accuracy, determines the amount of State apportionment owed to each school district and notifies the State Controller to distribute the apportionments. The first calculation is performed for the First Principal Apportionment in February, the second calculation for the Second Principal Apportionment in June, and the final calculation for the end of the fiscal year Annual Principal Apportionment, in essence a correction that is made in October of the next fiscal year.

See "DISTRICT INFORMATION" herein for the District's specific annual revenue limit per A.D.A.

Basic Aid Districts

In the event that a school district's property tax revenue exceeds its calculated revenue limit entitlement, that school district retains all of its property tax revenue, and State apportionments to that district are limited to the minimum "basic aid" amount of $120 per A.D.A. set forth in the Constitution. Currently the State allocates basic aid funding within categorical entitlements that would have been received in any event. Such districts are commonly known as "Basic Aid Districts." The District is not a Basic Aid district.

State Funding of Schools Without A State Budget

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

During the 2003-04 State budget impasse, the State Controller announced that only "payments of prior year obligations, constitutional authorizations, federal mandates and continuous legislative appropriations would be made." The State Controller concluded that revenue limit apportionments to school districts, under provisions of the Education Code implementing Article XVI, Section 8 of the State constitution, are authorized as continuous legislative appropriations, so disbursed these funds without a budget bill or emergency appropriation enacted. The State Controller did not disburse certain categorical and other funds to school districts until the *2003-04 Budget Act* was enacted.

State Funding of School Construction

The State makes funding for school facility construction and modernization available to K-12 districts throughout the State through the Office of Public School Construction ("OPSC") and the State Allocation Board ("SAB"), from proceeds of State general obligation bonds authorized and issued for this purpose. Such bonds were authorized in the amount of $13.05 billion, $11.40 billion of which were for K-12 school facilities and $1.65 billion of which were for higher education facilities, on November 5, 2002 under Proposition 47, passed by 58.9% of the State-wide vote. An additional bond measure for education capital projects was approved on March 2, 2006 under Proposition 55, passed by 50.6% of the State-wide vote, in an authorization amount of $12.3 billion, $10.0 billion of which is for K-12 school facilities and $2.3 billion of which is for higher education facilities. A State general obligation bond measure that includes $7.329 billion for construction, modernization and related purposes for K-12 school districts was approved by a majority of voters in the November 7, 2006 State-wide election.

The SAB allocates bond funds for 50% of approved new construction costs, 60% of approved modernization costs (80% for modernization project applications made prior to February 1, 2002), or up to 100% of approved costs of any type if the school district is approved for "hardship" funding. The school district is responsible for the portion of costs not funded by the State, commonly funding their portion with their own general obligation bonds, certificates of participation or accumulated builder's fee revenue. School districts routinely apply for such funding whenever they have projects they believe meet OPSC and SAB criteria for funding.

State Retirement Programs

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

Contribution rates to PERS varies with changes in actuarial assumptions and other factors, such as changes in benefits and investment performance, and are set by a State retirement board for PERS. The contribution rates are set by statute for STRS at a constant 8.25% of salary. STRS has a substantial Statewide unfunded liability. Under current law, the liability is the responsibility of the State and not of individual school districts. See "DISTRICT

INFORMATION" herein for information regarding the District's contributions to these retirement systems.

County Office of Education

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

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

The District is under the jurisdiction of, and is served by, the County Office for Contra Costa County.

School District Budget Process

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

School districts must adopt a budget no later than June 30 of each year. The budget must be submitted to the County Superintendent within five days of adoption or by July 1, whichever occurs first. A district may be on either a dual or single budget cycle. The dual budget option requires a revised and readopted budget by September 1 that is subject to State mandated standards and criteria. The revised budget must reflect changes in projected income and expenses subsequent to July 1. The single budget is only readopted if it is disapproved by the County Superintendent, or as needed. Under either procedure, the school board must revise its adopted budget within 45 days after the Governor signs the State budget act to reflect any changes in budgeted revenues or expenditures made necessary by the adoption of the State's budget.

For both dual and single budgets submitted on July 1, the County Superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, and will determine if the budget allows the district to meet its current obligations and is consistent with a financial plan that will enable the district to meet its multi-year financial commitments. On or before August 15, the County Superintendent will approve or disapprove the adopted budget for each school district. Pursuant to State law, the county superintendent has available various remedies by which to impose and enforce a budget that complies with State criteria, depending on the circumstances, if a budget is disapproved.

Subsequent to approval, the County Superintendent throughout the fiscal year is authorized to monitor each school district under his or her jurisdiction pursuant to its adopted budget to determine on an ongoing basis if the district can meet its current or subsequent year financial obligations. If a County Superintendent determines that a district cannot meet its current or subsequent year obligations, the County Superintendent will notify the district's governing board of the determination and the County Superintendent may do either or both of the following: (a) assign a fiscal advisor to enable the district to meet those obligations or (b) if a study and recommendations are made and a district fails to take appropriate action to meet its financial obligations, the County Superintendent will so notify the State Superintendent of Public Instruction, and then may do any or all of the following for the remainder of the fiscal year: (i) request additional information regarding the district's budget and operations; (ii) develop and impose, after also consulting with the district's board, revisions to the budget that will enable the district to meet its financial obligations; and (iii) stay or rescind any action inconsistent with such revisions. However, the County Superintendent may not abrogate any provision of any collective bargaining agreement that was entered into prior to the date upon which the County Superintendent assumed authority.

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

Temporary Inter-fund Borrowing

The Education Code generally authorizes a school district to temporarily transfer cash from a specific purpose fund to any other district fund by district board action, including transfer of cash from proceeds of general obligation bonds; *provided that*, (a) the transferred cash is repaid to the original fund within the same fiscal year or (b), if transferred within the final 120 days of a fiscal year, then repaid to the original fund within the following fiscal year. However, depending on the circumstances of a particular such transfer, other State law, grant or contractual restrictions, or in the case of proceeds of tax-exempt obligations, federal tax law, may apply and may further restrict the use of such cash.

Accounting Practices

The accounting policies of California school districts conform to generally accepted accounting principles, as modified in accordance with policies and procedures of the California School Accounting Manual. This manual, pursuant to Section 41010 of the Education Code, is to be followed by all California school districts. Revenues are recognized in the period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the period in which the liability is incurred. See also "Notes to Financial Statements - Note 1" in Appendix B herein for further discussion of applicable accounting policies.

County Investment Pool

In accordance with Education Code Section 41001, each California public school district maintains substantially all of its operating funds in the county treasury of the county in which it is located, and each county treasurer or finance director serves as *ex officio* treasurer for those school districts located within the county. Each county treasurer or finance director has the authority to invest school district funds held in the county treasury. Generally, the county treasurer or finance director pools county funds with school district funds and funds from certain other public agencies and invests the cash. These pooled funds are carried at cost. Interest earnings are accounted for on either a cash or accrual basis and apportioned to pool participants on a regular basis.

Each county treasurer is required to invest funds, including those pooled funds described above, in accordance with Government Code Sections 53601 *et seq.* and 53635 *et seq.* In addition, each county treasurer is required to establish an investment policy which may impose further limitations beyond those required by the Government Code. See "CONTRA COSTA COUNTY INVESTMENT POOL."

EFFECT OF STATE BUDGET ON REVENUES

Most public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. In the aggregate, the State General Fund provides approximately 58% of the estimated total statewide expenditures for K-12 education programs. The primary source of funding for school districts is the revenue limit, which is a combination of State funds and local property taxes (see "DISTRICT FINANCIAL INFORMATION—State Funding of Education"). 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. See "DISTRICT FINANCIAL INFORMATION—Financial Statements" for information regarding revenues received by the District from all State sources.

The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures (see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS"), the condition of the State economy (which affects total revenue available to the State general fund), and the annual State budget process.

California Teachers' Association v. Gould. During several years in the early 1990s, the State realized less tax receipts than it had previously budgeted, so that in each of those years public education received more in funding than its minimum entitlement under Proposition 98. (See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS—Proposition 98"). The State legislature characterized the overfunded amounts as "loans" to be repaid from the Proposition 98 entitlement in future years. The aggregate amount of these loans was approximately $1.76 billion. The validity of the loan characterization and repayment mechanism were challenged by the California Teachers' Association ("CTA"), which sought to void the obligation to repay the loan amounts.

On April 26, 1994, a Sacramento County superior court entered a judgment that K-14 districts are not obligated to repay the inter-year loans. The decision was appealed by the State, and pending such appeal the CTA and the State reached a settlement which became final on April 12, 1996. Pursuant to the settlement agreement, no new inter-year loans will be created; the existing loans were required to be repaid over an eight-year period, with K-14 schools contributing $825 million from funds allocated to education under Proposition 98, and the State contributing the balance of $938 million. The schools' contribution of $825 million was counted toward the Proposition 98 guarantee in future years.

Education Provisions of the California State Budget. The Governor is required by the State Constitution to propose a budget to the State Legislature no later than January 10 of each year, and a final budget must be adopted by a 2/3 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. State income tax, sales tax, and other receipts can fluctuate significantly from year to year depending on economic conditions in the State and the nation. Because funding for K-12 education is closely related to overall State income, funding levels can also vary significantly from year to year, even in the absence of significant education policy changes. The District cannot predict how State income or State education funding will vary over the entire term to maturity of the Certificates, and the District takes no responsibility for informing owners of the Certificates as to any such annual fluctuations. Information about the State budgeting process, the State Budget and State spending for education is available at various State-maintained websites, including (i) the State's website, where recent official statements for State bonds are posted, (ii) the California State Director of Finance's Internet home page which includes the State's audited financial statements, various State of California 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, the State's Rule 15c2-12 filings for State bond issues, financial information which includes an overview of the State economy and government, State finances, State indebtedness, litigation and discussion of the State budget and its impact on school districts; (iii) the California Department of Finance's internet home page which includes the text of the budget and information regarding the State budget, and (iv) the State Legislative Analyst's office which prepares analyses of the proposed and adopted State budgets. *The State has not entered into any contractual commitment with the District, the County, the Underwriter or the owners of the Certificates to provide State budget information to the District or the owners of the Certificates. Although the State sources of information listed above are believed to be reliable, neither the District nor the Underwriter assumes any responsibility for the accuracy of the State budget information set forth or referred to therein.*

Recent State Budget Difficulties and Initiative Responses. In recent years, the State's response to fiscal difficulties has had a significant impact on Proposition 98 funding and settle-up treatment. The State has sought to avoid or delay paying settle-up amounts when funding has lagged the guaranteed amount. The State has also sought to avoid increases in the base guaranteed amount through various mechanisms: by treating any excess appropriations as advances against subsequent years' Proposition 98 minimum funding levels rather than current year increases; by permanently deferring year-end apportionments of Proposition 98 funds from one fiscal year to the next, to reduce the ending fiscal year's base; or by suspending Proposition 98, as the State did in 2004-05.

Existing settle-up obligations are estimated by the Legislative Analyst to total $4.3 billion, consisting of $1.3 billion for fiscal year 2005-06, $1.6 billion for fiscal year 2004-05, and $1.4 billion for prior years. Under current law, the obligations for the prior years, fiscal year 1995-96 through fiscal year 2003-04, will be repaid to the education budget at $150 million per year beginning in fiscal year 2006-07. The California Teachers' Association filed a lawsuit against Governor Schwarzenegger in 2005 seeking to force the State to fund schools the full amount of the outstanding obligations. The parties have agreed to a settlement of this dispute through additional annual funding of approximately $400 million for seven years, commencing in fiscal year 2007-08. Settlement funds are dedicated to class-size reduction, professional development, hiring counselors, and other specific expenditures for participating low-achieving schools.

Proposition 1A. Beginning in fiscal year 1992-93, the State has satisfied a portion of its Proposition 98 obligations by shifting part of the 1% local ad valorem property tax revenues otherwise belonging to cities, counties, special districts, and redevelopment agencies, to school and college districts through a local Educational Revenue Augmentation Fund (ERAF) in each county. In response to a statewide ballot initiative sponsored by affected local agencies, the Legislature proposed an amendment to the State Constitution, which the State's voters approved as "Proposition 1A" at the November 2004 election.

Proposition 1A is intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. Beginning in fiscal year 2008-09, the State will be able to divert up to 8% of local property tax revenues for State purposes (including, but not limited to, funding K through 12 education) only if: (i) the Governor declares such action to be necessary due to a State fiscal emergency; (ii) two-thirds of both houses of the Legislature approve the action; (iii) the amount diverted is required by statute to be repaid within three years; (iv) the State does not owe any repayment to local agencies for past property tax or Vehicle License Fee diversions to local agencies; and (v) such property tax diversions do not occur in more than two of any ten consecutive fiscal years. Because ERAF shifts will be capped and limited in frequency, school and college districts that receive Proposition 98 funding from the State will be more directly dependent upon the State's general fund.

2008-09 Original Adopted State Budget. On September 24, 2008, Governor Schwarzenegger signed the State Budget for fiscal year 2008-09 (the "Original 2008-09 State Budget"). The Original 2008-09 State Budget endeavored to resolve the $24.3 billion budget deficit identified in the May, 2008, revision to the Governor's proposed 2008-09 State Budget (which, prior to the enactment of the recent mid year cuts, was projected at approximately $41.6 billion (see "—State Fiscal Crisis" and "—2008-09 Mid-Year Cuts and 2009-10 State Budget" below)). The Original 2008-09 State Budget projected general fund revenues for Fiscal Year 2007-08 of $103.027 billion and revenues for Fiscal Year 2008-09 of $101.991 billion, an increase of $1.837 billion in 2007-08 and a decrease of $996 million in 2008-09, compared to the May, 2008, revision to the Governor's proposed 2008-09 State Budget.

While the Original 2008-09 State Budget did not resolve the State's persistent structural budget deficit, it included reform measures intended to put California on a path to fiscal stability. Expenditure reductions accounted for 47% of all the measures included Original 2008-09 State Budget and, as a result of these reductions, the Original 2008-09 State Budget held general fund spending to virtually no growth for the 2008-09 fiscal year, $103.4 billion in 2008-09 compared to $103.3 billion in 2007-08. The Original 2008-09 State Budget projected a modest reserve of $1.7 billion for the 2008-09 fiscal year, but projected a deficit of $1.0 billion in fiscal year 2009-10. However, the Governor, prior to the enactment of the recent mid year cuts, was projecting a $41.6 billion budget gap for 2008-09 and 2009-10 (see "—State Fiscal Crisis" and "—2008-09 Mid-Year Cuts and 2009-10 State Budget" below), and is now projecting an additional

$20.8 billion budget gap for 2008-09 and 2009-10 (see "—Legislative Analyst's Office 2009-2010 Budget Analysis" and "—2009-2010 May Revision – General Fund Proposals" below).

The Original 2008-09 State Budget provided for a plan to improve the State's cash management to smooth cash flow imbalances and reduce the amount of external cash flow borrowing the State needs to meet its cash needs. To smooth out cash flow imbalances, certain payments for certain programs, including education, are delayed during the year. While this will reduce the amount of external cash flow borrowing the State will require, it may increase the size and/or frequency of cash flow borrowings by school districts, including the District, passing the costs associated with such borrowings to the school districts.

The Original 2008-09 State Budget, included proposals that were required to be approved by a majority vote in the May 19, 2009 special election that included (i) mandating the sequestering of at least 3% of General Fund revenues into a "rainy day" fund, (ii) increasing the size of the "rainy day" fund over the next several years to an amount equal to 12.5% of each year's general fund revenues and strictly limiting the withdrawal of funds, (iii) giving the Governor the power to freeze and reduce spending mid-year in future downturns, and (iv) the securitization of a portion of future lottery revenues. All proposals failed to receive approval at the May 19, 2009 special election. The failure of these proposals has caused the State's 2009-10 budget to be further out of balance since the Budget Package (defined below) assumed their passage. See "—2009-10 May Revision – General Fund Proposals" below.

The Original 2008-09 State Budget provided for $58.1 billion in total K-14 Proposition 98 funding, of which $41.9 billion would be from the general fund. This total K-14 Proposition 98 funding was an increase of $1.5 billion, or 2.7% over the total Proposition 98 funding for 2007-08. The Original 2008-09 State Budget also provided the following for K-12 education (but see "—State Fiscal Crisis," "—2008-09 Mid-Year Cuts and 2009-10 State Budget," "—Legislative Analyst's Office 2009-2010 Budget Analysis" and "—2009-2010 May Revision – General Fund Proposals" below):

- **Per-pupil Spending**. Under the Original 2008-09 State Budget, total per-pupil expenditures from all sources were projected to be $12,042 in 2007-08 and $12,152 in 2008-09, including funds provided for prior year settle-up obligations. It should be noted that this was an indicator of the relative level of spending in California for support of K-12 education programs and not the actual level of funding allocated to each school for a pupil.

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

- **Proposition 98 Guarantee**. For fiscal year 2006-07, the Proposition 98 Guarantee was $55.2 billion, of which the general fund share was $41.4 billion. Local property taxes covered the balance. Proposition 98 general fund appropriations for 2007-08 were at $41.6 billion. Total Proposition 98 funding for 2007-08 was $56.6 billion. Under the Original 2008-09 State Budget, the Proposition 98 funding for 2008-09 was projected to grow to $58.1 billion, of which $41.9 billion was to be from the general fund.

- **Property Taxes**. The Original 2008-09 State Budget reflected $14.4 billion in school district and county office of education property tax revenues in 2008-09, an increase of $1.0 billion over 2007-08. These estimates included the impact of redevelopment agency pass-through provisions enacted with the Original 2008-09 State Budget. A recent report by the State Controller's Office found that redevelopment agencies have not been passing through the full amount of property tax increment revenues to local taxing jurisdictions, including local education agencies, required under current law. As a result, legislation is included with the Original 2008-09 State Budget requiring redevelopment agencies to report all payments and obligations to local taxing jurisdictions for fiscal years 2003-04 through 2008-09 to the county auditor for verification. Redevelopment agencies are required to remit any outstanding obligations to local taxing jurisdictions, except that monies owed to schools that offset State costs for apportionments are to be deposited in the county Educational Revenue Augmentation Fund. Under the Original 2008-09 State Budget, this transfer was estimated to be $98 million in 2008-09.

- **Local Educational Agency Corrective Action Assistance**. Consistent with the requirements placed on the state and local educational agencies by the federal No Child Left Behind Act, the State Board of Education, in March 2008, approved individually differentiated sanctions and technical assistance for 97 local educational agencies. To ensure that local educational agencies have the financial wherewithal to implement these activities, the Original 2008-09 State Budget included $180 million federal Title I Set-Aside funds. Under the Original 2008-09 State Budget, local educational agencies were to receive one-time funding to implement a variety of improvements and reforms aimed at improving student achievement.

- **Emergency Repair Program**. The Original 2008-09 State Budget provided a $101 million transfer from the Proposition 98 Reversion Account to the Emergency Repair Account in satisfaction of the Williams settlement agreement. This increment of funding for the program would bring total transfers to $392 million for the purpose of funding school facility emergency repair projects. The Original 2008-09 State Budget suspended funding of the Emergency Repair Account in 2009-10.

- **Student and Teacher Longitudinal Data Systems**. The Original 2008-09 State Budget provided $25.4 million to support the development of the California Longitudinal Pupil Achievement Data System and related school information services workload. In addition, the Original 2008-09 State Budget provided $1.2 million in federal funds to support development of the California Teacher Integrated Data System.

- **Child Care**. The Original 2008-09 State Budget appropriated more than $3.3 billion for the various child care programs administered by the State Department of Education, including funding for preschool, general child care centers, family child care homes, CalWORKs child care and before- and after-school programs. Total funding included $338.3 million in one-time Proposition 98 resources to fully fund CalWORKs Stage 2 and Stage 3 child care. The Original 2008-09 State Budget also included $10.9 million for growth for non-CalWORKs child care programs. A total of approximately 915,000 child care slots were funded in the budget. The Original 2008-09 State Budget also updated the regional market rate ceilings for child care reimbursements for voucher-based programs at the 85th percentile of the rates charged to private pay clients for the same type of child care for the same age child in that region based on the 2007 Regional Market Rate survey, effective March 1, 2009. This will drive considerably higher costs per case in the future, similar to the rate increases of approximately 12% experienced in 2007-08. Additional costs in excess of $50 million for CalWORKs child care were projected in 2009-10. (However, see "—2008-09 Mid-Year Cuts and 2009-10 State Budget" below, for a description of subsequent cuts made to child care funding for 2008-09 and 2009-10.)

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

Additional information regarding the Original 2008-09 State Budget is available from the Legislative Analyst's Office (the "LAO") website at www.lao.ca.gov and the California Department of Finance website at www.dof.ca.gov.

State Fiscal Crisis. The weakening State economy in 2007 and 2008, projected to continue through 2009, has resulted in significant reductions in state tax revenues below earlier projections, creating a large budget gap (prior to the enactment of the Original 2008-09 State Budget the Governor was projecting $24.3 billion budget deficit (see "—2008-09 Original Adopted State Budget" above)). To balance the budget, the Original 2008-09 State Budget included cuts in expenditures in many State programs and increased revenue measures in fiscal year 2008-09 as well as certain one-time actions. As of the enactment of the Original 2008-09 State Budget, the Governor projected a total budgetary reserve of about $1.7 billion at June 30, 2009. However, subsequent developments have eliminated that amount and the Governor, prior to the enactment of the recent mid-year cuts, projected a $41.6 billion budget gap for 2008-09 and 2009-10, requiring corrective action in both fiscal year 2008-09 and 2009-10. These developments included: (i) lower than projected revenues as a result of continuing weak economic conditions, (ii) revenue measures in the Original 2008-09 State Budget resulting in less increased revenue than projected in the Original 2008-09 State Budget, (iii) potential required payments to the Medical Care Receiver in excess of the $100 million contained in the Original 2008-09 State Budget, and (iv) possible negative outcomes in pending litigation or other unanticipated costs not included in the Original 2008-09 State Budget. Given the budgetary gap, the Governor and the State Legislature have enacted legislation to implement additional cuts in 2008-09 and a budget for 2009-10 to address the State's fiscal situation. See "—2008-09 Mid-Year Cuts and 2009-10 State Budget" below. See also "—Legislative Analyst's Office 2009-10 Budget Analysis Series" and "—2009-2010 May Revision – General Fund Proposals" below for updated revenue forecasts. The Governor is now projecting an additional $20.8 billion budget gap for 2008-09 and 2009-10.

2008-09 Mid-Year Cuts and 2009-10 State Budget. On February 19, 2009, Governor Schwarzenegger signed the State Budget for fiscal year 2009-10 (the "2009-10 State Budget") as well as legislation implementing mid-year budget cuts for fiscal year 2008-09 in an effort to deal with a projected $41.6 billion budget deficit (together, the "Budget Package"). There were $41.6 billion in budget measures incorporated into the Budget Package, including $12.5 billion in tax and revenue increases (which included increases to the sales tax, the personal income tax and vehicle license fees and a reduction to the dependent tax credit), $14.9 billion in spending reductions, $7.8 billion in additional federal funds expected under the American Recovery and Reinvestment Act of 2009 ("ARRA"), and $5.4 billion in borrowing. Some of the Budget Package proposals required voter approval at the special statewide election held on May 19, 2009. As indicated above, all of the proposals submitted to the voters at the special election failed to receive approval, and their failure has caused the State's 2009-10 budget to be further out of balance since the Budget Package assumed their passage. Accordingly, adjustments to the Budget Package will be necessary. See "—2009-10 May Revision – General Fund Proposals" below for updated figures and proposed adjustments.

In addition, of the $12.5 billion of tax and revenue increases contained in the Budget Package, $5.8 billion is expected to be generated by a temporary (expires July 1, 2010) one-cent increase of sales taxes and $3.7 billion is expected to be raised from a temporary (expires at the end of tax year 2010) .25 percent personal income tax surcharge. The other $3.0 billion is due to increases in vehicle license fees and a reduction in the dependent tax credit. If any of these projections decline, necessary adjustments will need to be made to the Budget Package, none of which the District can predict. See "—2009-10 May Revision – General Fund Proposals" below for updated figures and proposed adjustments.

The Budget Package provides the following for K-12 education (but see "—2009-10 May Revision – General Fund Proposals" below for proposed adjustments to the Budget Package):

- **Proposition 98 Funding under Budget Package**. The budget provides $50.7 billion in Proposition 98 funding for K-14 education in 2008-09, which provides funding at the revised minimum guarantee level. This equates to a $7.4 billion reduction in Proposition 98 funding compared to the Original 2008-09 State Budget, accomplished through $2.4 billion in program reductions and savings and $5 billion in Proposition 98 funding deferrals and funds swaps. The budget provides $54.9 billion in Proposition 98 funding for K-14 education in 2009-10, which also provides funding at the minimum guarantee level.

- **Major Revenue Limit and Categorical Program Reductions**. The Budget Package provides $1.9 billion in K-12 program reductions split evenly between revenue limits ($945 million) and categorical programs ($945 million) in 2008-09. These reductions continue in 2009-10, growing to $2.4 billion, an increase of approximately $535 million. More than 50 categorical programs will be subject to across-the-board reductions that will be allocated proportionally and are estimated at roughly 15%. Deficit factors are established for revenue limit reductions in both years.

- **Categorical Flexibility**. The Budget Package provides comprehensive categorical funding flexibility over the next five years to mitigate program reductions. Specifically, the Budget Package allows local educational agencies to transfer unlimited funds from more than 40 categorical programs to their general purpose accounts commencing in 2008-09. Another 11 programs are subject to reductions, but are not subject to categorical flexibility programs.

- **Cost-of-Living Adjustments**. Eliminates the partial 0.68% COLA for K-12 revenue limits in 2008-09 provided for in the Original 2008-09 State Budget. In 2009-10, no COLA is provided for K-12 education programs. It is projected that this action will save approximately $2.5 billion, reflecting an estimated statutory COLA of 5.02%. Deficit factors are established to reflect the elimination of these funds in both years.

- **Proposition 98 Settle-Up**. Categorizes $1.1 billion in K-14 current year spending as "settle-up" dollars rather than Proposition 98 dollars. This has the effect of maintaining overall spending for K-14 programs and retiring an existing settle-up obligation that reduces state debt, while reducing required spending under Proposition 98.

- **Home-to-School Transportation Funding Swaps**. Provides $618.7 million in funding directly from the Public Transportation Account ($198.4 million) and Mass Transportation Fund ($420.3 million) to the K-12 Home-to-School Transportation program in 2008-09. In 2009-10, the Budget Package provides $404.4 million in funding directly from the Public Transportation Account ($313.9 million) and Mass Transportation Fund ($90.5 million) for the Home-to School Transportation program. These transfers reduce Proposition 98 funding, but maintain overall funding for school transportation in both years.

- **Child Care**. Reduces child care funding by $97 million and delays implementation of regional market rate changes scheduled for March 1, 2009. The Budget Package also includes a $108 million reappropriation from 2007-08 child care savings for CalWORKs Stage 2. This would offset the shortfall in one-time savings from the After School

Education and Safety Program that was anticipated to be available to fund part of the 2008-09 costs for Stage 2. Additionally, the Budget Package requires the Department of Social Services to develop a new family fee schedule. The Budget Package also reduces the regional market rate ceiling from the 85th percentile to the 75th percentile. The Budget Package continues the reductions imposed in the Original 2008-09 Budget and it is noted that the funding level is about $55 million short of what is estimated to fund existing child care contracts.

- **State Payment Deferrals**. The Budget Package defers payments to school districts as follows: (i) Defers $2 billion in revenue limit apportionments (approximately $339 per Average Daily Attendance (A.D.A.)) and $570 million in K-3 Class Size Reduction apportionments (about half) from February 2009 to July 2009; (ii) Defers 1.2 billion in K-14 apportionments from July 2009 to October 2009; (iii) Defers $1.5 billion in K-12 apportionments from August 2009 to October 2009; and (iv) Increases the June to July deferral by $340 million.

Legislative Analyst's Office 2009-10 Budget Analysis. On March 13, 2009, the LAO released the "2009-10 Budget Analysis Series—The Fiscal Outlook Under the February Budget Package." In it the LAO states that its updated revenue forecast projects that revenue will fall short of the assumptions in the Budget Package by $8 billion. Consequently, the LAO estimates that the State will need to adopt more tax increases, borrowing, and spending cuts in the coming months to bring the 2009-10 State Budget back into balance. The complete budget report released by the LAO, as well as additional information regarding the State's finances, are available from the LAO website at www.lao.ca.gov.

On May 7, 2009, the LAO released the "California's Cash Flow Crisis: May 2009 Update." In it the LAO states that without additional legislative measures to address the State's fiscal difficulties or unprecedented amounts of borrowing from the short-term credit markets, the State will not be able to pay many of its bills on time for much of Fiscal Year 2009-10. The LAO indicates that further deterioration of the State's economic and revenue picture and failure of the State ballot measures voted on at the May 19, 2009, special election (each discussed above) would increase the State's cash flow pressures substantially – potentially increasing short-term borrowing needs to well over $20 billion, and that the State would likely have difficulty borrowing the needed amounts from the short-term bond markets based on its credit alone. The LAO also discusses areas for potential federal assistance through the ARRA, but cautions the State against assuming such assistance will be available, and identifies several potential sources of federal assistance specifically earmarked to benefit school districts, including $1.1 billion for special education (IDEA), $1 billion for Title I grants, approximately $3.3 billion of State Fiscal Stabilization Funds (the "SFSF") in Fiscal Year 2008-09 and Fiscal year 2009-10 to backfill the cuts made in Fiscal Year 2008-09, and $12.8 million for school nutrition equipment purchases. The complete budget report released by the LAO, as well as additional information regarding the State's finances, are available from the LAO website at www.lao.ca.gov.

2009-10 May Revision—General Fund Proposals. On May 14, 2009, the Governor released the "2009-10 May Revision—General Fund Proposals" (the "May Revise"), which outlines proposed revisions to the Budget Package stemming from general fund revenues being projected to be $3.4 billion lower in 2008-09 and $8.9 billion lower in 2009-10 than was projected when the Budget Package was enacted. The May Revise includes a $1.648 billion reduction in 2008-09 to $49.1 billion and a $4.496 billion reduction in 2009-10 to $50.4 billion of Proposition 98 funding (which includes K-12 education, California Community Colleges, and other agencies). However, the reductions would be largely offset by the $3.5 billion in federal SFSF and the $2.8 billion in other federal funding increases that are being provided to schools through the ARRA. The May Revise also includes a proposal to borrow eight percent of the property tax revenues received by cities, counties, and special districts in 2008-09 authorized by Proposition 1A, which would generate approximately $1.982 billion of revenue for the State. Specific proposals that would affect school districts, including the District, include:

- A one-time reduction of $1.311 billion to K-12 revenue limits ($223 per ADA) in Fiscal Year 2008-09.
- A reduction of $2.2 billion K-12 revenue limits ($374 per ADA) in Fiscal Year 2009-10.
- A deferral of $1.678 billion in K-12 apportionments from Fiscal Year 2009-10 to Fiscal Year 2010-11.
- A reduction of $404 million in funds for Home-to-School Transportation.

The complete May Revise is available from the California Department of Finance website at www.dof.ca.gov.

Governor's Update to the May Revision to the 2009-10 State Budget Act. On May 26, 2009 and on May 29, 2009, the Governor released updates to the May Revision (collectively, the "May Revision Update"). The May Revision Update projects a budget gap of $3.10 billion through the remainder of fiscal year 2008-09 due to shortfalls in revenue collections and increased costs and the failure of five of the six budget-related propositions included in the Special Election. The May Revision Update estimates fiscal year 2008-09 revenues and transfers of $85.95 billion, total expenditures of $91.35 billion and a year-end deficit of $3.10 billion, which includes a $2.31 billion prior-year State General Fund balance and an allocation of $1.08 billion to the reserve for the liquidation of encumbrances. The May Revision Update projects fiscal year 2009-10 revenues and transfers of $92.22 billion, total expenditures of $83.52 billion and a year-end surplus of $5.60 billion (net of the $3.10 billion deficit from fiscal year 2008-09), of which $1.08 billion will be reserved for the liquidation of encumbrances and $4.52 billion will be deposited in a reserve for economic uncertainties. The May Revision and the May Revision Update, collectively, include proposals to reduce General Fund spending in the amount of $3.12 billion during the remainder of fiscal year 2008-09 and $20.85 billion during fiscal year 2009-10 in order to eliminate the State's projected $21.3 billion through such period. The proposals contained in the May Revision Update replace the Governor's May Revision proposal to issue revenue anticipation warrants in the amount of $5.6 billion to address a portion of the State's General Fund deficit.

The May Revision Update proposes a reduction of Proposition 98-related expenditures in the amount of $680 million during fiscal year 2009-10 contingent upon the occurrence of a projected $3 billion decline in General Fund revenues. The May Revision Update also proposes legislation, which, if enacted, will authorize the State Superintendent of Public Instruction to adjust the deficit factor to restore some or all of the $680 million reduction in Proposition 98 funding if the State receives revenues in a larger amount than currently estimated. The May Revision and the May Revision Update propose an aggregate reduction of Proposition 98 funding in the amount of $1.41 billion during fiscal year 2008-09 and $3.80 billion during fiscal year 2009-10.

July Revision to 2009-10 State Budget Act. On July 1, 2009, the Governor proclaimed a fiscal emergency and called a legislative special session pursuant to Proposition 58 to address this emergency. In addition, the Governor exercised his executive authority to save cash for vital state functions and services by ordering three furlough days every month for certain State employees. Pursuant to Proposition 58, the State Legislature will have 45 days to pass and send a bill or bills to the Governor to address the State's budget. If, after the 45 day period, the State

Legislature has not passed a bill or bills to address the State's budgetary problems, it will not be permitted to adjourn or act on other legislation.

In addition, on July 1, 2009, the Department of Finance released updates to the May Revision (collectively, the "July Revision"). The July Revision estimates that revenues during fiscal year 2009-10 will be $3 billion less than projected in the May Revision Update. In addition, approximately $5.4 billion in proposals set forth in the May Revision and May Revision Update have been rejected. The rejected proposals included, among other things, a spending reduction in the amount of $1.6 billion attributable to Proposition 98 for fiscal year 2008-09 and $1.6 billion attributable to Proposition 98 for fiscal year 2009-10. The July Revision includes a proposal to suspend the Proposition 98 for fiscal year 2009-10 and provide funding at $3.0 billion less than the minimum guarantee. Accordingly, the total appropriation from the State General Fund would be $34.6 billion, which is $1.4 billion less than the level proposed in the May Revision.

Revised State Budget for Fiscal Year 2009-10. On July 28, 2009, the Governor signed the Revised 2009-10 State Budget Act to address a projected $24.16 billion shortfall in revenues. The Revised 2009-10 State Budget Act estimates fiscal year 2008-09 revenues and transfers of $84.1 billion, total expenditures of $91.5 billion and a year-end deficit of $3.38 billion, which includes a $4.07 billion prior-year State General Fund balance, a $4.46 billion withdrawal from the reserve for economic uncertainties and an allocation of $1.08 billion to the reserve for the liquidation of encumbrances. The Revised 2009-10 State Budget Act projects fiscal year 2009-10 revenues and transfers of $89.54 billion, actual expenditures of $84.58 billion and a year-end surplus of $1.58 billion (net of the $3.38 billion deficit from fiscal year 2008-09), of which $1.08 billion is expected to be reserved for the liquidation of encumbrances and $500 million is expected to be deposited in a reserve for economic uncertainties.

Certain of the features of the Revised 2009-10 State Budget Act affecting school districts include the following:

1. The Revised 2009-10 State Budget Act reduces fiscal year 2008-09 Proposition 98 spending for school districts and community college districts by $2.06 billion to $34.05 billion. In addition, the Revised 2009-10 State Budget Act reduces fiscal year 2009-10 Proposition 98 spending for school districts and community college districts by $4.46 billion to $35.03 billion. The Revised 2009-10 State Budget Act uses a shift of property tax revenues from redevelopment agencies to schools in the amount of $850 million to replace a portion of the reduction in Proposition 98 State General Fund spending in fiscal year 2009-10. Such amount will be shifted to K-12 schools that serve the redevelopment areas and the housing built by the redevelopment agencies.

2. The outstanding maintenance factor or future funding obligation for fiscal year 2008-09 pursuant to Proposition 98 is estimated to be $11.2 billion. The Revised 2009-10 State Budget Act includes a payment of $1.17 billion toward such amount, which leaves a remaining balance to be paid in future fiscal years of $10.1 billion.

3. The Revised 2009-10 State Budget Act includes $6 billion in funds from the Recovery Act in fiscal years 2008-09 and 2009-10 to maintain the minimum spending level required for receipt of State Fiscal Stabilization Fund allocations for K-12 programs.

4. In order to reduce the Proposition 98 minimum guarantee for fiscal year 2009-10 and in consideration of a funding formula under Proposition 98, which calculates a level of funding for the current fiscal year in part based upon funding allocated during the prior fiscal year, the Revised 2009-10 State Budget Act retroactively reverts approximately $1.6 billion in fiscal year 2008-09 unallocated funds for categorical programs to the State General Fund. In addition, the Revised 2009-10 State Budget Act delays for one year the $450 million Proposition 98 settle-up

payment from prior year obligations for the QEIA. The Proposition 98 revenue limit funding is reduced in fiscal year 2009-10 to backfill the reduction in categorical funding to continue the QEIA program.

5. Flexibility with respect to 42 categorical programs through fiscal year 2012-13 will allow school districts to transfer funds to their higher priority needs. Pursuant to the Revised 2009-10 State Budget Act, the State will continue its policy of reducing penalties associated with the K-3 Class Size Reduction program. The State will permit school districts to retain up to 70 percent of funding if pupil-to-teacher ratios increase more than 25-to-1 through 2011-12.

6. The Revised 2009-10 State Budget Act defers $1.8 billon in payments from fiscal year 2009-10 to August 2010 from school district revenue limits and community college apportionments. In addition, the State will defer approximately $2 billion in K-12 payments from their previously scheduled dates in fiscal year 2009-10 to December of 2009 and January 2010. The payment schedule for K-12 apportionment funding and categorical funding will be revised to distribute five percent of total payments in each of July and August and nine percent in each of the remaining months.

7. The Revised 2009-10 State Budget Act provides to schools flexibility by reducing instruction by up to five days to accommodate a reduction of approximately $2.1 billion of revenue limit apportionments to school districts and county offices of education. In addition, the Revised 2009-10 State Budget Act will permit schools to reduce the amount of money that they are required to set aside for facility maintenance and to use funds from the sale of surplus property for non-facility related purposes.

LAO 2010-11 Budget Report. On November 18, 2009, the LAO issued a report entitled "2010-11 Budget: California's Fiscal Outlook" (the "LAO 2010-11 Outlook Report"), which forecasts that the State must address a General Fund budget problem of $20.7 billion between such date and the time the Legislature enacts a 2010–11 state budget plan. The budget problem consists of a $6.3 billion projected deficit for 2009–10 and a $14.4 billion gap between projected revenues and spending in 2010–11. The LAO stated that addressing this large shortfall will require painful choices—on top of the difficult choices the Legislature made earlier in the year. The LAO 2010-11 Outlook Report states that the vast majority of the new budget problem can be attributed to the State's inability to implement several major solutions in the July 2009 budget plan, such as: (a) the expected inability of several programs—in particular, the prison system and Medi–Cal—to collectively achieve billions of dollars of spending reductions assumed in the 2009–10 budget, (b) the expected inability of the State to sell the State Compensation Insurance Fund (SCIF), a quasi–public workers' compensation insurer, for the budgeted amount of $1 billion in 2009–10, (c) the State's loss of a court case that makes the General Fund unable to benefit from over $800 million in transportation funds in 2009–10, and (d) a nearly $1 billion increase in the Proposition 98 funding guarantee for K–14 education in 2009–10.

LAO Analysis of Federal Economic Stimulus Package. On March 10, 2009, the LAO issued a report entitled "2009-10 Budget Analysis Series, Federal Economic Stimulus Package: Fiscal Effect on California" (the "LAO Economic Stimulus Report"), which provides an analysis by the LAO of the Recovery Act and its fiscal effect on the State. The LAO Economic Stimulus Report is available on the LAO website at www.lao.ca.gov. Information on the website is not incorporated herein by reference.

The LAO projects that the State will receive approximately $31 billion in federal funding to address budget deficits and to supplement existing State spending through fiscal year 2010-11. The LAO projects the State will receive Education Stabilization Funds in the approximate amounts of $3.3 billion in fiscal year 2009-10 and $1.6 billion in fiscal year 2010-11 to mitigate reductions to K-12 and higher education funding. Further, the LAO projects that the State will receive approximately $3.1 billion for K-12 education, of which $1.5 billion will be allocated to Title I programs, $1.3 billion to services provided pursuant to the Individuals with Disabilities Education Act, $220 million to the Child Care and Development Block Grant and $71 million to classroom technology as part of the Enhancing Education Through Technology program. In addition, the LAO estimates that the State will receive from the Recovery Act $1.1 billion in fiscal year 2009-10 to be applied toward fiscal stabilization. In fiscal years 2009-10 and 2010-11, the LAO projects that the State will receive approximately $10.4 billion in federal funding that may be used to offset expenditures from the State General Fund.

The LAO also notes that the State may receive additional federal funding through competitive grants included in the Recovery Act. The LAO recommends that the State Legislature maximize the benefit received from such funds by offsetting expenditures from the State General Fund, dedicating limited-term federal assistance to limited-term State priorities, spreading out supplemental federal funding for ongoing programs to minimize the new level of spending and acting expediently to ensure that the State receives the maximum amount of funding from the Recovery Act.

District Revenues from the Recovery Act. In April 2009, the United States Department of Education announced the allocation to the State of $3.1 billion from the State Fiscal Stabilization Fund of the Recovery Act. In May 2009, the State Superintendent of Schools announced the preliminary entitlements for education entities through the State Fiscal Stabilization Fund's allocation of funds from the Recovery Act. The State may apply for additional educational funding from the Recovery Act in the fall of 2009.

Additional Information; Future State Budgets. Information about the State budget and State spending for education is regularly available at various State maintained websites. Text of the State budget may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "2009-10 Budget." Various analyses of the budget may be found at the website of the LAO at www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found via the website of the State Treasurer, www.treasurer.ca.gov. The information presented in these websites is not incorporated by reference in this Official Statement.

The District cannot predict what actions will be taken in the future by the State Legislature and the Governor to address the State's current or future budget deficits. Future State budgets will be affected by national and State economic conditions, including the current economic downturn, over which the District have no control, and other factors over which the District will have no control. To the extent that the State budget process results in reduced revenues or increased expenses for the District, the District will be required to make adjustments to its budget.

THE ECONOMY OF THE DISTRICT

While the economics of the City of Pittsburg and County and surrounding region influence the economics within the District, only property within the District is subject to an unlimited ad valorem tax levy to pay debt service on the Bonds.

Introduction

The District is located in the City of Pittsburg in Contra Costa County.

Situated northeast of San Francisco, Contra Costa County is bounded by San Francisco Bay to the west, the San Pablo Bay and the Sacramento River delta to the north, and by Alameda County on the south. Ranges of hills effectively divide Contra Costa County into three distinct regions. The western portion, with its access to water, contains much of Contra Costa County's heavy industry. The central section is rapidly developing from a suburban area into a major commercial and financial headquarters center. The eastern part is also undergoing substantial change, from a rural, agricultural area, to a suburban region. Contra Costa County has extensive and varied transportation facilities — ports accessible to ocean-going vessels, railroads, freeways, and rapid transit lines connecting the area with Alameda County and San Francisco.

Population

The table below summarizes population or the City and the County.

POPULATION
City of Pittsburg and Contra Costa County

Year	City of Pittsburg	Contra Costa County
1980	33,034	656,380
1990	47,607	803,732
2000	56,769	948,816
2005	62,172	1,016,407
2006	62,192	1,025,509
2007	62,969	1,035,322
2008	63,352	1,048,242
2009	63,771	1,060,435

Source: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties and the State, 2001-2009, with 2000 Benchmark. Sacramento, California, May 2009. The 1980, 1990 and 2000 totals are U.S. Census figures

Employment

The following table summarizes historical employment and unemployment in the Oakland Metropolitan Statistical Area, which is comprised of both Alameda and Contra Costa Counties.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
Contra Costa County
Annual Averages, 2004-2008

	2004	2005	2006	2007	2008
Civilian Labor Force (1)					
Employment	482,000	487,700	493,800	495,400	496,400
Unemployment (2)	27,800	25,000	22,100	24,300	32,700
Total	509,700	512,700	515,900	519,700	529,200
Unemployment Rate (3)	5.4%	4.9%	4.3%	4.7%	6.2%

Source: California Employment Development Department, based on March 2009 benchmark.
(1) Includes persons involved in labor-management trade disputes.
(2) Includes all persons without jobs who are actively seeking work.
(3) The unemployment rate is computed from unrounded data, therefore, it may differ from rates computed from rounded figures in this table.

The following table summarizes the historical numbers of workers in the Oakland Metropolitan Statistical Area, which is comprised of both Alameda and Contra Costa Counties, by industry.

ANNUAL AVERAGE WAGE AND SALARY EMPLOYMENT
Oakland MSA
2003-2007

	Employment (1)				
Industry	2003	2004	2005	2006	2007 (2)
Agriculture	2,600	1,500	1,600	1,500	1,500
Natural Resources and Mining	900	1,200	1,100	1,200	1,200
Construction	67,100	69,800	72,800	73,300	72,400
Manufacturing	98,000	98,200	95,600	95,800	93,700
Trade, Transportation & Public Utilities	197,200	193,800	195,000	197,100	198,100
Information	32,600	31,300	30,700	30,100	29,400
Financial Activities	67,700	67,600	69,500	67,700	62,300
Professional and Business Services	144,900	147,700	150,600	154,900	155,500
Educational and Health Services	117,000	117,200	118,500	121,800	124,700
Leisure and Hospitality	80,400	80,600	83,000	85,600	87,500
Other Services	37,500	36,600	35,600	35,900	36,200
Government	182,300	179,700	180,000	182,000	186,800
Total	1,028,200	1,025,200	1,033,700	1,046,900	1,049,100

Source: California Employment Development Department, based on March 2008 benchmark.
(1) Employment is reported by place of work; it does not include persons involved in labor-management disputes. Figures are rounded to the nearest hundred. Columns may not add to totals due to rounding.
(2) Latest available full-year data

Major Employers

The largest employers in the City are as follows:

LARGEST EMPLOYERS
City of Pittsburg

Company	Product/Service	Employees
USS Posco Industries	Manufactures cold-rolled steel sheet or strip from own hot-rolled steel	750
Dow Chemical Co.	Manufactures inorganic chemicals	500
Pacific Gas & Electric Co.	Electric services	270
Henkel Corp.	Manufactures adhesives	170
Mirant Delta LLC	Electric services	150
Safeway Inc.	Retail supermarket chain	130
American Color Graphics Inc.	Commercial lithographic printing	130
Redwood Painting Co. Inc.	Commercial painting contractor	110
Criterion Catalyst & Techs	Manufactures chemical catalysts	100
Diamond Black Electric Inc.	Electrical contractor	100
Brenden Theatre Corp.	Indoor movie theater	100
Clyde Miles Construction	Single family housing construction	100
Ambrose Recreation & Park District	Recreation services	100
Diamond Ridge Healthcare Center	Skilled nursing care facility	99
Illinois Tool Works Inc.	Manufactures wire or cut steel staples	96
Roll Technology West	Metals or formed product chromium plating services	91

Source: 2008 Harris InfoSource, February 2008.

The largest employers in the County are as follows:

LARGEST EMPLOYERS
Contra Costa County

Company	Product/Service	Employees
AT&T Inc.	Wired telecommunications carrier & service	10,820
John Muir Medical Centers	Medical hospitals	5,685
Summerville Management LLC	Extended care facility	4,000
Chevron Corp.	Petroleum refining	3,577
Kaiser Foundation Hospitals	Medical hospital & health insurance maintenance organization	3,037
Diablo Valley College	Community college	2,000
Diamond Environmental	Environmental consultant	1,700
Cellco Partnership (Verizon)	Cellular telephone services	1,540
Contra Costa Newspapers	Publishes & prints newspapers	1,232
Doctor's Medical Center – San Pablo	Medical hospital	1,200
Bio-Rad Laboratories Inc.	Manufactures analytical instruments	1,030
Frances Mary Accessories Inc.	Manufactures women's handbags	1,020
Tenet Health Systems Hospitals	Medical hospital	1,000
Solera Holdings Inc.	Computer software development & applications	1,000
Audatex North America Inc.	Business & professional software publishers	990
Shell Martinez Refinery	Petroleum refining	965
Pacific Gas & Electric Co.	Electric services	873
Bayer Healthcare	Manufactures pharmaceutical preparations	825
Texaco Exploration India Inc.	Gas & oil field exploration services	800
PMI Group Inc.	Surety reinsurance carrier	757

Source: 2008 Harris InfoSource, February 2008.

Construction Activity

The following table reflects the five-year history of building permit valuation for the City and the County:

CITY OF PITTSBURG
Building Permits and Valuation
(Dollars in Thousands)

	2004	2005	2006	2007	2008
Permit Valuation:					
New Single-family	$38,623	$60,848	$27,971	$ 42,631	$ 7,367
New Multi-family	709	1,124	11,630	27,622	24,591
Res. Alterations/Additions	4,925	7,125	10,588	5,788	4,437
Total Residential	44,257	69,097	50,189	76,040	36,395
Total Nonresidential	19,170	14,181	33,955	39,350	61,812
Total All Building	$63,427	$83,277	$84,144	$115,390	$98,206
New Dwelling Units:					
Single Family	213	310	156	229	42
Multiple Family	10	24	103	330	133
Total	223	334	259	559	175

Sources: Construction Industry Research Board: "Building Permit Summary."
Note: Totals may not add due to independent rounding.

CONTRA COSTA COUNTY
Building Permits and Valuation
(Dollars in Thousands)

	2004	2005	2006	2007	2008
Permit Valuation:					
New Single-family	$1,113,572	$1,525,515	$ 986,694	$ 832,053	$ 300,089
New Multi-family	123,333	106,512	157,972	94,505	132,825
Res. Alterations/Additions	233,108	293,394	307,153	290,108	29,023
Total Residential	1,470,014	1,925,421	1,451,818	1,216,666	661,937
Total Nonresidential	375,184	392,870	412,500	491,315	459,933
Total All Building	$1,845,197	$2,318,291	$1,864,318	$1,707,980	$1,121,869
New Dwelling Units:					
Single Family	4,222	5,452	3,310	2,698	985
Multiple Family	1,261	860	1,178	909	909
Total	5,483	6,312	4,488	3,607	1,894

Sources: Construction Industry Research Board: "Building Permit Summary."
Note: Totals may not add due to independent rounding.

Commercial Activity

Taxable sales in the City and County are shown below.

TAXABLE SALES, 2003-2007
City of Pittsburg
(in thousands)

	Taxable Sales ($000)				
	2003	2004	2005	2006	2007 (1)
Retail Stores	$ 61,386	$ 74,046	$ 93,634	$136,743	$174,226
Total Outlets	106,532	131,654	173,875	199,742	230,842

Source: California Board of Equalization.
(1) Latest available full-year data.

TAXABLE SALES, 2003-2007
Contra Costa County
(in thousands)

	Taxable Sales ($000)				
	2003	2004	2005	2006	2007 (1)
Retail Stores					
Apparel Stores	$ 151,425	$ 182,781	$ 194,547	$ 193,880	$ 193,281
General Merchandise	654,898	692,463	738,097	760,162	752,994
Specialty Stores (2)	585,236	630,218	696,905	70,366	-
Food Stores	256,357	256,228	276,490	2,891,116	283,587
Eating and Drinking	418,410	464,769	504,728	534,059	556,057
Household Group	168,596	205,139	228,056	260,136	270,218
Building Material Group	403,768	467,430	480,570	482,012	463,873
Automotive Group	1,691,680	1,888,201	2,157,160	2,225,508	1,622,982
Service Stations (3)	-	-	-	-	624,166
All Other Retail Stores	208,976	236,924	262,784	272,659	786,349
Retail Stores Totals	4,539,346	5,024,153	5,539,337	5,710,898	555,347
Business & Personal Services	214,001	212,581	213,040	226,394	206,539
All Other Outlets	1,220,471	1,358,832	1,480,191	1,593,933	1,671,419
Total All Outlets	$5,973,818	$6,595,566	$7,232,568	$7,803,884	$7,431,405

Source: California Board of Equalization.
(1) Latest available full-year data.
(2) Starting in 2007, category included in "Other retail stores."
(3) Starting in 2007, category broken out from "Automotive Group."

Median Household Income

The following table summarizes the median household effective buying income for the City, Contra Costa County, the State of California and the nation for the years 2004 through 2008.

CITY, COUNTY, STATE AND UNITED STATES
Effective Buying Income

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2004	City of Pittsburg	$ 988,830	$46,396
	County of Contra Costa	27,273,658	56,165
	California	705,108,410	43,915
	United States	5,692,909,567	39,324
2005	City of Pittsburg	$ 1,043,117	$47,018
	County of Contra Costa	27,450,775	56,979
	California	720,798,106	44,681
	United States	5,894,663,364	40,529
2006	City of Pittsburg	$ 1,066,272	$47,835
	County of Contra Costa	28,611,520	58,497
	California	764,120,962	46,275
	United States	6,107,092,244	41,255
2007	City of Pittsburg	$ 1,129,842	$49,340
	County of Contra Costa	30,138,295	61,123
	California	814,894,438	48,203
	United States	6,300,794,040	41,792
2008	City of Pittsburg	$ 1,143,750	$50,150
	County of Contra Costa	30,737,690	61,903
	California	832,531,445	48,952
	United States	6,443,994,426	42,303

Source: "Survey of Buying Power," Sales and Marketing Management (2004); Claritas, Inc. (2005-2008). In 2005, Sales and Marketing Management ceased publishing the "Survey of Buying Power" report; however, subsequent years' data has been obtained from Claritas, Inc., who had previously prepared the data each year for the "Survey of Buying Power."

RISK FACTORS

The following factors, along with all other information in this Official Statement, should be considered by potential investors in evaluating the Certificates. The discussion below does not purport to be, nor should it be construed to be, complete nor a summary of all factors which may affect the financial condition of the District, the District's ability to make Lease Payments in the future, the effectiveness of any remedies that the Trustee may have or the circumstances under which Lease Payments may be abated.

No representation is made as to the future financial condition of the District. Payment of the Lease Payments is a general fund obligation of the District and the ability of the District to make Lease Payments may be adversely affected by its financial condition as of any particular time.

Lease Payments Not District Debt

Lease Payments and other payments due under the Lease Agreement (including payment of costs of repair and maintenance of the Property, utility charges, taxes and other governmental charges and assessments levied against the Property) are not secured by any pledge of taxes or other revenues of the District. In the event that the District's general fund revenues are less than its total obligations, the District may choose to fund other costs or expenses before making Lease Payments.

The obligation of the District to make Lease Payments does not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation. Neither the Certificates nor the obligation of the District to make Lease Payments under the Lease Agreement constitute a debt of the District, the Corporation or the State or any political subdivisions thereof within the meaning of any Constitutional or statutory debt limitation or restriction or an obligation for which the Corporation or the District is obligated to levy or pledge any form of taxation or for which the Corporation or the District has levied or pledged any form of taxation.

Although the Lease Agreement does not create a pledge, lien or encumbrance upon the funds of the District, the District is obligated under the Lease Agreement to pay Lease Payments from legally available funds and the District has covenanted in the Lease Agreement that, for so long as the Property is available for its use, it will make the necessary annual appropriations within its budget for all Lease Payments owed under the Lease Agreement. The District is currently liable on other obligations payable from general revenues. See "DISTRICT FINANCIAL INFORMATION."

Additional Obligations

The District may enter into additional obligations which constitute charges against its general revenues. To the extent that additional obligations are incurred by the District, the funds available to make Lease Payments may be decreased.

Limited Recourse on Default

In the event of a default under the Lease Agreement, there is no available remedy of acceleration of the total Lease Payments due over the term of the Lease Agreement. The District will only be liable for Lease Payments on an annual basis, and the Trustee would be required to seek a separate judgment each year for that year's defaulted Lease Payments. Any such suit for money damages would be subject to limitations on legal remedies against public agencies in California, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest, as described below.

If the District defaults on its obligation to make Lease Payments, the Trustee, as assignee of the Corporation, may retain the Lease Agreement and hold the District liable for all Lease Payments on an annual basis and will have the right to re-enter and re-let the Property. Such re-entry and re-letting shall not automatically effect a surrender of the Lease Agreement. In the event the Property is re-entered by reason of a default in Lease Payments or for any other reason, there can be no assurance that the Property can be re-let for a net amount equal to the then-due Lease Payments.

The enforcement of any remedies provided in the Lease Agreement and Trust Agreement could prove both expensive and time-consuming. In addition to the limitation on remedies contained in the Lease Agreement and the Trust Agreement, the rights and remedies provided in the Lease Agreement and the Trust Agreement may be limited by and are subject to provisions of federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principals that may affect the enforcement of creditors' rights and the limitation on remedies against public agencies in California.

The Trustee is not empowered to sell the Property for the benefit of the Certificate owners. See APPENDIX A—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—LEASE AGREEMENT."

Loss of Tax Exemption

In the opinion of the Special Counsel, the Certificates constitute governmental obligations under the Code. The District has covenanted to comply with Code restrictions relating to use of Certificate proceeds, reserve fund funding requirements, investment yield limitations and rebate requirements, federal guarantee prohibitions and registration requirements so that interest with respect to the Certificates is excludable from gross income for federal income tax purposes. However, in the event the District fails to comply with any of these covenants, interest with respect to the Certificates may become includable in gross income for federal income tax purposes, retroactive to the date of issuance.

Abatement

Use and Possession of the Property. The obligation of the District under the Lease Agreement to pay Lease Payments is in consideration for the use and possession of the Property. The obligation of the District to make Lease Payments (other than to the extent that funds to make Lease Payments are then available in the Lease Payment Fund and the Reserve Fund) may be abated in whole or in part if the District does not have full use and possession of the Property. Lease Payments due under the Lease Agreement shall be abated during any period in which, by reason of material damage, destruction or condemnation, there is substantial interference with the use and right of possession by the District of the Property, or a material portion thereof. Such abatement shall continue for the period commencing with the date of such damage, destruction or condemnation and ending with the restoration of the affected portion of the Property to a condition which will permit the affected portion of the Property to be used substantially as intended. The District is obligated to maintain rental interruption insurance for coverage of a 24-month period. There will be no abatement of Lease Payments so long as proceeds of the District's rental interruption insurance are available and there are amounts in the Reserve Fund available to make Lease Payments when and as due. Abatement of Lease Payments is not a default under the Lease Agreement and does not permit the Trustee to take any action or avail itself of any remedy against the District. See APPENDIX A—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—LEASE AGREEMENT."

Damage or Destruction; Eminent Domain. If damage or destruction or eminent domain proceedings with respect to any item or portion of the Property result in abatement or adjustment of Lease Payments and the resulting Lease Payments, together with moneys in the Reserve Fund (and in the event of damage or destruction, together with rental interruption insurance proceeds or casualty insurance proceeds, if any), are insufficient to make all payments of principal and interest due with respect to the Certificates during the period that the Property is being replaced, repaid or reconstructed, then such payments of principal and interest, may not be made in full and no remedy is available to the Trustee or the owners of the Certificates under the Lease Agreement or Trust Agreement for nonpayment under such circumstances.

Absence of Earthquake and Flood Insurance

The obligation of the District to make Lease Payments may be adversely affected if the Property is damaged or destroyed by natural hazard such as earthquake or flood. The District, however, is not obligated under the Lease Agreement to procure and maintain, or cause to be maintained, earthquake or flood insurance on the Property.

All building components of the Property were constructed under the standards of the "Field Act" (California State Building Code, Title 24). The Field Act requires substantially higher construction standards for public schools and hospitals than are required for other types of construction. The Field Act requires that building systems be capable of withstanding seismic forces from the "most credible" earthquake likely to occur in the vicinity of the building system being constructed.

Bankruptcy

The District is a unit of State government and therefore is not subject to the involuntary procedures of the United States Bankruptcy Code (the "Bankruptcy Code"). However, pursuant to Chapter 9 of the Bankruptcy Code, the District may seek voluntary protection from its creditors for purposes of adjusting its debts.

In the event the District were to become a debtor under the Bankruptcy Code, the District would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 proceeding and an owner of a Certificate would be treated as a creditor in a municipal bankruptcy. Among the adverse effects of such a bankruptcy would be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the District or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the District; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the occurrence of unsecured or court-approved secured debt which may have a priority of payment superior to that of secured debt which may have a priority of payment superior to that of owners of Certificates; and (iv) the possibility of the adoption of a plan for the adjustment of the District's debt (a "Plan") without the consent of all of the owners of Certificates, which Plan may restructure, delay, compromise or reduce the amount of the claim of the owners if the Bankruptcy Court finds that the Plan is fair and equitable. In addition, the Bankruptcy Code would invalidate any provision of the Certificates which makes the bankruptcy or insolvency of the District an event of default. With the exception of the provisions contained in the Plan, a Bankruptcy Court could not impose restrictions on the District's power or its property without the consent of the District.

Redemption Provisions

The Certificates are subject to extraordinary and optional redemption. See "THE CERTIFICATES—Redemption."

State Law Limitations on Appropriations

Article XIIIB of the California Constitution limits the amount that local governments can appropriate annually. The District's ability to make Lease Payments may be affected if the District should exceed its appropriations limit. The District does not anticipate exceeding said limit in the foreseeable future, as a result of procedures whereby the State may increase the District's appropriation limit by decreasing the State's limit by an equal amount. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS."

California Economy

Like all California school districts, the District receives a significant portion of its funding from appropriations by the State. See "DISTRICT FINANCIAL INFORMATION—State Funding of Education and Revenue Limitations." As a result, decreases in the revenues received by the State could affect appropriations made by the State to the District and other school districts within California. A deterioration of California's economy could negatively affect the State's receipt of taxes and other revenues and, possibly, appropriations by the State to the District and other California school districts.

Property Values

The fee estate will not be assigned to the Trustee but, rather, the rights of the Corporation under the Lease Agreement, which is for a limited term, will be assigned to the Trustee. See APPENDIX A—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—ASSIGNMENT AGREEMENT." Thus, the value of the real property constituting the Property and the buildings and improvements thereon are not necessarily an accurate measure of the value of the interest in the Lease Agreement assigned to the Trustee.

Geologic, Topographic and Climatic Conditions

The value of the Property in the future can be adversely affected by a variety of additional factors, particularly those which may affect the continued use and occupancy of the Property. Such additional factors include, without limitation, geologic conditions such as earthquakes and volcanic eruptions, topographic conditions such as earth movements, landslides and floods and climatic conditions such as droughts and tornadoes. It can be expected that one or more of such conditions may entail significant repair or replacement costs and that repair or replacement may never occur either because of the cost or because repair or replacement will not facilitate use or occupancy or because other considerations preclude such repair or replacement. Under any of these circumstances, the value of the Property so affected may well depreciate or disappear.

Hazardous Substances

One of the most serious risks in terms of the potential reduction in the value of a property is a claim with regard to a hazardous substance. In general, the owners and operators of a parcel of real property may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Super-fund Act," is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner (or operator) has anything to do with creating or handling the hazardous substance. The effect, therefore, should the Property be affected by a hazardous substance is to reduce the marketability and value thereof by the costs of remedying the condition.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Article XIIIA of the California Constitution

On June 6, 1978, California voters approved Proposition 13, which added Article XIIIA to the California Constitution ("Article XIIIA"). Article XIIIA limits the amount of any ad valorem taxes on real property to 1% 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 August 1, 1978 and (as a result of an amendment to Article XIIIA approved by California voters on June 3, 1986) on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after August 1, 1978 by two-thirds of the voters voting 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 has occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed 2% per year until new construction or a change of ownership occurs.

Article XIIIA has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by substantial 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 various other minor or technical ways.

Legislation Implementing Article XIIIA

Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the County and distributed according to a formula among taxing agencies.

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 local agency continues as part of its allocation in future years.

All taxable property is 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.

Article XIIIB of the California Constitution

An initiative to amend the California Constitution entitled "Limitation of Government Appropriations," was approved on November 6, 1979, thereby adding Article XIIIB to the California Constitution ("Article XIIIB"). Under Article XIIIB, state and local governmental entities have an annual "appropriations limit" and are not permitted to spend certain moneys which are called "appropriations subject to limitation" (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the appropriations limit. Article XIIIB does not affect the appropriation of moneys which are excluded from the definition of "appropriations subject to limitation," including appropriations for debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the appropriations limit was originally to be based on certain fiscal year 1978-79 expenditures, and adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIIIB, if these entities' revenues in any consecutive two-year period 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. In the event the District receives any proceeds of taxes in excess of the allowable limit in any fiscal year, the District may implement a statutory procedure to concurrently increase the District's appropriations limit and decrease the State's allowable limit, thus nullifying the need for any return. Certain features of Article XIIIB were modified by Proposition 111 in 1990. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS—Proposition 111."

Unitary Property

Some amount of property tax revenue of the District 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 District) according to statutory formulae generally based on the distribution of taxes in the prior year.

Until fiscal year 2000-01, SBE assessment of investor-owned gas and electric companies, incumbent local exchange companies, AT&T Corp., and AT&T Communications of California, Inc., will be subject to a court-approved agreement dated May 1, 1992 (the "Settlement Agreement"), among those companies, the SBE and all California counties. The Settlement Agreement arose from litigation against SBE in which the court held that the SBE's valuation approaches had overvalued AT&T's unitary property, and ordered AT&T's statewide assessed value to be reduced from approximately $1.75 billion to approximately $1.1 billion. The Settlement Agreement provides that its valuation method is not intended to be precedent for calculating fair market value of unitary property in years following its expiration.

While the Settlement Agreement has been in effect, 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. Sale of electric generation assets to largely unregulated, nonutility companies may affect how those assets are assessed following the expiration of the Settlement Agreement, and which local agencies are to receive the property taxes. The District is 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 the State's methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the District. Because the District is not a basic aid district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State's school financing formula. See "DISTRICT FINANCIAL INFORMATION."

Proposition 62

On November 4, 1986, California 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, and requires new or higher special taxes to be approved by two-thirds of both such local agency's governing body and such local agency's 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.

Most of the provisions of Proposition 62 were affirmed by the 1995 California Supreme Court decision in *Santa Clara County Local Transportation Authority v. Guardino* ("*Guardino*") which invalidated a special sales tax for transportation purposes because fewer than two-thirds of the voters voting on the measure had approved the tax. Although by its terms, Proposition 62 applies to school districts, because the District does not receive any material amount of tax revenues from any tax levied in contradiction to Proposition 62, the District has not experienced nor does it expect to experience any substantive adverse financial impact as a result of the passage of this initiative or the *Guardino* decision. The requirements of Proposition 62 have generally been superseded by the enactment of Article XIIIC of the California Constitution (Proposition 218) in 1996.

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 August 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 community college 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, and (b) the amount actually appropriated to such districts from 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 August 1, 1990.

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

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.

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 are 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 are not to be increased by this amount.

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, there are excluded all appropriations for "qualified capital outlay projects" as defined by the Legislature. Second, there are excluded any increases in gasoline taxes above their 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.

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.

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 187

On November 8, 1994, California voters approved a statutory initiative ("Proposition 187") generally directed at curbing taxpayer spending for various public programs, including public education, to the extent those programs benefit illegal aliens. Among other things, Proposition 187 would have required school officials to verify the legal status of each student and to deny education services to illegal aliens. Enforcement costs to local districts were potentially large. A number of lawsuits filed in state and federal court challenging the validity of Proposition 187 under the California and U.S. Constitutions were consolidated for trial in the U.S. District Court. In November 1995, the District Court ruled various propositions of the initiative unconstitutional, particularly those affecting public schools. In February 1998, the court overturned the remaining provisions of Proposition 187. An appeal was filed by the former California State Attorney General in the U.S. Court of Appeals in the 9th Circuit on February 25, 1998. On April 15, 1999, Governor Davis announced that he would seek a mediated settlement of the suit. On April 26, 1999, the 9th Circuit granted the Governor's request for mediation and suspended action on the State's appeal until June 18, 1999. The District cannot predict what will be the ultimate outcome of this litigation or what the ultimate fiscal impact may be on the District.

Proposition 218

An initiative measure entitled "Right to Vote on Taxes Act," also known as Proposition 218 (the "Initiative"), was approved by California voters at the November 5, 1996, statewide general election, and became effective on November 6, 1996. The Initiative added Articles XIIIC and XIIID to the California Constitution, and all references herein to Articles XIIIC and XIIID are references to the text as set forth in the Initiative.

Among other things, Article XIIIC establishes that every tax imposed by a local government is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), and prohibits special purpose government agencies such as school districts from levying general taxes.

Article XIIIC also provides that the initiative power shall not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. The State Constitution and the laws of the State impose a mandatory, statutory duty on the County to levy a property tax sufficient to pay debt service on general obligation bonds coming due in each year. The initiative power cannot be used to reduce or repeal the authority and obligation to levy such taxes which are pledged as security for payment of s general obligation bonds or to otherwise interfere with performance of the mandatory, statutory duty of the County with respect to such taxes which are pledged as security for payment of general obligation bonds. Currently, the District does not have any outstanding general obligation bonds; however, in the future the District may submit a general obligation bond measure to its electorate. Legislation adopted in 1997 provides that Article XIIIC shall not be construed to mean that any owner or beneficial owner of a municipal security assumes the risk of or consents to any initiative measure which would constitute an impairment of contractual rights under the contracts clause of the U.S. Constitution.

Article XIIID deals with assessments and property-related fees and charges. Article XIIID explicitly provides that nothing in Article XIIIC or XIIID shall be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development; however, it is not clear whether the initiative power is therefore unavailable to repeal or reduce developer and mitigation fees imposed by the District.

The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination.

Future Initiatives

Article XIIIA, Article XIIIB and Propositions 62, 98, 111, 187 and 218 were each adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time, other initiative measures could be adopted, further affecting District revenues or the ability of the District to expend revenues.

THE CORPORATION

The Corporation is a public benefit corporation duly organized and existing under the laws of the State of California and is entitled to purchase personal and real property and to sell or lease such property, to contract for construction and improvements and to execute operating agreements regarding such property. The Corporation was formed for the purpose of providing financial assistance to the District by acquiring, constructing, developing and refinancing certain facilities for the use and benefit of the public. The Corporation has no liability to the Owners of the Certificates. The members of the Board of Education of the District serve as the members of the board of directors of the Corporation.

TAX MATTERS

Federal tax law contains a number of requirements and restrictions which apply to the Certificates, 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. The District has covenanted to comply with all requirements that must be satisfied in order for the interest with respect to the Certificates to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest with respect to the Certificates to become includable in gross income for federal income tax purposes retroactively to the date of delivery of the Certificates.

Subject to the District's compliance with the above referenced covenants, under present law, in the opinion of Quint & Thimmig LLP, Special Counsel, interest with respect to the Certificates (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, 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.

Special Counsel expects to deliver an opinion at the time of delivery of the Certificates in substantially the form set forth in APPENDIX C—"FORM OF OPINION OF SPECIAL COUNSEL."

Special 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.

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, 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 include certain tax exempt interest, including interest with respect to the Certificates.

Ownership of the Certificates 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 Certificates should consult their tax advisors as to applicability of any such collateral consequences.

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

If the Issue Price of a maturity of the Certificates is less than the principal amount payable at maturity, the difference between the Issue Price of each such maturity, if any, of the Certificates (the "OID Certificates") and the principal amount payable at maturity is original issue discount.

For an investor who purchases an OID Certificate in the initial public offering at the Issue Price for such maturity and who holds such OID Certificate to its stated maturity, subject to the condition that the District complies with the covenants discussed above, (a) the full amount of original issue discount with respect to such OID Certificate constitutes interest which is excludable from the gross income of the owner thereof for federal income tax purposes; (b) such owner will not realize taxable capital gain or market discount upon payment of such OID Certificate at its stated maturity; (c) such original issue discount is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Code, but is taken into account in computing an adjustment used in determining the alternative minimum tax for certain corporations under the Code, as described above; and (d) the accretion of original issue discount in each year may result in an alternative minimum tax liability for corporations or certain other collateral federal income tax consequences in each year even though a corresponding cash payment may not be received until a later year. Owners of OID Certificates should consult their own tax advisors with respect to the state and local tax consequences of original issue discount on such OID Certificates.

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

If a Certificate is purchased at any time for a price that is less than the Certificate's stated redemption price at maturity or, in the case of an OID Certificate, its Issue Price plus accreted original issue discount reduced by payments of interest included in the computation of original issue discount and previously paid (the "Revised Issue Price"), the purchaser will be treated as having purchased a Certificate 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 Certificate 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 an OID Certificate for a price that is less than its Revised Issue Price even if the purchase price exceeds par. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Certificate. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Certificates.

An investor may purchase a Certificate 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 Certificate 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 Certificate. Investors who purchase a Certificate at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the Certificate's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Certificate.

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 Certificates. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to Certificates issued prior to enactment. Prospective purchasers of the Certificates should consult their own tax advisors regarding any pending or proposed federal tax legislation. Special 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 Certificates. If an audit is commenced, under current procedures the Service may treat the District as a taxpayer and the Certificate owners may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Certificates 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 Certificates, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Certificate 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 Certificate 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 Special Counsel, interest on the Certificates is exempt from California personal income taxes.

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

LEGALITY FOR INVESTMENT IN CALIFORNIA

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

ABSENCE OF MATERIAL LITIGATION

At the time of delivery of and payment for the Certificates, the District will certify that there is no action, suit, proceeding, inquiry, or investigation, at law or in equity, before or by any court or regulatory agency, public board, or body pending or threatened against the District or the Corporation affecting their existence or the titles of their respective officers or seeking to restrain or to enjoin the issuance, sale, or delivery of the Certificates, or the application of the proceeds thereof in accordance with the Trust Agreement, or in any way contesting or affecting the validity or enforceability of the Certificates, any agreement entered into between the District and any purchaser of the Certificates, the Lease Agreement, the Trust Agreement, the Assignment Agreement, the Site and Facility Lease or any other applicable agreements or any action of the District or the Corporation contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the District or the Corporation or their authority with respect to the Certificates or any action of the District or the Corporation contemplated by any of said documents, nor, to the knowledge of the District or the Corporation, is there any basis therefor.

APPROVAL OF LEGALITY

Legal matters incident to the execution and delivery of the Certificates are subject to the approving the opinion of Quint & Thimmig LLP, San Francisco, California, Special Counsel. See APPENDIX C—**"**FORM OF OPINION OF SPECIAL COUNSEL.**"** Certain legal matters will be passed upon for the District by Quint & Thimmig LLP, San Francisco, California, as Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by Kutak Rock LLP, Denver, Colorado, as Underwriter's Counsel. The compensation of Special Counsel, Disclosure Counsel and Underwriter's Counsel is contingent upon the sale and delivery of the Certificates.

CONTINUING DISCLOSURE

Pursuant to Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"), the District has entered into an agreement with Dale Scott & Company, Inc., as Dissemination Agent (the "Dissemination Agent"), for the benefit of holders of the Certificates to provide certain financial information and operating data relating to the District, by not later than April 1 of each fiscal year commencing with the report for fiscal year 2008-09 (the "Annual Information"), and to provide notices of the occurrence of certain enumerated events, if deemed by the District to be material. The Annual Information and notices of material events will be filed by the District or the Dissemination Agent, with the Municipal Securities Rulemaking Board (the "MSRB"), via its Electronic Municipal Market Access system. The nature of the information to be provided in the Annual Information and the notices of material events is set forth in APPENDIX D—"FORM OF CONTINUING DISCLOSURE CERTIFICATE."

These covenants have been made in order to assist the Underwriter in complying with the Rule. The District has never failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events. The Corporation has determined that no financial or operating data concerning the Corporation is material to any decision to purchase, hold or sell the Certificates and the Corporation will not provide any such information. The Corporation shall have no liability to the owners of the Certificates with respect to the disclosure obligation undertaken by the District.

The District's obligations under the Continuing Disclosure Certificate with respect to continuing disclosure shall terminate upon payment in full of all of the Certificates. If such termination occurs prior to the final maturity of the Certificates, the District shall give notice of such termination in the same manner as for a Listed Event.

RATING

Standard & Poor's Ratings Services ("S&P") has assigned the rating of "A-" to the Certificates. Such rating reflects only the view of such organization and any desired explanation of the significance of such rating should be obtained from S&P at the following address: 55 Water Street, New York, NY 10041, (212) 208-8000. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by S&P if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price for the Certificates.

FINANCIAL ADVISOR

Dale Scott & Company, Inc., San Francisco, California, has served as financial advisor (the "Financial Advisor") to the District in connection with the execution and delivery of the Certificates. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in the Official Statement. The fees of the Financial Advisor are contingent upon the sale and delivery of the Certificates. The Financial Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

UNDERWRITING

The Certificates are being purchased by Piper Jaffray & Co. (the "Underwriter"). The Underwriter will agree to purchase the Certificates at a price of $33,247,959.75 (representing an aggregate principal amount of the Certificates of $33,895,000, less an original issue discount of $375,880.25, and less an Underwriter's discount of $271,160.00). The Purchase Agreement relating to the Certificates provides that the Underwriter will purchase all of the Certificates if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said Purchase Agreement, approval of certain legal matters by counsel and certain other conditions. After a bona fide initial public offering at the price stated on the cover page hereof, the Underwriter may offer and sell the Certificates to certain dealers and others at prices lower than the initial public offering price. The offering price may be changed from time to time by the Underwriter.

Piper Jaffray & Co., ("Piper") has entered into an agreement (the "Distribution Agreement") with Advisors Asset Management, Inc. ("AAM") for the distribution of certain municipal securities offerings, including the Bonds, allocated to Piper at the original offering prices. Under the Distribution Agreement, Piper will share with AAM a portion of the fee or commission, exclusive of management fees, paid to Piper.

ADDITIONAL INFORMATION

All of the preceding summaries of the Certificates, the Trust Agreement, the Lease Agreement, the Assignment Agreement, the Site and Facility Lease, and other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the District for further information in connection therewith.

This Official Statement does not constitute a contract with the purchasers of the Certificates.

Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statements of the contents thereof.

The District will furnish a certificate dated the date of delivery of the Certificates, from an appropriate officer of the District, to the effect that to the best of such officer's knowledge and belief, and after reasonable investigation, (i) neither the Official Statement or any amendment or supplement thereto contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements therein, in light of the circumstances in which they were made, not misleading; (ii) since the date of the Official Statement, no event has occurred which should have been set forth in an amendment or supplement to the Official Statement which has not been set forth in such an amendment or supplement, and the Certificates, the Trust Agreement, the Lease Agreement, the Assignment Agreement, the Site and Facility Lease, and other applicable agreements conform as to form and tenor to the descriptions thereof contained in the Official Statement; and (iii) the District has complied with all the agreements and has satisfied all the conditions on its part to be performed or satisfied under the Trust Agreement at and prior to the date of the issuance of the Certificates.

The execution and delivery of the Official Statement by the District have been duly authorized by the Board on behalf of the District.

PITTSBURG UNIFIED SCHOOL DISTRICT

By /s/ Barbara Wilson
Superintendent

APPENDIX A

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a brief summary of certain provisions of the Site and Facility Lease, the Lease Agreement, the Assignment Agreement and the Trust Agreement prepared for Certificates. The following also includes definitions of certain terms used therein and in this Official Statement. Such summary is not intended to be definitive. Reference is directed to said documents for the complete text thereof. Except as otherwise defined in this summary, the terms previously defined in this Official Statement have the respective meanings previously given. Copies of said documents are available from the District and from the Trustee.

DEFINITIONS

"*Additional Payments*" means the payments so designated and required to be paid by the District pursuant to the Lease Agreement.

"*Assignment Agreement*" means the Assignment Agreement, dated as of December 1, 2009, by and between the Corporation and the Trustee, together with any duly authorized and executed amendments thereto.

"*Board*" means the Board of Education of the District.

"*Bond Counsel*" means (a) Quint & Thimmig LLP, or (b) any other attorney or firm of attorneys appointed by or acceptable to the District of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Code.

"*Business Day*" means a day which is not a Saturday, Sunday or legal holiday on which banking institutions in the state in which the Principal Corporate Trust Office is located or in the State are closed or are required to close or a day on which the New York Stock Exchange is closed.

"*Certificate of Completion*" means the certificate of a District Representative certifying that the construction of the Project has been completed by the District and that all costs relating thereto have been paid.

"*Certificates*" means the certificates of participation to be executed and delivered pursuant to the Trust Agreement which evidence direct, undivided fractional Interests of the Owners thereof in Lease Payments.

"*Closing Date*" means the date upon which there is a physical delivery of the Certificates in exchange for the amount representing the purchase price of the Certificates by the Original Purchaser.

"*Code*" means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced in the Lease Agreement or the Trust Agreement) as it may be amended to apply to obligations issued on the Closing Date, together with applicable temporary and final regulations promulgated under the Code.

"*Completion Date*" means the date of completion of the Project as evidenced by the filing with the Trustee of a Certificate of Completion.

"*Continuing Disclosure Certificate*" shall mean that certain Continuing Disclosure Certificate executed by the District and dated the date of execution and delivery of the Certificates, as it may be amended from time to time in accordance with the terms thereof.

"*Corporation*" means the Pittsburg Unified School District Financing Corporation, a nonprofit, public benefit corporation organized and existing under and by virtue of the laws of the State.

"*Corporation Representative*" means the President, the Vice President, the Chief Financial Officer/Treasurer and the Secretary of the Corporation, or the designee of any such official, or any other person authorized by resolution delivered to the Trustee to act on behalf of the Corporation under or with respect to the Site and Facility Lease, the Lease Agreement, the Assignment Agreement and the Trust Agreement.

"*District*" means Pittsburg Unified School District, a school district, duly organized and existing under and by virtue of the laws of the State.

"*District Representative*" means the Superintendent, the Assistant Superintendent, Business Services, or the designee of any such official, or any other person authorized by resolution delivered to the Trustee to act on behalf of the District under or with respect to the Site and Facility Lease, the Lease Agreement and the Trust Agreement.

"*Defeasance Obligations*" means (a) cash (fully insured by the Federal Deposit Insurance Corporation), and (b) Federal Securities. Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount a maturity or call date).

"*Delivery Costs Fund*" means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

"*Delivery Costs*" means all items of expense directly or indirectly payable by or reimbursable to the District or the Corporation relating to the execution and delivery of the Site and Facility Lease, the Lease Agreement, the Trust Agreement and the Assignment Agreement or the execution, sale and delivery of the Certificates, including but not limited to filing and recording costs, settlement costs, printing costs, reproduction and binding costs, costs for statistical data, initial fees and charges of the Trustee (including the fees and expenses of its counsel), financing discounts, legal fees and charges, insurance fees and charges (including title insurance), financial and other professional consultant fees, costs of rating agencies for credit ratings, fees for execution, transportation and safekeeping of the Certificates and charges and fees in connection with the foregoing.

"*Event of Default*" means an event of default under the Lease Agreement.

"*Facility*" means those certain existing facilities more particularly described in the Site and Facility Lease and in the Lease Agreement.

"*Federal Securities*" means (a) Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America ("U.S. 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 Sates of America when such obligations are backed by the full faith and credit of the United States of America, or (d) evidence 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 obligator and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

"*Fiscal Year*" means the twelve-month period beginning on July 1 of any year and ending on June 30 of the next succeeding year, or any other twelve-month period selected by the District as its fiscal year.

"*Independent Counsel*" means an attorney duly admitted to the practice of law before the highest court of the state in which such attorney maintains an office and who is not an employee of the Corporation, the District or the Trustee.

"*Information Services*" means Financial Information, Inc.'s "Daily Called Bond Service," 30 Montgomery Street, 10th Floor, Jersey City, NJ 07302, Attention: Editor; Kenny Information Services' "Called Bond Service," 65 Broadway, 16th Floor, New York, NY 10006; Moody's "Municipal and Government," 5250 77 Center Drive, Suite 150, Charlotte, NC 28217, Attention: Municipal News Reports; and S&P's "Called Bond Record," 55 Water Street, New York, NY 10041; or to such other addresses and/or such other national information services providing information or disseminating notices of redemption of obligations similar to the Certificates.

"*Insurance and Condemnation Fund*" means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

"*Interest Payment Date*" means the first (1st) day of March and September in each year, commencing March 1, 2010, so long as any Certificates are Outstanding.

"*Lease Agreement*" means that certain agreement for the lease of the Property by the Corporation to the District, dated as of December 1, 2009, together with any duly authorized and executed amendments thereto.

"*Lease Payment Date*" means the fifteenth (15th) day of February and August in each year during the Term of the Lease Agreement, commencing February 15, 2010.

"*Lease Payment Fund*" means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

"*Lease Payments*" means the total payments required to be paid by the District pursuant to the Lease Agreement, including any prepayment thereof pursuant to the Lease Agreement, which payments consist of an interest component and a principal component, as set forth in the Lease Agreement.

"*Moody's*" means Moody's Investors Service, New York, New York, or its successors.

"*Net Proceeds*," when used with respect to insurance or condemnation proceeds, means any insurance proceeds or condemnation award paid with respect to the Property, to the extent remaining after payment therefrom of all expenses incurred in the collection thereof.

"*Original Purchaser*" means the first purchaser of the Certificates upon their delivery by the Trustee on the Closing Date.

"*Outstanding*," when used as of any particular time with respect to Certificates, means (subject to the provisions of the Trust Agreement) all Certificates theretofore executed and delivered by the Trustee under the Trust Agreement except:

(a) Certificates theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;

(b) Certificates for the payment or redemption of which funds or Defeasance Obligations in the necessary amount shall have theretofore been deposited with the Trustee or an escrow holder (whether upon or prior to the maturity or redemption date of such Certificates), provided that, if such Certificates are to be redeemed prior to maturity, notice of such redemption shall have been given as provided in he Trust Agreement or provision satisfactory to the Trustee shall have been made for the giving of such notice; and

(c) Certificates in lieu of or in exchange for which other Certificates shall have been executed and delivered by the Trustee pursuant to the Trust Agreement.

"*Owner*" or "*Certificate Owner*" or "*Owner of a Certificate,*" or any similar term, when used with respect to a Certificate means the person in whose name such Certificate shall be registered on the Registration Books.

"*Participating Underwriter*" shall have the meaning ascribed thereto in the Continuing Disclosure Certificate.

"*Permitted Encumbrances*" means, as of any particular time: (a) liens for general *ad valorem* taxes and assessments, if any, not then delinquent, or which the District may, pursuant to provisions of the Lease Agreement, permit to remain unpaid; (b) the Site and Facility Lease; (c) the Lease Agreement; (d) the Assignment Agreement; (e) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; (f) easements, rights-of-way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the Closing Date and which the District certifies in writing will not materially impair the use of the Property; and (g) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions established following the date of recordation of the Lease Agreement and to which the Corporation and the District agree in writing do not reduce the value of the Property.

"*Permitted Investments*" means any of the following:

(a) Federal Securities;

(b) debentures of the Federal Housing Administration to the extent such obligations are guaranteed by the full faith and credit of the United States of America;

(c) obligations of the following agencies which are not guaranteed by the United States of America: (i) participation certificates or debt obligations of the Federal Home Loan Mortgage Corporation; (ii) consolidated system-wide bonds and notes of the Farm Credit Banks (consisting of Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives); (iii) consolidated debt obligations or letter of credit-backed issues of the Federal Home Loan Banks; (iv) mortgage-backed securities (excluding stripped mortgage securities which are valued greater than par on the portion of unpaid principal) or debt obligations of the Federal National Mortgage Association; or (v) letter of credit-backed issues or debt obligations of the Student Loan Marketing Association; provided, however, that not more than ten percent (10%) of the proceeds of the Bonds may, in the aggregate, be invested in any such obligations at one time;

(d) Federal funds, negotiable certificates of deposit, time deposits and bankers acceptances (having maturities of not more than 180 days) of banks (including the Trustee and its affiliates) the short-term obligations of which are rated in one of the two highest Rating Categories by at least one nationally recognized rating agency;

(e) deposits (including those of the Trustee and its affiliates) which are fully insured by the Federal Deposit Insurance Corporation ("FDIC");

(f) debt obligations (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date) rated in one of the two highest Rating Categories by at least one nationally recognized rating agency;

(g) commercial paper (having original maturities of not more than 270 days) rated in one of the two highest Rating Categories by at least one nationally recognized rating agency;

(h) money market funds rated in one of the two highest Rating Categories by at least one nationally recognized rating agency, including funds for which the Trustee, its parent, affiliates or subsidiaries provide investment advisory or other management services, in which case it is agreed that the Trustee, its parent, affiliates or subsidiaries shall have the right to be paid its customary management fees in addition to its fees as Trustee hereunder;

(i) investment contracts or agreements issued or guaranteed by entities whose long-term debt or claims paying ability of which are rated in one of the two highest long-term rating categories of Moody's or S&P;

(j) repurchase agreements or investment agreements issued by banks, broker/dealers or other financial institutions fully secured by obligations listed in paragraphs (a), (b) or (c) of this definition having a market value at least equal to 105% of face amount of the agreement and possession of which obligations is held or controlled by the Trustee, the District or by a third party satisfactory to the District under arrangements satisfactory to the Trustee or the District, as the case may be; and

(k) the Local Agency Investment Fund of the State, created pursuant to section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

"*Principal Corporate Trust Office*" means the corporate trust office of the Trustee located at One California Street, Suite 1000, San Francisco, CA 94111, Attention: Corporate Trust Services, or such other office designated by the Trustee from time to time.

"*Proceeds*," when used with reference to the Certificates, means the face amount of the Certificates, less original issue discount.

"*Project*" includes, but is not limited to, the capital improvements to be financed by the District with the proceeds of the Certificates, all as more particularly described in the Trust Agreement.

"*Project Costs*" means all costs of payment of, or reimbursement for, the Project.

"*Project Fund*" means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

"*Property*" means, collectively, the Site and the Facility.

"*Rating Category*" means, with respect to any Permitted Investment, one of the generic categories of rating by Moody's or S&P applicable to such Permitted Investment, without regard to any refinement or graduation of such rating category by a plus or minus sign or a numeral.

"*Registration Books*" means the records maintained by the Trustee pursuant to the Trust Agreement for registration of the ownership and transfer of ownership of the Certificates.

"*Regular Record Date*" means the close of business on the fifteenth (15th) day of the month preceding each Interest Payment Date, whether or not such fifteenth (15th) day is a Business Day.

"*Rental Period*" means each twelve-month period during the Term of the Lease Agreement commencing on September 2 in any year and ending on September 1 in the next succeeding year; *provided, however*, that the first Rental Period shall commence on the Closing Date and shall end on September 1, 2010.

"*Reserve Fund*" means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

"*Reserve Requirement*" means an amount equal to $2,948,280.00; *provided, however*, that if the Certificates are partially refunded, such amount shall be reduced to an amount equal to the least of (a) maximum annual Lease Payments relating to the Certificates not so refunded, (b) 125% of average annual Lease Payments relating to the Certificates not so refunded, and (c) 10% of the principal amount of the Certificates not so refunded, as specified in a certificate of a District Representative delivered to the Trustee.

"S&*P*" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., New York, New York, or its successors.

"*Securities Depositories*" means The Depository Trust Company, 55 Water Street, 50th Floor, New York, NY 10041 Attention: Call Notification Department; or to such other addresses and/or such other registered securities depositories holding substantial amounts of obligations of types similar to the Certificates.

"*Site*" means that certain real property more particularly described in the Site and Facility Lease and in the Lease Agreement.

"*Site and Facility Lease*" means the Site and Facility Lease, dated as of December 1, 2009, by and between the District, as lessor, and the Corporation, as lessee, together with any duly authorized and executed amendments thereto.

"*State*" means the State of California.

"*Term of the Lease Agreement*" means the time during which the Lease Agreement is in effect, as provided in the Lease Agreement.

"*Trust Agreement*" means the Trust Agreement, dated as of December 1, 2009, by and among the District, the Corporation and the Trustee, together with any duly authorized amendments thereto.

"*Trustee*" means U.S. Bank National Association, or any successor thereto, acting as Trustee pursuant to the Trust Agreement.

SITE AND FACILITY LEASE

The Site and Facility Lease is entered into between the District and the Corporation. The District agrees to lease the Site and the Facility to the Corporation for a term continuous with the term of the Lease Agreement. The District and the Corporation agree that the lease to the Corporation of the District's right, title and interest in the Site and the Facility pursuant to the Site and Facility Lease serves the public purposes of the District by enabling the Corporation to lease the Site and Facility back to the District.

LEASE AGREEMENT

Deposit of Money

On the Closing Date, the Corporation shall cause to be deposited with the Trustee the proceeds of sale of the Certificates. Amounts estimated to be required to pay Delivery Costs shall be deposited in the Delivery Costs Fund, an amount equal to the Reserve Requirement shall be deposited in the Reserve Fund and the remaining balance of said amount required to pay Project Costs shall be deposited in the Project Fund.

Payment of Project Costs

Payment of Project Costs shall be made from the moneys deposited in the Project Fund, which moneys shall be disbursed for such purpose in accordance and upon compliance with the Trust Agreement.

Payment of Delivery Costs

Payment of Delivery Costs shall be made from the moneys deposited in the Delivery Costs Fund, which moneys shall be disbursed for such purpose in accordance and upon compliance with the Trust Agreement.

Lease

The Corporation leases the Property to the District, and the District leases the Property from the Corporation, upon the terms and conditions set forth in the Lease Agreement. The leasing of the Property by the District to the Corporation pursuant to the Site and Facility Lease shall not affect or result in a merger of the District's leasehold estate pursuant to the Lease Agreement and its fee estate as lessor under the Site and Facility Lease.

Term of Agreement; Possession

The Term of the Lease Agreement shall commence on the date hereof, and shall end on September 1, 2034, unless such term is extended as hereinafter provided. If, on September 1, 2034, the Trust Agreement shall not be discharged by its terms or if the Lease Payments payable hereunder shall have been abated at any time and for any reason, then the Term of the Lease Agreement shall be extended without the need to execute any amendment to the Lease Agreement until there has been deposited with the Trustee an amount sufficient to pay all obligations due under the Lease Agreement, but in no event shall the Term of the Lease Agreement extend beyond September 1, 2044. If, prior to September 1, 2034, the Trust Agreement shall be discharged by its terms, the Term of the Lease Agreement shall thereupon end. The Trustee shall notify the Corporation of the termination of the Lease Agreement pursuant to the Trust Agreement.

The District agrees to accept and take possession of the Property on or prior to the date of recordation of the Lease Agreement. The first Lease Payment shall be due on January 15, 2009.

Lease Payments

Obligation to Pay. The District agrees to pay to the Corporation, its successors and assigns, as rental for the use and occupancy of the Property during each Rental Period, the Lease Payments (denominated into components of principal and interest) in the respective amounts specified in the Lease Agreement, to be due and payable on the respective Lease Payment Dates specified in the Lease Agreement. Any amount held in the Lease Payment Fund on any Lease Payment Date (other than amounts resulting from the prepayment of the Lease Payments in part but not in whole and other than amounts required for payment of Certificates not yet surrendered) shall be credited towards the Lease Payment then due and payable; and no Lease Payment need be made on any Lease Payment Date if the amounts then held in the Lease Payment Fund are at least equal to the Lease Payment then required to be paid. The Lease Payments for the Property payable in any Rental Period shall be for the use of the Property for such Rental Period.

Effect of Prepayment. In the event that the District prepays all remaining Lease Payments and all additional payments due under the Lease Agreement in full, the District's obligations under the Lease Agreement shall thereupon cease and terminate including, but not limited to, the District's obligation to pay Lease Payments under the Lease Agreement; subject however, to the provisions of the Lease Agreement in the case of prepayment by application of a security deposit. In the event that the District optionally prepays the Lease Payments in part but not in whole, such prepayment shall be credited entirely towards the prepayment of the Lease Payments as follows: (i) the principal components of each remaining such Lease Payments shall be reduced in such order as shall be selected by the District in integral multiples of $5,000; and (ii) the interest component of each remaining Lease Payment shall be reduced by the aggregate corresponding amount of interest which would otherwise be payable with respect to the Certificates redeemed pursuant to the Trust Agreement.

Rate on Overdue Payments. In the event the District should fail to make any of the payments required in the Lease Agreement, the payment in default shall continue as an obligation of the District until the amount in default shall have been fully paid and the District agrees to pay the same with interest thereon, to the extent permitted by law, from the date of default to the date of payment at the rate per annum payable with respect to the Certificates. Such interest, if received, shall be deposited in the Lease Payment Fund or in the Reserve Fund to replenish the Reserve Fund if withdrawals were made therefrom as a result of the default.

Fair Rental Value. The Lease Payments for each Rental Period shall constitute the total rental for the Property for each such Rental Period and shall be paid by the District in each Rental Period for and in consideration of the right of the use and occupancy and the continued quiet use and enjoyment of the Property during each Rental Period. The parties to the Lease Agreement have agreed and determined that the total Lease Payments represent the fair rental value of the Property. In making such determination, consideration has been given to the obligations of the parties under the Lease Agreement, the uses and purposes which may be served by the Property and the benefits therefrom which will accrue to the District and the general public.

Source of Payments; Budget and Appropriation. Lease Payments shall be payable from any source of available funds of the District. The District covenants to take such action as may be necessary to include all Lease Payments due under the Lease Agreement in each of its budgets during the Term of the Lease Agreement and to make the necessary annual appropriations for all such Lease Payments and for additional payments due under the Lease Agreement. To that end, the Board of Trustees shall direct budgetary staff to include in each annual budget proposal to the Board of Trustees an appropriation sufficient to pay Lease Payments and Additional Payments. The District expresses its present intent to appropriate Lease Payments and additional payments due under the Lease Agreement during the Term of the Lease Agreement. The covenants on the part of the District contained in the Lease Agreement shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the District to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the District to carry out and perform the covenants and agreements in the Lease Agreement agreed to be carried out and performed by the District.

Assignment. The District understands and agrees that all Lease Payments have been assigned by the Corporation to the Trustee in trust, pursuant to the Assignment Agreement, for the benefit of the Owners of the Certificates, and the District assents to such assignment. The Corporation directs the District, and the District agrees to pay to the Trustee at the Principal Corporate Trust Office, all payments payable by the District pursuant to the Lease Agreement.

Title

During the Term of the Lease Agreement, the Corporation shall hold leasehold title to the Property and shall hold fee title to those portions of the Property which are newly acquired or constructed and any and all additions which comprise fixtures, repairs, replacements or modifications to the Property, except for those fixtures, repairs, replacements or modifications which are added to the Property by the District at its own expense and which may be removed without damaging the Property and except for any items added to the Property by the District pursuant to the Lease Agreement.

If the District prepays the Lease Payments in full or makes the security deposit permitted by the Lease Agreement, or pays all Lease Payments during the Term of the Lease Agreement as the same become due and payable, all right, title and interest of the Corporation in and to the Property shall be terminated. The Corporation agrees to take any and all steps and execute and record any and all documents reasonably required by the District to consummate any such transfer of title.

Additional Payments

In addition to the Lease Payments, the District shall pay when due all costs and expenses incurred by the District and the Corporation to comply with the provisions of the Trust Agreement and the Lease Agreement, or otherwise arising from the leasing of the Property, including without limitation all delivery costs (to the extent not paid from amounts on deposit in the Delivery Costs Fund), compensation and indemnification due to the Trustee and all costs and expenses of auditors, engineers, attorneys and accountants.

Maintenance, Utilities, Taxes and Assessments

Throughout the Term of the Lease Agreement, as part of the consideration for the rental of the Property, all improvement, repair and maintenance of the Property shall be the responsibility of the District and the District shall pay, or otherwise arrange, for the payment of all utility services supplied to the Property which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, water and all other utility services, and shall pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Property resulting from ordinary wear and tear or want of care on the part of the District or any assignee or sublessee thereof. In exchange for the Lease Payments, the Corporation agrees to provide only the Property. The District waives the benefits of subsections 1 and 2 of section 1932 of the California Civil Code, but such waiver shall not limit any of the rights of the District under the terms of the Lease Agreement.

The District shall also pay or cause to be paid all taxes and assessments of any type or nature, if any, charged to the Corporation or the District affecting the Property or the respective interests or estates therein; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the District shall be obligated to pay only such installments as are required to be paid during the Term of the Lease Agreement as and when the same become due.

The District may, at the District's expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Corporation shall notify the District that, in the opinion of Independent Counsel, by nonpayment of any such items, the interest of the Corporation in the Property will be materially endangered or the Property or any part thereof will be subject to loss or forfeiture, in which event the District shall promptly pay such taxes, assessments or charges or provide the Corporation with full security against any loss which may result from nonpayment, in form satisfactory to the Corporation. The District shall provide the Corporation with written notice of any such contest and shall provide such updates on the contest as the Corporation may reasonably request.

Modification of Property

The District shall, at its own expense, have the right to remodel the Property or to make additions, modifications and improvements to the Property. All additions, modifications and improvements to the Property shall thereafter comprise part of the Property and be subject to the provisions of the Lease Agreement. Such additions, modifications and improvements shall not in any way damage the Property, substantially alter its nature, cause the interest component of Lease Payments to be subject to federal income taxes or cause the Property to be used for purposes other than those authorized under the provisions of State and federal law; and the Property, upon completion of any additions, modifications and improvements made thereto pursuant to the Lease Agreement, shall be of a value which is not substantially less than the value of the Property immediately prior to the making of such additions, modifications and improvements. The District will not permit any mechanic's or other lien to be established or remain against the Property for labor or materials furnished in connection with any remodeling, additions, modifications, improvements, repairs, renewals or replacements made by the District pursuant to the Lease Agreement; provided that if any such lien is established and the District shall first notify the Corporation of the District's intention to do so, the District may in good faith contest any lien filed or established against the Property, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom and shall provide the Corporation with full security against any loss or forfeiture which might arise from the nonpayment of any such item, in form satisfactory to the Corporation. The Corporation will cooperate fully in any such contest, upon the request and at the expense of the District.

Insurance

Public Liability and Property Damage Insurance. The District shall maintain or cause to be maintained, throughout the Term of the Lease Agreement, insurance policies, including a standard comprehensive general insurance policy or policies in protection of the Corporation, the District and the Trustee and their respective members, officers, agents and employees. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried by the District, and may be maintained through a joint exercise of powers authority created for such purpose or in the form of self-insurance by the District. Said policy or policies shall provide for indemnification of said parties against direct or consequential loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Property. Said policy or policies shall provide coverage in the minimum liability limits of $1,000,000 for personal injury or death of each person and $3,000,000 for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of $100,000 (subject to a deductible clause of not to exceed $5,000) for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of $3,000,000 covering all such risks. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried by the District and may be maintained in the form of insurance maintained through a joint exercise of powers authority created for such purpose or in the form of self-insurance by the District. The Net Proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the insurance proceeds shall have been paid.

Fire and Extended Coverage Insurance; No Earthquake Insurance. The District shall maintain, or cause to be maintained throughout the Term of the Lease Agreement, insurance against loss or damage to any part of the Property constituting structures, if any, by fire and lightning, with extended coverage and vandalism and malicious mischief insurance; *provided, however*, that the District shall not be required to maintain earthquake insurance with respect to the Property. Said extended coverage insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance shall be in an amount equal to one hundred percent (100%) of the replacement cost of such portion of the Property, if any. Such insurance may be subject to deductible clauses of not to exceed $100,000 for any one loss. Such insurance may be maintained as part of or in conjunction with any other fire and extended coverage insurance carried by the District and may be maintained in whole or in part in the form of insurance maintained through a joint exercise of powers authority created for such purpose. The Net Proceeds of such insurance shall be applied as provided in the Lease Agreement. The District may not satisfy the requirements of the Lease Agreement for fire and extended coverage insurance with self-insurance.

Rental Interruption Insurance. The District shall maintain, or cause to be maintained, throughout the Term of the Lease Agreement rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of any part of the Property during the Term of the Lease Agreement as a result of any of the hazards covered in the insurance required by the Lease Agreement, if any, in an amount at least equal to the maximum Lease Payments coming due and payable during any two consecutive Fiscal Years during the remaining Term of the Lease Agreement. The Net Proceeds of such insurance shall be paid to the Trustee and deposited in the Lease Payment Fund and shall be credited towards the payment of the Lease Payments in the order in which such Lease Payments come due and payable. Such insurance may be maintained as part of or in conjunction with any other insurance carried by the District and may be maintained in whole or in part in the form of insurance maintained through a joint exercise of powers authority created for such purpose. The District may not satisfy the requirements of the Lease Agreement for rental interruption insurance with self-insurance.

Title Insurance. The District shall provide, from moneys in the Delivery Costs Fund or at its own expense, on the Closing Date, an CLTA title insurance policy in the amount of not less than the principal amount of the Certificates, insuring the District's leasehold estate in the Property, subject only to Permitted Encumbrances.

Insurance Net Proceeds; Form of Policies. Each policy or other evidence of insurance required by the Lease Agreement shall provide that all proceeds thereunder shall be payable to the Trustee as and to the extent required under the Lease Agreement, shall name the Trustee as an additional insured and shall be applied as provided in the Lease Agreement. Insurance must be provided by an insurer rated "A" or better by S&P or A.M. Best Company. The District shall pay or cause to be paid when due the premiums for all insurance policies required by the Lease Agreement. The Trustee shall not be responsible for the sufficiency of any insurance required in the Lease Agreement, including any forms of self-insurance and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss. The District shall cause to be delivered annually on or before each September 1 to the Trustee a certification, signed by a District Representative, stating compliance with the provisions of the Lease Agreement. The Trustee shall be entitled to rely on such certification without independent investigation. The District shall have the adequacy of any insurance reserves maintained by the District or by a joint exercise of powers authority, if applicable, for purposes of the insurance required by the Lease Agreement reviewed at least annually, on or before each September 1, by an independent insurance consultant and shall maintain reserves in accordance with the recommendations of such consultant to the extent moneys are available for such purpose and not otherwise appropriated.

Tax Covenants

Private Activity Bond Limitation. The District shall assure that proceeds of the Certificates are not so used as to cause the Certificates or the Lease Agreement to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(c) of the Code.

Federal Guarantee Prohibition. The District shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Certificates or the Lease Agreement to be "federally guaranteed" within the meaning of section 149(b) of the Code.

Rebate Requirement. The District shall take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Certificates and the Lease Agreement.

No Arbitrage. The District shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Certificates which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date would have caused the Certificates or the Lease Agreement to be "arbitrage bonds" within the meaning of section 148 of the Code.

Maintenance of Tax-Exemption. The District shall take all actions necessary to assure the exclusion of interest with respect to the Certificates from the gross income of the Owners of the Certificates to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the Closing Date.

No Condemnation

The District covenants and agrees, to the extent it may lawfully do so, that so long as any of the Certificates remain outstanding and unpaid, the District will not exercise the power of condemnation with respect to the Property. The District further covenants and agrees, to the extent it may lawfully do so, that if for any reason the foregoing covenant is determined to be unenforceable or if the District should fall or refuse to abide by such covenant and condemns the Property, the appraised value of the Property shall not be less than the greater of (i) if the Certificates are then subject to redemption, the principal and interest components of the Certificates Outstanding through the date of their redemption, or (ii) if the Certificates are not then subject to redemption, the amount necessary to defease the Certificates to the first available redemption date in accordance with the Trust Agreement.

Eminent Domain

If all of the Property shall be taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the Term of the Lease Agreement shall cease as of the day possession shall be so taken. If less than all of the Property shall be taken permanently, or if all of the Property or any part thereof shall be taken temporarily under the power of eminent domain, (1) the Lease Agreement shall continue in full force and effect and shall not be terminated by virtue of such taking and the parties waive the benefit of any law to the contrary, and (2) there shall be a partial abatement of Lease Payments as a result of the application of the Net Proceeds of any eminent domain award to the prepayment of the Lease Payments, in an amount to be agreed upon by the District and the Corporation and communicated to the Trustee such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portion of the Property, except to the extent of special funds, such as amounts in the Reserve Fund available for the payment of Lease Payments.

Application of Net Proceeds

From Insurance Award. The Net Proceeds of any insurance award resulting from any damage to or destruction of any portion of the Property constituting structures, if any, by fire or other casualty shall be paid by the District to the Trustee, as assignee of the Corporation under the Assignment Agreement, deposited in the Insurance and Condemnation Fund held by the Trustee and applied as set forth in the Trust Agreement.

From Eminent Domain Award. The Net Proceeds of any eminent domain award shall be paid by the District to the Trustee, as assignee of the Corporation under the Assignment Agreement, deposited in the Insurance and Condemnation Fund and applied as set forth in the Trust Agreement.

From Title Insurance. The Net Proceeds of any title insurance award shall be paid to the Trustee, as assignee of the Corporation under the Assignment Agreement, deposited in the Insurance and Condemnation Fund and applied as set forth in the Trust Agreement.

Abatement of Lease Payments in the Event of Damage or Destruction

Lease Payments shall be abated during any period in which, by reason of damage or destruction, there is substantial interference with the use and occupancy by the District of the Property or any portion thereof to the extent to be agreed upon by the District and the Corporation and communicated by a District

Representative to the Trustee. The parties agree that the amounts of the Lease Payments under such circumstances shall not be less than the amounts of the unpaid Lease Payments as are then set forth in the Lease Agreement, unless such unpaid amounts are determined to be greater than the fair rental value of the portions of the Property not damaged or destroyed, based upon the opinion of an MAI appraiser with expertise in valuing such properties, or other appropriate method of valuation, in which event the Lease Payments shall be abated such that they represent said fair rental value. Such abatement shall continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction as communicated by a District Representative to the Trustee. In the event of any such damage or destruction, the Lease Agreement shall continue in full force and effect and the District waives any right to terminate the Lease Agreement by virtue of any such damage and destruction. Notwithstanding the foregoing, there shall be no abatement of Lease Payments to the extent that (a) the proceeds of rental interruption insurance or (b) amounts in the Reserve Fund, if cash funded, and/or the Insurance and Condemnation Fund and/or the Lease Payment Fund are available to pay Lease Payments which would otherwise be abated, it being declared that such proceeds and amounts constitute special funds for the payment of the Lease Payments.

Access to the Property

The District agrees that the Corporation and any Corporation Representative, and the Corporation's successors or assigns, shall have the right at all reasonable times to enter upon and to examine and inspect the Property. The District further agrees that the Corporation, any Corporation Representative, and the Corporation's successors or assigns shall have such rights of access to the Property as may be reasonably necessary to cause the proper maintenance of the Property in the event of failure by the District to perform its obligations under the Lease Agreement.

Release and Indemnification Covenants

The District shall and agrees to indemnify and save the Corporation and the Trustee and their officers, agents, directors, employees, successors and assigns harmless from and against all claims, losses and damages, including legal fees and expenses, arising out of (i) the use, maintenance, condition or management of, or from any work or thing done on the Property by the District, (ii) any breach or default on the part of the District in the performance of any of its obligations under the Lease Agreement or the Trust Agreement, (iii) any act or omission of the District or of any of its agents, contractors, servants, employees or licensees with respect to the Property, (iv) any act or omission of any sublessee of the District with respect to the Property, or (v) the authorization of payment of the Delivery Costs. Such indemnification shall include the costs and expenses of defending any claim or liability arising under the Lease Agreement or the Trust Agreement and the transactions contemplated thereby. No indemnification is made in the Lease Agreement for willful misconduct, negligence or breach of duty under the Lease Agreement by the Corporation, its officers, agents, directors, employees, successors or assigns.

Assignment by the Corporation

The Corporation's rights under the Lease Agreement, including the right to receive and enforce payment of the Lease Payments to be made by the District under the Lease Agreement, have been assigned to the Trustee pursuant to the Assignment Agreement.

Assignment and Subleasing by the District

The Lease Agreement may not be assigned by the District. The District may sublease the Property or any portion thereof, but only with the written consent of the Corporation and subject to, and delivery to the Corporation of a certificate as to, all of the following conditions:

(a) The Lease Agreement and the obligation of the District to make Lease Payments shall remain obligations of the District;

(b) The District shall, within thirty (30) days after the delivery thereof, furnish or cause to be furnished to the Corporation and the Trustee a true and complete copy of such sublease;

(c) No such sublease by the District shall cause the Property to be used for a purpose other than as may be authorized under the provisions of the Constitution and laws of the State; and

(d) The District shall furnish the Corporation and the Trustee with a written opinion of Bond Counsel, which shall be an Independent Counsel, stating that such sublease does not cause the interest components of the Lease Payments to become subject to federal income taxes or State personal income taxes.

Amendment of Lease Agreement

Substitution of Site or Facility. The District shall have, and is hereby granted, the option at any time and from time to time during the Term of the Lease Agreement to substitute other land (a "Substitute Site") and/or a substitute facility or substitute Facility (a "Substitute Facility") for the Site (the "Former Site"), or a portion thereof, and/or the Facility (the "Former Facility"), or a portion thereof, provided that the District shall satisfy all of the following requirements (to the extent applicable) which are hereby declared to be conditions precedent to such substitution:

(i) If a substitution of the Site, the District shall file with the Corporation and the Trustee an amendment to the Site and Facility Lease which adds thereto a description of such Substitute Site and deletes therefrom the description of the Former Site;

(ii) If a substitution of the Site, the District shall file with the Corporation and the Trustee an amendment to the Lease Agreement which adds thereto a description of such Substitute Site and deletes therefrom the description of the Former Site;

(iii) If a substitution of the Facility, the District shall file with the Corporation and the Trustee an amendment to the Site and Facility Lease which adds thereto a description of such Substitute Facility and deletes therefrom the description of the Former Facility;

(iv) If a substitution of the Facility, the District shall file with the Corporation and the Trustee an amendment to the Lease Agreement which adds thereto a description of such Substitute Facility and deletes therefrom the description of the Former Facility;

(v) The District shall certify in writing to the Corporation and the Trustee that such Substitute Site and/or Substitute Facility serve the purposes of the District, constitutes property that is unencumbered, subject to Permitted Encumbrances, and constitutes property which the District is permitted to lease under the laws of the State;

(vi) The District delivers to the Trustee and the Corporation evidence that the value of the Property following such substitution is equal or greater than the Outstanding principal amount of the Certificates and confirms in writing to the Trustee that the indemnification provided pursuant to he Trust Agreement applies with respect to the Substitute Site and/or Substitute Facility;

(vii) The Substitute Site and/or Substitute Facility shall not cause the District to violate any of its covenants, representations and warranties made herein and in the Trust Agreement;

(viii) The District shall obtain an amendment to the title insurance policy required pursuant to the Lease Agreement which adds thereto a description of the Substitute Site and deletes therefrom the description of the Former Site;

(ix) The District shall certify that the Substitute Site and/or the Substitute Facility is of the same or greater essentiality to the District as was the Former Site and/or the Former Facility;

(x) The District shall provide notice of the substitution to any rating agency then rating the Certificates; and

(xi) The District shall furnish the Corporation and the Trustee with a written opinion of Bond Counsel, which shall be an Independent Counsel, stating that such substitution does not cause the interest components of the Lease Payments to become subject to federal income taxes or State personal income taxes.

Release of Site. The District shall have, and is hereby granted, the option at any time and from time to time during the Term of the Lease Agreement to release any portion of the Site, provided that the District shall satisfy all of the following requirements which are hereby declared to be conditions precedent to such release:

(i) The District shall file with the Corporation and the Trustee an amendment to the Site and Facility Lease which describes the Site, as revised by such release;

(ii) The District delivers to the Trustee and the Corporation evidence that the value of the Site, as revised by such release, is equal or greater than the Outstanding principal amount of the Certificates and confirms in writing to the Trustee that the indemnification provided pursuant to the Trust Agreement applies with respect to the Site, as revised by such release;

(iii) Such release shall not cause the District to violate any of its covenants, representations and warranties made herein and in the Trust Agreement;

(iv) The District shall obtain an amendment to the title insurance policy required pursuant to the Lease Agreement which describes the Site, as revised by such release; and

(v) The District shall provide notice of the release to any rating agency then rating the Certificates.

Generally. The Corporation and the District may at any time amend or modify any of the provisions of the Lease Agreement, but only (a) with the prior written consent of the Owners of a majority in aggregate principal amount of the Outstanding Certificates, or (b) without the consent of any of the Owners, but only if such amendment or modification is for any one or more of the following purposes:

(i) to add to the covenants and agreements of the District contained in the Lease Agreement, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the District;

(ii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained herein, or in any other respect whatsoever as the Corporation and the District may deem necessary or desirable, provided that, in the opinion of Bond Counsel, such modifications or amendments will not materially adversely affect the interests of the Owners; or

(iii) to amend any provision thereof relating to the Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exclusion from gross income of interest with respect to the Certificates under the Code, in the opinion of Bond Counsel.

Events of Default and Remedies

Events of Default. The following shall be "events of default" under the Lease Agreement and the terms "Events of Default" and "Default" shall mean, whenever they are used in the Lease Agreement, any one or more of the following events:

(a) Failure by the District to pay any Lease Payment or other payment required to be paid at the time specified.

(b) Failure by the District to observe and perform any covenant, condition or agreement on its part to be observed or performed under the Lease Agreement or under the Trust Agreement, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to the District by the Corporation, the Trustee or the Owners of not less than five percent (5%) in aggregate principal amount of Certificates then outstanding; *provided, however*, if the failure stated in the notice can be corrected, but not within the applicable period, the Corporation, the Trustee and such Owners shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the District within the applicable period and diligently pursued until the default is corrected.

(c) The filing by the District of a voluntary petition in bankruptcy, or failure by the District promptly to lift any execution, garnishment or attachment, or adjudication of the District as a bankrupt, or assignment by the District for the benefit of creditors, or the entry by the District into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the District in any proceedings instituted under the provisions of the Federal Bankruptcy Act, as amended, or under any similar acts which may hereafter be enacted.

Remedies on Default. The Trustee shall have the right to re-enter and re-let the Property and to terminate the Lease Agreement.

Whenever any Event of Default shall have happened and be continuing, it shall be lawful for the Corporation to exercise any and all remedies available pursuant to law or granted pursuant to the Lease Agreement; *provided, however*, that notwithstanding anything in the Lease Agreement or in the Trust Agreement to the contrary, there shall be no right under any circumstances to accelerate the Lease Payments or otherwise declare any Lease Payments not then in default to be immediately due and payable. Each and every covenant in the Lease Agreement to be kept and performed by the District is expressly made a condition and upon the breach thereof, the Corporation may exercise any and all rights of entry and re-entry upon the Property, and also, at its option, with or without such entry, may terminate the Lease Agreement; provided, that no such termination shall be effected either by operation of law or acts of the parties to the Lease Agreement, except only in the manner expressly provided in the Lease Agreement. In the event of such default and notwithstanding any re-entry by the Corporation, the District shall, as expressly provided in the Lease Agreement, continue to remain liable for the payment of the Lease Payments and/or damages for breach of the Lease Agreement and the performance of all conditions therein contained and, in any event such rent and/or damages shall be payable to the Corporation at the time and in the manner as provided in the Lease Agreement, to wit:

(a) In the event the Corporation does not elect to terminate the Lease Agreement in the manner hereinafter provided for in paragraph (b) below, the District agrees to and shall remain liable for the payment of all Lease Payments and the performance of all conditions contained in the Lease Agreement and shall reimburse the Corporation for any deficiency arising out of the re-leasing of the Property, or, in the event the Corporation is unable to re-lease the Property, then for the full amount of all Lease Payments to the end of the Term of the Lease Agreement, but said Lease Payments and/or deficiency shall be payable only at the same time and in the same manner as hereinabove provided for the payment of Lease Payments, notwithstanding such entry or re-entry by the Corporation or any suit in unlawful detainer, or otherwise, brought by the Corporation for the purpose of effecting such re-entry or obtaining possession of the Property or the exercise of any other remedy by the Corporation. The District irrevocably appoints the Corporation as the agent and attorney-in-fact of the District to enter upon and re-lease the Property in the event of default by the District in the performance of any covenants contained in the Lease Agreement to be performed by the District and to remove all personal property whatsoever situated upon the Property, to place such property in storage or other suitable place within Riverside County, for the account of and at the expense of the District, and the District exempts and agrees to save harmless the Corporation from any costs, loss or damage whatsoever arising or occasioned by any such entry upon and re-leasing of the Property and the removal and storage of such property by the Corporation or its duly authorized agents in accordance with the provisions contained in the Lease Agreement. The District waives any and all claims for damages caused or which may be caused by the Corporation in re-entering and taking possession of the Property as provided in the Lease Agreement and all claims for damages that may result from the destruction of or injury to the Property and all claims for damages to or loss of any property belonging to the District that may be in or upon the Property. The District agrees that the terms of the Lease Agreement constitute full and sufficient notice of the right of the Corporation to re-lease the Property in the event of such re-entry without effecting a surrender of the Lease Agreement, and further agrees that no acts of the Corporation in effecting such re-leasing shall constitute a surrender or termination of the Lease Agreement irrespective of the term for which such re-leasing is made or the terms and conditions of such re-leasing, or otherwise, but that, on the contrary, in the event of such default by the District the right to terminate the Lease Agreement shall vest in the Corporation to be effected in the sole and exclusive manner hereinafter provided for in paragraph (b) below.

(b) In an Event of Default, the Corporation at its option may terminate the Lease Agreement and re-lease all or any portion of the Property. In the event of the termination of the Lease Agreement by the Corporation at its option and in the manner provided in the Lease Agreement on account of default by the District (and notwithstanding any re-entry upon the Property by the Corporation in any manner whatsoever or the re-leasing of the Property), the District nevertheless agrees to pay to the Corporation all costs, loss or damages howsoever arising or occurring payable at the same time and in the same manner as is provided in the Lease Agreement in the case of payment of Lease Payments. Any surplus received by the Corporation from such re-leasing shall be credited towards the Lease Payments next coming due and payable. Neither notice to pay rent or to deliver up possession of the premises given pursuant to law nor any proceeding in unlawful detainer taken by the Corporation shall of itself operate to terminate the Lease Agreement, and no termination of the Lease Agreement on account of default by the District shall be or become effective by operation of law, or otherwise, unless and until the Corporation shall have given written notice to the District of the election on the part of the Corporation to terminate the Lease Agreement. The District covenants and agrees that no surrender of the Property and/or of the remainder of the Term of the Lease Agreement or any termination of the Lease Agreement shall be valid in any manner or for any purpose whatsoever unless stated or accepted by the Corporation by such written notice.

No Remedy Exclusive. No remedy is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Lease Agreement now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Corporation to exercise any remedy reserved to it in the Lease Agreement, it shall not be necessary to give any notice, other than such notice as may be required in the Lease Agreement or by law.

Security Deposit

Notwithstanding any other provision of the Lease Agreement, the District may, on any date, secure the payment of all or a portion of the Lease Payments remaining due by an irrevocable deposit with the Trustee or an escrow holder under an escrow deposit and trust agreement, of: (a) in the case of a security deposit relating to all Lease Payments, either (i) cash in an amount which, together with amounts on deposit in the Lease Payment Fund, the Insurance and Condemnation Fund and the Reserve Fund, is sufficient to pay all unpaid Lease Payments, including the principal and interest components thereof, in accordance with the Lease Payment schedule set forth in the Lease Agreement, or (ii) Defeasance Obligations in such amount as will, in the written opinion of an independent certified public accountant or other firm of recognized experts in such matters, together with interest to accrue thereon and, if required, all or a portion of moneys or Defeasance Obligations or cash then on deposit and interest earnings thereon in the Lease Payment Fund, the Insurance and Condemnation Fund and the Reserve Fund, be fully sufficient to pay all unpaid Lease Payments on their respective Lease Payment Dates; or (b) in the case of a security deposit relating to a portion of the Lease Payments, a certificate executed by a District Representative designating the portion of the Lease Payments to which the deposit pertains, and either (i) cash in an amount which is sufficient to pay the portion of the Lease Payments designated in such District Representative's certificate, including the principal and interest components thereof, or (ii) Defeasance Obligations in such amount as will, together with interest to be received thereon, if any, in the written opinion of an independent certified public accountant or other firm of recognized experts in such matters, be fully sufficient to pay the portion of the Lease Payments designated in the aforesaid District Representative's certificate.

In the event of a deposit pursuant as to all Lease Payments and the payment of all fees, expenses and indemnifications owed to the Trustee, all obligations of the District under the Lease Agreement shall cease and terminate, excepting only the obligation of the District to make, or cause to be made, all payments from the deposit made by the District and the obligations of the District pursuant to the Lease Agreement and title to the Property shall vest in the District on the date of said deposit automatically and without further action by the District or the Corporation. Said deposit and interest earnings thereon shall be deemed to be and shall constitute a special fund for the payments and said obligation shall thereafter be deemed to be and shall constitute the installment purchase obligation of the District for the Property. Upon said deposit, the Corporation will execute or cause to be executed any and all documents as may be necessary to confirm title to the Property in accordance with the provisions of the Lease Agreement. In addition, the Corporation appoints the District as its agent to prepare, execute and file or record, in appropriate offices, such documents as may be necessary to place record title to the Property in the District.

Prepayment

Optional Prepayment. The Corporation grants an option to the District to prepay the principal component of the Lease Payments in full, by paying the aggregate unpaid principal components of the Lease Payments, or in part, in a prepayment amount equal to the principal amount of Lease Payments to be prepaid, together with accrued interest to the date fixed for prepayment, without premium.

Said option may be exercised with respect to Lease Payments due on and after August 15, 2020, in whole or in part on any date, commencing August 15, 2019. Said option shall be exercised by the District by giving written notice to the Corporation and the Trustee of the exercise of such option at least forty-five (45) days prior to said prepayment date. In the event of prepayment in part, the partial prepayment shall be applied against Lease Payments in such order of payment date as shall be selected by the District. Lease Payments due after any such partial prepayment shall be in the amounts set forth in a revised Lease Payment schedule which shall be provided by, or caused to be provided by, the District to the Trustee and which shall represent an adjustment to the schedule set forth in the Lease Agreement taking into account said partial prepayment. The Trustee agrees to notify the Corporation in the event of any prepayment of Lease Payments, as provided in the Trust Agreement.

Special Optional Prepayment from General Obligation Bond Proceeds or from State Grants. The Corporation grants an option to the District to prepay the principal component of the Lease Payments in whole or in part on any date on and after August 15, 2011, in such order of payment date as shall be selected by the District and by lot within a maturity, from the proceeds of District general obligation bonds (authorizing a project or projects financed with a portion of the proceeds of the Certificates) or State grants for educational facilities, at a prepayment price equal to the principal amount thereof to be prepaid, together with accrued interest to the date fixed for prepayment, without premium.

Mandatory Prepayment From Net Proceeds of Insurance, Title Insurance or Eminent Domain. The District shall be obligated to prepay the Lease Payments, in whole on any date or in part on any Lease Payment Date, from and to the extent of any Net Proceeds of an insurance, title insurance or condemnation award with respect to the Property theretofore deposited in the Lease Payment Fund for such purpose. The District and the Corporation agree that such Net Proceeds shall be applied first to the payment of any delinquent Lease Payments, and thereafter shall be credited towards the District's obligations under the Lease Agreement. Lease Payments due after any such partial prepayment shall be in the amounts set forth in a revised Lease Payment schedule which shall be provided by, or caused to be provided by, the District to the Trustee and which shall represent an adjustment to the schedule set forth in the Lease Agreement taking into account said partial prepayment.

ASSIGNMENT AGREEMENT

The Assignment Agreement is entered into between the Corporation and the Trustee, pursuant to which the Corporation assigns and transfers to the Trustee, for the benefit of the Owners, certain of the rights of the Corporation under the Lease Agreement, including the right to receive Lease Payments under the Lease Agreement and the rights and remedies of the Corporation under the Lease Agreement to enforce payment of Lease Payments or otherwise to protect and enforce the Lease Agreement in the event of default by the County. Certain rights of the Corporation to payment of advances, indemnification and attorneys' fees and expenses are not assigned.

TRUST AGREEMENT

Project Fund; Payment of Project Costs

There shall be deposited in the Project Fund from the proceeds of the Certificates the amount required to be deposited therein pursuant to the Trust Agreement, together with any other amounts from time to time deposited with the Trustee for such purpose as may be identified in writing to the Trustee.

Amounts in the Project Fund shall be disbursed for Project Costs. Disbursements from the Project Fund shall be made by the Trustee upon receipt of a sequentially numbered requisition requesting disbursement executed by a District Representative.

The Trustee shall be responsible for the safekeeping and investment (in accordance with the Trust Agreement) of the moneys held in the Project Fund and the payment thereof in accordance with the Trust Agreement, but the Trustee shall not be responsible for the truth or accuracy of such requisitions, may rely conclusively thereon and shall be under no duty to investigate or verify any statements made therein.

The Trustee is directed that all unexpended moneys remaining in the Project Fund and not identified in writing by a District Representative to be required for payment of Project Costs or other capital improvements shall, on the Completion Date and following receipt by the Trustee of a Certificate of Completion, be transferred to the Lease Payment Fund and applied to pay the Lease Payments as the same become due and payable and the Project Fund shall be closed.

Delivery Costs Fund; Payment of Delivery Costs

There shall be deposited in the Delivery Costs Fund the proceeds of sale of the Certificates required to be deposited therein pursuant to the Trust Agreement and any other funds from time to time deposited with the Trustee for such purpose and identified in writing to the Trustee.

The moneys in the Delivery Costs Fund shall be disbursed by the Trustee to pay the Delivery Costs. Disbursements from the Delivery Costs Fund shall be made by the Trustee on receipt of a sequentially numbered requisition, signed by a District Representative.

The Trustee shall be responsible for the safekeeping and investment (in accordance with the Trust Agreement) of the moneys held in the Delivery Costs Fund and the payment thereof in accordance with the Trust Agreement, but the Trustee shall not be responsible for the truth or accuracy of such requisitions, may rely conclusively thereon and shall be under no duty to investigate or verify any statements made therein.

Upon written notice from a District Representative that all Delivery Costs have been paid, the Trustee shall transfer any moneys then remaining in the Delivery Costs Fund shall be transferred to the County Treasurer-Tax Collector, to be held and invested for the benefit of the District and applied to pay the Project Costs upon requests submitted by the District, the Delivery Costs Fund shall be closed, the Trustee shall no longer be obligated to make payments for Delivery Costs and all further Delivery Costs shall be paid by the District.

Assignment of Rights in Lease Agreement

The Corporation has, in the Assignment Agreement, transferred, assigned and set over to the Trustee certain of its rights but none of its obligations set forth in the Lease Agreement, including but not limited to all of the Corporation's rights to receive and collect Lease Payments and all other amounts required to be deposited in the Lease Payment Fund pursuant to the Lease Agreement or pursuant to the Trust Agreement. All Lease Payments and such other amounts to which the Corporation may at any time be entitled shall be paid directly to the Trustee and all of the Lease Payments collected or received by the Corporation shall be deemed to be held and to have been collected or received by the Corporation as the agent of the Trustee, and if received by the Corporation at any time shall be deposited by the Corporation with the Trustee within one Business Day after the receipt thereof, and all such Lease Payments and such other amounts shall be forthwith deposited by the Trustee upon the receipt thereof in the Lease Payment Fund.

Lease Payment Fund

All moneys at any time deposited by the Trustee in the Lease Payment Fund shall be held by the Trustee in trust for the benefit of the Owners of the Certificates. So long as any Certificates are Outstanding, neither the District nor the Corporation shall have any beneficial right or interest in the Lease Payment Fund or the moneys deposited therein, except only as provided in the Trust Agreement.

There shall be deposited in the Lease Payment Fund all Lease Payments received by the Trustee, including any moneys received by the Trustee for deposit therein pursuant to the Trust Agreement or the Lease Agreement, and any other moneys required to be deposited therein pursuant to the Lease Agreement or the Trust Agreement.

All amounts in the Lease Payment Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the principal and interest with respect to the Certificates as the same shall become due and payable in accordance with the provisions of the Trust Agreement.

Any surplus remaining in the Lease Payment Fund after redemption and/or payment of all Certificates, including accrued interest (if any) and payment of any applicable fees and expenses to the Trustee, or provision for such redemption or payment having been made to the satisfaction of the Trustee shall be withdrawn by the Trustee and remitted to the District.

Reserve Fund

All moneys at any time on deposit in the Reserve Fund shall be held by the Trustee in trust for the benefit of the Owners of the Certificates, and applied solely as provided in the Trust Agreement.

If, on any Interest Payment Date, the moneys available in the Lease Payment Fund do not equal the amount of the principal and interest with respect to the Certificates then coming due and payable, the Trustee shall apply the moneys available in the Reserve Fund to make delinquent Lease Payments by transferring the amount necessary for this purpose to the Lease Payment Fund. Upon receipt of any delinquent Lease Payment with respect to which moneys have been advanced from the Reserve Fund, such Lease Payment shall be deposited in the Reserve Fund to the extent of such advance.

If, on any Interest Payment Date, the moneys on deposit in the Reserve Fund and the Lease Payment Fund (excluding amounts required for payment of principal and interest with respect to Certificates not presented for payment) are sufficient to pay all Outstanding Certificates, including all principal and interest, the Trustee shall transfer all amounts then on deposit in the Reserve Fund to the Lease Payment Fund to be applied to the payment of the Lease Payments, and such moneys shall be distributed to the Owners of Certificates in accordance with the Trust Agreement. Any amounts remaining in the Reserve Fund upon payment in full of all Outstanding Certificates and all amounts due the Trustee hereunder, or upon provision for such payment as provided in the Trust Agreement, shall be withdrawn by the Trustee and paid to the District. There shall be deposited in the Reserve Fund any other funds from time to time deposited with the Trustee for such purpose and identified in writing to the Trustee.

Insurance and Condemnation Fund; Application of Net Proceeds of Insurance Award

(a) Any Net Proceeds of insurance against damage to or destruction of any part of the Property collected by the District in the event of any such damage or destruction shall be paid to the Trustee by the District pursuant to the Lease Agreement and deposited by the Trustee promptly upon receipt thereof in a special fund designated as the "Insurance and Condemnation Fund" to be established by the Trustee when deposits are required to be made therein.

(b) Within ninety (90) days following the date of such deposit, the District shall determine and notify the Trustee in writing of its determination either (i) that the replacement, repair, restoration, modification or improvement of the Property is not economically feasible or in the best interest of the District, or (ii) that all or a portion of such Net Proceeds are to be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Property.

(c) In the event the District's determination is as set forth in clause (i) of paragraph (b) above, such Net Proceeds shall be promptly transferred by the Trustee to the Lease Payment Fund, applied to the prepayment of Lease Payments pursuant to the Lease Agreement and applied to the redemption of Certificates as provided in the Trust Agreement; *provided, however*, that in the event of damage or destruction of the Property in full, such Net Proceeds may be transferred to the Lease Payment Fund only if sufficient, together with other moneys available therefor, to cause the prepayment of the principal components of all unpaid Lease Payments pursuant to the Lease Agreement, otherwise such Net Proceeds shall be applied to the replacement, repair, restoration, modification or improvement of the Property; *provided further, however*, that in the event of damage or destruction of the Property in part, such Net Proceeds may be transferred to the Lease Payment Fund and applied to the prepayment of Lease Payments only if the resulting Lease Payments represent fair consideration for the remaining portions of the Property, evidenced by a certificate signed by a District Representative and an Corporation Representative.

(d) In the event the District's determination is as set forth in clause (ii) of paragraph (b) above, Net Proceeds deposited in the Insurance and Condemnation Fund shall be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Property by the District, and disbursed by the Trustee upon receipt of requisitions signed by a District Representative stating with respect to each payment to be made (i) the requisition number, (ii) the name and address of the person, firm or corporation to whom payment is due, (iii) the amount to be paid and (iv) that each obligation mentioned therein has been properly incurred, is a proper charge against the Insurance and Condemnation Fund, has not been the basis of any previous withdrawal, and specifying in reasonable detail the nature of the obligation, accompanied by a bill or a statement of account for such obligation. The Trustee shall not be responsible for the representations made in such requisitions and may conclusively rely thereon and shall be under no duty to investigate or verify any statements made therein. Any balance of the Net Proceeds remaining after such work has been completed shall be paid to the District.

Application of Net Proceeds of Eminent Domain Award

If all or any part of the Property shall be taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain), the Net Proceeds therefrom shall be deposited with the Trustee in the Insurance and Condemnation Fund pursuant to the Lease Agreement and shall be applied and disbursed by the Trustee as follows:

(a) If the District has given written notice to the Trustee of its determination that (i) such eminent domain proceedings have not materially affected the operation of the Property or the ability of the District to meet any of its obligations with respect to the Property under the Lease Agreement, and (ii) such proceeds are not needed for repair or rehabilitation of the Property, the District shall so certify to the Trustee and the Trustee, at the District's written request, shall transfer such proceeds to the Lease Payment Fund to be credited towards the prepayment of the Lease Payments pursuant to the Lease Agreement and applied to the redemption of Certificates in the manner provided in the Trust Agreement.

(b) If the District has given written notice to the Trustee of its determination that (i) such eminent domain proceedings have not materially affected the operation of the Property or the ability of the District to meet any of its obligations with respect to the Property under the Lease Agreement, and (ii) such proceeds are needed for repair, rehabilitation or replacement of the Property, the District shall so certify to the Trustee and the Trustee, at the District's written request, shall pay to the District, or to its order, from said proceeds such amounts as the District may expend for such repair or rehabilitation, upon the filing with the Trustee of requisitions of the District Representative in the form and containing the provisions set forth in the Trust Agreement. The Trustee shall not be responsible for the representations made in such requisitions and may conclusively rely thereon and shall be under no duty to investigate or verify any statements made therein.

(c) If (i) less than all of the Property shall have been taken in such eminent domain proceedings or sold to a government threatening the use of eminent domain powers, and if the District has given written notice to the Trustee of its determination that such eminent domain proceedings have materially affected the operation of the Property or the ability of the District to meet any of its obligations with respect to the Property under the Lease Agreement or (ii) all of the Property shall have been taken in such eminent domain proceedings, then the Trustee shall transfer such proceeds to the Lease Payment Fund to be credited toward the prepayment of the Lease Payments pursuant to the Lease Agreement and applied to the redemption of Certificates in the manner provided in the Trust Agreement.

Application of Net Proceeds of Title Insurance Award

The Net Proceeds from a title insurance award shall be deposited with the Trustee in the Insurance and Condemnation Fund pursuant to the Lease Agreement and shall be transferred to the Lease Payment Fund to be credited towards the prepayment of Lease Payments required to be paid pursuant to the Lease Agreement and applied to the redemption of Certificates in the manner provided in the Trust Agreement.

Moneys in Funds; Investment

Held in Trust. The moneys and investments held by the Trustee under the Trust Agreement are irrevocably held in trust for the benefit of the Owners of the Certificates and for the purposes specified in the Trust Agreement and such moneys, and any income or interest earned thereon, shall be expended only as provided in the Trust Agreement and shall not be subject to levy, attachment or lien by or for the benefit of any creditor of the Corporation, the Trustee, the District or any Owner of Certificates.

Investments Authorized. Moneys held by the Trustee under the Trust Agreement shall, upon written order of a District Representative, be invested and reinvested by the Trustee in Permitted Investments. The Trustee may deem all investments directed by a District Representative as Permitted Investments without independent investigation thereof. If a District Representative shall fail to so direct investments, the Trustee shall invest the affected moneys in Permitted Investments described in paragraph (g) of the definition thereof. Such investments, if registrable, shall be registered in the name of and held by the Trustee or its nominee. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by this the Trust Agreement. Such investments and reinvestments shall be made giving full consideration to the time at which funds are required to be available. The Trustee may act as principal or agent in the making or disposing of any investment and make or dispose of any investment through its investment department or that of an affiliate and shall be entitled to its customary fees therefor. The Trustee is authorized, in making or disposing of any investment permitted by the Trust Agreement, to deal with itself (in its individual capacity) or with one or more of its affiliates, whether it or such affiliate is acting as an agent of the Trustee or for any third person or dealing as principal for its own account.

Allocation of Earnings. Unless and until otherwise directed by the District to the Trustee in writing, all interest or income received by the Trustee on investment of the Lease Payment Fund shall as received, prior to the Completion Date, be transferred to the Project Fund and thereafter shall be retained in the Lease Payment Fund. Amounts retained or deposited in the Lease Payment Fund pursuant to the Trust Agreement shall be applied as a credit against the Lease Payment due by the District pursuant to the Lease Agreement on the Lease Payment Date following the date of deposit. All interest received by the Trustee on investment of the Reserve Fund shall be retained in the Reserve Fund in the event that amounts on deposit in the Reserve Fund are less than the Reserve Requirement. Reserve Fund investments may not have maturities extending beyond five years. In the event that amounts then on deposit in the Reserve Fund on the valuation date described in the Trust Agreement equal or exceed the Reserve Requirement, such excess shall, prior to the Completion Date, be transferred to the Project Fund and thereafter shall be transferred to the Lease Payment Fund. Transfers to the Lease Payment Fund from the Reserve Fund shall be made by the Trustee on or prior to each February 1 and August 1. All interest or income in the Project Fund shall be retained in the Project Fund until the Project Fund is closed pursuant to the Trust Agreement. All interest or income in the Delivery Costs Fund shall be retained in the Delivery Costs Fund until the Delivery Costs Fund is closed pursuant to the Trust Agreement.

Such investments shall be valued by the Trustee not less often than quarterly, at the market value thereof, exclusive of accrued interest. Deficiencies in the amount on deposit in any fund or account resulting from a decline in market value shall be restored no later than the succeeding valuation date. Investments purchased with funds on deposit in the Reserve Fund shall have a term to maturity of not greater than five years.

Amendments

The Trust Agreement and the rights and obligations of the Owners of the Certificates, the Lease Agreement and the rights and obligations of the parties thereto, the Site and Facility Lease and the rights and obligations of the parties thereto and the Assignment Agreement and the rights and obligations of the parties thereto, may be modified or amended at any time by a supplemental agreement which shall become effective when the Owners of at least sixty percent (60%) in aggregate principal amount of the Certificates then Outstanding, exclusive of Certificates disqualified as provided in the Trust Agreement, shall have been filed with the Trustee. No such modification or amendment shall (1) extend or have the effect of extending the fixed maturity of any Certificate or reducing the interest rate with respect thereto or extending the time of payment of interest, or reducing the amount of principal thereof, without the express consent of the Owner of such Certificate, or (2) reduce or have the effect of reducing the percentage of Certificates required for the affirmative vote or written consent to an amendment or modification of a Lease Agreement, or (3) modify any of the rights or obligations of the Trustee without its written assent thereto. Any such supplemental agreement shall become effective as provided in the Trust Agreement.

The Trust Agreement and the rights and obligations of the Owners of the Certificates and the Lease Agreement and the rights and obligations of the respective parties thereto, may be modified or amended at any time by a supplemental agreement, without the consent of any such Owners, but only to the extent permitted by law and only (1) to add to the covenants and agreements of the Corporation or the District, (2) to cure, correct or supplement any ambiguous or defective provision contained therein and which shall not, in the opinion of nationally recognized bond counsel, adversely affect the interests of the Owners of the Certificates, (3) in regard to questions arising thereunder, as the parties thereto may deem necessary or desirable and which shall not, in the opinion of nationally recognized bond counsel, materially adversely affect the interests of the Owners of the Certificates; (4) to make such additions, deletions or modifications as may be necessary or appropriate in the opinion of bond counsel to assure the exclusion from gross income for federal income tax purposes of the interest component of Lease Payments and the interest payable with respect to the Certificates, (5) to add to the rights of the Trustee, or (6) to maintain the rating or ratings assigned to the Certificates. Any such supplemental agreement shall become effective upon execution and delivery by the parties thereto, as the case may be.

The Trust Agreement and the Lease Agreement may not be modified or amended at any time by a supplemental agreement which would modify any of the rights and obligations of the Trustee without its written assent thereto.

Certain Covenants

Compliance With and Enforcement of Lease Agreement. The District covenants and agrees with the Owners of the Certificates to perform all obligations and duties imposed on it under the Lease Agreement. The Corporation covenants and agrees with the Owners of the Certificates to perform all obligations and duties imposed on it under the Lease Agreement.

The District will not do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be a ground for cancellation or termination of their respective Lease Agreement by the Corporation thereunder. The Corporation and the District, immediately upon receiving or giving any notice, communication or other document in any way relating to or affecting their respective estates, or either of them, in the Property, which may or can in any manner affect such estate of the District or the Corporation, will deliver the same, or a copy thereof, to the Trustee.

Observance of Laws and Regulations. The District and the Corporation will well and truly keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on them by contract, or prescribed by any law of the United States, or of the State, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired by the District or the Corporation, respectively, including its right to exist and carry on business as a public entity, to the end that such rights, privileges and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired.

Budgets. The District shall supply to the Trustee as soon as practicable, but not later than September 15 in each year, a written determination by a District Representative that the District has made adequate provision in its annual budget for the payment of Lease Payments due under the Lease Agreement in the Fiscal Year covered by such budget. The determination given by the District to the Trustee shall be that the amounts so budgeted are fully adequate for the payment of all Lease Payments and Additional Payments due under the Lease Agreement in the annual period covered by such budget.

Continuing Disclosure. The District covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Trust Agreement, failure of the District to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Trustee may, upon payment of its fees and expenses, including counsel fees, and receipt of indemnity satisfactory to it, at the request of any Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Certificates, shall or any holder or beneficial owner of the Certificates may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Limitation of Liability

Limited Liability of District. Except for the payment of Lease Payments when due in accordance with the Lease Agreement and the performance of the other covenants and agreements of the District contained in the Lease Agreement and the Trust Agreement, the District shall have no pecuniary obligation or liability to any of the other parties or to the Owners of the Certificates with respect to the Trust Agreement or the terms, execution, delivery or transfer of the Certificates, or the distribution of Lease Payments to the Owners by the Trustee, except as expressly set forth in the Trust Agreement.

No Liability of District or Corporation for Trustee Performance. Neither the District nor the Corporation shall have any obligation or liability to any of the other parties or to the Owners of the Certificates with respect to the performance by the Trustee of any duty imposed upon it under the Trust Agreement.

Indemnification of Trustee. The District shall to the extent permitted by law indemnify and save the Trustee, its officers, employees, directors, affiliates and agents harmless from and against all claims, losses, costs, expenses, liability and damages, including legal fees and expenses (including allocated costs of internal counsel), arising out of (i) the use, maintenance, condition or management of, or from any work or thing done on, the Property by the Corporation or the District, (ii) any breach or default on the part of the Corporation or the District the performance of any of their respective obligations under the Lease Agreement, the Assignment Agreement, the Trust Agreement and any other agreement made and entered into for purposes of the Property, (iii) any act of the Corporation or the District or of any of their respective agents, contractors, servants, employees, licensees with respect to the Property, (iv) any act of any assignee of, or purchaser from the Corporation or the District or of any of its or their respective agents, contractors, servants, employees or licensees with respect to the Property, (v) the authorization of payment of Delivery Costs, (vi) the actions of any other party, including but not limited to the ownership, operation or use of the Property by the Corporation or the District including, without limitation, the use, storage, presence, disposal or release of any Hazardous Substances on or about the Property, (vii) the Trustee's exercise and performance of its powers and duties under the Trust Agreement or as assigned to it under the Assignment Agreement, (viii) the offering and sale of the Certificates; (ix) the presence under or about or release from the Property, or any portion thereof, of any substance, material or waste which is or becomes regulated or classified as hazardous or toxic under State, local or federal law, or the violation of any such law by the District; or (x) any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading, in any official statement or other offering document utilized in connection with the sale of the Certificates. Such indemnification shall include the costs and expenses of defending against any claim or liability arising under the Trust Agreement. No indemnification will be made under the Trust Agreement for willful misconduct or negligence under the Trust Agreement by the Trustee, its officers, affiliates or employees. The District's obligations under the Trust Agreement shall remain valid and binding notwithstanding maturity and payment of the Certificates or resignation or removal of the Trustee.

Assignment of Rights; Remedies. Pursuant to the Assignment Agreement, the Corporation has transferred, assigned and set over to the Trustee certain of the Corporation's rights in and to the Lease Agreement, including without limitation all of the Corporation's rights to exercise such rights and remedies conferred on the Corporation pursuant to the Lease Agreement as may be necessary or convenient (i) to enforce payment of the Lease Payments and any other amounts required to be deposited in the Lease Payment Fund or the Insurance and Condemnation Fund, and (ii) otherwise to exercise the Corporation's rights and take any action to protect the interests of the Trustee or the Certificate Owners in an Event of Default.

If an Event of Default shall happen, then and in each and every such case during the continuance of such Event of Default, the Trustee may, and shall upon request of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding, upon payment of its fees and expenses, including counsel fees, and being indemnified to its satisfaction therefor shall, exercise any and all remedies available pursuant to law or granted pursuant to the Lease Agreement; *provided, however*, that notwithstanding anything in the Trust Agreement or in the Lease Agreement to the contrary, there shall be no right under any circumstances to accelerate the maturities of the Certificates or otherwise to declare any Lease Payment not then in default to be immediately due and payable.

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2008

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PITTSBURG UNIFIED SCHOOL DISTRICT

COUNTY OF CONTRA COSTA

PITTSBURG, CALIFORNIA

FINANCIAL STATEMENTS

WITH SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2008

AND

INDEPENDENT AUDITOR'S REPORT

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PERRY-SMITH LLP
ACCOUNTANTS

400 Capitol Mall, Suite 1200
Sacramento, CA 95814
www.perry-smith.com
916.441.1000

INDEPENDENT AUDITOR'S REPORT

Board of Education
Pittsburg Unified School District
Pittsburg, California

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Pittsburg Unified School District, as of and for the year ended June 30, 2008, which collectively comprise Pittsburg Unified School District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Pittsburg Unified School District as of June 30, 2008, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2009 on our consideration of Pittsburg Unified School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT
(Continued)

Our audit was conducted for the purposes of forming an opinion on the financial statements that collectively comprise Pittsburg Unified School District's basic financial statements. The accompanying financial and statistical information listed in the Table of Contents, including the Schedule of Expenditure of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements of Pittsburg Unified School District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Perry-Smith LLP

Sacramento, California
January 29, 2009

This section of Pittsburg Unified School District's (the "District") annual financial report presents management's discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2008. Please read it in conjunction with the Independent Auditors' Report presented on page 1, and the District's financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and Statement of Activities, presented on pages 14 and 15, provide information about the activities of the District as a whole and present a longer-term view of the District's finances. The fund financial statements for governmental activities, presented on pages 16 through 22, provide information about how District services were financed in the short-term, and how much remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. The remaining statements on pages 23 through 43 provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside the District.

FINANCIAL HIGHLIGHTS

- The District's financial condition improved during the 2007-08 fiscal year. Over the course of the year, total net assets increased by 23.03%.
- On the Statement of Activities, total current year revenues were more than total current year expenses by $21,002,947.
- On the Statement of Revenues, Expenditures and Change in Fund Balance, total fund balances increased by $15,498,297.
- Capital assets increased $28,032,897 due work-in-progress.
- Total long-term liabilities increased $22,073,844 during the 2007-08 fiscal year. During the 2007-08 fiscal year, the District issued $25.05 million of General Obligation Bonds and made payments of $620,000 on Certificates of Participation. The Schedule of Changes in Long-Term Liabilities on page 39 provides additions and deductions to the District's long-term liabilities.
- The District's P-2 average daily attendance (ADA), excluding adult education, decreased from 8,873 ADA in fiscal year 2006-07 to 8,847 ADA in fiscal year 2007-08.
- The District maintains sufficient reserves for a district its size. It meets the state required minimum reserve for economic uncertainty of 3% of general fund expenditures, transfers out, and other uses (total outgo). During fiscal year 2007-08, General Fund expenditures and other financing uses totaled $75,871,511 excluding state on-behalf payments made by the State of California. At June 30, 2008, the District has available reserves of $2,693,372 in the General Fund, which represents a reserve of 3.5%.

THE FINANCIAL REPORT

The full annual financial report consists of three separate parts, including the basic financial statements, supplementary information, and Management's Discussion and Analysis. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives, government-wide and funds.

- Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.
- Individual parts of the District, which are reported as fund financial statements comprise the remaining statements.
    - Basic services funding is described in the governmental funds statements. These statements include short-term financing and identify the balance remaining for future spending.
    - Financial relationships, for which the District acts as an agent or trustee for the benefit of others to whom the resources belong, are presented in the fiduciary funds statements.

Notes to the financials, which are included in the financial statements, provide more detailed data and explain some of the information in the statements. The supplementary information provides further explanations and provides additional support for the financial statements.

Reporting the District as a Whole

The District as a whole is reported in the government-wide statements and uses accounting methods similar to those used by companies in the private sector. All of the District's assets and liabilities are included in the Statement of Net Assets. The Statement of Activities reports all of the current year's revenues and expenses regardless of when cash is received or paid.

The District's financial health or position (net assets) can be measured by the difference between the District's assets and liabilities.

- Increases or decreases in the net assets of the District over time are indicators of whether its financial position is improving or deteriorating, respectively.
- Additional non-financial factors such as the condition of school buildings and other facilities, and changes in the property tax base of the District need to be considered in assessing the overall health of the District.

THE FINANCIAL REPORT (CONTINUED)

Reporting the District as a Whole (CONTINUED)

In the Statement of Net Assets and the Statement of Activities, we divide the District into two kinds of activities:

Governmental Activities:

The basic services provided by the District, such as regular and special education, adult education, administration, and transportation are included here, and are primarily financed by property taxes and state formula aid. Non-basic services, such as child nutrition and child development are also included here, but are financed by a combination of state and federal contracts and grants, and local revenues.

Business-type Activities:

The District does not provide any services that should be included in this category.

Reporting the District's Most Significant Funds:

The District's fund-based financial statements provide detailed information about the District's most significant funds. Some funds are required to be established by State law and bond covenants. However, the District establishes many other funds as needed to control and manage money for specific purposes.

Governmental Funds

The major governmental funds of the Pittsburg Unified School District are the General Fund, County School Facilities Fund, and Building Fund. Governmental fund reporting focuses on how money flows into and out of the funds and the balances that remain at the end of the year. A modified accrual basis of accounting measures cash and all other financial assets that can readily be converted to cash. The governmental funds statements provide a detailed short-term view of the District's operations and services. Governmental fund information helps to determine the level of financial resources available in the near future to finance the District's programs.

Proprietary Funds

Services for which the District charges a fee are generally reported in proprietary funds on a full accrual basis. These include both Enterprise funds and Internal Service funds. Enterprise funds are considered business-type activities and are also reported under a full accrual method. This is the same basis as business-type activities; therefore no reconciling entries are required. Internal service funds are reported with the Governmental Funds. The District has no funds of this type.

Fiduciary Funds

The District is the trustee, or fiduciary, for its scholarship and student activity funds. All of the District's fiduciary activities are reported in separate fiduciary statements. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance their operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

GOVERNMENTAL ACTIVITIES

The District's net assets increased from $91,209,723 at June 30, 2007 to $112,212,670 at June 30, 2008, more than 23%.

Comparative Statement of Net Assets

	Governmental Activities	
	2007	2008
Assets		
Cash and Investments	$ 50,649,686	$ 62,633,384
Receivables	7,406,472	9,632,549
Stores Inventories	98,010	75,932
Prepaid Expenses	666,210	617,900
Capital Assets, net	111,670,484	139,703,381
Total Assets	170,490,862	212,663,146
Liabilities		
Current	9,600,786	8,696,279
Long-term	69,680,353	91,754,197
Total Liabilities	79,281,139	100,450,476
Net Assets		
Invested in Capital Assets - Net of Related Debt	45,532,432	51,244,701
Restricted	44,660,519	60,769,026
Unrestricted	1,016,772	198,943
Total Net Assets	$ 91,209,723	$ 112,212,670

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

Comparative Statement of Change in Net Assets

	Governmental Activities	
	2007	2008
Program Revenues		
Charges for Services	$ 940,683	$ $935,466
Operating Grants and Contributions	25,495,017	32,037,396
Capital Grants and Contributions	293,631	25,899,980
General Revenues		
Taxes Levied	15,968,024	18,170,393
Federal and State Aid	46,988,086	49,954,143
Interest and Investment Earnings	2,732,978	1,987,663
Miscellaneous	1,006,830	595,720
Total Revenues	93,425,249	129,580,761
Expenses		
Instruction	50,237,447	49,649,901
Instruction Related Services	9,437,062	9,969,312
Pupil Services	8,760,985	9,507,980
General Administration	4,035,373	4,961,051
Plant Services	10,810,853	10,607,498
Facilities Acquisition and Construction		
Ancillary Services	263,202	355,344
Community Services	17,444	59,207
Interest on Long-Term Liabilities	2,988,541	3,659,627
Other Outgo	76,745	69,677
Depreciation (unallocated)	4,973,106	19,738,217
Total Expenses	91,600,758	108,577,814
Change in Net Assets	$ 1,824,491	$ 21,002,947

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

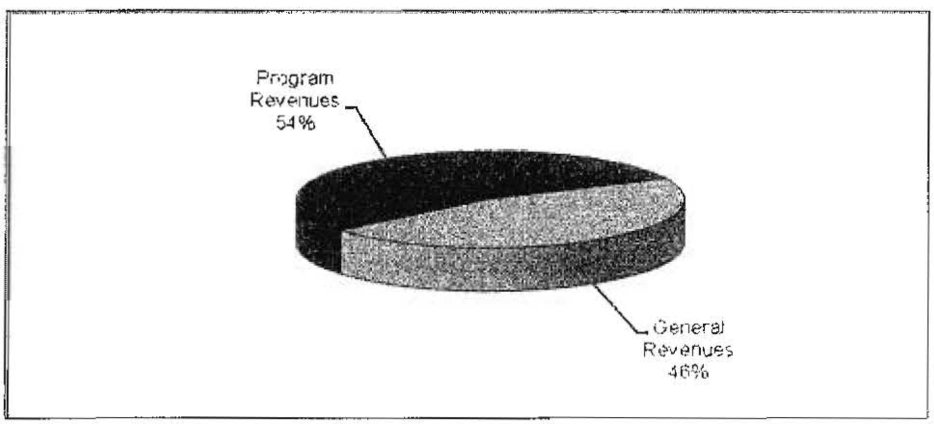
GOVERNMENTAL ACTIVITIES (CONTINUED)

The table below presents the cost of major District activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The $49,704,972 net cost represents the financial burden that was placed on the District's general revenues for providing the services listed. Further detail is available on page 15 of the audit report.

Comparative Schedule of Costs of Services

	Total Cost of Services		Net Cost of Services	
	2007	2008	2007	2008
Instruction	$ 50,237,447	$ 49,649,901	$ $34,170,246	$ 7,595,748
Instruction Related Services	9,437,062	9,969,312	6,807,935	6,876,228
Pupil Services	8,760,985	9,507,980	3,526,204	3,629,685
General Administration	4,035,373	4,961,051	3,374,154	4,210,863
Plant Services	10,810,853	10,607,498	8,907,128	4,157,422
Ancillary Services	263,202	355,344	263,202	244,761
Community Services	17,444	59,207	16,939	55,134
Interest on Long-Term Debt	2,988,541	3,659,627	2,988,541	3,659,627
Other Outgo	76,745	69,677	(156,028)	(462,713)
Depreciation (unallocated)	4,973,106	19,738,217	4,973,106	19,738,217
Totals	$ $91,600,758	$ 108,577,814	$ $64,871,427	$ 49,704,972

Program revenues financed 54% of the total cost of providing the services listed above while the remaining 46% was financed by the general revenues of the District.

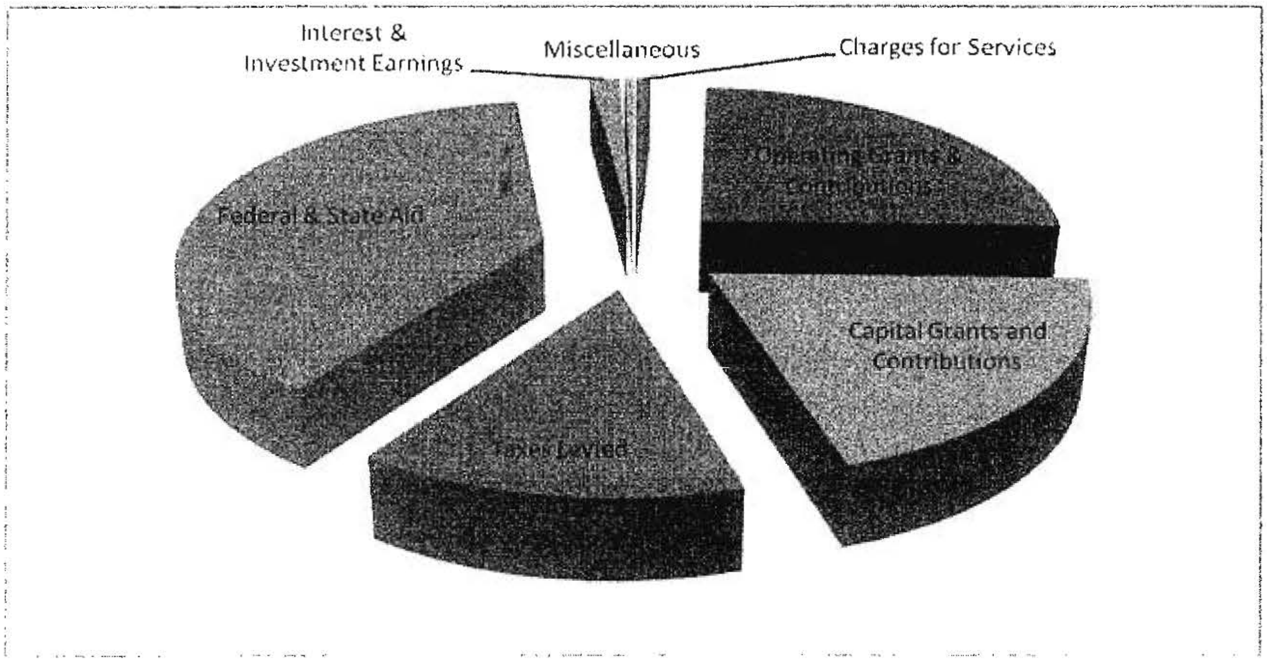


FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

Summary of Revenues For Governmental Functions

	FYE 2007 Amount	Percent of Total	FYE 2008 Amount	Percent of Total
Program Revenues				
Charges for Services	$ 940,683	1.01%	$ 935,466	0.72%
Operating Grants and Contributions	25,495,017	27.29%	32,037,396	24.73%
Capital Grants and Contributions	293,631	.31%	25,899,980	19.99%
General Revenues				
Taxes Levied	15,968,024	17.09%	18,170,393	14.02%
Federal and State Aid	46,988,086	50.29%	49,954,143	38.55%
Interest and Investment Earnings	2,732,978	2.93%	1,987,663	1.53%
Miscellaneous	1,006,830	1.08%	595,720	0.46%
Total Revenues	$ 93,425,249	100.00%	$ 129,580,761	100.00%

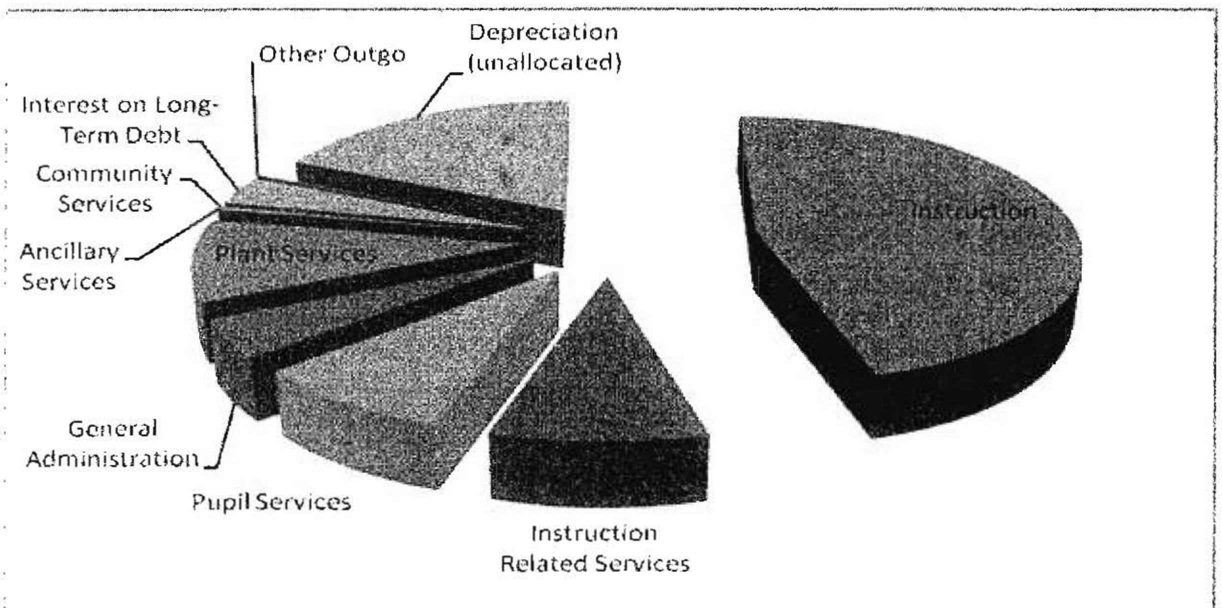


FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

Schedule of Expenses For Governmental Functions

	FYE 2007 Amount	Percent of Total	FYE 2008 Amount	Percent of Total
Expenses				
Instruction	$ 50,237,447	54.84%	$ 49,649,901	45.73%
Instruction Related Services	9,437,062	10.30%	9,969,312	9.18%
Pupil Services	8,760,985	9.56%	9,507,980	8.76%
General Administration	4,035,373	4.41%	4,961,051	4.57%
Plant Services	10,810,853	11.80%	10,607,498	9.77%
Ancillary Services	263,202	0.29%	355,344	0.33%
Community Services	17,444	0.02%	59,207	0.05%
Interest on Long-Term Debt	2,988,541	3.27%	3,659,627	3.37%
Other Outgo	76,745	0.09%	69,677	0.06%
Depreciation (unallocated)	4,973,106	5.43%	19,738,217	18.18%
Total Expenses	$ $91,600,758	100.00%	$ 108,577,814	100.00%



FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

Comparative Schedule of Capital Assets

	Governmental Activities	
	2007	2008
Land	$ 1,785,563	$ 1,785,563
Buildings and Improvements	162,622,743	162,369,688
Furniture and Equipment	5,087,969	4,138,437
Work-in-Progress	8,777,469	57,751,170
Subtotals	178,273,744	226,044,858
Less: Accumulated Depreciation	(66,603,260)	(86,341,477)
Capital Assets, net	$ 111,670,484	$ 139,703,381

Capital assets increased $28,032,897 due to the work-in-progress of construction projects.

Comparative Schedule of Long-Term Liabilities

	Governmental Activities	
	2007	2008
Compensated Absences	$ 252,185	$ 254,729
General Obligation Bonds	54,935,000	78,260,000
Certificates of Participation	12,060,000	11,440,000
Capitalized Lease Obligations	394,140	9,768
Postemployment Benefits	2,039,028	1,789,700
Totals	$ 69,680,353	$ 91,754,197

The general obligation bonds are financed by the local taxpayers and represent 85.3% of the District's total long-term liabilities. The certificates of participation are financed by developer fees and represent 12.47% of the District's total long-term liabilities. The remaining components of the District's total long-term liabilities account for 2.23% of the District's total long-term liabilities and are financed by various District funds.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

The District has continued to meet the debt service requirements for their long-term liabilities, and they have no plans to fully retire any specific debt instrument prior to the current payment schedules.

The notes to the financial statements are an integral part of the financial presentation and contain more detailed information as to interest, principal, retirement amounts, and future debt retirement dates.

FINANCIAL ANALYSIS OF DISTRICT'S FUNDS

Comparative Schedule of Fund Balances

	Fund Balances June 30, 2007	Fund Balances June 30, 2008	Increase (Decrease)
General	$ 7,919,407	$ 9,237,889	$ 1,318,482
Deferred Maintenance	1,131,890	2,197,054	1,065,164
Cafeteria	382,961	587,116	204,155
Adult Education	1,887,794	2,448,795	561,001
Child Development	2,448	74,596	72,148
Bond Interest & Redemption	3,067,826	5,789,786	2,721,960
Capital Facilities	10,995,849	6,727,579	(4,268,270)
Building	18,471,067	18,473,375	2,308
County School Facilities	5,397,833	19,301,793	13,903,960
Capital Projects - Special Reserve	306,493	223,882	(82,611)
Totals	$ 49,563,568	$ 65,061,865	$ 15,498,297

The combined fund balances of all the District's governmental funds increased by $15,498,297 due primarily to the income from the State for the construction of the new schools.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget is prepared in accordance with California law and is based on the modified accrual basis of accounting. Over the course of the year, the District revises its budget based on updated financial information. The original budget, approved at the end of June for July 1, is based on May revised figures and updated 45 days after the State approves its final budget. In addition, the District revises its budget throughout the year. The Original budget is presented on page 20 of the audit report.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

The District currently provides health benefits to all employees who retire after attaining the age of 55 until age 65 provided the employee has met certain service requirements. The District's cap for health benefits is currently set at the 2008 Kaiser Family rate; however, concern for future costs to the District has resulted in a continued search for solutions to this issue.

On November 7, 2006, voters approved a proposition that authorized the issuance and sale of general obligation bonds not to exceed $85,000,000. Proceeds from the bonds will be used to rebuild Pittsburg High School and modernize or relocate Riverside High School.

Based on the most recent student enrollment information available, the District anticipates an increase in student enrollment of more than 1% during fiscal year 2008-09. Since student enrollment and attendance are primary factors in the computation of most funding formulas for public schools in the State of California, the slight increase indicates that the District's revenue limit funding should also increase.

However, the State's economic situation is also a major factor affecting the District's future. The financial well-being of the District is tied in large measure to the State's K-12 funding as prescribed by Proposition 98. Although Proposition 98 funding is generally referred to as a "guarantee", when the state applies a deficit factor to a district's funding or reduces the required payment, as happened in both the 2007-08 and the 2008-09 fiscal years respectively, the funding can no longer be considered a "guarantee".

The future predictions require management to plan carefully and prudently to provide the resources to meet student needs over the next several years. The District has an excellent track record in meeting this challenge in what has proven to be a cycle of lean years and prosperous years for education finances.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact the Business Office, Pittsburg Unified School District, 2000 Railroad Avenue, Pittsburg, California 94565.

BASIC FINANCIAL STATEMENTS

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PITTSBURG UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2008

	Governmental Activities
ASSETS	
Cash and investments (Note 2)	$ 62,633,384
Accounts receivable	9,632,549
Stores inventory	75,932
Prepaid expenditures	617,900
Capital assets, net of accumulated depreciation (Note 4)	139,703,381
Total assets	212,663,146
LIABILITIES	
Accounts payable	7,726,008
Deferred revenue	970,271
Long-term liabilities (Note 5):	
Due within one year	5,211,744
Due after one year	86,542,453
Total liabilities	100,450,476
NET ASSETS	
Invested in capital assets, net of related debt	51,244,701
Restricted (Note 6)	60,769,026
Unrestricted	198,943
Total net assets	$ 112,212,670

The accompanying notes are an integral part of these financial statements.

PITTSBURG UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2008

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Assets: Governmental Activities
Governmental activities:					
Instruction	$ 49,649,901	$ 79,208	$ 16,074,965	$ 25,899,980	$ (7,595,748)
Instruction-related services:					
Supervision of instruction	2,740,345		1,672,565		(1,067,780)
Instructional library, media and technology	593,547	352	126,440		(466,755)
School site administration	6,635,420	14,894	1,278,833		(5,341,693)
Pupil services:					
Home-to-school transportation	1,670,610		1,004,503		(666,107)
Food services	3,633,191	586,385	3,253,286		206,480
All other pupil services	4,204,179	16	1,034,105		(3,170,058)
General administration:					
Data processing	499,560		10,625		(488,935)
All other general administration	4,461,491	34,507	705,056		(3,721,928)
Plant services	10,607,498	17,710	6,432,366		(4,157,422)
Ancillary services	355,344		110,583		(244,761)
Community services	59,207	1,322	2,751		(55,134)
Interest on long-term liabilities	3,659,627				(3,659,627)
Unallocated depreciation (Note 4)	19,738,217				(19,738,217)
Other outgo	69,677	201,072	331,318		462,713
Total governmental activities	$ 108,577,814	$ 935,466	$ 32,037,396	$ 25,899,980	(49,704,972)

General revenues:	
Taxes and subventions:	
Taxes levied for general purposes	8,051,385
Taxes levied for debt service	7,108,190
Taxes levied for other specific purposes	3,010,818
Federal and state aid not restricted to specific purposes	49,954,143
Interest and investment earnings	1,987,663
Miscellaneous	595,720
Total general revenues	70,707,919
Change in net assets	21,002,947
Net assets, July 1, 2007	91,209,723
Net assets, June 30, 2008	$ 112,212,670

The accompanying notes are an integral part of these financial statements.

PITTSBURG UNIFIED SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2008

	General Fund	County School Facilities Fund	Building Fund	All Non-Major Funds	Total Governmental Fund
ASSETS					
Cash and investments:					
Cash in County Treasury	$ 2,140,325	$ 22,965,793	$ 18,124,610	$ 15,880,848	$ 59,111,576
Cash on hand and in banks				5,107	5,107
Cash in revolving fund	25,000			5,000	30,000
Investments	1,196,080		1,039,533		2,235,613
Cash with Fiscal Agent				1,251,088	1,251,088
Accounts receivable	8,464,957		8,013	1,159,579	9,632,549
Stores inventory				75,932	75,932
Total assets	$ 11,826,362	$ 22,965,793	$ 19,172,156	$ 18,377,554	$ 72,341,865
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 1,685,585	$ 3,664,000	$ 698,781	$ 261,363	$ 6,309,729
Deferred revenue	902,888			67,383	970,271
Total liabilities	2,588,473	3,664,000	698,781	328,746	7,280,000
Fund balances	9,237,889	19,301,793	18,473,375	18,048,808	65,061,865
Total liabilities and fund balances	$ 11,826,362	$ 22,965,793	$ 19,172,156	$ 18,377,554	$ 72,341,865

The accompanying notes are an integral part of these financial statements.

PITTSBURG UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS

June 30, 2008

Total fund balances - Governmental Funds		$ 65,061,865
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is $226,044,858 and the accumulated depreciation is $86,341,477 (Note 4).		139,703,381
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at June 30, 2008 consisted of (Note 5):		
Capitalized lease obligations	$ (9,768)	
Certificates of Participation	(11,440,000)	
General Obligation Bonds	(78,260,000)	
Compensated absences	(254,729)	
Postemployment benefits	(1,789,700)	(91,754,197)
Costs associated with the issuance of long-term liabilities are not financial resources and, therefore, are not reported as assets in governmental funds.		617,900
Unmatured interest is not recognized until it is due and, therefore, is not accrued as a payable in governmental funds.		(1,416,279)
Total net assets - governmental activities		$ 112,212,670

The accompanying notes are an integral part of these financial statements.

PITTSBURG UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2008

	General Fund	County School Facilities Fund	Building Fund	All Non-Major Funds	Total Governmental Fund
Revenues:					
Revenue limit sources:					
State apportionment	$ 44,764,527				$ 44,764,527
Local sources	8,051,385				8,051,385
Total revenue limit	52,815,912				52,815,912
Federal sources	4,444,975			$ 3,428,302	7,873,277
Other state sources	15,050,414	$ 25,065,097		5,432,856	45,548,367
Other local sources	4,561,913	5,924,565	$ 1,035,335	11,821,392	23,343,205
Total revenues	76,873,214	30,989,662	1,035,335	20,682,550	129,580,761
Expenditures:					
Certificated salaries	35,326,852			2,138,103	37,464,955
Classified salaries	10,884,818		66,693	2,000,027	12,951,538
Employee benefits	15,325,326		13,334	1,252,168	16,590,828
Books and supplies	3,458,293	89,840		2,149,148	5,697,281
Contract services and operating expenditures	10,324,837	1,465,682	569,628	1,284,281	13,644,428
Capital outlay	525,632	42,530,180	2,872,350	852,809	46,780,971
Other outgo	15,765				15,765
Debt service:					
Principal retirement	9,483			2,719,889	2,729,372
Interest	505			3,256,821	3,257,326
Total expenditures	75,871,511	44,085,702	3,522,005	15,653,246	139,132,464
Excess (deficiency) of revenues over (under) expenditures	1,001,703	(13,096,040)	(2,486,670)	5,029,304	(9,551,703)
Other financing sources (uses):					
Operating transfers in	316,779	27,000,000		466,581	27,783,360
Operating transfers out			(22,000,000)	(5,783,360)	(27,783,360)
Proceeds from the issuance of General Obligation Bonds			25,050,000		25,050,000
Total other financing sources (uses)	316,779	27,000,000	3,050,000	(5,316,779)	25,050,000
Net change in fund balances	1,318,482	13,903,960	563,330	(287,475)	15,498,297
Fund balances, July 1, 2007, as previously stated	7,919,407	5,397,833	18,471,067	17,775,261	49,563,568
Restatement of fund balance			(561,022)	561,022	
Fund balances, July 1, 2007, as restated	7,919,407	5,397,833	17,910,045	18,336,283	49,563,568
Fund balances, June 30, 2008	$ 9,237,889	$ 19,301,793	$ 18,473,375	$ 18,048,808	$ 65,061,865

The accompanying notes are an integral
part of these financial statements.

PITTSBURG UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS - TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2008

Net change in fund balances - Total Governmental Funds		$ 15,498,297
Amounts reported for governmental activities in the statement of activities are different because:		
Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net assets (Note 4).	$ 50,401,676	
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(5,100,973)	
Change in accounting estimate related to depreciable lives of capital assets (Note 4).	(14,637,244)	
In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported (Note 4).	(2,630,562)	
Issuance of long-term liabilities is an other financing source in the governmental funds, but increases the long-term liabilities in the statement of net assets (Note 5).	(25,050,000)	
Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net assets (Note 5).	2,729,372	
Unmatured interest on long-term liabilities is not recognized in the governmental funds until the period it is incurred, but is recognized as an expense in the period it becomes due in the statement of activities.	(406,093)	
Issuance costs related to the issuance of long-term liabilities is an expenditure in the governmental funds, but increases the assets in the statement of net assets.	(48,310)	
In the statement of activities, expenses related to compensated absences and postemployment benefits are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 5).	246,784	5,504,650
Change in net assets of governmental activities		$ 21,002,947

The accompanying notes are an integral part of these financial statements.

PITTSBURG UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE - BUDGET (NON-GAAP) AND ACTUAL

MAJOR FUND - GENERAL FUND

For the Year Ended June 30, 2008

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
Revenues:				
Revenue limit sources:				
State apportionment	$ 44,485,687	$ 43,859,999	$ 44,764,527	$ 904,528
Local sources	7,938,177	8,782,162	8,051,385	(730,777)
Total revenue limit	52,423,864	52,642,161	52,815,912	173,751
Federal sources	4,351,671	5,577,838	4,444,975	(1,132,863)
Other state sources	12,163,942	15,508,388	15,050,414	(457,974)
Other local sources	4,209,609	4,523,544	4,561,913	38,369
Total revenues	73,149,086	78,251,931	76,873,214	(1,378,717)
Expenditures:				
Certificated salaries	33,736,003	35,567,110	35,326,852	240,258
Classified salaries	10,588,468	10,688,349	10,884,818	(196,469)
Employee benefits	15,797,527	15,717,719	15,325,326	392,393
Books and supplies	3,607,041	4,427,695	3,458,293	969,402
Contract services and operating expenditures	9,033,847	11,693,740	10,324,837	1,368,903
Capital outlay	326,315	519,660	525,632	(5,972)
Other outgo	16,000	16,000	15,765	235
Debt service:				
Principal retirement			9,483	(9,483)
Interest			505	(505)
Total expenditures	73,105,201	78,630,273	75,871,511	2,758,762
Excess (deficiency) of revenues over (under) expenditures	43,885	(378,342)	1,001,703	1,380,045
Other financing sources (uses):				
Operating transfers in	167,533	208,915	316,779	107,864
Operating transfers out	(460,000)	(50,000)		50,000
Total other financing sources (uses)	(292,467)	158,915	316,779	157,864
Net change in fund balance	(248,582)	(219,427)	1,318,482	1,537,909
Fund balance, July 1, 2007	7,919,407	7,919,407	7,919,407	
Fund balance, June 30, 2008	$ 7,670,825	$ 7,699,980	$ 9,237,889	$ 1,537,909

The accompanying notes are an integral
part of these financial statements.

PITTSBURG UNIFIED SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

TRUST AND AGENCY FUNDS

June 30, 2008

	Trust Fund	Agency Fund	
	Scholarship	Student Body	Total
ASSETS			
Cash and investments (Note 2):			
Cash in County Treasury	$ 59,164		$ 59,164
Cash on hand and in banks		$ 357,004	357,004
Investments	63,588		63,588
Accounts receivable	554		554
Total assets	123,306	357,004	480,310
LIABILITIES			
Accounts payable	124		124
Due to student groups		357,004	357,004
Total liabilities	124	357,004	357,128
NET ASSETS			
Restricted (Note 6)	$ 123,182	$ -	$ 123,182

The accompanying notes are an integral part of these financial statements.

PITTSBURG UNIFIED SCHOOL DISTRICT

STATEMENT OF CHANGE IN FIDUCIARY NET ASSETS

TRUST FUND

For the Year Ended June 30, 2008

		Scholarship
Additions:		
Other local sources	$	15,048
Deductions:		
Contract services		25,923
Change in net assets		(10,875)
Net assets, July 1, 2007		134,057
Net assets, June 30, 2008	$	123,182

The accompanying notes are an integral part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pittsburg Unified School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. The following is a summary of the more significant policies:

Reporting Entity - Pittsburg Unified School District Financing Corporation

The Board of Education is the level of government which has governance responsibilities over all activities related to public school education in the School District. The District and the Pittsburg Unified School District Financing Corporation (the "Corporation") have a financial and operational relationship which meets the reporting entity definition criteria of the GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, for inclusion of the Corporation as a component unit of the District. Accordingly, the financial activities of the Corporation have been included in the financial statements of the District.

The Corporation was formed in March 1994, pursuant to the general California nonprofit corporation laws, to provide financial assistance to the District for construction and acquisition of major capital facilities. Certificates of Participation issued by the Corporation are included as long-term liabilities in the government-wide financial statements. At the end of the lease term, title of all Corporate property will pass to the District for no additional consideration.

The following are those aspects of the relationship between the District and the Facilities District which satisfy GASB Statement No. 14, as amended by GASB Statement No. 39, criteria:

A - Manifestation of Oversight

1 - The Corporation's Board of Directors was appointed by the District's Governing Board The Corporation has no employees. The District's Assistant Superintendent of Business Services functions as the agent of the Corporation. This individual receives no additional compensation for work performed in this capacity.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Reporting Entity - Pittsburg Unified School District Financing Corporation (Continued)

B - Accounting for Fiscal Matters

1 - The District is able to impose its will upon the Corporation, based on the following:

- All major financing arrangements, contracts, and other transactions of the Corporation must have the consent of the District.

- The District exercises significant influence over operations of the Corporation as it is anticipated that the District will be the sole lessee of all facilities owned by the Corporation.

2 - The Corporation provides specific financial benefits or imposes specific financial burdens on the District based upon the following:

- Any deficits incurred by the Corporation will be reflected in the lease payments of the District.

- Any surpluses of the Corporation revert to the District at the end of the lease period.

- The District has assumed a "moral obligation", and potentially a legal obligation, or any debt incurred by the Corporation.

C - Scope of Public Service and Financial Presentation

- The Corporation was formed for the sole purpose of providing financing assistance to the District for construction and acquisition of major capital facilities. Upon completion, the District intends to occupy all Corporation facilities under a lease-purchase agreement effective through the year 2024.

Basis of Presentation - Financial Statements

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.*

The basic financial statements include a Management's Discussion and Analysis (MD & A) section providing an analysis of the District's overall financial position and results of operations, financial statements prepared using full accrual accounting for all of the District's activities, including infrastructure, and a change in the fund financial statements to focus on the major funds.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Basis of Presentation - Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the reporting government as a whole. Fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are reported only in the Statement of Fiduciary Net Assets and the Statement of Change in Fiduciary Net Assets at the fund financial statement level.

The Statement of Net Assets and the Statement of Activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions.*

Program revenues: Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues.

Allocation of indirect expenses: The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense and interest on general long-term liabilities are considered indirect expenses and are reported separately on the Statement of Activities.

Basis of Presentation - Fund Accounting

The accounts of the District are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into two broad categories which, in aggregate, include six fund types as follows:

A - Governmental Fund Types

1 - General Fund:

The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Basis of Presentation - Fund Accounting (Continued)

A - Governmental Fund Types (Continued)

2 - Special Revenue Funds:

The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. This classification includes the Adult Education, Child Development, Cafeteria, and Deferred Maintenance Funds.

3 - Capital Projects Funds:

The Capital Projects Funds are used to account for resources used for the acquisition or construction of major capital facilities and equipment. This classification includes the County School Facilities, Building, Capital Facilities and Special Reserve for Capital Outlay Projects Funds.

4 - Debt Service Fund:

The Debt Service Fund are used to account for the accumulation of resources for, and the repayment of, general long-term debt principal, interest, and related costs. This classification includes the Bond Interest and Redemption Fund.

B - Fiduciary Fund Types

1 - Trust Fund:

The Trust Fund is used to account for assets held by the District as trustee. The District maintains one trust fund, the Scholarship Fund, which is used to provide financial assistance to students of the District.

2 - Agency Funds:

Agency Funds are used to account for assets of others for which the District has an agency relationship with the activity of the fund. The District maintains eleven agency funds, one for each school's student body. The funds are used to account for the raising and expending of money to promote the general welfare, morale and educational experience of the student body.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Accrual

Governmental activities in the government-wide financial statements and the fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term liabilities, if any, is recognized when due.

Budgets and Budgetary Accounting

By state law, the Board of Education must adopt a final budget by July 1. A public hearing is conducted to receive comments prior to adoption. The District's Governing Board complied with these requirements.

The District employs budget control by major object code and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object code. The budgets are revised during the year by the District's Board of Education and District Superintendent to provide for unanticipated revenues and expenditures. The originally adopted and final revised budgets for the General Fund are presented in the basic financial statements.

Stores Inventory

Inventory in the Cafeteria Fund consists mainly of consumable supplies held for future use and are valued at average cost. Inventories are recorded as expenditures at the time individual inventory items are transferred from the warehouse to schools. Maintenance and other supplies held for physical plant repair, transportation supplies, and operating supplies are not included in inventories; rather, these amounts are recorded as expenditures when purchased.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cafeteria Food Purchases

The Cafeteria Fund reflects supplies expense of $1,806,043. Included in this amount is a handling charge for the delivery of government surplus food commodities. The state does not require the Cafeteria Fund to record the fair market value of these commodities. The supplies expenditures would have been greater had the District paid fair market value for the government surplus food commodities.

Capital Assets

Capital assets purchased or acquired, with an original cost of $5,000 or more, are recorded at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over 5 - 30 years depending on asset types.

Compensated Absences

Compensated absences benefits in the amount of $254,729 are recorded as a liability of the District. The liability is for the earned but unused benefits.

Accumulated Sick Leave

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as a operating expenditure in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

Deferred Revenue

Revenue from federal, state, and local special projects and programs is recognized when qualified expenditures have been incurred. Funds received but not earned are recorded as deferred revenue until earned.

Property Taxes

Secured property taxes are attached as an enforceable lien on property as of March 1. Taxes are due in two installments on or before December 10 and April 10. Unsecured property taxes are due in one installment on or before August 31. The County of Contra Costa bills and collects taxes for the District. Tax revenues are recognized by the District when received.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Restricted Net Assets

Restrictions of the ending net assets or fund balance indicate the portions of net assets not appropriable for expenditure or amounts legally segregated for a specific future use. The restrictions for revolving cash fund, stores inventory and prepaid expenditures reflect the portion of net assets represented by revolving fund cash, stores inventory and prepaid expenditures, respectively. These amounts are not available for appropriation and expenditure at the balance sheet date. The restriction for unspent categorical program revenues represents the portion of net assets restricted to specific program expenditures. The restrictions for special revenues, capital projects, debt service and scholarships represent the net assets of restricted funds.

Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated at June 30.

Eliminations and Reclassifications

In the process of aggregating data for the Statement of Net Assets and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results may differ from those estimates.

2. CASH AND INVESTMENTS

Cash at June 30, 2008 consisted of the following:

	Governmental Activities	Fiduciary Activities
Pooled Funds:		
Cash in County Treasury	$ 59,111,576	$ 59,164
Deposits:		
Cash on hand and in banks	5,107	357,004
Revolving cash fund	30,000	
Investments	2,235,613	63,588
Cash with Fiscal Agent	1,251,088	
	$ 62,633,384	$ 479,756

Pooled Funds

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Contra Costa County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited annually to participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable state laws, the Contra Costa County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2008, the Contra Costa County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

Deposits

Cash balances held in banks and revolving funds are insured up to $100,000 by the Federal Depository Insurance Corporation (FDIC). At June 30, 2008, the carrying amount of the District's accounts was $392,111, and the bank balances were $380,368. Of the bank balances, $339,722 was covered by the FDIC insurance and $40,646 was uninsured. Uninsured balances are fully collateralized by the banks in accordance with applicable laws.

2. CASH AND INVESTMENTS (Continued)

Investments

The District's investment policy authorizes investment in Local Agency Investment Fund (LAIF), an investment pool managed by the California State Treasurer. The District is a voluntary participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California and the Pooled Money Investment Board. The State Treasurer's Office pools these funds with those of other governmental agencies in the state and invests the cash. The fair value of the District's investment in the pool is reported in the accompanying financial statements based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The monies held in the pooled investments funds are not subject to categorization by risk category. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Funds are accessible and transferable to the master account within twenty-four hours notice. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, and floating rate securities issued by federal agencies, government-sponsored enterprises and corporations. LAIF is administered by the State Treasurer. As of June 30, 2008, this fund was yielding approximately 3.11% interest annually. LAIF investments are audited annually by the Pooled Money Investment Board and the State Controller's Office. Copies of this audit may be obtained from the State Treasurer's Office: 915 Capitol Mall; Sacramento, California 95814. The Pooled Money Investment Board has established policies, goals, and objectives to make certain that their goal of safety, liquidity and yield are not jeopardized.

Cash with Fiscal Agent

Cash with Fiscal Agent represents $1,251,088 in the Capital Facilities Fund held by Bank restricted for repayment of COPs.

Interest Rate Risk

The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2008, the District had no significant interest rate risk related to cash and investments held.

Credit Risk

The District does not have a formal investment policy that limits its investment choices other than the limitations of state law.

Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2008, the District had no concentration of credit risk.

3. INTERFUND TRANSACTIONS

Interfund Activity

Transactions between funds of the District are recorded as interfund transfers. There were no unpaid balances at year end as a result of such transactions.

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended.

Interfund transfers for the 2007-2008 fiscal year were as follows:

Transfer from the Building Fund to the County School Facilities Fund to reimburse bond expenditures.	$ 22,000,000
Transfer from the Capital Facilities Fund to the County School Facilities Fund to reimburse bond expenditures.	5,000,000
Transfer from the Capital Facilities Fund to the Deferred Maintenance Fund for the required state match.	466,581
Transfer from the Cafeteria Fund to the General Fund for the allocation of indirect costs.	144,373
Transfer from the Adult Education Fund to the General Fund for the allocation of indirect costs.	111,636
Transfer from the Child Development Fund to the General Fund for the allocation of indirect costs.	60,770
	$ 27,783,360

4. CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2008 is shown below:

	Balance July 1, 2007	Additions	Deletions	Adjustments	Transfers	Balance June 30, 2008
Land	$ 1,785,583					$ 1,785,563
Buildings and improvements	162,622,743		$ (1,492,531)		$ 1,239,476	162,369,688
Equipment	5,087,969	$ 188,499	(1,138,031)			4,138,437
Work-in-process	8,777,469	50,213,177			(1,239,476)	57,751,170
Totals, at cost	178,273,744	50,401,876	(2,630,562)			226,044,858
Less accumulated depreciation:						
Buildings and improvemants	(63,716,547)	(4,772,890)		$ (15,048,828)		(83,538,265)
Equipment	(2,886,713)	(328,083)		411,584		(2,803,212)
Total accumulated depreciation	(68,603,260)	(5,100,973)		(14,837,244)		(86,341,477)
Capital assets, net	$ 111,670,484	$ 45,300,703	$ (2,630,562)	$ (14,637,244)	$ -	$ 139,703,361

During the year ended June 30, 2008, management changed the useful lives of depreciable buildings, improvements and equipment. The effect of this change in accounting estimate was to increase depreciation expense by $14,637,244.

Depreciation expense was charged to governmental activities as follows:

Unallocated	$ 19,738,217

5. LONG-TERM LIABILITIES

Capitalized Lease Obligations

The District leases equipment under a capitalized lease agreement. At June 30, 2008, the District's capitalized lease obligations were as follows:

Year Ending June 30,	Payments
2009	9,988
Less amount representing interest	(220)
	$ 9,768

5. **LONG-TERM LIABILITIES** (Continued)

Certificates of Participation

In July 1997 the Alameda / Contra Costa Schools Financing Authority, in the name of Pittsburg Unified School District, issued series D Certificates of Participation in the amount of $1,020,000, with an interest rate of 4.50%.

In February 1999 the Pittsburg Unified School District Financing Corporation issued Certificates of Participation in the amount of $11,720,000, with an interest rate of 3.75% to 4.70%.

In February 2001 the Pittsburg Unified School District Financing Corporation issued Certificates of Participation in the amount of $3,000,000, with an interest rate of 3.50% to 4.40%.

The following is a schedule of the future payments for the Certificates of Participation:

Year Ended June 30,	Principal	Interest	Total
2009	$ 640,000	$ 470,534	$ 1,110,534
2010	660,000	448,096	1,108,096
2011	690,000	424,756	1,114,756
2012	715,000	400,068	1,115,068
2013	745,000	373,818	1,118,818
2014-2018	3,435,000	1,420,883	4,855,883
2019-2023	3,120,000	704,956	3,824,956
2024-2028	1,435,000	66,715	1,501,715
	$ 11,440,000	$ 4,309,826	$ 15,749,826

1998 General Obligation Bonds

In 1998, the District issued $5,000,000 of General Obligation Bonds. The Bonds require annual principal payments through 2023, plus interest. Annual interest rates for these General Obligation Bonds range from 3.70% to 7.00%. With the issuance of the 2005 Refunding Bonds the 1998 General Obligation Bonds are considered defeased and have been removed from the District's financial statements.

5. LONG-TERM LIABILITIES (Continued)

1999 General Obligation Bonds

In 1999, the District issued $10,000,000 of General Obligation Bonds. The Bonds require annual principal payments through 2024, plus interest. Annual interest rates for these General Obligation Bonds range from 4.00% to 7.00%. The Bonds mature as follows:

Year Ended June 30,	Principal	Interest	Total
2009	$ 350,000	$ 356,684	$ 706,684
2010	365,000	342,201	707,201
2011	385,000	326,778	711,778
2012	400,000	318,838	718,838
2013	415,000	292,915	707,915
2014-2018	2,380,000	1,060,160	3,440,160
2019-2023	2,990,000	482,718	3,472,718
2024	685,000	156,000	841,000
	$ 7,970,000	$ 3,336,294	$ 11,306,294

2000 General Obligation Bonds

In 2000, the District issued $5,000,000 of General Obligation Bonds. The Bonds require annual principal payments through 2025, plus interest. Annual interest rates for these General Obligation Bonds range from 5.10% to 6.25%. With the issuance of the 2005 Refunding Bonds a portion of the 2000 General Obligation Bonds are considered defeased and have been removed from the District's financial statements. The remaining 2000 General Obligation Bonds mature as follows:

Year Ended June 30,	Principal	Interest	Total
2009	$ 155,000	$ 120,196	$ 275,196

5. LONG-TERM LIABILITIES (Continued)

2003 General Obligation Bonds

In 2003, the District issued $8,825,000 of General Obligation Bonds. The Bonds require annual principal payments through 2022, plus interest. Annual interest rates for these General Obligation Bonds range from 3.50% to 4.50%. The Bonds mature as follows:

Year Ended June 30,	Principal	Interest	Total
2009	$ 435,000	$ 291,560	$ 726,560
2010	450,000	276,073	726,073
2011	465,000	260,060	725,060
2012	485,000	242,829	727,829
2013	505,000	224,266	729,266
2014-2018	2,845,000	806,391	3,651,391
2019-2022	2,360,000	188,564	2,548,564
	$ 7,545,000	$ 2,289,743	$ 9,834,743

2005 General Obligation Bonds

In 2005, the District issued $17,100,000 of General Obligation Bonds. The Bonds require annual principal payments through 2029, plus interest. Annual interest rates for these General Obligation Bonds range from 3.50% to 12.00%. The Bonds mature as follows:

Year Ended June 30,	Principal	Interest	Total
2009	$ 125,000	$ 715,494	$ 840,494
2010	175,000	702,244	877,244
2011	230,000	686,044	916,044
2012	285,000	666,156	951,156
2013	330,000	646,394	976,394
2014-2018	2,365,000	2,988,289	5,353,289
2019-2023	3,830,000	2,373,431	6,203,431
2024-2028	5,765,000	1,352,052	7,117,052
2029	2,995,000	137,362	3,132,362
	$ 16,100,000	$ 10,267,466	$ 26,367,466

5. **LONG-TERM LIABILITIES** (Continued)

2005 General Obligation Refunding Bonds

In 2005, the District issued $8,565,000 of General Obligation Refunding Bonds. Of this amount, $8,387,151 was placed into an escrow account to advance refund the remaining $3,995,000 of the 1998 General Obligation Bonds and $4,050,000 of the 2000 General Obligation Bonds. The 2005 General Obligation Refunding Bonds require annual principal payments through 2024, plus interest. Annual interest rates for these General Obligation Bonds range from 3.40% to 4.375%. The Bonds mature as follows:

Year Ended June 30,	Principal	Interest	Total
2009	$ 230,000	$ 317,550	$ 547,550
2010	405,000	305,644	710,644
2011	420,000	290,175	710,175
2012	435,000	247,144	682,144
2013	455,000	257,456	712,456
2014-2018	2,535,000	1,026,653	3,561,653
2019-2023	3,100,000	474,486	3,574,486
2024	670,000	28,687	698,687
	$ 8,250,000	$ 2,947,795	$ 11,197,795

2006 General Obligation Bonds

In 2006, the District issued $13,350,000 of General Obligation Bonds. The Bonds require annual principal payments through 2030, plus interest. Annual interest rates for these General Obligation Bonds range from 4.00% to 6.00%. The Bonds mature as follows:

Year Ended June 30,	Principal	Interest	Total
2009	$ 435,000	$ 606,071	$ 1,041,071
2010	105,000	589,871	694,871
2011	125,000	582,971	707,971
2012	150,000	574,721	724,721
2013	180,000	564,821	744,821
2014-2018	1,450,000	2,635,931	4,085,931
2019-2023	2,765,000	2,188,466	4,953,466
2024-2028	4,365,000	1,372,610	5,737,610
2029-2030	3,615,000	257,451	3,872,451
	$ 13,190,000	$ 9,372,913	$ 22,562,913

5. LONG-TERM LIABILITIES (Continued)

2008 General Obligation Bonds

In 2008, the District issued $10,050,000 of General Obligation Bonds. The Bonds require annual principal payments through 2033, plus interest. Annual interest rates for these General Obligation Bonds range from 4.00% to 8.00%. The Bonds mature as follows:

Year Ended June 30,	Principal	Interest	Total
2009	$ 50,000	$ 465,434	$ 515,434
2010	240,000	453,834	693,834
2011	250,000	434,234	684,234
2012	280,000	414,434	694,434
2013	280,000	398,684	678,684
2014-2018	1,605,000	1,800,782	3,405,782
2019-2023	1,940,000	1,440,665	3,380,665
2024-2028	2,380,000	981,035	3,361,035
2029-2033	3,025,000	372,883	3,397,883
	$ 10,050,000	$ 6,761,985	$ 16,811,985

2008 General Obligation Bonds

In 2008, the District issued $15,000,000 of General Obligation Bonds. The Bonds require annual principal payments through 2033, plus interest. Annual interest rates for these General Obligation Bonds range from 4.00% to 8.00%. The Bonds mature as follows:

Year Ended June 30,	Principal	Interest	Total
2009	$ 2,080,000	$ 704,098	$ 2,784,098
2010	920,000	584,098	1,504,098
2011	350,000	533,298	883,298
2012	355,000	506,873	861,873
2013	380,000	486,373	866,373
2014-2018	2,110,000	2,175,219	4,285,219
2019-2023	2,360,000	1,720,069	4,080,069
2024-2028	2,855,000	1,167,137	4,022,137
2029-2033	3,590,000	440,677	4,030,677
	$ 15,000,000	$ 8,317,842	$ 23,317,842

5. LONG-TERM LIABILITIES (Continued)

Schedule of Changes in Long-Term Liabilities

A schedule of changes in long-term liabilities for the fiscal year ended June 30, 2008 is shown below:

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008	Amounts Due Within One Year
Capitalized lease obligations	$ 394,140		$ 384,372	$ 9,768	$ 9,768
Certificates of Participation	12,060,000		620,000	11,440,000	640,000
General Obligation Bonds	54,935,000	$ 25,050,000	1,725,000	78,260,000	3,860,000
Compensated absences	252,185	2,544		254,729	254,729
Postemployment benefits (Note 8)	2,039,028	235,346	484,674	1,789,700	447,247
Totals	$ 69,680,353	$ 25,287,890	$ 3,214,046	$ 91,754,197	$ 5,211,744

Payments on the capitalized lease obligations are made from the General and Capital Facilities Fund. Payments on the Certificates of Participation are made from the Capital Facilities Fund. Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund. Payments on the compensated absences and postemployment benefits are made from the fund for which the related employee worked.

6. RESTRICTED NET ASSETS

Restricted net assets consisted of the following at June 30, 2008:

	Governmental Activities
Revolving cash fund	$ 30,000
Stores inventory	75,932
Prepaid expenditures	617,900
Unspent categorical program revenues	5,553,238
Special revenues	5,226,629
Capital projects	43,475,541
Debt service	5,789,786
	$ 60,769,026

	Fiduciary Activities
Scholarships	$ 123,182

7. EMPLOYEE RETIREMENT SYSTEMS

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 California Public Employees' Retirement System (CalPERS).

Plan Description and Provisions

California Public Employees' Retirement System (CalPERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2007-2008 was 9.306% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2006, 2007 and 2008 were $996,621, $1,069,173 and $1,140,808, respectively, and equal 100% of the required contributions for each year.

State Teachers' Retirement System (STRS)

Plan Description

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS Executive Office, 7667 Folsom Boulevard, Sacramento, California 95826.

7. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Plan Description and Provisions (Continued)

State Teachers' Retirement System (STRS) (Continued)

Funding Policy

Active plan members are required to contribute 8.0% of their salary. The required employer contribution rate for fiscal year 2007-2008 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal years ending June 30, 2006, 2007 and 2008 were $2,781,379, $2,824,124 and $3,013,647, respectively, and equal 100% of the required contributions for each year.

8. POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 7, the District provides post-retirement healthcare benefits to District employees who retire from the District on or after attaining the age 55 until age 65, provided they have met certain service requirements. For employees retiring on June 1, 1978 and thereafter, the District contributes toward the health benefit program, capped in the same dollar amount and with the same coverage limitations for retirees as it does for active employees.

At June 30, 2008, 65 District retirees are receiving the post-retirement healthcare benefits.

Year Ending June 30,	Payments
2009	$ 447,247
2010	341,808
2011	288,585
2012	218,908
2013	136,296
2014-2018	279,387
2019-2023	61,654
2024-2025	15,815
	$ 1,789,700

9. JOINT POWERS AGREEMENTS

The District participates in three joint ventures under joint powers agreements with Contra Costa County Self-Insurance Group (CCCSIG) and Schools Self Insurance Group of Contra Costa (SSICCC). SSICCC arranges for and provides dental and vision insurance to its member districts. The District pays a premium commensurate with the level of coverage requested. CCCSIG provides workers' compensation coverage for its member districts.

9. JOINT POWERS AGREEMENTS (Continued)

The following is a summary of condensed financial information of CCCSIG for the year ended June 30, 2008, and SSICCC for the year ended June 30, 2007 (the latest information available):

CCCSIG

Total assets	$	86,398,920
Total liabilities	$	70,146,611
Total net assets	$	16,252,309
Total revenue	$	31,170,705
Total expenses	$	17,367,825
Change in net assets	$	13,802,880

SSICCC

Total assets	$	4,505,435
Total liabilities	$	929,758
Total net assets	$	3,575,677
Total revenue	$	14,670,517
Total expenses	$	13,614,207
Change in net assets	$	1,056,310

The relationship between Pittsburg Unified School District and the Joint Powers Authorities is such that the Joint Powers are not component units of the District for financial reporting purposes.

10. CONTINGENCIES

The District is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

Also, the District has received federal and state funds for specific purposes that are subject to review or audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

11. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Excess of expenditures over appropriations in individual funds for the year ended June 30, 2008 were as follows:

Fund	Excess Expenditures
General Fund:	
Classified salaries	$ 196,469
Capital outlay	$ 5,972

Budget revisions for expenditures in excess of budgeted amounts were not made at the end of the fiscal year.

12. FUND BALANCE RESTATEMENT

It was determined that transactions related to the Building and Capital Facilities Funds were inadvertently recorded in the Deferred Maintenance Fund in the prior year resulting in an overstatement of fund balances totaling $561,022 and $46,440 in the Building and Capital Facilities Funds, respectively, and an understatement of fund balance of $607,462 in the Deferred Maintenance Fund. Accordingly, fund balances of these respective funds as of July 1, 2007, have been adjusted. There is no effect on net assets as a result of this fund balance restatement.

SUPPLEMENTARY INFORMATION

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PITTSBURG UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NON-MAJOR FUNDS

June 30, 2008

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve for Capital Outlay Projects Fund	Bond Interest and Redemption Fund	Total
ASSETS								
Cash and investments:								
Cash in County Treasury	$ 2,008,172	$ 18,370	$ 20,668	$ 2,255,719	$ 5,549,026	$ 239,107	$ 5,789,786	$ 15,880,848
Cash on hand and in banks	2,607		2,500					5,107
Cash in revolving account	5,000							5,000
Cash with Fiscal Agent					1,251,088			1,251,088
Accounts receivable	499,199	115,466	544,914					1,159,579
Stores inventory			75,932					75,932
Total assets	$ 2,514,978	$ 133,836	$ 644,014	$ 2,255,719	$ 6,800,114	$ 239,107	$ 5,789,786	$ 18,377,554
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	$ 37,329	$ 20,711	$ 56,898	$ 58,665	$ 72,535	$ 15,225		$ 261,363
Deferred revenue	28,854	38,529						67,383
Total liabilities	66,183	59,240	56,898	58,665	72,535	15,225		328,746
Fund balances	2,448,795	74,596	587,116	2,197,054	6,727,579	223,882	$ 5,789,786	18,048,808
Total liabilities and fund balances	$ 2,514,978	$ 133,836	$ 644,014	$ 2,255,719	$ 6,800,114	$ 239,107	$ 5,789,786	$ 18,377,554

The accompanying notes are an integral part of these financial statements.

PITTSBURG UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES

ALL NON-MAJOR FUNDS

For the Year Ended June 30, 2008

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve for Capital Outlay Projects Fund	Bond Interest and Redemption Fund	Total
Revenues:								
Federal sources	$ 366,218	$ 5,951	$ 3,056,133					$ 3,428,302
Other state sources	3,069,812	1,615,904	303,267	$ 388,145			$ 55,728	5,432,856
Other local sources	202,089	49,430	618,540	56,315	$ 3,713,667	$ 10,803	7,170,548	11,821,392
Total revenues	3,638,119	1,671,285	3,977,940	444,460	3,713,667	10,803	7,226,276	20,682,550
Expenditures:								
Certificated salaries	1,698,469	439,634						2,138,103
Classified salaries	286,172	430,940	1,282,915					2,000,027
Employee benefits	421,854	342,670	487,644					1,252,168
Books and supplies	186,193	145,650	1,806,043		11,262			2,149,148
Contract services and operating expenditures	365,092	179,473	38,983	421,223	253,187	26,323		1,284,281
Capital outlay	7,702		13,827	32,116	732,073	67,091		852,809
Debt service:								
Principal retirement					994,889		1,725,000	2,719,889
Interest					477,505		2,779,316	3,256,821
Total expenditures	2,965,482	1,538,367	3,629,412	453,339	2,468,916	93,414	4,504,316	15,653,246
Excess (deficiency) of revenues over (under) expenditures	672,637	132,918	348,528	(8,879)	1,244,751	(82,611)	2,721,960	5,029,304
Other financing sources (uses):								
Operating transfers in				466,581				466,581
Operating transfers out	(111,636)	(60,770)	(144,373)		(5,466,581)			(5,783,360)
Total other financing sources (uses)	(111,636)	(60,770)	(144,373)	466,581	(5,466,581)			(5,316,779)
Net change in fund balances	561,001	72,148	204,155	457,702	(4,221,830)	(82,611)	2,721,960	(287,475)
Fund balances, July 1, 2007, as previously stated	1,887,794	2,448	382,961	1,131,890	10,995,849	306,493	3,067,826	17,775,261
Restatement of fund balance				607,462	(46,440)			561,022
Fund balances, July 1, 2007, as restated	1,887,794	2,448	382,961	1,739,352	10,949,409	306,493	3,067,826	18,336,283
Fund balances, June 30, 2008	$ 2,448,795	$ 74,596	$ 587,116	$ 2,197,054	$ 6,727,579	$ 223,882	$ 5,789,786	$ 18,048,808

The accompanying notes are an integral part of these financial statements.

PITTSBURG UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES

ALL AGENCY FUNDS

For the Year Ended June 30, 2008

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
Student Body				
High Schools				
Assets:				
Cash on hand and in banks	$ 324,143	$ 689,423	$ 827,379	$ 186,187
Liabilities:				
Due to student groups	$ 324,143	$ 689,423	$ 827,379	$ 186,187
Middle Schools				
Assets:				
Cash on hand and in banks	$ 51,556	$ 190,721	$ 188,588	$ 53,689
Liabilities:				
Due to student groups	$ 51,556	$ 190,721	$ 188,588	$ 53,689
Elementary Schools				
Assets:				
Cash on hand and in banks	$ 77,698	$ 196,789	$ 157,359	$ 117,128
Liabilities:				
Due to student groups	$ 77,698	$ 196,789	$ 157,359	$ 117,128
Total Student Body Funds				
Assets:				
Cash on hand and in banks	$ 453,397	$ 1,076,933	$ 1,173,326	$ 357,004
Liabilities:				
Due to student groups	$ 453,397	$ 1,076,933	$ 1,173,326	$ 357,004

The accompanying notes are an integral
part of these financial statements.

PITTSBURG UNIFIED SCHOOL DISTRICT

ORGANIZATION

June 30, 2008

Pittsburg Unified School District was established in 1933, and is located in Contra Costa County. The District boundaries cover approximately 26 square miles in and around the City of Pittsburg. The boundaries have not changed in the current year. The District is currently operating 8 elementary schools, 2 middle schools, 1 high school, and one continuation high school.

GOVERNING BOARD

Name	Office	Term Expires
Joseph Arenivar	President	2010
Ruben Rosalez	Vice President	2012
Laura Canciamilla	Member	2012
Percy McGee, Jr.	Member	2010
Vincent Ferrante	Member	2010

ADMINISTRATION

Dr. Barbara Wilson
Superintendent

Linda Rondeau
Deputy Superintendent of Educational Services

Jim Schiffman
Assistant Superintendent of Personnel Services

Mark Bonnett
Assistant Superintendent of Business Services

PITTSBURG UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE

For the Year Ended June 30, 2008

	Second Period Report	Annual Report
Elementary:		
Kindergarten	738	748
First through Third	2,201	2,197
Fourth through Sixth	1,987	1,983
Seventh and Eighth	1,262	1,256
Home and Hospital	3	3
Opportunity Schools and Classes	18	21
Special Education	151	167
	6,360	6,375
Secondary:		
Regular Classes	2,177	2,163
Home and Hospital	1	1
Special Education	145	150
Opportunity Schools and Classes	29	27
Continuation Education	135	82
	2,487	2,423
Classes for Adults:		
Concurrently Enrolled	22	22
Not Concurrently Enrolled	1,053	1,095
	1,075	1,117
	9,922	9,915
	Hours of Attendance	
Summer School:		
Elementary	81,885	81,885
Secondary	157,365	159,128
	239,250	241,013

See accompanying notes to supplementary information.

PITTSBURG UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

For the Year Ended June 30, 2008

Grade Level	1986-87 Minutes Require-ment	1982-83 Actual Minutes	2007-08 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	31,500	37,800	180	N/A	In Compliance
Grade 1	50,400	48,230	52,825	180	N/A	In Compliance
Grade 2	50,400	48,230	52,825	180	N/A	In Compliance
Grade 3	50,400	48,230	52,825	180	N/A	In Compliance
Grade 4	54,000	51,030	54,135	180	N/A	In Compliance
Grade 5	54,000	51,030	54,135	180	N/A	In Compliance
Grade 6	54,000	56,464	59,716	180	N/A	In Compliance
Grade 7	54,000	56,464	59,716	180	N/A	In Compliance
Grade 8	54,000	56,464	59,716	180	N/A	In Compliance
Grade 9	64,800	57,580	65,196	180	N/A	In Compliance
Grade 10	64,800	57,580	65,196	180	N/A	In Compliance
Grade 11	64,800	57,580	65,196	180	N/A	In Compliance
Grade 12	64,800	57,580	65,196	180	N/A	In Compliance

See accompanying notes to supplementary information.

PITTSBURG UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

For the Year Ended June 30, 2008

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number		Federal Expend-itures
U. S. Department of Education				
84.027	Special Education: IDEA Basic Local Assistance Entitlement, Part B, Section 611	13379	$	1,109,353
84.173	Special Education: IDEA Preschool Grants, Part B, Section 619	13430		31,510
84.027A	Special Education: IDEA Preschool Local Entitlement, Part B, Section 611	13682		69,621
84.010	NCLB: Title I, Part A, Basic Grants Low-Income and Neglected	14329		1,521,000
84.010	NCLB: Title I, Part A, School Improvement (SAIT)	14417		46,787
84.010	NCLB: Title I, Part A, Program Improvement	14583		90,000
84.357	NCLB: Title I, Part B, Reading First Program	14328		640,975
84.367	NCLB: Title II, Part A, Improving Teacher Quality	14341		367,052
84.367	NCLB: Title II, Part A, Principal Training	14344		3,639
84.318	NCLB: Title II, Part D, Enhancing Education Through Technology, Formula Grants	14335		17,473
84.365	NCLB: Title III, Immigrant Education Program	14346		70,910
84.365	NCLB: Title III, Limited English Proficient (LEP) Student Programs	10084		348,888
84.186	NCLB: Title IV, Part A, Safe and Drug Free Schools and Communities	14347		29,786
84.298	NCLB: Title V, Part A, Innovative Education Strategies	13340		17,444
84.158	Department of Rehabilitation, Workability II, Transition Partnership	10006		131,312
84.048	Vocational Programs: Adult Sec 132 (Carl Perkins Act)	13923		29,971
84.048	Vocational Education: Voc & Applied Tech Secondary, Title IC, Sec 131 (Carl Perkins Act)	13924		62,420
84.002	Adult Education: Adult Basic Education and ESL	14508		137,974
84.002	Adult Secondary Education	13978		14,789
84.002A	Adult Education: English Literacy & Civics Education	14109		52,172
	Total U. S. Department of Education			4,793,076

(Continued)

PITTSBURG UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
(Continued)
For the Year Ended June 30, 2008

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expend-itures
U. S. Department of Health and Human Services			
93.575	Child Development: Infant/Toddler Child Care Resource Contacts	13942	$ 2,487
93.575	Child Development: Quality Improvement - Exempt Provider Outreach and Training	14404	3,464
93.778	Medi-Cal Billing Option (DHS)	10013	18,117
	Total U. S. Department of Health and Human Services		24,068
U. S. Department of Agriculture			
10.555	Child Nutrition: School Programs (NSL Sec 11)	13396	1,911,860
10.555	Child Nutrition: School Programs (NSL Sec 4)	13391	256,717
10.553	Child Nutrition: School Programs (School Breakfast Needy)	13526	681,592
10.559	Child Nutrition: Summer Food Service Program Operations	13004	205,964
	Total U. S. Department of Agriculture		3,056,133
	Total Federal Programs		$ 7,873,277

See accompanying notes to
supplementary information.

PITTSBURG UNIFIED SCHOOL DISTRICT

RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS

For the Year Ended June 30, 2008

	Child Development Fund
June 30, 2008 Unaudited Actual Financial Report Fund Balance	$ 4,044
Understatement of accounts receivable	70,552
June 30, 2008 Audited Financial Statements Fund Balance	$ 74,596

There were no adjustments proposed to any other funds of the District.

See accompanying notes to
supplementary information.

PITTSBURG UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

For the Year Ended June 30, 2008

	(Budgeted) 2009	2008	2007	2006
General Fund				
Revenues and other financing sources	$ 75,261,457	$ 77,189,993	$ 75,195,579	$ 69,003,250
Expenditures	75,294,169	75,871,511	73,895,583	68,488,253
Other uses and transfers out			500,736	581,782
Total outgo	75,294,169	75,871,511	74,396,319	69,070,035
Changes in fund balance	$ (32,712)	$ 1,318,482	$ 799,260	$ (66,785)
Ending fund balance	$ 9,205,177	$ 9,237,889	$ 7,919,407	$ 7,120,147
Available reserves	$ 3,564,119	$ 2,693,372	$ 2,896,073	$ 3,075,031
Designated for economic uncertainties	$ 2,250,000	$ 2,266,202	$ 2,070,000	$ 2,000,000
Undesignated fund balance	$ 1,314,119	$ 427,170	$ 826,073	$ 1,075,031
Available reserves as percentages of total outgo	4.7%	3.5%	3.9%	4.5%
All Funds				
Total long-term liabilities	$ 86,542,453	$ 91,754,197	$ 69,680,353	$ 71,005,756
Average daily attendance at P-2, excluding Adult	8,847	8,847	8,873	8,714

The General Fund fund balance has increased by $2,050,957 over the past three years. The fiscal year 2008-2009 budget projects a decrease of $32,712. For a district this size, the State of California recommends available reserves of at least 3 percent of total general fund expenditures, transfers out and other uses (total outgo). The District met this requirement.

The District has incurred operating surplus in two of the past three years, and anticipates incurring an operating deficit during the fiscal year 2008-2009.

Total long-term liabilities have increased by $20,748,441 over the past two years.

Average daily attendance has increased by 133 over the past two years. The District is expecting no change in ADA for fiscal year 2008-2009.

See accompanying notes to supplementary information.

PITTSBURG UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

For the Year Ended June 30, 2008

Charter Schools Chartered by District	Included in District Financial Statements, or Separate Report

There are no charter schools sponsored by the District.

See accompanying notes to
supplementary information.

PITTSBURG UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXCESS SICK LEAVE

For the Year Ended June 30, 2008

Contract or Bargaining Agreement	Title of Employee
There are no contracts which allow excess sick leave.	

See accompanying notes to supplementary information.

PITTSBURG UNIFIED SCHOOL DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULES

A - Schedule of Average Daily Attendance

Average daily attendance is a measurement of the number of pupils attending classes in the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

B - Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

C - Schedule of Expenditure of Federal Awards

OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with A-133 requirements, and is presented on the modified accrual basis of accounting.

D - Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the Unaudited Actual Financial Report to the audited financial statements.

E - Schedule of Financial Trends and Analysis

This schedule provides trend information on the District's financial condition over the past three years and its anticipated condition for the 2008-2009 fiscal year, as required by the State Controller's Office.

F - Schedule of Charter Schools

This schedule provides information for the California Department of Education to monitor financial reporting by Charter Schools.

G - Schedule of Excess Sick Leave

This schedule provides information to the California State Teachers' Retirement System to monitor the granting of excess sick leave by school districts.

2. EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14502 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2008, the District did not adopt such a program.

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APPENDIX C

FORM OF OPINION OF SPECIAL COUNSEL

[Letterhead of Quint & Thimmig LLP]

[Closing Date]

Board of Education of the
Pittsburg Unified School District
2000 Railroad Avenue
Pittsburg, California 94565

OPINION: $33,895,000 Certificates of Participation (2009 Capital Projects) Evidencing Direct, Undivided Fractional Interests of the Owners Thereof in Lease Payments to be Made by the Pittsburg Unified School District, as the Rental for Certain Property Pursuant to a Lease Agreement with the Pittsburg Unified School District Financing Corporation

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Members of the Board of Education:

We have acted as special counsel in connection with the delivery by the Pittsburg Unified School District (the "District"), of its $33,895,000 Lease Agreement, dated as of December 1, 2009, by and between the Pittsburg Unified School District Financing Corporation (the "Corporation") and the District (the "Lease Agreement"), pursuant to the California Education Code. The Corporation has, pursuant to the Assignment Agreement, dated as of December 1, 2009 (the "Assignment Agreement"), by and between the Corporation and U.S. Bank National Association, as trustee (the "Trustee"), assigned certain of its rights under the Lease Agreement, including its right to receive a portion of the lease payments made by the District thereunder (the "Lease Payments"), to the Trustee. Pursuant to the Trust Agreement, dated as of December 1, 2009, by and among the Trustee, the Corporation and the District (the "Trust Agreement"), the Trustee has executed and delivered certificates of participation (the "Certificates") evidencing direct, undivided fractional interests of the owners thereof in the Lease Payments. We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

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

Based upon our examination, we are of the opinion, under existing law, as follows:

1. The District is duly created and validly existing as a school district organized and existing under the laws of the State of California with the power to enter into the Lease Agreement and the Trust Agreement and to perform the agreements on its part contained therein.

2. The Lease Agreement has been duly authorized, executed and delivered by the District and is an obligation of the District valid, binding and enforceable against the District in accordance with its terms.

3. The Trust Agreement and the Assignment Agreement are valid, binding and enforceable in accordance with their terms.

4. Subject to the terms and provisions of the Lease Agreement, the Lease Payments to be made by the District are payable from general funds of the District lawfully available therefor. By virtue of the

Assignment Agreement, the owners of the Certificates are entitled to receive their fractional share of the Lease Payments in accordance with the terms and provisions of the Trust Agreement.

5. Subject to the District's compliance with certain covenants, interest with respect to the Certificates (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, and (iii) interest with respect to the Certificates 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 with respect to the Certificates to be includable in gross income for federal income tax purposes retroactively to the date of delivery of the Certificates.

6. The portion of the Lease Payments designated as and comprising interest and received by the owners of the Certificates is exempt from personal income taxation imposed by the State of California.

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

The rights of the owners of the Certificates and the enforceability of the Lease Agreement, the Assignment Agreement and the Trust Agreement may be subject to the 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 the District 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 D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE (the "Disclosure Certificate") is executed and delivered by the PITTSBURG UNIFIED SCHOOL DISTRICT (the "District") in connection with the execution and delivery of $33,895,000 Pittsburg Unified School District (Contra Costa County, California) Certificates of Participation (2009 Capital Projects) (the "Certificates"). The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of December 1, 2009, by and among U.S. Bank National Association, as trustee (the "Trustee"), the District and the Pittsburg Unified School District Financing Corporation (the "Trust Agreement"). The District covenants and agrees as follows:

Section 1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Beneficial Owners and bondholders in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

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

"*Annual Report*" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*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 Certificates (including persons holding Certificates through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Certificates for federal income tax purposes.

"*Dissemination Agent*" shall mean Dale Scott & Company Inc. or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation. In the absence of such a designation, the District 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 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.

"*National Repository*" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule.

"*Participating Underwriter*" shall mean the original underwriter of the Certificates required to comply with the Rule in connection with offering of the Certificates.

"*Repository*" shall mean each National Repository and each State Repository, if any.

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

"*State*" shall mean the State of California.

"*State Repository*" shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule. As of the date of this Certificate, there is no State Repository.

Section 3. Provision of Annual Reports.

(a) *Delivery of Annual Report to MSRB*. The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (which currently ends on June 30), commencing with the report for the 2008-2009 Fiscal Year, which is due not later than April 1, 2010, provide to the Participating Underwriter and to file with EMMA, in a readable PDF or other electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date.

(b) *Change of Fiscal Year*. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(d).

(c) *Delivery of Annual Report to Dissemination Agent*. Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to EMMA, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the District.

(d) *Report of Non-Compliance*. If the District is unable to provide an Annual Report by the date required in subsection (a), the Dissemination Agent shall send a notice to EMMA in substantially the form attached as Exhibit A.

(e) *Annual Compliance Certification*. The Dissemination Agent shall, if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided.

Section 4. Content of Annual Reports. The District's Annual Report shall contain or incorporate by reference the following:

(a) Audited financial statements of the District for the preceding fiscal year, prepared in accordance with the laws of the State and including all statements and information prescribed for inclusion therein by the Controller of the State. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not included in the audited financial statements of the District, the Annual Report shall also include an update of the following information for the then current fiscal year:

- (i) combined annual contribution (District's share and employees' share) to the Public Employees Retirement System;
- (ii) adopted general fund budget;
- (iii) tax rates;
- (iv) assessed valuations; and
- (v) average daily attendance.

(c) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The District shall clearly identify each such other document so included by reference.

If the document included by reference is a final official statement, it must be available from EMMA.

(d) In addition to any of the information expressly required to be provided under paragraph (b) of this Section 4, the District shall provide such further information, if any, as may be necessary to make the specifically required statements or information (as set forth herein), in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Significant Events.

(a) *Listed Events*. Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Certificates, 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 provides, 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) Bond calls;
(ix) Defeasances;
(x) Release, substitution, or sale of property securing repayment of the securities; and
(xi) Rating changes.

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

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

(d) *Notice of Listed Events*. The District 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 the MSRB, 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 Certificate holders of affected Certificates.

Section 6. 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 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Certificates. If such termination occurs prior to the final maturity of the Certificates, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5.

Section 8. Dissemination Agent.

(a) *Appointment of Dissemination Agent*. The initial Dissemination Agent shall be Dale Scott & Company Inc. The District 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 the District, the

Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate.

(b) *Compensation of Dissemination Agent*. The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the District 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 the District, 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 the District or an opinion of nationally recognized bond counsel. The Dissemination Agent may at any time resign by giving written notice of such resignation to the District.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate (and the Dissemination Agent shall agree to any amendment so requested by the District 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 Certificates, 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 Certificates, 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 Certificate holders in the same manner as provided in the Trust Agreement for amendments to the Trust Agreement with the consent of Certificate holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Certificate holders or Beneficial Owners.

If this Disclosure Certificate is amended or any provision of this Disclosure Certificate is waived, the District shall describe such amendment or waiver in the next following Annual Report and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(d), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District 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 Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Certificate holder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. The sole remedy under this

Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. All of the immunities, indemnities, and exceptions from liability in Article IX of the Trust Agreement insofar as the relate to the Trustee shall apply to the Dissemination Agent in this Disclosure Certificate. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, and its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of the disclosure of information pursuant to the Disclosure Certificate or arising out of or in the exercise of 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 Dissemination Agent shall have no duty of obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the District, the owner of a Certificate, or any other party. The Trustee shall have no liability to any party for any monetary damages or other financial liability of any kind whatsoever related to or arising from any breach of this Disclosure Certificate. No person shall have any right to commence any action against the Dissemination Agent seeking any remedy other than to compel specific performance of this Certificate. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any written direction from the District or an opinion of Bond Counsel. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent or the Trustee and payment of the Certificates.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Certificates, and shall create no rights in any other person or entity.

Section 14. Fees and Expenses.

(a) The Dissemination Agent shall be entitled to payment and reimbursement from the District for its services and all advances, counsel fees and other expenses reasonably made and incurred by the Dissemination Agent.

(b) The Dissemination Agent may rely on and shall be protected in acting and refraining from acting upon any direction from the District or an opinion of nationally recognized bond counsel.

Date: [Closing Date]

PITTSBURG UNIFIED SCHOOL DISTRICT

By ____
Name ______________________________________
Title _______________________________________

ACKNOWLEDGED:

DALE SCOTT & COMPANY INC., as
Dissemination Agent

By ____
Authorized Officer

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Pittsburg Unified School District

Name of Issue: Certificates of Participation (2009 Capital Projects) Evidencing Direct, Undivided Fractional Interests of the Owners Thereof in Lease Payments to be made by the Pittsburg Unified School District, as the Rental for Certain Property Pursuant to a Lease Agreement with the Pittsburg Unified School District Financing Corporation

Date of Issuance: [Closing Date]

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Issue as required by the Continuing Disclosure Certificate dated [Closing Date] furnished by the District in connection with the Issue. The District anticipates that the Annual Report will be filed by _________________.

Date: ________________

DALE SCOTT & COMPANY INC.,
Dissemination Agent

By ____
Authorized Officer

APPENDIX E

BOOK-ENTRY SYSTEM

The following description of the procedures and record keeping with respect to beneficial ownership interests in the Certificates, payment of principal and interest with respect to the Certificates to Direct Participants, Indirect Participants or Beneficial Owners (as such terms are defined below) of the Certificates, confirmation and transfer of beneficial ownership interests in the Certificates and other Certificate related transactions by and between DTC, Direct Participants, Indirect Participants and Beneficial Owners of the Certificates is based solely on information furnished by DTC to the District which the District believes to be reliable, but the District and the Underwriter do not and cannot make any independent representations concerning these matters and do not take responsibility for the accuracy or completeness thereof. Neither the DTC, Direct Participants, Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Certificates. The Certificates 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 Certificate will be issued for each maturity of the Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized 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 Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("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 Certificates 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 the Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede &Co. or such other name as requested by an authorized representative of DTC. The deposit of the Certificates 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 Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct or 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 Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as tenders, defaults, and proposed amendments to the Certificates documents. For example, Beneficial Owners of the Certificates may wish to ascertain that the nominee holding the Certificates 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 Trustee and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Certificates 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 the Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

DTC may discontinue providing its service as depository with respect to the Certificates at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Certificate 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, the Certificate certificates will be printed and delivered to DTC.

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

In the event that (a) DTC determines not to continue to act as securities depository for the Certificates, or (b) the District determines that DTC shall no longer act and delivers a written certificate to the Trustee to that effect, then the District will discontinue the Book-Entry System with DTC for the Certificates. If the District determines to replace DTC with another qualified securities depository, the District will prepare or direct the preparation of a new single separate, fully registered Certificate for each maturity of the Certificates registered in the name of such successor or substitute securities depository as are not inconsistent with the terms of the Trust Agreement. If the District fails to identify another qualified securities depository to replace the incumbent securities depository for the Certificates, then the Certificates shall no longer be restricted to being registered in the Certificate registration books in the name of the incumbent securities depository or its nominee, but shall be registered in whatever name or names the incumbent securities depository or its nominee transferring or exchanging the Certificates shall designate.

In the event that the Book-Entry System is discontinued, the following provisions would also apply: (i) the Certificates will be made available in physical form, (ii) principal and interest with respect to will be payable upon surrender thereof at the trust office of the Trustee identified in the Trust Agreement, and (iii) the Certificates will be transferable and exchangeable as provided in the Trust Agreement.

The District and the Trustee do not have any responsibility or obligation to DTC Participants, to the persons for whom they act as nominees, to Beneficial Owners, or to any other person who is not shown on the registration books as being an owner of the Certificates, with respect to (i) the accuracy of any records maintained by DTC or any DTC Participants; (ii) the payment by DTC or any DTC Participant of any amount in respect of the principal and interest with respect to the Certificates; (iii) the delivery of any notice which is permitted or required to be given to registered owners under the Trust Agreement; (iv) any consent given or other action taken by DTC as registered owner; or (v) any other matter arising with respect to the Certificates or the Trust Agreement. The District and the Trustee cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal and interest with respect to the Certificates paid to DTC or its nominee, as the registered owner, or any notices to the Beneficial Owners or that they will do so on a timely basis or will serve and act in a manner described in this Official Statement. The District and the Trustee are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner in respect to the Certificates or any error or delay relating thereto.

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