

**WPUSD**

**Board Packet**

**Part II**

**June 24, 2003**

**Section 5.10 Title Insurance.** Proceeds of any policy of title insurance received by the Trustee in respect of the Property or any portion thereof shall be applied and disbursed by the Trustee as follows:

(a) If the Respective Obligor (i) determines that the title defect giving rise to such proceeds has not materially affected the right to use and occupy the Property and will not result in an abatement of Base Rental payable by the Respective Obligor under the Sublease, and (ii) has provided the Trustee with written evidence of such determination, such proceeds shall be deposited into the Reserve Fund to the extent necessary to make the amount on deposit therein equal to the Reserve Requirement. Amounts not required to be so deposited shall be remitted to the Respective Obligor.

(b) If the Respective Obligor determines that such title defect will result in an abatement of Base Rental payable by the Respective Obligor under the Sublease Agreement, then the Trustee, upon written direction from the respective Obligor representative, shall immediately deposit such proceeds in the respective Prepayment Account of the respective Certificate Fund and such proceeds shall be applied to the prepayment of Certificates in the manner specified in Section 4.01(b)(i) [check section reference] hereof.

**Section 5.11 Application of Amounts After Default by Respective Obligor.** All damages or other payments received by the Trustee from the enforcement of any rights and powers of the Trustee under a Sublease Agreement or from an assignment or subleasing of the Authority's interest in the Lease Agreement, after a default by the respective Obligor thereunder or hereunder, shall be deposited into the Base Rental Account of the Certificate Fund and applied in the manner specified herein.

**Section 5.12 Held in Trust.** The moneys and investments held by the Trustee hereunder with respect to a Series of Certificates are irrevocably held in trust for the purposes herein specified, and such moneys and investments, and any income or interest earned thereon, shall be expended only as provided herein, and shall not be subject to levy or attachment or lien by or for the benefit of any creditor of (i) the Authority, (ii) the respective Obligor, (iii) the Trustee, (iv) any Owner, (v) any beneficial owner of Certificates, or (vi) any Owner of any other Series of Certificates.

**Section 5.13 Investments Authorized.** Money held by the Trustee in any fund or account hereunder shall be invested by the Trustee in Qualified Investments pending application as provided herein, solely at the written direction of a Respective Obligor Representative, shall be registered in the name of the Trustee when applicable, as Trustee, and shall be held by the Trustee. The Respective Obligor shall direct the Trustee prior to 12:00 p.m. Pacific time on the last Business Day before the date on which a Qualified Investment matures or is redeemed as to the reinvestment of the proceeds thereof. Money held in any fund or account hereunder may be commingled for purposes of investment only.

The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by this Section 5.13. Any investments and reinvestment shall be made after giving full consideration to the time at which funds are required to be available hereunder and to the highest yield practicably obtainable giving due regard to the safety of such funds and the date upon which such funds will be required for the uses and purposes required by this Trust

Agreement. Investments purchased with funds on deposit in the Reserve Fund shall have an average aggregate weighted term to maturity not greater than five years. The Trustee may act as agent in the making or disposing of any investment.

For the purpose of determining the amount in any fund or account hereunder, except for the Reserve Fund, all Qualified Investments with respect to a Series shall be valued on the Principal Payment Date of each year at the market value thereof exclusive of accrued interest. For the purposes of determining the amount in the Reserve Fund, Qualified Investments shall be valued on the Principal Payment Date of each year (or more frequently as directed by the Respective Obligor or the Bank) and upon a draw upon the Reserve Fund at the market value of such investments (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 within one year of the valuation date. The Trustee may sell, or present for redemption, any Qualified Investment purchased by the Trustee whenever it shall be necessary in order to provide money to meet any required payment, transfer, withdrawal or disbursement from any fund or account hereunder, and the Trustee shall not be liable or responsible for any loss resulting from such investment or sale, except any loss resulting from its own negligence or willful misconduct. If an investment ceases to meet the criteria set forth in the definition of Qualified Investments and such obligation, aggregated with other non-conforming investments, exceeds ten percent (10%) of invested funds, the Trustee, upon written direction of the respective Obligor Representative shall sell or liquidate such investment unless otherwise approved by the Bank.

**Section 5.14 Reports.** The Trustee shall furnish monthly to the Respective Obligor a report of all investments made by the Trustee and of all amounts on deposit in each fund and account maintained hereunder. Such report may be in the form of the Trustee's regular account statements. The Respective Obligor acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Respective Obligor the right to receive brokerage confirmations of security transactions as they occur, the respective Obligor will not receive such confirmations to the extent permitted by law. The Trustee will furnish the Respective Obligor monthly cash transaction statements as provided herein which include detail for all investment transactions made by Trustee hereunder.

**Section 5.15 Application of Investment Earnings.** The Trustee shall deposit all Investment Earnings on all the funds and accounts established hereunder (other than Excess Earnings Account of the Earnings Fund) into the Investment Earnings Account of the Earnings Fund pursuant to Section 5.06 hereof. All Investment Earnings on amounts on deposit in the Excess Earnings Account of the Earnings Fund shall be retained in such account.

## ARTICLE VI

### THE TRUSTEE; TENDER AGENT

**Section 6.01 Appointment of Trustee.** Other than the Trustee initially appointed, which appointment is hereby confirmed, the Authority and the respective Obligor agree that they will maintain a Trustee acceptable to the Bank in writing, which shall be a commercial bank with trust powers; a trust company; a federal savings association; a national banking association; a federally chartered savings institution; a savings bank; a savings institution; or a financial institution, the deposits of which are insured by the Federal Deposit Insurance Corporation to the

extent permitted by law, which shall have (or, in the case of a commercial bank with trust powers or a trust company included in a bank holding company system, the related bank holding company shall have) a combined capital and surplus of at least fifty million dollars (\$50,000,000), and subject to supervision or examination by federal or State authority, so long as any Certificates are Outstanding. If such commercial bank with trust powers, trust company or banking institution publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority above referred to then for the purpose of this Section 8.01, the combined capital and surplus of such commercial bank with trust powers, trust company or banking institution shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section 8.01, the Trustee shall resign immediately in the manner and with the effect specified in Section 8.04.

The Trustee is hereby authorized to pay the Certificates when duly presented for payment at maturity or tender, or upon prepayment, and to cancel all Certificates upon payment thereof. The Trustee shall keep records in accordance with corporate trust industry standards of all funds administered by it and of all Certificates paid and discharged. The Trustee shall be compensated for its services rendered pursuant to the provisions of this Trust Agreement.

**Section 6.02 Acceptance of Trusts.** The Trustee hereby accepts the trusts imposed upon it by this Trust Agreement and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Trustee, prior to the occurrence of an Event of Default and after the curing or waiver of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Trust Agreement and no implied duties or obligations shall be read into this Trust Agreement against the Trustee. In case an Event of Default has occurred (which has not been cured or waived), the Trustee may exercise such of the rights and powers vested in it by this Trust Agreement and shall use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) No provision in this Trust Agreement shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers.

(c) The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder either directly or by or through attorneys or agents and shall be entitled to rely on advice of or on an opinion of counsel concerning all matters of trust and its duty hereunder and shall not be liable for any action taken or not taken by it in reliance on such advice or on such opinion of counsel.

(d) The Trustee shall not be responsible for any recital herein, in the Assignment Agreement or in the Certificates, or for any of the supplements thereto or instruments of further assurance, or for the sufficiency of the security for the Certificates delivered hereunder or intended to be secured hereby, or for the tax status of interest with respect to the Certificates and the Trustee shall not be bound to ascertain or inquire as to the observance or performance of any

covenants, conditions or agreements on the part of the Authority or the respective Obligor under the Sublease Agreement.

(e) The Trustee shall not be accountable for the use of any Certificates delivered hereunder or the proceeds thereof. The Trustee, in its individual or any other capacity, may become the Owner, custodian or pledgee of Certificates secured hereby with the same rights which it would have if it were not the Trustee; may acquire and dispose of other bonds or evidence of indebtedness of the respective Obligor with the same rights it would have if it were not the Trustee; may act as a depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners of Certificates, whether or not such committee shall represent the Owners of the majority in principal amount of the Certificates then Outstanding; and may engage in other transactions with the Authority or the respective Obligor, whether as trustee or otherwise.

(f) In the absence of bad faith on its part, the Trustee shall be protected in acting or refraining from acting upon any notice, request, consent, requisition, certificate, order, affidavit, letter, telegram, direction, facsimile transmission, electronic mail or other paper or document believed by it to be genuine and to have been signed or sent by the proper person or persons. Any action taken or omitted to be taken by the Trustee in good faith pursuant to this Trust Agreement upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Owner of any Certificate, shall be conclusive and binding upon all future Owners of the same Certificate and upon Certificates executed and delivered in exchange therefor or in place thereof. The Trustee shall not be bound to recognize any person as an Owner of any Certificate or to take any action at his request unless such Certificate shall be deposited with the Trustee or satisfactory evidence of the ownership of such Certificate shall be furnished to the Trustee.

(g) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon a certificate signed by an Authority Representative or a Obligor Representative as sufficient evidence of the facts therein contained and prior to the occurrence of an Event of Default of which the Trustee has been given notice or is deemed to have notice, shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient. The Trustee may accept a certificate of an Authority Representative or a Obligor Representative to the effect that an authorization in the form therein set forth has been adopted by the Authority or the respective Obligor, as the case may be, as conclusive evidence that such authorization has been duly adopted, and is in full force and effect.

(h) The permissive right of the Trustee to do things enumerated in this Trust Agreement shall not be construed as a duty and it shall not be answerable for other than its negligence or willful misconduct; provided, however, that the requirement to draw on the Letter of Credit and make payments to the Owners, as set forth herein, shall not be considered permissive rights hereunder. The immunities and exceptions from liability of the Trustee shall extend to its officers, directors, employees and agents.

(i) The Trustee shall not be required to take notice or be deemed to have notice of any Event of Default hereunder except failure by the respective Obligor to make any of the Base Rental to the Trustee required to be made by the respective Obligor pursuant to the Sublease

Agreement or failure by the Authority or the respective Obligor to file with the Trustee any document required by this Trust Agreement or the Sublease Agreement to be so filed subsequent to the delivery of the Certificates, unless the Trustee shall be specifically notified in writing of such default by the Authority, the Bank, the respective Obligor or by the Owners of at least five percent (5%) in aggregate principal amount of Certificates then Outstanding; provided, however, that the Owners shall not have the right to provide such notice so long as the Letter of Credit is in effect, and all notices or other instruments required by this Trust Agreement to be delivered to the Trustee must, in order to be effective, be delivered at the Principal Office of the Trustee, and in the absence of such notice so delivered the Trustee may conclusively assume there is no Event of Default except as aforesaid.

(j) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

(k) Notwithstanding anything elsewhere in this Trust Agreement with respect to the execution of any Certificates, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of this Trust Agreement, the Trustee shall have the right, but shall not be required, to demand any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition so that by the terms hereof required as a condition of such action, by the Trustee deemed desirable for the purpose of establishing the right of the respective Obligor to the withdrawal of any cash, or the taking of any other action by the Trustee.

(l) All moneys received by the Trustee shall, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received but need not be segregated from other funds except to the extent required by law.

(m) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Bank or the Owners of a majority in aggregate principal amount of the Outstanding Certificates (unless the Owners do not have the right to provide such direction) relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Trust Agreement.

(n) Before taking any action under Article X hereof or this Section 6.02 at the request or direction of the Certificate Owners, the Trustee may require that an indemnity bond satisfactory to the Trustee be furnished to the Trustee by the Certificate Owners for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its own negligence or willful misconduct in connection with any action so taken; provided, however, that the Trustee shall not be entitled to indemnification or a bond, and the Trustee agrees not to request or demand the same, as a condition to the Trustee's making drawings under the Letter of Credit, its honoring of optional or mandatory tenders of Certificates or its making of payments of principal or interest with respect to the Certificates to the extent it holds money under this Trust Agreement specified for such purpose, whether in connection with regularly scheduled Payment Dates or prepayments. Before being required to take any such action, the Trustee may require an opinion of independent counsel acceptable to the Trustee, or a verified certificate of any party hereto, or both,

concerning the proposed action. If it does so in good faith, the Trustee shall be absolutely protected in relying thereon.

(o) Under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the Certificates.

(p) The Trustee shall not be accountable for the use or application by the respective Obligor or the Authority or any other party of any funds which the Trustee has released in accordance with the terms of this Trust Agreement.

(q) The Trustee makes no representation or warranty, express or implied, as to the title, value, design, compliance with specifications or legal requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the respective Obligor or the Authority of the Property. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising from the Sublease Agreement or this Trust Agreement for the existence, furnishing or use of the Property.

(r) The Trustee makes no representations as to the validity or sufficiency of the Certificates and shall incur no responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Certificates assigned to or imposed upon it. The Trustee shall not be responsible for the validity or sufficiency of the Sublease Agreement or the assignment under the Assignment Agreement. The Trustee shall not be liable for the sufficiency or collection of any Base Rental or other moneys required to be paid to it under the Sublease Agreement (except as provided in this Trust Agreement), its right to receive moneys pursuant to the Sublease Agreement, or the value of or title to the Property. The Trustee makes no representations and shall have no responsibility for any official statement or other offering material prepared or distributed with respect to the Certificates.

(s) In accepting the trusts hereby created, the Trustee acts solely as Trustee for the Owners and the Bank and not in its individual capacity and all persons, including without limitation the Owners and the respective Obligor or the Authority having any claim against the Trustee arising from this Trust Agreement, shall look only to the funds and accounts held by the Trustee hereunder for payment except as otherwise provided herein.

(t) The Trustee shall not be personally liable, in case of entry by it or the Authority upon the Property, for debts contracted or liabilities or damages incurred in the management or operation of the Property by the Authority or it.

(u) Whether or not therein expressly so provided, every provision of this Trust Agreement, the Sublease Agreement and the Assignment Agreement relating to the conduct or affecting the liability of the Trustee shall be subject to the provisions of this Article VIII.

(v) The Trustee is authorized and directed to execute in its capacity as Trustee the Assignment Agreement and any tender agreement.

**Section 6.03 Fees, Charges and Expenses of Trustee.** The respective Obligor shall pay to the Trustee payment and reimbursement for reasonable fees for its services rendered hereunder and all advances, if any, including interest on all such advances at its prime rate then

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in effect, plus two percent, external counsel fees (including expenses), the allocated cost of internal legal services (to the extent such services are not redundant of services performed by external counsel) and all disbursements of internal counsel, and other expenses reasonably and necessarily made or incurred by the Trustee in connection with such services and, in the Event of Default, the Trustee shall have a first and prior lien on the funds held hereunder to secure the same; provided, however, that in no event shall the Trustee or the Tender Agent have a lien on proceeds of a draw on the Letter of Credit, of remarketing proceeds or of premiums paid in connection with an optional prepayment of Certificates. The Trustee's compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust. The Trustee's rights hereunder, including its rights under Section 11.03 [check reference] hereof, shall survive its resignation or removal and final payment of the Certificates.

**Section 6.04 Removal of Trustee.** The respective Obligor and the Authority may by written agreement between themselves so long as no Event of Default shall have occurred and be continuing, or the Owners of a majority in aggregate principal amount of all Certificates Outstanding may by written request, but in all cases with the Bank's written approval, at any time and for any reason, remove the Trustee and any successor thereto, and shall thereupon appoint a successor or successors thereto, with the Bank's written approval.

The Trustee may at any time resign by giving written notice to the respective Obligor, the Bank and the Authority and by giving to the Certificate Owners notice by mailing such notice to the registered Owners of the Certificates. Upon receiving such notice of resignation, the respective Obligor shall promptly, with the Bank's written approval, appoint a successor Trustee by an instrument in writing; provided, however, that in the event that the respective Obligor has not appointed a successor Trustee who has accepted its appointment within thirty (30) days following receipt of such notice of resignation, the resigning Trustee may petition the appropriate court having jurisdiction to appoint a successor Trustee. Any resignation or removal of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee and the transfer the Letter of Credit in accordance with its terms to the successor Trustee and its acceptance thereof.

**Section 6.05 Appointment of Agent.** The Trustee may appoint an agent to exercise any of the powers, rights or remedies granted to the Trustee under this Trust Agreement, and to hold title to property or to take any other action which may be desirable or necessary.

**Section 6.06 Merger or Consolidation.** Any company, Authority or association into which the Trustee may be merged or converted, or with which it may be consolidated, or any company, Authority or association resulting from any merger, conversion or consolidation to which it shall be a party, or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business (provided that such company shall be eligible under Section 8.01 hereof) shall be the successor to the Trustee without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

**Section 6.07 Concerning any Successor Trustee.** Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its or his predecessor and also the Authority, the respective Obligor and the Bank an instrument in writing accepting such appointment hereunder and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts,

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duties and obligations of its predecessors; but such predecessor shall, nevertheless, on the written request of the respective Obligor, or of its successor, execute and deliver an instrument transferring to such successor all the estates, properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all securities and moneys held by it as the Trustee hereunder to its successor. Upon such acceptance, the respective Obligor shall mail, or cause the mailing of, notice thereof to the Certificate Owners at their respective addresses set forth on the Registration Books. Should any instrument in writing from the respective Obligor be required by any successor Trustee for more fully and certainly vesting in such successor the estate, rights, powers and duties hereby vested or intended to be vested in the predecessor, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the respective Obligor. The resignation of any Trustee and the instrument or instruments removing any Trustee and appointing a successor hereunder, together with all other instruments provided for in this Article VIII, shall be filed or recorded by the successor Trustee in each recording office where the Assignment Agreement shall have been filed or recorded.

**Section 6.08 Extension of the Letter of Credit.** The respective Obligor shall provide notice to the Trustee of its applications for the extension of the Letter of Credit as, and if required pursuant to the terms thereof, and as required by Section 4.14 hereof provided that the Trustee shall not assume such extensions will be granted until written confirmation is received by the Trustee from the Bank, unless the terms of the Letter of Credit or the Reimbursement Agreement shall provide otherwise.

**Section 6.09 Designation of Tender Agent.** The respective Obligor hereby appoints U.S. Bank National Association, as Tender Agent. The respective Obligor, with the Bank's prior consent, may remove or replace U.S. Bank National Association, as the Tender Agent. The Trustee shall notify all registered Certificate Owners by mail upon removal or replacement of the Tender Agent, such notice to include the name and address of the successor Tender Agent, if any. Any resignation or removal of the Tender Agent and appointment of a successor Tender Agent shall become effective upon acceptance of appointment by the successor Tender Agent.

Any commercial bank or trust company with or into which the Tender Agent may be merged or consolidated, or to which the assets and business of the Tender Agent may be sold, shall be deemed to be the successor of the Tender Agent for the purposes of this Trust Agreement. If the position of the Tender Agent shall become vacant for any reason, the Authority may, with the Bank's prior consent in effect, appoint a commercial bank with trust powers or trust company located in the same city as the Tender Agent to fill such vacancy. The Tender Agent shall enjoy the same protective provisions in the performance of its duties hereunder as are specified in Section 8.02 hereof with respect to the Trustee insofar as such provisions may be applicable.

**Section 6.10 Qualifications of Tender Agent.** The Tender Agent shall be a commercial bank with trust powers, trust company or national banking association with trust powers having a capitalization of at least \$10,000,000, authorized by law to perform all the duties imposed upon it hereunder and be acceptable in writing to the Bank. In the event any Tender Agent is appointed which is not the Trustee, the Tender Agent shall upon such appointment signify in writing its acceptance of the duties and obligation imposed on it hereunder. The Tender Agent may be removed from, and may at any time resign and be

discharged of, the duties and obligations created by this Trust Agreement, under the circumstances and in the manner described in this Trust Agreement for the removal or resignation of the Trustee. The protections of the Trustee set forth in Section 6.02 shall apply to the Tender Agent and shall be incorporated by reference in this Section 6.10 as if set forth in full herein.

## ARTICLE VII

### MODIFICATION OR AMENDMENT OF AGREEMENTS

#### Section 7.01 Amendments Permitted.

(a) With respect to a Series of Certificates, this Trust Agreement and the rights and obligations of the Owners of the Certificates and the Sublease 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 without the written consents of the Owners of such Series, but with the consent of the Bank. No such modification or amendment shall:

(i) 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 or reducing any premium payable upon the prepayment thereof, without the express consent of the Owner of such Certificate,

(ii) 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 the Sublease Agreement,

(iii) modify any of the rights or obligations of the Trustee without its written assent thereto; or

(iv) modify any of the rights or obligations of the Bank without its written consent thereto.

Notwithstanding the foregoing or the following, no amendment shall be effective and no Owner consent shall be solicited without the prior written consent of the Bank.

(b) This Trust Agreement and the rights and obligations of the Owners of the Certificates and the Sublease 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:

(i) to add to the covenants and agreements of any party, other covenants to be observed, or to surrender any right or power herein or therein reserved to the respective Obligor,

(ii) to cure, correct or supplement any ambiguous or defective provision contained herein or therein and which shall not adversely affect the interests of the Owners of the Certificates,

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(iii) in regard to questions arising hereunder or thereunder, as the parties hereto or thereto may deem necessary or desirable,

(iv) to make such additions, deletions or modifications as may be necessary or desirable to assure exemption from federal income taxation of interest with respect to the Certificates,

(v) to the extent necessary to obtain a rating with respect to the Certificates from Moody's or S&P, or both,

(vi) to substitute, add or eliminate certain Property in accordance with Section 8.3 of the Sublease Agreement,

provided that such amendment, in the opinion of Special Counsel delivered to the Authority, the respective Obligor, the Bank and the Trustee, shall not adversely affect the interests of the Owners of the Certificates of such Series or shall impair the right of any Owner of such Series to receive, in any case, such Owner's fractional share of any Base Rental Payment in accordance with such Owner's Certificate.

Any such supplemental agreement shall become effective upon execution and delivery by the parties hereto or thereto, as the case may be, with the Bank's consent, except that the Bank's consent shall not be required in connection with an amendment made under subsection (iv) above.

(b) All amendments, except those specified above, shall require the written consent of at least sixty percent (60%) in aggregate Principal amount of the Certificates of such Series Outstanding, exclusive of Certificates disqualified as provided in Section 7.03 hereof.

**Section 7.02 Procedure for Amendment With Written Consent of Certificate Owners.** This Trust Agreement and the Sublease Agreement may be amended by supplemental agreement as provided in this Section 7.02 in the event the consent of the Owners of the Certificates is required pursuant to Section 7.01(b). A copy of such supplemental agreement, together with a request to the Certificate Owners for their consent thereto, shall be mailed by the Trustee to the Bank and to each Owner of a Certificate at his address as set forth on the Registration Books, but failure to receive copies of such supplemental agreement and request shall not affect the validity of the supplemental agreement when assented to as in this Section 7.02 provided.

Such supplemental agreement shall not become effective unless there shall be filed with the Trustee the written consents of the Owners of at least sixty percent (60%) in aggregate principal amount of the Certificates then Outstanding (exclusive of Certificates disqualified as provided in Section 7.03 hereof), with the Bank's written consent, and a notice shall have been mailed as hereinafter provided in this Section 7.02. Each such consent shall be effective only if accompanied by proof of ownership of the Certificates for which such consent is given, which proof shall be such as is permitted by Section 2.11 hereof. Any such consent shall be binding upon the Owner of the Certificate giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Trustee

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prior to the date when the notice hereinafter provided in this Section 7.02 has been mailed. Any revocation received after such notice has been mailed shall be of no effect.

After the Owners of the required percentage of Certificates and the Bank shall have filed their consents to such supplemental agreement, as applicable, the Trustee shall mail a notice to the Owners of the Certificates in the manner hereinbefore provided in this Section 7.02 for the mailing of such supplemental agreement of the notice of adoption thereof, stating in substance that such supplemental agreement has been consented to by the Owners of the required percentage of Certificates and will be effective as provided in this Section 7.02 (but failure to receive copies of said notice shall not affect the validity of such supplemental agreement or consents thereto). A record, consisting of the papers required by this Section 7.02 to be filed with the Trustee, shall be conclusive proof of the matters therein stated. Such supplemental agreement shall become effective upon the mailing of such last-mentioned notice, and such supplemental agreement shall be deemed conclusively binding upon the parties hereto, the Bank and the Owners of all Certificates at the expiration of sixty (60) days after such mailing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such sixty (60) day period.

**Section 7.03 Disqualified Certificates** Certificates owned or held by or for the account of the respective Obligor or the Authority or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with the respective Obligor or the Authority (except any Certificates held in any pension or retirement fund) shall not be deemed Outstanding for the purpose of any vote, consent, waiver or other action or any calculation of Outstanding Certificates provided for in this Trust Agreement, and shall not be entitled to vote upon, consent to, or take any other action provided for in this Trust Agreement.

**Section 7.04 Effect of Supplemental Agreement** From and after the time any supplemental agreement becomes effective pursuant to this Article IX, this Trust Agreement or the Sublease Agreement, as the case may be, shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and all Owners of Certificates Outstanding, as the case may be, shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any supplemental agreement shall be deemed to be part of the terms and conditions of this Trust Agreement or the Sublease Agreement, as the case may be, for any and all purposes.

The Trustee may require each Certificate Owner, before his consent provided for in this Article IX shall be deemed effective, to reveal whether the Certificates as to which such consent is given are disqualified as provided in Section 7.03 hereof.

**Section 7.05 Endorsement or Replacement of Certificates Delivered After Amendments** The Trustee may determine that Certificates delivered after the effective date of any action taken as provided in this Article IX shall bear a notation, by endorsement or otherwise, in form approved by the Trustee, as to such action. In that case, upon demand on the Owner of any Certificate Outstanding at such effective date and presentation of his Certificate for the purpose at the corporate trust office of the Trustee, a suitable notation shall be made on such Certificate. The Trustee may determine that the delivery of substitute Certificates, so

modified as in the opinion of the Trustee is necessary to conform to such Certificate Owners' action, which substitute Certificates shall thereupon be prepared, executed and delivered. In that case, upon demand on the Owner of any Certificate then Outstanding, such substitute Certificate shall be exchanged at the Principal Office, without cost to such Owner, for a Certificate of the same character then Outstanding, upon surrender of such Outstanding Certificate.

**Section 7.06 Amendatory Endorsement of Certificates.** The provisions of this Article VII shall not prevent any Certificate Owner from accepting any amendment as to the particular Certificates held by him, provided that proper notation thereof is made on such Certificates.

## ARTICLE VIII

### COVENANTS

**Section 8.01 Compliance With and Enforcement of Sublease Agreement.** The respective Obligor covenants and agrees with the Owners of the Certificates and the Bank to perform all obligations and duties imposed on it under the Sublease Agreement. The Authority covenants and agrees with the Owners of the Certificates and the Bank to perform all obligations and duties imposed on it under the Sublease Agreement.

The respective Obligor 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 the Sublease Agreement by the Authority thereunder. The Authority and the respective Obligor, 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 respective Obligor, will deliver the same, or a copy thereof, to the Trustee and the Bank.

**Section 8.02 Observance of Laws and Regulations.** The respective Obligor will well and truly keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on it 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 respective Obligor, including its right to exist and carry on business as a municipal Authority, 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.

**Section 8.03 Prosecution and Defense of Suits.** The Authority and the respective Obligor shall promptly, upon request of the Trustee or any Certificate Owner or the Bank, from time to time take such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Property, whether now existing or hereafter developing and shall prosecute all such suits, actions and other proceedings as may be appropriate for such purpose and shall indemnify and save the Trustee and every Certificate Owner and the Bank harmless from all loss, cost, damage and expense, including attorneys' fees, which they or any of them may incur by reason of any such defect, cloud, suit, action or proceeding.

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**Section 8.04 Recordation and Filing.** The respective Obligor shall record and file, or cause to be recorded and filed, the Lease Agreement, the Sublease Agreement (or a memorandum thereof), the Assignment Agreement and all such documents as may be required by law (and shall take all further actions which may be necessary or be reasonably required by the Trustee or the Bank), all in such manner, at such times and in such places as may be required by law in order fully to preserve, protect and perfect the security of the Trustee, the Bank and the Certificate Owners.

**Section 8.05 Respective Obligor Budgets.** The respective Obligor shall supply to the Trustee and the Bank in each year, on or before \_\_\_\_ of such year, written evidence that the respective Obligor has made adequate provisions in its proposed annual budget for the payment of Base Rental due under the Sublease Agreement in the Fiscal Year covered by such budget at an assumed interest rate equal to the average interest rate applicable to the Sublease Agreement paid in the preceding year plus two percent (2%). Such determination shall be made as soon as practicable after the first publication of any notice of public hearing upon the proposed budget of the respective Obligor and shall be made, in any event, not later than October 1 of each year. The determination given by the respective Obligor to the Trustee shall be that the amounts so budgeted are fully adequate for the payment of all Base Rental due under the Sublease Agreement in the annual period covered by such budget. If the amounts so budgeted are not stated to be or are otherwise not adequate for the payment of Base Rental due under the Sublease Agreement, the Trustee will notify the respective Obligor and the respective Obligor agrees to take such action as may be necessary to cause such annual budget to be amended, corrected or augmented so as to include therein the amounts required to be raised by the respective Obligor in the ensuing Fiscal Year for the payment of Base Rental due under the Sublease Agreement and will notify the Trustee of the proceedings then taken or proposed to be taken by the respective Obligor.

**Section 8.06 Further Assurances.** The Authority and the respective Obligor will make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Trust Agreement and the Sublease Agreement, and for the better assuring and confirming unto the Owners of the Certificates and the Bank the rights and benefits provided herein.

**Section 8.07 Satisfaction of Conditions Precedent.** The respective Obligor hereby certifies, recites and declares that all acts, conditions and things required by the constitution and statutes of the State, the Sublease Agreement and this Trust Agreement to exist, to have happened and to have been performed precedent to and in the delivery of the Certificates, do exist, have happened and have been performed in due time, form and manner as required by law. The respective Obligor hereby certifies that it is authorized to enter into the Sublease Agreement and the Trust Agreement under the Constitution and laws of the State of California for the purpose of leasing certain land and public improvements from the Authority.

**Section 8.08 Covenant to Comply With Future Continuing Disclosure Requirements.** In the event that, following a Conversion Date, the Certificates become subject to Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "Rule"), the respective Obligor hereby covenants to comply with the continuing disclosure requirements of the Rule and will then provide written evidence of its intent to do so.

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## ARTICLE IX

### LIMITATION OF LIABILITY

**Section 9.01 Limited Liability of Respective Obligor.** Except for the payment of Base Rental and Additional Payments when due in accordance with the Sublease Agreement and the performance of the other covenants and agreements of the respective Obligor contained in the Sublease Agreement and this Trust Agreement, the respective Obligor shall have no pecuniary obligation or liability to any of the other parties or to the Owners of the Certificates with respect to this Trust Agreement or the terms, execution, delivery or transfer of the Certificates, or the distribution of Base Rental to the Owners by the Trustee, except as expressly set forth herein.

**Section 9.02 No Liability for Trustee Performance.** Neither the respective Obligor, the Remarketing Agent, the Bank, nor the Authority 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 this Trust Agreement.

**Section 9.03 Indemnification.** The respective Obligor shall and hereby agrees to indemnify and save the Authority, the Trustee, the Tender Agent, the Bank, the Remarketing Agent and their officers, agents, successors and assigns harmless from and against all claims, suits and actions brought against them, or any of them, or to which they, or any of them, are made a party, and from all losses and damages suffered by them as a result thereof, including, but not limited to, attorneys fees and expenses, including where and to the extent such claim, suit or action arises out of the actions of any party to this Trust Agreement including but not limited to the execution and delivery of the certificates or the ownership, operation or use of the Property by the respective Obligor. Such indemnification shall not extend to claims, suits and actions brought against the Trustee, the Tender Agent and the Remarketing Agent arising out of any such party's negligence or willful misconduct. In the event the respective Obligor is required to indemnify the Trustee, the Tender Agent and the Remarketing Agent as herein provided, the respective Obligor shall be subrogated to the extent of amounts paid to the rights of the Trustee to recover such losses or damages from any other person or entity. The obligations of the respective Obligor under this paragraph shall survive the discharge of this Trust Agreement and the Certificates and the resignation or removal of the Trustee under this Trust Agreement and the resignation and removal of the Remarketing Agent under the Remarketing Agreement.

**Section 9.04 Limitation of Rights to Parties, Bank and Certificate Owners.** Nothing in this Trust Agreement or in the Certificates expressed or implied is intended or shall be construed to give any person other than the respective Obligor, the Bank, the Authority, the Trustee, the Tender Agent, the Remarketing Agent and the Owners of the Certificates, any legal or equitable right, remedy or claim under or in respect of this Trust Agreement or any covenant, condition or provision hereof; and all such covenants, conditions and provisions are and shall be for the sole and exclusive benefit of the respective Obligor, the Authority, the Trustee, the Tender Agent, the Bank and said Owners.

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## ARTICLE X

### EVENTS OF DEFAULT AND REMEDIES OF CERTIFICATE OWNERS

**Section 10.01 Assignment of Rights.** With respect to any Series of Certificates, pursuant to respective Assignment Agreement, the Authority has transferred, assigned and set over to the Trustee all of the Authority's rights in and to the respective Sublease Agreement, including without limitation all of the Authority's rights to exercise such rights and remedies conferred on the Authority pursuant to such Sublease Agreement, as may be necessary or convenient (i) to enforce payment of the Base Rental, Additional Payments and any other amounts required to be deposited in the respective Certificate Fund or the Insurance and Condemnation Fund, and (ii) otherwise to exercise the Authority's rights and take any action to protect the interests of the Trustee or the Certificate Owners of such Series or, if applicable, the Bank, in an Event of Default.

**Section 10.02 Remedies.** Subject to Section 10.09 hereof, if an Event of Default shall happen with respect to any Series of Certificates, then and in each and every such case during the continuance of such Event of Default, the Trustee may, and to the extent indemnified to its satisfaction upon request of the Owners as provided in Section 6.02(n) herein shall, exercise any and all remedies available pursuant to law or granted pursuant to the respective Sublease Agreement; provided, however, that notwithstanding anything herein or in such Sublease Agreement to the contrary, there shall be no right under any circumstances to accelerate the maturities of the Certificates of such Series.

**Section 10.03 Application of Funds.** Subject to Section 10.09 hereof, all moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article X with respect to any Series of Certificates or otherwise shall be applied by the Trustee in the order following upon presentation of the several Certificates of such Series, and the execution and delivery of new Certificates of such Series if only partially paid, or upon the surrender thereof if fully paid —

*First*, to the payment of the fees, costs and expenses of the Trustee, the Bank and of the Certificate Owners of such Series in declaring such Event of Default and pursuing remedies (although the Trustee shall have no claim to amounts drawn on the Letter of Credit, to remarketing proceeds or to amounts for the payment of premiums upon an optional prepayment), including reasonable compensation to its or their agents, attorneys and counsel;

*Second*, to the payment of the whole amount then owing and unpaid with respect to the Certificates of such Series for principal and interest, with interest on the overdue principal and installments of interest at a rate per annum equal to the rate then payable with respect to the Certificates of such Series to the extent permitted by law (but such interest on overdue installments of interest shall be paid only to the extent funds are available therefor following payment of principal and interest and interest on overdue principal, as aforesaid), and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid with respect to the Certificates of such Series, then to the payment of such principal and interest without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest; and

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*Third*, to the payment of all amounts owed to the Bank pursuant to the Letter of Credit, the Reimbursement Agreement or this Trust Agreement (other than the amounts set forth in paragraphs "First" or "Second" set forth above).

**Section 10.04 Institution of Legal Proceedings.** Subject to Section 10.09 hereof, if one or more Events of Default shall happen and be continuing with respect to any Series of Certificates,, the Trustee, with the prior written consent of the Bank, in its discretion may, and upon the written request of the Owners of a majority in principal amount of the Certificates of such Series then Outstanding, and upon being indemnified to its satisfaction therefor, shall, with the prior written consent of the Bank, proceed to protect or enforce its rights or the rights of the Owners of Certificates of such Series hereunder by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights or duties hereunder.

**Section 10.05 Non-waiver.** Nothing in this Article X or in any other provision of this Trust Agreement or in the Certificates, shall affect or impair the obligation of the respective Obligor to pay or prepay the Base Rental in accordance with and subject to the terms and provisions of the Sublease Agreement, or affect or impair the right of action, which is also absolute and unconditional, of the Certificate Owners to institute suit to enforce and collect such payment. No delay or omission of the Trustee, the Bank or of any Owner of any of the Certificates to exercise any right or power arising upon the happening of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein, and every power and remedy given by this Article X to the Trustee, the Bank or to the Owners of Certificates may be exercised from time to time and as often as shall be deemed expedient by the Trustee, the Bank or the Certificate Owners.

**Section 10.06 Remedies Not Exclusive.** No remedy herein conferred upon or reserved to the Trustee or to the Certificate Owners is intended to be exclusive of any other remedy, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise.

**Section 10.07 Power of Trustee to Control Proceedings.** Subject to Section 10.09 hereof, in the event that the Trustee, upon the occurrence of an Event of Default with respect to any Series of Certificates,, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the request of the Owners of a majority in principal amount of the Certificates of such Series then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Certificates of such Series, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, without the consent of a majority in aggregate principal amount of the Certificates of such Series Outstanding; provided further, however, that the Owners shall not have such rights so long as the Letter of Credit is in effect.

**Section 10.08 Limitation on Certificate Owners' Right to Sue.** Subject to Section 13.09 hereof, no Owner of any Certificate of a Series executed and delivered hereunder shall

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have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Trust Agreement, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default hereunder; (b) the Owners of at least twenty-five percent (25%) in aggregate principal amount of all the Certificates of such Series then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee reasonable indemnity satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; provided, however, that the Owners shall not have the right to institute any suit, action or proceeding at law or in equity so long as the Letter of Credit is in effect.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Certificates of any remedy hereunder; it being understood and intended that no one or more Owners of Certificates shall have any right in any manner whatever by his or their action to enforce any right under this Trust Agreement, except in the manner herein provided, and that all proceedings at law or in equity with respect to an Event of Default shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding Certificates.

The right of any Owner of any Certificate of any Series to receive payment of said Owner's proportionate interest in the respective Base Rental as the same become due, or to institute suit for the enforcement of such payment, shall not be impaired or affected without the consent of such Owner, notwithstanding the foregoing provisions of this Section or any other provision of this Trust Agreement.

**Section 10.09 Bank's Right to Direct Remedies.** Notwithstanding any other provision of this Trust Agreement to the contrary, the Owners of the Certificates of any Series shall not without the prior written consent or direction of the Bank exercise any remedies under this Trust Agreement or waive any Event of Default hereunder, and the Bank shall have the right to direct the exercising of any remedy under this Trust Agreement. In the event of a conflict between the directions of the Bank and the Owners of the Certificates of any Series, the directions of the Bank shall prevail.

Notwithstanding the foregoing, in the event the Bank shall wrongfully refuse to honor a drawing under the Letter of Credit, the foregoing right, and all rights granted hereunder for the Bank to consent to actions by the respective Obligor or the Trustee, shall be withdrawn and shall be of no further force or effect.

## ARTICLE XI

### MISCELLANEOUS

**Section 11.01 Defeasance.** If and when all Outstanding Certificates of a Series shall be paid and discharged in any one or more of the following ways:

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(a) by well and truly paying or causing to be paid the principal and interest and prepayment premiums (if any) with respect to all Outstanding Certificates of a Series, as and when the same become due and payable; or

(b) as to all Certificates (and only those Certificates) evidencing and representing whereof at a Fixed Rate by depositing with the Trustee, under an escrow deposit and trust agreement, security for the payment of Base Rental with respect to such Series of Certificates more particularly described in the Sublease Agreement, said security to be held by the Trustee to be applied by the Trustee to pay or prepay the Base Rental with respect to such Series the same become due, pursuant to the Sublease Agreement (Certificates evidencing and representing interest at an Adjustable Rate may be prepaid but may not be defeased by establishment of an escrow under this paragraph (b));

Notwithstanding that any such Certificates shall not have been surrendered for payment, all obligations of the Authority, the Trustee and the respective Obligor with respect to all Outstanding Certificates of such Series shall cease and terminate, except only the obligation of the Trustee to pay or cause to be paid, from Base Rental paid by or on behalf of the respective Obligor from funds deposited pursuant to paragraph (b) of this Section, to the Owners of such Certificates not so surrendered and paid all sums due with respect thereto; in the event of deposits pursuant to paragraph (b), such Certificates shall continue to represent direct and proportionate interests of the Owners thereof in Base Rental under the Sublease Agreement and any continuing obligation of the respective Obligor to the Bank under the Reimbursement Agreement; and in the event any amounts remain owing to the Bank, then, notwithstanding payment in full to the Owners as provided above, this Trust Agreement and the Certificates shall not be deemed discharged.

Any funds held by the Trustee, at the time of one of the events described in paragraphs (a) or (b) of this Section, which are not required for the payment to be made to Owners or for any outstanding fees and expenses of the Trustee or the Bank, shall be paid over to the respective Obligor.

**Section 11.02 Records.** The Trustee shall keep complete and accurate records of all moneys received and disbursed by it under this Trust Agreement, which shall be available for inspection by the respective Obligor, the Authority, the Bank and any Owner, or the agent of any of them, at any time during regular business hours with reasonable prior notice.

**Section 11.03 Notices.**

(a) All written notices to be given under this Trust Agreement shall be given by mail or personal delivery to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed to have been received upon actual receipt.

Authority:

**If to the Trustee:** **U.S. Bank National Association**

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One California Street  
Suite 2550  
San Francisco, CA 94111  
Attention: Corporate Trust

If to the Bank: Bank of America, N.A.  
CA9-706-08-06  
555 South Flower Street  
Los Angeles, CA 90071-2385  
Attention: Government Banking Credit Products  
Phone: (213) 345-6916  
Fax: (213) 345-6989

If to the Remarketing Agent: Banc of America Securities LLC  
Municipal Securities Trading and Underwriting  
NC1-005-12-03  
121 West Trade Street, 12<sup>th</sup> Floor  
Charlotte, NC 28255  
Attention: Kenneth Rogers  
Phone: \_\_\_\_\_  
Fax: \_\_\_\_\_

If to any Obligor: To the address specified in the respective Supplemental  
Trust Agreement

If to Moody's: Moody's Investors Service  
99 Church Street  
New York, NY 10007  
Attention: Structured Finance Department  
Phone: (212) 553-0300  
Telecopy: (212) 553-0882

**Section 11.04 Special Notices.** The Trustee or the respective Obligor, as appropriate, shall give written notice to Moody's, if Moody's shall then be rating the Certificates, and S&P, if S&P shall then be rating the Certificates, of any of the following, but only if such party has actual knowledge thereof:

- (i) Any amendment shall be made to this Trust Agreement or the Sublease Agreement;
- (ii) Any resignation or removal of the Remarketing Agent, the Tender Agent or the Trustee;
- (iii) Conversion to the Fixed Rate with respect to any Series of Certificates;
- (iv) Any amendment shall be made in the terms of the Letter of Credit;

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- (v) Expiration or termination of the Letter of Credit;
- (vi) Any prepayment or mandatory tender of Certificates;
- (vii) Any extension or substitution of the Letter of Credit; and
- (viii) Any defeasance.

**Section 11.05 Parties Interested Herein.** Nothing in this Trust Agreement expressed or implied is intended or shall be construed to confer upon, or to give to, any person or entity, other than the respective Obligor, the Authority, the Trustee, the Remarketing Agent, the Bank and the Certificate Owners, any right, remedy or claim under or by reason of this Trust Agreement or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Trust Agreement contained by and on behalf of the respective Obligor shall be for the sole and exclusive benefit of the respective Obligor, the Authority, the Trustee, the Tender Agent, the Remarketing Agent, the Bank and the Certificate Owners.

**Section 11.06 Governing Law.** This Trust Agreement shall be construed and governed in accordance with the laws of the State applicable to contracts made and performed in such State.

**Section 11.07 Binding Effect; Successors.** This Trust Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns. Whenever in this Trust Agreement either the Authority, the respective Obligor, the Remarketing Agent, the Bank or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Trust Agreement contained by or on behalf of the Authority, the respective Obligor, the Remarketing Agent, the Bank or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

**Section 11.08 Execution in Counterparts.** This Trust Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same agreement.

**Section 11.09 Destruction of Cancelled Certificates.** Whenever in this Trust Agreement provision is made for the surrender to or cancellation by the Trustee and the delivery to the respective Obligor of any Certificates, a Obligor Representative may direct the Trustee, in lieu of such cancellation and delivery, to destroy such Certificates as may be allowed by law and deliver a certificate of such destruction to the respective Obligor, unless otherwise requested by the Obligor Representative.

**Section 11.10 Unclaimed Moneys.** Notwithstanding any provisions of this Trust Agreement, any moneys held by the Trustee in trust for the payment of the principal or prepayment price, or interest with respect to, any Certificates appertaining thereto and remaining unclaimed for two years after the date such principal or prepayment price or interest with respect to any of the Certificates become due and payable (whether at maturity or upon call for prepayment as provided in this Trust Agreement), if such moneys were so held at such date, or two years after the date of deposit of such moneys if deposited after said date when the principal or prepayment price, or interest with respect to any of the Certificates became due and payable,

shall be repaid to the respective Obligor, free from the trusts created by this Trust Agreement, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the respective Obligor as aforesaid, the Trustee shall (at the cost of the respective Obligor) first mail to the Owners of any Certificate which has not been paid at the addresses shown on the Registration Books maintained by the Trustee a notice, in such form as may be deemed appropriate by the Trustee, with respect to the Certificates so payable and not presented and with respect to the provisions relating to the prepayment to the respective Obligor of the moneys held for the payment thereof.

**Section 11.11 Waiver of Notice.** Whenever in this Trust Agreement the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

**Section 11.12 Effect of Bank Default.** If the Bank has wrongfully dishonored drawing on the Letter of Credit, or is in default with respect to its obligations under the Letter of Credit, any provision in this Trust Agreement requiring the Bank's approval, right to consent or direct, shall be of no effect.

**Section 11.13 Severability of Invalid Provisions.** In case any one or more of the provisions contained in this Trust Agreement or in the Certificates shall for any reason be held to be invalid; illegal or unenforceable in any respect, then such invalidity, illegality or unenforceability shall not affect any other provision of this Trust Agreement, and this Trust Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The parties hereto hereby declare that they would have entered into this Trust Agreement and each and every other section, paragraph, sentence, clause or phrase hereof and authorized the delivery of the Certificates pursuant thereto irrespective of the fact that any one or more sections, paragraphs, sentences, clauses or phrases of this Trust Agreement may be held illegal, invalid or unenforceable.

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IN WITNESS WHEREOF, the parties have executed this Trust Agreement as of the date and year first above written.

**[NAME OF AUTHORITY]**

By: \_\_\_\_\_  
President

**U.S. BANK NATIONAL ASSOCIATION,**  
as Trustee and Tender Agent

By: \_\_\_\_\_  
Authorized Officer

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**EXHIBIT A**  
**FORM OF LEASE AGREEMENT**

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**EXHIBIT B**  
**FORM OF SUBLEASE AGREEMENT**

**CERTIFICATES OF PARTICIPATION**  
**Evidencing the Fractional Undivided Interests**  
**of the Owners Thereof in Base Rental Payments to be Made by the**

**WESTERN PLACER UNIFIED SCHOOL DISTRICT**  
**to the**  
**[AUTHORITY]**

**CERTIFICATE PURCHASE AGREEMENT**  
**(School Facilities Project), Series 2003**

July , 2003

Western Placer Unified School District

Ladies and Gentlemen:

The undersigned, Banc of America Securities LLC (the "Underwriter"), hereby offers to enter into this Certificate Purchase Agreement (this "Purchase Agreement") with the Western Placer Unified School District (the "District"), for the purchase by the Underwriter of the District's Certificates of Participation (School Facilities Project), Series 2003 (the "Certificates"). This offer is made subject to written acceptance by the District at or prior to 5:00 p.m., California time, on the date set forth above and, if not so accepted, will be subject to withdrawal by the Underwriter upon notice delivered to the District at any time prior to the acceptance hereof by the District. Upon the District's written acceptance of this offer, the Purchase Agreement shall be in full force and effect in accordance with its terms and shall be binding upon the District and the Underwriter. The Underwriter has been authorized to execute this Purchase Agreement and to take any action hereunder by and on behalf of the Underwriter. All capitalized terms used herein not otherwise defined herein shall have the respective meanings ascribed thereto in the Trust Agreement hereinafter described.

Section 1. Purchase and Sale. (a) Upon the terms and conditions and in reliance on the representations, warranties and agreements set forth herein, the Underwriter hereby agrees to purchase from the District, and the District hereby agrees to cause the Trustee (as hereinafter defined) to execute and deliver to the Underwriter, all (but not less than all) of the Certificates in the aggregate principal amount of \$\_\_\_\_\_ at a purchase price of \$\_\_\_\_\_ (the initial principal amount of such Certificates less an underwriter's discount of \$\_\_\_\_\_).

(b) The date of payment for and delivery of the Certificates and the other actions contemplated hereby to take place at the time of such payment and delivery, shall hereinafter be called the "Closing".

(c) The Certificates evidence fractional undivided interests in Base Rental payments ("Base Rental payments") to be made by the District pursuant to a Sublease Agreement, dated as of July 1, 2003 (the "Sublease"), by and between the District and the \_\_\_\_\_ Authority (the "Authority"). The Sublease relates to certain land and improvements of the District (the "Property"). The District will lease the Property to the Authority, pursuant to a Lease Agreement, executed and entered into as of July 1, 2003 (the "Lease Agreement"), by and between the District and the Authority.

Section 2. The Certificates. The Certificates will be described in and will be executed, delivered and secured under and pursuant to a trust agreement dated as of July 1, 2003 (the "Trust Agreement"), by and among the District, the Authority and U.S. Bank National Association, as trustee (the "Trustee"). The Authority will assign all of its rights, title and interest in and to the Sublease, including the right to receive Base Rental to be made by the District under the Sublease, to the Trustee pursuant to an Assignment Agreement, dated as of July 1, 2003 (the "Assignment Agreement"), by and between the Authority and the Trustee.

In connection with the execution and delivery of the Certificates, the District is also entering into a Reimbursement Agreement dated as of July 1, 2003 (the "Reimbursement Agreement") with Bank of America, N.A. (the "Bank") under which the Bank will issue an irrevocable direct-pay letter of credit (the "Letter of Credit") to pay the principal and interest represented by the Certificates and to purchase Certificates in certain circumstances as provided in the Trust Agreement. The District is also entering into a Remarketing Agreement dated as of July 1, 2003 (the "Remarketing Agreement") with Banc of America LLC (the "Remarketing Agent") in order to provide for the remarketing of any Certificates repurchased pursuant to a mandatory or optional tender as provided under the Trust Agreement.

The execution and delivery of the Certificates, the Lease Agreement, the Sublease, the Trust Agreement, the Assignment Agreement, the Reimbursement Agreement and the Remarketing Agreement have been authorized by resolution of the District (the "District Resolution") and resolution of the Authority (the "Authority Resolution"). The Certificates shall be payable and shall be subject to prepayment as provided in the Trust Agreement.

The Lease Agreement, the Sublease, the Trust Agreement, the Assignment Agreement, the District Resolution, the Authority Resolution, the Reimbursement Agreement, the Remarketing Agreement and this Purchase Agreement are collectively referred to herein as the "Legal Documents."

Section 3. Official Statement and Other Documents.

(a) The District has delivered or will deliver to the Underwriter, copies of the Preliminary Official Statement dated July \_\_, 2003 (including all documents incorporated by reference therein) and any amendment or supplement thereto (the "Preliminary Official Statement"), in such quantities as the Underwriter have requested or may hereafter reasonably request.

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(b) The District agrees to deliver to the Underwriter, within seven (7) business days after the date of this Purchase Agreement, copies of the Official Statement, in final form (including all documents incorporated by reference therein) and any amendment or supplement thereto (as supplemented and amended from time to time, the "Final Official Statement"), in such quantities as the Underwriter may reasonably request in order to comply with the obligations of each of the Underwriter pursuant to the rules of the Municipal Securities Rulemaking Board and Rule 15c2-12(b)(4) under the Securities Exchange Act of 1934 (the "Rule").

(c) As soon as practicable following receipt thereof from the District, the Underwriter shall deliver the Final Official Statement, and any supplement or amendment thereto, to a nationally recognized municipal securities information repository (as such term is defined by the Rule).

(d) The District hereby authorizes the approval of the Final Official Statement by execution thereof by a duly authorized officer of the District. By execution of this Purchase Agreement, the District confirms that the Preliminary Official Statement was deemed final for purposes of the Rule on the date thereof, except for the omission of certain pricing, rating and related information as permitted by the Rule. The Preliminary Official Statement and the Final Official Statement are herein collectively referred to as the "Official Statement."

(e) Pursuant to the Rule, the Underwriter shall send no later than the next business day, by first class mail or other equally prompt means, to any potential customer, on request, a single copy of the Final Official Statement from the time the Final Official Statement becomes available until the earlier of: (i) 90 days from the end of the underwriting period, or (ii) the time when the Final Official Statement is available to any person from a nationally recognized municipal securities information repository, but in no case less than 25 days following the end of the underwriting period.

(f) Prior to the earlier of (i) the end of the period during which the Underwriter are obligated to deliver the Final Official Statement in accordance with the Rule or (ii) twenty-five (25) days after the Closing, the District shall provide the Underwriter with such information regarding the District, its current financial condition and ongoing operations as the Underwriter may reasonable request.

(g) The District hereby authorizes the use by the Underwriter of the Legal Documents and the Official Statement, including any supplements or amendments thereto, and the information contained in each of such documents, and all other documents, certificates and statements furnished by the District and the Underwriter, in connection with the public offering and sale of the Certificates. The District consents to the use by the Underwriter prior to the date hereof of the Preliminary Official Statement in connection with the public offering of the Certificates.

Section 4. Closing. At 8:00 a.m., California time, on July \_\_, 2003, or at such other time or on such earlier or later date as may be mutually agreed upon by the

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District and the Underwriter (the "Closing Date"), the District will, subject to the terms and conditions hereof, deliver or cause to be delivered to the Underwriter the duly executed Certificates in book-entry form through the facilities of The Depository Trust Company and the other documents hereinafter mentioned. The Underwriter will accept the delivery of the Certificates and pay the purchase price of the Certificates as set forth in Section 1 hereof by check payable in clearinghouse funds to the order of the Trustee. Delivery and payment as aforesaid shall be made at the offices of O'Melveny & Myers LLP ("Special Counsel") in Los Angeles, California, or such other place as shall have been mutually agreed upon by the District and the Underwriter.

Section 5. Public Offering. It shall be a condition to the District's obligations to sell and deliver the Certificates to the Underwriter and to the Underwriter's obligations to purchase, to accept delivery of and to pay for the Certificates that the entire principal amount of the Certificates shall be executed by the Trustee, sold and delivered by the District and purchased, accepted and paid for by the Underwriter at the Closing. Subject to the terms and conditions hereof, the Underwriter agrees to make a bona fide public offering of all of the Certificates at prices not in excess of the initial public offering prices set forth on Schedule I hereto. The Underwriter reserves the right to change such initial offering prices as the Underwriter shall deem necessary in connection with the marketing of the Certificates and to offer and sell the Certificates to certain dealers (including dealers depositing such Certificates into investment trusts) and others at prices lower than the initial offering prices set forth on the inside of the cover page of the Official Statement. The Underwriter also reserves the right to (i) over allot or effect transactions which stabilize or maintain the market prices of the Certificates at levels above those which might otherwise prevail in the open market and (ii) discontinue such stabilizing, if commenced, at any time.

Section 6. Representations, Warranties and Agreements of the District. The District hereby represents, warrants and agrees as follows:

(a) Due Organization and Authority, Legal, Valid and Binding Obligations. The District is and will be on the Closing Date a school district duly organized and existing pursuant to the Constitution and laws of the State of California, and has all necessary power and authority to adopt the District Resolution and enter into and perform its duties under the Legal Documents to which the District is a party, and, when executed and delivered by the respective parties thereto, such Legal Documents will constitute legal, valid and binding obligations of the District enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, moratorium or other similar laws or equitable principles relating to or limiting creditors' right generally.

(b) No Conflict. The execution and delivery of the Legal Documents to which the District is a party, and compliance with the provisions thereof, have been duly authorized by all necessary official action on the part of the District and will not conflict with or constitute a breach of or default under any law, administrative regulation, court decree, resolution,

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charter, bylaw or any agreement to which the District is subject or by which it is bound or by which its properties may be affected, a consequence of which could be to materially and adversely affect the ability of the District to perform its obligations under the Legal Documents to which it is a party.

(c) No Litigation. To the best knowledge of the District, except as disclosed in the Official Statement, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, or public board or body is pending or threatened against the District, or seeking to restrain or to enjoin the execution, sale or delivery of the Certificates, the payments to be made pursuant to the Sublease, 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, the Legal Documents, any other applicable agreements, or any action of the District contemplated by any of said documents, or in any way contesting the completeness or accuracy of the Official Statement or the powers of the District or its authority with respect to the Certificates, the Legal Documents, any other applicable agreements, or any action of the District contemplated by any of said documents, or which would adversely affect the exclusion of interest paid with respect to the Certificates from gross income for purposes of federal income taxation, or which if determined adversely to the District would have a material and adverse effect upon the District's ability to make the Base Rental payments.

(d) Official Statement Correct and Complete. The Official Statement pertaining to the Certificates has been duly authorized by the District. The information contained in the Preliminary Official Statement as of its date was, and the Official Statement is, true and correct in all material respects and such information (including any financial and statistical data) does not and will not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under they were made, not misleading.

(e) Due Approval of Official Statement Distribution. By official action of the District prior to or concurrently with the execution hereof, the District has duly approved the distribution of the Preliminary Official Statement and the distribution of the Official Statement, and has duly authorized and approved the execution and delivery of, and the performance by the District of the obligations on its part contained in the Legal Documents to which the District is a party and the consummation by it of all other transactions contemplated by the Official Statement and the Legal Documents to which the District is a party, including this Purchase Agreement.

(f) Agreement to Notify Underwriter Regarding Official Statement.

The District will advise the Underwriter promptly of any proposal to amend or supplement the Official Statement and will not effect any such amendment or supplement without the consent of the Underwriter, which consent shall not be unreasonably withheld. The District will advise the Underwriter promptly of the institution of any proceedings known to it seeking to prohibit or otherwise affect the use of the Official Statement in connection with the offering, sale or distribution of the Certificates.

(g) Agreement to Amend Official Statement. If at any time between the date of this Purchase Agreement and up to twenty-five (25) days following the "end of the underwriting period" (as defined in Section 14 hereof) an event occurs, of which the District has knowledge, which might or would cause the information relating to the District, its functions, duties and responsibilities contained in the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the information therein, in the light of the circumstances under which it was presented, not misleading, the District will notify the Underwriter, and if in the reasonable opinion of the Underwriter, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the District will cooperate with the Underwriter in the preparation of an amendment or supplement to the Official Statement in a form and in a manner approved by the Underwriter, provided all expenses thereby incurred will be paid for by the District.

(h) Amendments to Official Statement Correct and Complete. If the information relating to the District, its functions, duties and responsibilities contained in the Official Statement is amended or supplemented pursuant to the immediately preceding paragraph, at the time of each supplement or amendment thereto and (unless subsequently supplemented or amended pursuant to such paragraph) at all times subsequent thereto up to and including the date twenty-five (25) days after the end of the underwriting period, the portions of the Official Statement so supplemented or amended (including any financial and statistical data contained therein) will be true and correct in all material respects and, such information will not contain any untrue or misleading statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading.

(i) Blue Sky Cooperation. The District will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order (1) to qualify the Certificates for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the

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United States as the Underwriter may designate and (2) to determine the eligibility of the Certificates for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualification in effect so long as required for distribution of the Certificates; provided, however, that the District shall not be required to execute a special or general consent to service of process in any jurisdiction in which it is not now so subject or to qualify to do business in any jurisdiction where it is not now so qualified.

(j) No Breach or Default. To the knowledge of the District, the District is not, and at the Closing Date will not be, in breach of or default under any law or administrative rule or regulation of the State of California, the United States of America, or of any department, division, agency or instrumentality of either thereof, or any applicable court or administrative decree or order or any loan agreement, note, bond, resolution, indenture, contract, agreement or other instrument to which the District is a party or is otherwise subject or bound and which would materially impair the ability of the District to perform its obligations under the Legal Documents to which the District is a party.

(k) Approvals and Authorization. To the knowledge of the District, all approvals, consents, authorizations, elections and orders of or filings or registrations with any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to, or the absence of which would materially adversely affect, the performance by the District of its obligations hereunder and under the Legal Documents to which the District is a party and any other applicable agreements, have been obtained and are in full force and effect.

(l) No Action. The District will take no action and will cause no action to be taken that would cause the interest with respect to the Certificates to be includable in gross income for federal income tax purposes.

(m) No Violation of Debt Limitations. The District has not been, is not presently and as a result of the sale and delivery of the Certificates will not be in violation of any debt limitation, appropriation limitation or any other provision of the California Constitution.

(n) No Issuance of Obligations. Between the date hereof and the Closing Date, without the prior written consent of the Underwriter, the District will not have issued any bonds, notes or other obligations for borrowed money on behalf of the District except for such borrowings as may be described in or contemplated by the Official Statement.

(o) No Listing as Bond Issuer. The District has not been notified of any listing or proposed listing by the Internal Revenue Service to the

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effect that the District is a bond issuer whose non-arbitrage certificates may not be relied upon.

(p) Certificates of District Officers. Any certificate signed by any authorized officer of the District and delivered to the Underwriter on or prior to the Closing in connection with the execution, sale and delivery of the Certificates and the execution and delivery of the Legal Documents shall be deemed a representation and warranty by the District to the Underwriter as to the statements made therein but not of the person signing the same.

Section 7. Closing Conditions. The Underwriter has entered into this Purchase Agreement in reliance upon the representations and warranties of the District contained herein, the representations, warranties and agreements to be contained in the documents and instruments to be delivered at the Closing, the performance by the District of its obligations hereunder, and the opinions of Special Counsel, counsel to the Trustee, counsel to the District, and counsel to the Underwriter, described hereafter. Accordingly, the Underwriter's obligations under this Purchase Agreement to purchase, to accept delivery of and to pay for the Certificates shall be conditioned upon and subject to (i) the performance by the District, the Authority and the Trustee of their obligations to be performed hereunder and under such documents and instruments at or prior to the Closing, (ii) the accuracy in all material respects, in the reasonable judgment of the Underwriter, of the representations and warranties of the District herein as of the date hereof and of the time of the Closing and the accuracy in all material respects of the representations, warranties and agreements to be contained in the documents and instruments to be delivered at the Closing as of the time of the Closing, and (iii) shall also be subject to the following additional conditions:

(a) Bring-down of Representations. The representations and warranties of the District contained herein shall be true, complete and correct on the date hereof and on and as of the date of the Closing, as if made on the date of the Closing (the "Closing Date").

(b) Authorization, Execution and Delivery of Documents. As of the Closing Date, the Certificates, the Legal Documents and the Official Statement shall have been duly authorized, executed and delivered by the respective parties thereto, in substantially the forms heretofore submitted to the Underwriter with only such changes as shall have been agreed to in writing by the Underwriter, and said agreements shall be in full force and effect and not have been amended, modified or supplemented, except as may have been agreed to in writing by the Underwriter, and there shall have been taken in connection therewith, with the execution and delivery of the Certificates and with the transactions contemplated thereby and by this Purchase Agreement, all such actions as Special Counsel shall deem to be necessary and appropriate to render the opinion set forth in Appendix C to the Official Statement.

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(c) No Amendment of Official Statement. At the Closing, the Official Statement shall not have been amended, modified or supplemented, except as may have been agreed in writing by the Underwriter.

(d) Closing Documents. On or prior to the Closing Date, the Underwriter shall have received copies of the following documents, in each case satisfactory in form and substance to the Underwriter and its counsel:

(1) Agreements. The Legal Documents, each duly executed and delivered by the respective parties thereto, with such amendments, qualifications or supplements as may have been agreed to in writing by the Underwriter;

(2) Official Statement. The Official Statement duly executed and delivered on behalf of the District by the District Superintendent, with such amendments, qualifications or supplements as may have been agreed to in writing by the Underwriter;

(3) Opinion of Special Counsel. An approving opinion satisfactory to the Underwriter, dated the Closing Date and addressed to the District, of Special Counsel, in substantially the form attached as Appendix C to the Official Statement, together with an opinion of such Special Counsel satisfactory in form and substance to the Underwriter, dated the Closing Date and addressed to the Trustee and the Underwriter, to the effect that such opinion addressed to the District may be relied upon by the Underwriter and the Trustee to the same extent as if such opinion was addressed to them.

(4) Supplemental Opinion of Special Counsel. A supplemental opinion of Special Counsel in form and substance satisfactory to the Underwriter, dated the Closing Date, addressed to the District, the Authority and the Underwriter to the effect that:

(i) Specified Sections of Official Statement Correct and Complete - The statements set forth in the Official Statement under the captions "INTRODUCTION", "THE CERTIFICATES", "TENDER AND PURCHASE OF SERIES A CERTIFICATES", "SOURCE OF AND PAYMENT OF THE CERTIFICATES", "TAX EXEMPTION" and "Appendix B - Summary of Principal Legal Documents" insofar as such statements purport to summarize certain provisions of the Certificates, the Trust Agreement, the Sublease, the Lease Agreement, the Assignment Agreement, the Remarketing Agreement and the Reimbursement Agreement and such counsel's opinion concerning certain federal tax matters relating to the Certificates, are accurate in all material respects; and

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(ii) Due Authorization, Execution and Delivery:  
Legal Valid and Binding Agreement - This Purchase Agreement has been duly authorized, executed and delivered by the District and, assuming due authorization and execution thereof by the Underwriter, constitutes a legal, valid and binding obligation of the District, enforceable against the District, in accordance with its terms, except as limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally and that the enforceability of the Purchase Agreement is subject to the effect of general principles of equity including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief, regardless of whether considered a proceeding in equity or at law.

(5) Opinion of Counsel to the District. An opinion reasonably satisfactory to the Underwriter, dated the Closing Date and addressed to the District, of O'Melveny & Myers LLP, Special Counsel, in substantially the form attached as Appendix C to the Official Statement, together with an opinion of such counsel reasonably satisfactory in form and substance to the Underwriter, dated the Closing Date and addressed to the Trustee and the Underwriter, to the effect that such opinion addressed to the District may be relied upon by the Underwriter and the Trustee to the same extent as if such opinion was addressed to them, together with an additional supplemental opinion in a form reasonably acceptable to the Underwriter, dated the Closing Date to the effect that:

(i) Official Statement - The statements and information contained in the Official Statement on the cover page relating to tax exemption and description of the Certificates and the statements contained in the Official Statement under the captions "INTRODUCTION," "THE CERTIFICATES," "SOURCE OF PAYMENT OF THE CERTIFICATES," "TAX EXEMPTION" AND "APPENDIX B - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS," taken together to the extent they purport to summarize the Certificates, the Legal Documents and the final opinion of such counsel, present a fair and accurate summary of such documents and the final opinion of such counsel for purposes of use in the Official Statement;

(ii) Official Statement - Based upon information made available to such counsel in the course of such counsel's participation in the transaction and without having undertaken to determine independently or assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Official Statement, nothing has come to such counsel's attention which has led such counsel to believe

that the Official Statement (excluding therefrom information under the captions “\_\_\_\_\_” and “\_\_\_\_\_” and the financial statements, and the financial and statistical data included in the Official Statement, as to which no opinion need be expressed) contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading in any material respect; and

(iii) Exemption from Registration – The Certificates are exempt from registration pursuant to the Securities Act of 1933, as amended, and the Trust Agreement is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

(6) Opinion of Counsel to the Authority. An opinion of O’Melveny & Myers LLP, special counsel to the Authority, addressed to the Underwriter, dated the Closing Date to the effect that:

(i) Due Organization and Existence – The Authority is duly organized and validly existing as a joint powers authority under the laws of the State of California and is possessed of full power to lease real and personal property;

(ii) Full Right and Lawful Authority - The Authority has full right and lawful authority to execute and deliver to the Legal Documents, and such documents have been duly authorized, executed and delivered by and on behalf of the Authority and are legally valid and binding obligations of the Authority enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or limiting creditors’ rights generally (including, without limitation, fraudulent conveyance laws) and by general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law.

(7) Opinion of Counsel to Trustee. An opinion, satisfactory in form and substance to the Underwriter, of counsel to the Trustee, dated the Closing Date and addressed to the Underwriter, the District and the Authority, to the effect that:

(i) Due Organization and Existence - The Trustee is a duly organized and validly existing banking Authority

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in good standing under the laws of the State of California and has full power and authority to undertake the trust of the Trust Agreement and enter into the Assignment Agreement and the Continuing Disclosure Certificate

(ii) Corporate Action - The Trustee has duly authorized, executed and delivered the Trust Agreement, the Assignment Agreement and the Continuing Disclosure Certificate and by all proper corporate action has authorized acceptance of the duties of the Trustee under of the Trust Agreement, the Assignment Agreement and the Continuing Disclosure Certificate and has authorized in such capacity the execution and delivery of the Certificates;

(iii) Due Authorization, Execution and Delivery - Assuming the corporate power and legal authority of, and the due authorization, execution and delivery by the other parties to the Legal Documents, the Trust Agreement, Assignment Agreement and Continuing Disclosure Certificate are valid, legal and binding obligations of the Trustee, enforceable against the Trustee in accordance with their terms, except as enforcement may be limited by bankruptcy, insolvency, moratorium, reorganization or other similar laws or equitable principles relating to or limiting creditors' rights generally;

(iv) Execution and Delivery of Certificates - The Certificates have been validly authorized, executed and delivered by the Trustee pursuant to direction from the District;

(8) District Certificate. A certificate, dated the Closing Date and signed by the Superintendent of the District or such other director or officer of the District as the Underwriter may approve, to the effect that:

(i) Representations and Warranties - To the best knowledge of such person, the representations and warranties of the District contained herein are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date;

(ii) Official Statement - To the best knowledge of said individual, no event has occurred since the date of the Official Statement affecting the District which should be disclosed in the Official Statement for the purpose for which it is to be used or which it is necessary to be disclosed therein in order to make the

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statements made, in light of the circumstances under which they were made, not misleading in any material respect;

(iii) Complied with All Agreements - The District has complied with all agreements and satisfied all the conditions on its part to be performed or satisfied at or prior to the Closing Date under this Purchase Agreement, the District Resolution, the Legal Documents and the Official Statement;

(iv) No Litigation - To the best of such official's knowledge, no litigation is pending or threatened (either in state or federal courts): (a) seeking to restrain or enjoin the execution, sale or delivery of any of the Certificates, (b) in any way contesting or affecting the authority for the execution, sale or delivery of the Certificates or execution and delivery of the Legal Documents, or this Purchase Agreement, or (c) in any way contesting the existence or powers of the District; and

(v) No Untrue or Misleading Statements - The information contained in the Official Statement pertaining to the District is true and correct and does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading in any material respect.

(9) Authority Certificate. A certificate of the Authority, dated the Closing Date and signed by a duly authorized official of the Authority, to the effect that:

(i) Complied with All Agreements - The Authority has complied with all agreements and satisfied all the conditions on its part to be performed or satisfied at or prior to the Closing Date under the Authority Resolution and the Legal Documents to which it is a party; and

(iii) No Litigation - To the best of such official's knowledge, no litigation is pending or threatened (either in state or federal courts): (a) seeking to restrain or enjoin the execution, sale or delivery of any of the Certificates, (b) in any way contesting or affecting the authority for the execution, sale or delivery of the Certificates or execution and delivery of the Legal Documents, or this Purchase Agreement, or (c) in any way contesting the existence or powers of the Authority; and

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(10) Trustee Certificate. A certificate of the Trustee dated the Closing Date, signed by a duly authorized officer of the Trustee, in form and substance satisfactory to the Underwriter, to the effect that:

(i) Due Organization and Existence - The Trustee is a banking Authority duly organized and in good standing under the laws of the United States of America and has all necessary power and authority to enter into and perform its duties under the Trust Agreement, the Assignment Agreement and the Continuing Disclosure Certificate;

(ii) Corporate Action - The Trustee is duly authorized to enter into the Trust Agreement, Assignment Agreement and Continuing Disclosure Certificate and to execute and deliver the Certificates to the Underwriter pursuant to the terms of the Trust Agreement and, when executed by the other parties thereto, the Trust Agreement, Assignment Agreement and the Continuing Disclosure Certificate will constitute legal, valid and binding obligations of the Trustee enforceable in accordance with their terms;

(iii) Execution and Delivery of Certificates - The Certificates have been duly executed and delivered to the Underwriter pursuant to direction from the District;

(iv) No Breach or Default - The Trustee is not in breach of or default under any law or administrative rule or regulation of the United States of America or of any department, division, agency or instrumentality thereof, or any applicable court or administrative decree or order, or any other instrument to which the Trustee is a party or is otherwise subject or bound and which would materially impair the ability of the Trustee to perform its obligations under the Trust Agreement, Assignment Agreement and Continuing Disclosure Certificate; provided, however, that the Trustee need not certify to compliance with any federal or state securities laws;

(v) No Litigation - No action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, is pending or, to the best of its knowledge, threatened in any way affecting the existence of the Trustee or the titles of its directors or officers to their respective offices, or seeking to restrain or enjoin the execution, sale or delivery of the Certificates, 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; and

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(vi) No Conflict - The execution and delivery by the Trustee of Trust Agreement, Assignment Agreement and Continuing Disclosure Certificate, and compliance with the terms thereof will not, in any material respect, conflict with, or result in a violation or breach of, or constitute a default under, any loan agreement, indenture, bond, note, resolution or any other agreement or instrument to which the Trustee is a party or by which it is bound, or any law or any rule, regulation, order or decree of any court or governmental agency or body having jurisdiction over the Trustee or any of its activities or properties, or (except with respect to the lien of the Trust Agreement) result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Trustee.

(11) Trustee Resolution. Certified copies of the general resolution of the Trustee authorizing the execution and delivery of certain documents by certain officers of the Trustee, which resolution authorizes the execution and delivery of the Certificates and the Trust Agreement;

(12) District Resolution. Certified copies of the District Resolution;

(13) Authority Resolution. Certified copies of the Authority Resolution;

(14) Letter of Credit. An executed copy of the Letter of Credit;

(15) Certificate of Bank. A certificate of the Bank in form and substance satisfactory to Special Counsel and the Underwriter;

(16) Opinion of Bank Counsel. An opinion of counsel to the Bank addressed to the District, the Authority and the Underwriter in form and substance satisfactory to Special Counsel and the Underwriter;

(17) Nonarbitrage Certificate. A nonarbitrage certificate in form satisfactory to Special Counsel;

(18) IRS Form 8038-G. Internal Revenue Service Form 8038-G, executed by an authorized officer of the District;

(19) Ratings. Evidence from Moody's Investors Service and Standard & Poor's Ratings Group that the Certificates have been rated "\_\_\_" and "\_\_\_", respectively;

(20) Insurance. Evidence that the insurance required by the Sublease is in full force and effect;

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(21) Title Insurance. Evidence that Chicago Title Company is prepared to issue an CLTA policy insuring the District and Authority's respective interests in the Property; and

(22) Miscellaneous. Such additional legal opinions, certificates, proceedings, instruments and other documents as Special Counsel or counsel for the Underwriter may reasonably request to evidence compliance with legal requirements, the truth and accuracy, as of the time of Closing, of the representations and warranties contained herein, in the Legal Documents and in the Official Statement and the due performance or satisfaction by the Trustee, the Authority and the District at or prior to such time of all agreements then to be performed and all conditions then to be satisfied.

(e) All matters relating to this Purchase Agreement, the Certificates and the sale thereof, the Official Statement, the Legal Documents and the consummation of the transactions contemplated by this Purchase Agreement shall have been approved by the Underwriter and counsel for the Underwriter, such approval not to be unreasonably withheld.

If the District and the Authority shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Certificates contained in this Purchase Agreement, or if the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Certificates shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement shall terminate and neither the Underwriter, the District nor the Authority shall be under any further obligation hereunder, except that the respective obligations of the District, the Authority and the Underwriter set forth in Sections 9 and 11 hereof shall continue in full force and effect.

Section 8. Termination. The Underwriter shall have the right to terminate their obligations under this Purchase Agreement to purchase, to accept delivery of and to pay for the Certificates by notifying the District of their election to do so if, between the date hereof and the Closing Date, the market price or marketability, at the initial offering prices set forth in the Official Statement, of the Certificates has been materially adversely affected in the reasonable judgment of the Underwriter by reason of any of the following:

(a) Legislation, Judicial Decisions or Rulings. An amendment to the Constitution of the United States or the constitution of the State of California shall have been passed or legislation enacted or introduced in the Congress or recommended for passage by the President of the United States, or a decision rendered by a court established under Article III of the Constitution of the United States or by the United States Tax Court with any of the effects listed in clauses (i), (ii), (iii) or (iv) below, or an order, ruling, regulation (final, temporary or proposed) or official statement issued or made:

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(i) by or on behalf of the United States Treasury Department, or by or on behalf of the Internal Revenue Service, with the purpose or effect, directly or indirectly, of imposing federal income taxation upon payments of the general character of the Base Rental payments as would be received by the Authority or the Trustee or upon such interest as would be received by the Owners of the Certificates; or

(ii) by or on behalf of the State of California or the California Franchise Tax Board, with the purpose or effect, directly or indirectly, of imposing California personal income taxation upon payments of the general character of the Base Rental payments as would be received by the Authority or the Trustee or upon such interest as would be received by the Owners of the Certificates; or

(iii) by or on behalf of the Treasury Department of the United States or the Internal Revenue Service or by or on behalf of the State of California or the California Franchise Tax Board, with the purpose or effect, directly or indirectly, of changing the federal or State of California income tax rates, respectively; or

(iv) by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction over the subject matter thereof, to the effect that the Certificates, or obligations of the general character of the Certificates, including any and all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended, or the Trust Agreement is not exempt from qualifications under the Trust Indenture Act of 1939, as amended;

(b) War. The declaration of war or engagement in major military hostilities by the United States or the occurrence of any other national emergency or calamity relating to the effective operation of the government or the financial community in the United States;

(c) Banking Moratorium. The declaration of a general banking moratorium by federal, New York or California authorities, or the general suspension of trading on any national securities exchange;

(d) Securities Exchange Restrictions. The imposition by the New York Stock Exchange, other national securities exchange, or any governmental authority, of any material restrictions not now in force with respect to the Certificates, or obligations of the general character of the Certificates or the material increase of any such restrictions now in force, including those relating to the extension of credit by, or the charge to the net capital requirements of, underwriters;

(e) Changes to Federal Securities Law. An order, decree or injunction of any court of competent jurisdiction, or order, filing, regulation or

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official statement by the Securities and Exchange Commission, or any other governmental agency having jurisdiction over the subject matter thereof, issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Certificates, including any or all underlying obligations, as contemplated hereby or by the Official Statement, is or would be in violation of any federal securities law as amended and then in effect;

(f) Amendment to Federal or State Constitution. Any amendment to the federal or California Constitution or action by any federal or California court, legislative body, regulatory body or other authority materially adversely affecting the tax status of the District, its property, income, securities (or interest thereon) or the validity or enforceability of the Certificates;

(g) Official Statement Untrue or Incomplete. Any event occurring, or information becoming known which, in the reasonable judgment of the Underwriter, makes untrue in any material adverse respect any statement or information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading;

(h) Certain Amendments to the Official Statement. An event described in Section 6(h) hereof occurs prior to the Closing which, in the reasonable judgment of the Underwriter, requires or has required a supplement or amendment to the Official Statement; or

(i) Action by Rating Agencies. Any downgrading, suspension or withdrawal, or any official statement as to a possible downgrading, suspension or withdrawal, of any rating by Moody's Investors Service or Standard & Poor's Ratings Group or Fitch Investors Service of any obligations of the District (excluding obligations for which the District acts merely as a conduit issuer), including the Certificates.

Section 9. Expenses. All expenses and costs of the District incident to the performance of its obligations in connection with the authorization, execution, sale and delivery of the Certificates to the Underwriter, including, but not limited to, printing costs, fees of the Trustee, fees and expenses of the consultants, and fees and expenses of Special Counsel shall be paid by the District, and the Underwriter shall have no liability for the payment of such amounts whether or not the Certificates are executed and delivered. All out-of-pocket expenses of the Underwriter, including the California Debt Advisory Commission fee, fees of its counsel, travel and other expenses (except travel expenses incurred in connection with securing ratings and/or bond insurance for the Certificates), shall be paid by the Underwriter and the District shall not have any liability

for the payment of such amounts whether or not the Certificates are executed and delivered.

Section 10. Notices. Any notice or other communication to be given to a party under this Purchase Agreement may be given by delivering the same in writing by mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other parties in writing from time to time, namely:

- (a) If to the District: Western Placer Unified School District  
810 J St.  
Lincoln, CA 95648  
Att: Superintendent

5.152

(b) If to the Authority:

(c) If to the Underwriter: Banc of America Securities LLC  
300 South Grand Avenue, CA9-704-19-19  
Los Angeles, California 90071  
Attention: Scott Gorzeman

Section 11. Parties in Interest. This Purchase Agreement is made solely for the benefit of the District, the Authority and the Underwriter (including successors or assigns of the Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof.

Section 12. Governing Law. This Purchase Agreement shall be governed by the laws of the State of California.

Section 13. Entire Agreement. This Purchase Agreement when accepted by you in writing as heretofore specified shall constitute the entire agreement between us and is made solely for the benefit of the District and the Underwriter (including the successors or assigns thereof). No other person shall acquire or have any right hereunder or by virtue hereof.

Section 14. Determination of Underwriting Period. The term "end of the underwriting period" means such time as the Underwriter no longer retain, directly or as a member or an underwriting syndicate, an unsold balance of the Certificates for sale to the public. Unless the Underwriter gives notice to the contrary, the "end of the underwriting period" shall be deemed the date of the Closing. Any notice delivered pursuant to this Section shall be written notice, delivered to the District and the Authority at or prior to the Closing, and shall specify a date, other than the date of the Closing (or other date specified by notice delivered pursuant to this section), to be deemed the "end of the underwriting period."

Section 15. Counterparts. This Purchase Agreement may be executed in any number of counter parts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

Section 16. Headings. The headings of the sections of this Purchase Agreement are inserted for convenience only and shall not be deemed to be a part hereof.

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Section 17. Effectiveness. This Purchase Agreement shall become effective upon the acceptance hereof by the authorized officer, the District or his or her designee and shall be valid and enforceable at the time of such acceptance and acknowledgment.

[Remainder of page intentionally left blank]

5.164

LLC,

Very truly yours,

**BANC OF AMERICA SECURITIES**

as Underwriter

By \_\_\_\_\_  
Title: \_\_\_\_\_

Accepted this \_\_\_\_th day  
of July, 2003

**WESTERN PLACER UNIFIED SCHOOL DISTRICT**

By \_\_\_\_\_  
Superintendent

5.155

## SCHEDULE I

### Certificates of Participation

Maturity ( <u>  1  </u> )	<u>Series A</u>	Interest
	Principal <u>Amount</u>	<u>Rate</u>
	\$	Adjustable Rate

5.156



IRREVOCABLE LETTER OF CREDIT

BANK OF AMERICA, N.A.

333 South Beaudry Avenue  
Los Angeles, California 90017

\_\_\_\_\_, 2003

Irrevocable Transferable Letter of Credit No. \_\_\_\_\_

U.S. Bank National Association, as Trustee  
550 South Hope Street, Suite 500  
Los Angeles, California 90071

Attention: Corporate Trust Administration

Dear Sirs:

We hereby establish, at the request and for the account of the Western Placer Unified School District (the "District"), in your favor, as Trustee under the Trust Agreement dated as of \_\_\_\_\_ 1, 2003 (the "Trust Agreement"), among the District, the California Public School District Financing Authority and you, pursuant to which \$\_\_\_\_\_ in aggregate principal amount of the California Public School District Financing Authority Variable Rate Demand Certificates of Participation, 2003 Series \_\_\_\_ (the "Certificates"), have been executed and delivered, our Irrevocable Letter of Credit No. \_\_\_\_\_, in the amount of \$\_\_\_\_\_ (as more fully described below, the "Stated Amount"), effective immediately and expiring at the close of banking business at our Los Angeles, California office hereinafter referred to on \_\_\_\_\_, 200\_\_ (the "Stated Expiration Date") or such earlier date, in accordance with the Trust Agreement and as hereinafter described. Of the total amount of this Letter of Credit, (i) \$\_\_\_\_\_ shall support the payment of principal of the Certificates, and (ii) \$\_\_\_\_\_ shall support the payment of up to 49 days' Interest with Respect to the Certificates computed at 12% per annum on the principal thereof, calculated on the basis of a 365 day year.

We hereby irrevocably authorize you to draw on us, an aggregate amount not to exceed the amount of this Letter of Credit set forth above and in accordance with the terms and conditions and subject to the reductions in amount as hereinafter set forth, (1) in one or more drawings (subject to the provisions contained in the next following paragraph) by your draft, accompanied by your written and completed certificate signed by you in the form of **Annex A** attached hereto (such draft accompanied by such certificate being your "**Interest Draft**"), each in an amount not exceeding \$\_\_\_\_\_; (2) in one or more drawings by one or more of your drafts, accompanied by your written and completed certificate signed by you in the form of **Annex B** attached hereto (any such draft accompanied by such certificate being your "**Tender Draft**"), an aggregate amount not exceeding the Stated Amount; (3) in a single drawing by your draft, accompanied by your written and completed certificate signed by you in the form of **Annex C** attached hereto (any such draft

accompanied by such certificate being your "**Partial Prepayment Draft**"), an aggregate amount not exceeding the Stated Amount; and (4) in a single drawing by your draft, accompanied by your written and completed certificate signed by you in the form of **Annex D** attached hereto (such draft accompanied by such certificate being your "**Final Draft**"), an amount not exceeding the Stated Amount. All such drafts shall be drawn on our Los Angeles, California office hereinafter referred to and shall be payable at sight on a Banking Day. Banking Day shall mean a day other than a Saturday, Sunday or other day on which commercial banks are authorized to close, or are in fact closed, in the state of California.

Amounts drawn under this Letter of Credit by your Interest Draft under clause (1) of the immediately preceding paragraph shall be automatically reinstated on the 8th calendar date from the date of such drawing if you shall not have received, within 7 calendar days from the date of such drawing, a notice from us in the form set forth as **Annex H** to the effect that we have not been reimbursed for such drawing and accrued interest thereon. This automatic reinstatement of the amount available to be drawn by your Interest Draft shall be applicable to successive drawings by your Interest Drafts under clause (1) of the immediately preceding paragraph, so long as this Letter of Credit shall not have terminated as set forth below.

Upon our honoring any Tender Draft or Partial Prepayment Draft, the Stated Amount available to be drawn under this Letter of Credit by any subsequent Tender Draft, Partial Prepayment Draft and Final Draft shall be automatically reduced by an amount equal to the amount of such Tender Draft or Partial Prepayment Draft. The Stated Amount from time to time available to be drawn under this Letter of Credit shall be reinstated when and to the extent, but only when and to the extent, that we are reimbursed by the District, or by you or the Tender Agent on behalf of the District, for amounts drawn by any Tender Drafts and interest thereon in accordance with the Reimbursement Agreement. Any amount received by us from or on behalf of the District in reimbursement of amounts drawn hereunder shall be applied to the extent of the amount indicated therein to reimburse us for amounts drawn hereunder by your Tender Drafts, and accrued interest thereon, when we shall also have received a written, completed and signed certificate in substantially the form of **Annex E** attached hereto.

The amount available to be drawn under this Letter of Credit shall be permanently reduced upon our receipt of your written, completed and duly executed certificate in the form of **Annex F** attached hereto (relating to a prepayment or defeasance of less than all the Certificates outstanding), to the respective amounts stated in said certificate.

Funds under this Letter of Credit are available to you against your draft referring thereon to the number of this Letter of Credit and accompanied by the corresponding written and completed certificate signed by you in the form of the appropriate Annex attached hereto. Each such draft and certificate shall be dated the date of its presentation, and shall be presented at our office located at 333 South Beaudry Avenue, 19th Floor, Los Angeles, California 90017, Attention: Letter of Credit Department, (or at any other office which may be designated by us by written notice delivered to you) on or before 10:00 a.m. (Los Angeles time) on the day (which shall be a Banking Day) of our making funds available to you hereunder.

If we receive any of your drafts and certificates in the form of **Annex A**, **Annex C** or **Annex D** at such office (with notice by telephone at (213) 345-6632 to be received prior to or

concurrently with receipt of such drafts and certificates), all in conformity with the terms and conditions of this Letter of Credit, not later than 10:00 a.m. (Los Angeles time) on a Banking Day prior to the termination hereof, we will honor the same not later than 11:00 a.m. (Los Angeles time) on the next Banking Day in accordance with your payment instructions. If we receive any of your drafts and certificates at such office, all in strict conformity with the terms and conditions of this Letter of Credit, after 10:00 a.m. (Los Angeles time) on a Banking Day prior to the termination hereof, we will honor the same not later than 11:00 a.m. (Los Angeles time) on the second succeeding Banking Day in accordance with your payment instructions.

If we receive any of our drafts and certificates in the form of **Annex B** at such office (with notice by telephone at (213) 345-6632 to be received prior to or concurrently with receipt of such drafts and certificates), all in conformity with the terms and conditions of this Letter of Credit, not later than 9:00 a.m. (Los Angeles time) on a Banking Day prior to the termination hereof, we will honor the same not later than 11:30 a.m. (Los Angeles time) on the same day in accordance with your payment instructions. If we receive any of your drafts and certificates at such office, all in strict conformity with the terms and conditions of this Letter of Credit, after 9:00 a.m. (Los Angeles time) on a Banking Day prior to the termination hereof, we will honor the same not later than 11:00 a.m. (Los Angeles time) on the next succeeding Banking Day in accordance with your payment instructions.

Your drafts and certificates may be presented to us by telecopier if sent to telecopier number (213) 345-6694 (or to such other number as may be designated by us by written notice delivered to you).

If requested by you, payment under this Letter of Credit may be made by wire transfer of Federal Reserve Bank of San Francisco funds to your account or to an account designated in writing by you in a bank on the Federal Reserve wire system or by deposit of same day funds into a designated account that you maintain with us. We will honor any drawing hereunder with payment of our own funds.

Upon the earliest of (i) our honoring your Final Draft presented hereunder, (ii) the close of business on the effective date notified to us by written notice from you of purchase of the Certificates upon mandatory tender thereof pursuant to Sections 4.04(a) or 4.04(b) of the Trust Agreement, (iii) the date on which we receive written notice from you that there are no longer any Certificates "outstanding" (as defined in the Trust Agreement), and (iv) the Stated Expiration Date, this Letter of Credit shall automatically terminate.

Except as otherwise expressly stated herein, this Letter of Credit is subject to the Uniform Customs and Practices for Documentary Credits (1993 Revision), International Chamber of Commerce, publication No. 500 (the "UCP"). As to matters not covered by the UCP, and to the extent not inconsistent with the UCP, this Letter of Credit shall be governed by and construed in accordance with the laws of the State of California.

This Letter of Credit is transferable in its entirety (but not in part) to any transferee who you certify to us has succeeded you as Trustee under the Trust Agreement. This Letter of Credit may be successively transferred. Transfer of the available balance under this Letter of Credit to such transferee shall be effected by the presentation to us of this Letter of Credit accompanied by a

certificate in substantially the form of **Annex G** attached hereto and upon payment of our transfer fee in the amount of \$1,000. Upon such presentation, we shall forthwith transfer the same to your transferee or, if so requested by your transferee, issue a letter of credit to your transferee with provisions therein consistent with this Letter of Credit.

This Letter of Credit sets forth in full our undertaking, and such undertaking shall not in any way be modified, amended, amplified or limited by reference to any document, instrument or agreement referred to herein (including, without limitation, the Certificates), except only the certificates and the drafts referred to herein; and any such reference shall not be deemed to incorporate herein by reference any document, instrument or agreement except for such certificates and such drafts.

Communications with respect to this Letter of Credit shall be in writing and shall be addressed to us at 333 South Beaudry Avenue, 19th Floor, Los Angeles, California 90017, Attention: Letter of Credit Department, specifically referring to the number of this Letter of Credit.

Very truly yours,

BANK OF AMERICA, N.A.

By: \_\_\_\_\_  
[Name and Title]

**Annex A to Letter of Credit**

Certificate for Drawing in Connection with the Payment of Interest  
With Respect to the California Public School District Financing Authority  
Variable Rate Demand Certificates of Participation  
2003 Series \_\_\_\_ (the "Certificates")

Irrevocable Letter of Credit No. \_\_\_\_\_

The undersigned, a duly authorized signatory of the undersigned Trustee (the "Trustee"), hereby certifies to Bank of America, N.A. (the "Bank"), with reference to Irrevocable Letter of Credit No. \_\_\_\_\_ (the "Letter of Credit," the terms defined therein and not otherwise defined herein being used herein as therein defined) issued by the Bank in favor of the Trustee, as follows:

(1) The Trustee is the Trustee under the Trust Agreement for the holders of the Certificates.

(2) The Trustee is making a drawing under the Letter of Credit pursuant to Section 5.06(a)(i) of the Trust Agreement with respect to a payment of interest accrued on the Certificates, which payment is due on the next Banking Day after the date on which this Certificate and the Interest Draft it accompanies are presented to the Bank.

(3) [The Interest Draft accompanying this Certificate is the first Interest Draft presented by the Trustee under the Letter of Credit.]\* [The Interest Draft last presented by the Trustee under the Letter of Credit was honored and paid by the Bank on \_\_\_\_\_, 200\_\_, and the Trustee has not received a notice from the Bank that the Bank has not been reimbursed.]\*\* [The Interest Draft accompanying this Certificate is the final draft to be drawn under the Letter of Credit with respect to interest and upon the honoring of such draft the Letter of Credit will expire in accordance with its terms and the Trustee will thereupon surrender the Letter of Credit to the Bank.]\*\*\*

(4) The amount of the Interest Draft accompanying this Certificate is \$\_\_\_\_\_, it was computed in compliance with the terms and conditions of the Certificates and the Trust Agreement, and does not include any amount of interest which is included in any Tender Draft, Partial Prepayment Draft or Final Draft presented on or prior to the date of this Certificate.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the  
\_\_ day of \_\_\_\_, 200\_\_.

U.S. BANK NATIONAL ASSOCIATION,  
as Trustee

\_\_\_\_\_  
[Name and Title]

\* To be used in the Certificate relating to the first Interest Draft only.

\*\* To be used in each Certificate relating to each Interest Draft other than the first  
Interest Draft.

\*\*\* To be used in the Certificate relating to the final Interest Draft only.

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**Annex B to Letter of Credit**

Certificate for Drawing in Connection with the Payment of Principal  
and Interest for Purchase of Certificates upon Optional Tender or Mandatory Tender  
of the California Public School District Financing Authority  
Variable Rate Demand Certificates of Participation  
2003 Series \_\_ (the "Certificates")

Irrevocable Letter of Credit No. \_\_\_\_\_

The undersigned, a duly authorized signatory of the undersigned Trustee (the "Trustee"), hereby certifies to Bank of America, N.A. (the "Bank"), with reference to Irrevocable Letter of Credit No. \_\_\_\_\_ (the "Letter of Credit", the terms defined therein and not otherwise defined herein being used herein as therein defined) issued by the Bank in favor of the Trustee, as follows:

(1) The Trustee is the Trustee under the Trust Agreement for the holders of the Certificates.

(2) The Trustee is making a drawing under the Letter of Credit with respect to the purchase price of Certificates corresponding to the principal amount of, and accrued and unpaid Interest with respect to, the Certificates upon [an optional tender of all or less than all] [a mandatory tender of all] of the Certificates "outstanding" (as defined in the Trust Agreement) in accordance with Section 5.06(c) of the Trust Agreement, other than Bank Certificates (as defined in the Trust Agreement) and Certificates registered in the name of the District or the Corporation, to be purchased as a result of a tender pursuant to the terms of Section [4.05 of the Trust Agreement] [Section 4.04(a) of the Trust Agreement relating to a mandatory tender on the Conversion Date] [Section 4.04(b) of the Trust Agreement relating to a mandatory tender in connection with delivery of a Substitute Security], which payment is due on the date on which this Certificate and the Tender Draft it accompanies are being presented to the Bank.

(3) The amount of the Tender Draft accompanying this Certificate is equal to the sum of (i) \$\_\_\_\_\_ being drawn in respect of the payment of unpaid principal of Certificates (other than Bank Certificates and Certificates registered in the name of the District or the Corporation) to be purchased as a result of a tender and (ii) \$\_\_\_\_\_ being drawn in respect of the payment of accrued and unpaid interest with respect to such Certificates, and does not include any amount of interest which is included in any Interest Draft, Partial Prepayment Draft or Final Draft presented on or prior to the date of this Certificate.

(4) The amount of the Tender Draft accompanying this Certificate was computed in compliance with the terms and conditions of the Certificates and the Trust Agreement and does not exceed the amount available to be drawn by the Trustee under the Letter of Credit.

The Trustee acknowledges that, pursuant to the terms of the Letter of Credit, upon the Bank's honoring of the Tender Draft accompanying this Certificate, the amount of the Letter of Credit and the amounts available to be drawn by the Trustee thereunder by any subsequent Tender Draft, Partial Prepayment Draft, and Final Draft are automatically decreased by an amount equal to the amount of such Tender Draft.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the \_\_\_\_ day of \_\_\_\_\_, 200\_.

U.S. BANK NATIONAL ASSOCIATION,  
as Trustee

\_\_\_\_\_  
[Name and Title]



**Annex C to Letter of Credit**

Certificate for Drawing in Connection with the Payment of  
Principal and Interest upon Partial Prepayment  
of the California Public School District Financing Authority  
Variable Rate Demand Certificates of Participation  
2003 Series \_\_ (the "Certificates")

Irrevocable Letter of Credit No. \_\_\_\_\_

The undersigned, a duly authorized signatory of the undersigned Trustee (the "Trustee"), hereby certifies to Bank of America, N.A. (the "Bank"), with reference to Irrevocable Letter of Credit No. \_\_\_\_\_ (the "Letter of Credit"), the terms defined therein and not otherwise defined herein being used herein as therein defined) issued by the Bank in favor of the Trustee, as follows:

(1) The Trustee is the Trustee under the Trust Agreement for the holders of the Certificates.

(2) The Trustee is making a drawing under the Letter of Credit with respect to the payment, upon prepayment of less than all of the Certificates which are "outstanding" (as defined in the Trust Agreement) pursuant to Section 5.06(b) of the Trust Agreement, of the unpaid principal amount of, and up to 49 days' accrued and unpaid interest with respect to, Certificates to be redeemed pursuant to the terms of the Trust Agreement (other than Bank Certificates and Certificates registered in the name of the District or the Corporation), which payment is due on the next Banking Day after the date on which this Certificate and the Partial Prepayment Draft it accompanies are presented to the Bank.

(3) The amount of the Partial Prepayment Draft accompanying this Certificate is equal to the sum of (i) \$ \_\_\_\_\_ being drawn in respect of the payment of unpaid principal of Certificates (other than Bank Certificates and Certificates registered in the name of the District or the Corporation or actually known by the Trustee to be registered in the name of any nominee of the District or the Corporation) to be redeemed and (ii) \$ \_\_\_\_\_ being drawn in respect of the payment of accrued and unpaid interest with respect to such Certificates, and does not include any amount of interest with respect to the Certificates which is included in any Interest Draft, Tender Draft or Final Draft presented on or prior to the date of this Certificate.

(4) The amount of the Partial Prepayment Draft accompanying this Certificate was computed in accordance with the terms and conditions of the Certificates and Trust Agreement and does not exceed the amount available to be drawn under the Letter of Credit.

The Trustee acknowledges that, pursuant to the terms of the Letter of Credit, upon the Bank's honoring the Partial Prepayment Draft accompanying this Certificate, the amount of the Letter of Credit and the amounts available to be drawn by the Trustee thereunder by any subsequent Partial Prepayment Draft, Tender Draft and Final Draft are automatically decreased by an amount equal to the amount of such Partial Prepayment Draft.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the day of 200\_\_.

U.S. BANK NATIONAL ASSOCIATION,  
as Trustee

By: \_\_\_\_\_  
[Name and Title]

5.166

**Annex D to Letter of Credit**

Certificate for Drawing in Connection with the Payment of Principal  
and Interest upon Stated Maturity, or Certain Mandatory Tenders or Optional or Mandatory  
Prepayment as a Whole of the California Public School District Financing Authority Variable Rate  
Demand Certificates of Participation 2003 Series \_\_\_\_ (the "Certificates")

Irrevocable Letter of Credit No. \_\_\_\_\_

The undersigned, a duly authorized signatory of the undersigned Trustee (the "Trustee"), hereby certifies to Bank of America, N.A. (the "Bank"), with reference to Irrevocable Letter of Credit No. \_\_\_\_\_ (the "Letter of Credit", the terms defined therein and not otherwise defined herein being used herein as therein defined) issued by the Bank in favor of the Trustee, as follows:

(1) The Trustee is the Trustee under the Trust Agreement for the holders of the Certificates.

(2) The Trustee is making a drawing under the Letter of Credit [pursuant to Section 5.06(a) of the Trust Agreement with respect to the payment upon the final stated maturity date of the Certificates] [pursuant to Section 5.06(b) of the Trust Agreement with respect to the payment upon tender pursuant to the terms of [4.04(c) (default under Reimbursement Agreement)] [4.04(d) (expiration of Credit Facility)] of the Trust Agreement] [Section 4.04(e) (nonreinstatement of the Letter of Credit) [pursuant to Section 5.06(b) of the Trust Agreement with respect to payment upon prepayment in full] of the unpaid principal amount of, and accrued and unpaid interest with respect to, all of the Certificates which are "outstanding" (as defined in the Trust Agreement) (other than Bank Certificates (as defined in the Trust Agreement) and Certificates registered in the name of the District or the Corporation), which payment is due on the Banking Date after the date on which this Certificate and the Final Draft it accompanies are presented to the Bank.

(3) The amount of the Final Draft accompanying this Certificate is equal to the sum of (i) \$\_\_\_\_\_ being drawn in respect of the payment of unpaid principal of Certificates (other than Bank Certificates and Certificates registered in the name of the District or the Corporation), and (ii) \$\_\_\_\_\_ being drawn in respect of the payment of accrued and unpaid interest with respect to such Certificates, and does not include any amount of interest with respect to the Certificates which is included in any Interest Draft, Tender Draft, or Partial Prepayment Draft presented on or prior to the date of this Certificate.

(4) The amount of the Final Draft accompanying this Certificate was computed in compliance with the terms and conditions of the Certificates and the Trust Agreement and does not exceed the amount available to be drawn by the Trustee under the Letter of Credit.

(5) Upon receipt of the Drawing requested by this Certificate, the Trustee

acknowledges that the Letter of Credit will be terminated and will be promptly returned to the Bank by the Trustee.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the \_\_\_\_ day of \_\_\_\_\_, 200\_.

U.S. BANK NATIONAL ASSOCIATION,  
as Trustee

By: \_\_\_\_\_  
[Name and Title]

5.168

**Annex E of Letter of Credit**

Certificate for the Reinstatement of Amounts Available under Irrevocable  
Letter of Credit for the California Public School District Financing Authority  
Variable Rate Demand Certificates of Participation  
2003 Series \_\_\_\_ (the "Certificates")

Irrevocable Letter of Credit No. \_\_\_\_\_

The undersigned, a duly authorized signatory of the undersigned Tender Agent (the "Trustee"), hereby certifies to Bank of America, N.A. (the "Bank"), with reference to Irrevocable Letter of Credit No. \_\_\_\_\_ (the "Letter of Credit", the terms defined therein and not otherwise defined herein being used herein as therein defined) issued by the Bank in favor of the Trustee, as follows:

(1) The Tender Agent is the Tender Agent under the Trust Agreement for the holders of the Certificates.

(2) The amount of \$\_\_\_\_\_ paid to you today by the District or by the Tender Agent on behalf of the District is a payment made to reimburse you, pursuant to Section 2.2(a) of the Letter of Credit and Reimbursement Agreement, dated as of \_\_\_\_\_ 1, 2003 (the "Reimbursement Agreement"), between the District and the Bank, for amounts drawn under the Letter of Credit by Tender Drafts.

(3) Of the amount referred to in paragraph (2), \$\_\_\_\_\_ represents the aggregate principal amount of Certificates resold or to be resold on behalf of the District.

(4) Of the amount referred to in paragraph (2), \$\_\_\_\_\_ represents interest with respect to Certificates calculated in accordance with clause (ii) of Section 2.2(b) of the Reimbursement Agreement.

IN WITNESS WHEREOF, the Tender Agent has executed and delivered this Certificate as of this \_\_\_\_ day of \_\_\_\_\_, 200\_\_.

U.S. BANK NATIONAL ASSOCIATION,  
as Tender Agent

By: \_\_\_\_\_  
[Name and Title]

**Annex F of Letter of Credit**

Certificate for the Reduction of Amounts Available under Irrevocable  
Letter of Credit for the California Public School District Financing Authority  
Variable Rate Demand Certificates of Participation  
2003 Series \_\_ (the "Certificates")

Irrevocable Letter of Credit No. \_\_\_\_\_

The undersigned, a duly authorized signatory of the undersigned Trustee (the "Trustee"), hereby certifies to Bank of America, N.A. (the "Bank"), with reference to Irrevocable Letter of Credit No. \_\_\_\_\_ (the "Letter of Credit", the terms defined therein and not otherwise defined herein being used herein as therein defined) issued by the Bank in favor of the Trustee as follows:

(1) The Trustee is the Trustee under the Trust Agreement for the holders of the Certificates.

(2) The Trustee hereby notifies you that on or prior to the date hereof \$\_\_\_\_\_ principal amount of the Certificates have been redeemed and paid or have been defeased pursuant to the Trust Agreement.

(3) Following the Prepayment and payment or the defeasance referred to in paragraph (2) above, the aggregate principal amount of all of the Certificates which are "outstanding" within the meaning of the Trust Agreement is \$\_\_\_\_\_.

(4) The maximum amount of interest, computed at 12% per annum, which could accrue on the Certificates referred to in paragraph (3) above in a period of 49 days is \$\_\_\_\_\_.

(5) The amount available to be drawn by the Trustee under the Letter of Credit by any Interest Draft is reduced to \$\_\_\_\_\_ (such amount being equal to the amount specified in paragraph (4) above) upon receipt by the Bank of this Certificate.

(6) The amount available to be drawn by the Trustee under the Letter of Credit by any Tender Draft or Partial Prepayment Draft is reduced to \$\_\_\_\_\_ (such amount being equal to the sum of the amounts specified in paragraphs (3) and (4) above) upon receipt by the Bank of this Certificate.

(7) The amount available to be drawn by the Trustee under the Letter of Credit by its Final Draft is reduced to \$\_\_\_\_\_ (such amount being equal to the sum of the amount specified in paragraphs (3) and (4) above) upon receipt by the Bank of this Certificate.

(8) The amount of the Letter of Credit is reduced to \$\_\_\_\_\_ (such amount being equal to the sum of the amounts specified in paragraphs (4) and (7) above) upon receipt by the Bank of this Certificate.

IN WITNESS WHEREOF, the Trustee has executed and this Certificate this \_\_\_\_ day of \_\_\_\_\_, 200\_\_.

U.S. BANK NATIONAL ASSOCIATION,  
as Trustee

By: \_\_\_\_\_  
[Name and Title]

5.17/

**Annex G of Letter of Credit**

Instruction to Transfer Irrevocable  
Letter of Credit for the California Public School District Financing Authority  
Variable Rate Demand Certificates of Participation  
2003 Series \_\_\_\_ (the "Certificates")

Irrevocable Letter of Credit No. \_\_\_\_\_

\_\_\_\_\_, 200\_\_

Bank of America, N.A.  
333 South Beaudry  
19th Floor  
Los Angeles, California 90017

Attention: Letter of Credit Department

Re: Irrevocable Letter of Credit No. \_\_\_\_\_

Gentlemen:

For value received, the undersigned beneficiary hereby irrevocably transfers to:

[Name of Transferee]

[Address]

all rights of the undersigned beneficiary to draw under the above-captioned Letter of Credit (the "Letter of Credit"). We hereby certify that the transferee has succeeded the undersigned as Trustee under the Trust Agreement (as defined in the Letter of Credit).

By this transfer, all rights of the undersigned beneficiary in the Letter of Credit are transferred to the transferee and the transferee shall hereafter have the sole rights as beneficiary thereof; provided, however, that no rights shall be deemed to have been transferred to the transferee until such transfer complies with the requirements of the Letter of Credit pertaining to transfers.

5.172



The Letter of Credit is returned herewith and in accordance therewith we ask that this transfer be effective and that you transfer the Letter of Credit to our transferee or that, if so requested by the transferee, you issue a new irrevocable letter of credit in favor of the transferee with provisions consistent with the Letter of Credit.

Very truly yours,

U.S. BANK NATIONAL ASSOCIATION, as  
predecessor Trustee

By: \_\_\_\_\_  
[Name and Title]

**Annex H of Letter of Credit**

Notice of Non-Reinstatement of Interest Drawing Under Irrevocable  
Letter of Credit for the California Public School District Financing Authority  
Variable Rate Demand Certificates of Participation  
2003 Series \_\_\_\_ (the "Certificates")

Irrevocable Letter of Credit No. \_\_\_\_\_

U.S. BANK NATIONAL ASSOCIATION, as Trustee  
550 South Hope Street, Suite 500  
Los Angeles, California 90071

Attention: Corporate Trust Administration

Ladies and Gentlemen:

This is a notice pursuant to our Letter of Credit No. \_\_\_\_\_ (the "Letter of Credit"). Capitalized terms not otherwise defined herein have the meanings ascribed to them in the [Trust Agreement or other relevant document/date/parties] (the "Trust Agreement").

This is to advise you that the Bank has not been reimbursed for an amount of interest drawn under the Letter of Credit on \_\_\_\_\_, 200\_, and accordingly the Letter of Credit has not been reinstated in such amount. Pursuant to Section 4.04(e) of the Trust Agreement, the Certificates are subject to mandatory tender.

BANK OF AMERICA, N.A.

By \_\_\_\_\_  
[Name and Title]

REIMBURSEMENT AGREEMENT

among

BANK OF AMERICA, N.A.

and

WESTERN PLACER UNIFIED SCHOOL DISTRICT

and

CALIFORNIA PUBLIC SCHOOL DISTRICT FINANCING AUTHORITY

Dated as of \_\_\_\_\_ 1, 2003

Relating to the

California Public School District Financing Authority  
Variable Rate Demand Certificates of Participation  
2003 Series

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b.175

## REIMBURSEMENT AGREEMENT

This REIMBURSEMENT AGREEMENT (the "Agreement") is made as of \_\_\_\_\_ 1, 2003 by and among BANK OF AMERICA, N.A., a national banking association (the "Bank"), the CALIFORNIA PUBLIC SCHOOL DISTRICT FINANCING AUTHORITY (the "Authority") and the WESTERN PLACER UNIFIED SCHOOL DISTRICT, a unified school district organized under constitution and the laws of the State of California (the "District").

### RECITALS

- A. The District has the present need to construct and improve a new elementary school located at \_\_\_\_\_ within the boundaries of the District (collectively, the "Project");
- B. For the purpose of enabling the District to undertake the financing of the Project, the Authority has determined to execute and deliver \$\_\_\_\_\_ aggregate principal amount of its Variable Rate Demand Certificates of Participation, 2003 Series \_\_\_\_ (the "Certificates"), to be executed and delivered under and pursuant to the terms of a Trust Agreement, dated as of \_\_\_\_\_ 1, 2003 (the "Trust Agreement") among the District, the Authority and U.S. Bank National Association, as trustee (the "Trustee");
- C. In order to provide a source for payment when due of the principal and interest with respect to and the purchase price of the Certificates, the Bank will provide a direct pay letter of credit (the "Letter of Credit") pursuant to this Agreement initially in the amount of \$\_\_\_\_\_;
- D. The Bank is willing to provide the Letter of Credit to the Trustee upon the terms and conditions herein set forth.

NOW, THEREFORE, in consideration of the foregoing recitals and the covenants contained herein, and in order to induce the Bank to issue its letter of credit, the District, the Authority and the Bank hereby agree as follows (capitalized terms used herein and not otherwise defined have the meaning set forth in Section 1 hereof):

### ARTICLE ONE

#### DEFINITIONS

Section 1.1 Definitions. Capitalized terms not defined in this Agreement shall have the meanings assigned to them in the Trust Agreement. In addition to terms defined elsewhere in this Agreement, as used herein the following terms shall have the following meanings unless the context otherwise requires, and such meanings shall be equally applicable to both singular and plural forms of the terms herein defined:

"Agreement" shall mean this Reimbursement Agreement, as the same may from time to time be amended, supplemented or otherwise modified in accordance with its terms.

"Authority" shall mean the California Public School District Financing Authority, a joint

powers authority, duly organized and existing under the laws of the State of California.

"Authorized Representative" shall mean such person at the time and from time to time authorized by resolution to act on behalf of the District by written certificate furnished to the Bank.

"Bank" shall mean Bank of America, N.A.

"Bank Certificates" shall mean the Certificates held by the Tender Agent for the benefit of the Bank as provided in Section 4.10 of the Trust Agreement.

"Business Day" shall mean a day other than a Saturday, Sunday or other day on which commercial banks are authorized to close, or are in fact closed, in the state where the Bank's lending office is located.

"Certificates" means the California Public School District Financing Authority Variable Rate Demand Certificates of Participation, 2003 Series \_\_\_\_.

"Date of Issuance" shall mean the date on which the Bank delivers the Letter of Credit pursuant to this Agreement.

"Default Rate" shall mean the Prime Rate plus 3% per annum.

"District" shall mean the Western Placer Unified School District, a unified school district duly organized and existing under and by virtue of the Constitution and the laws of the State of California.

"Drawing" shall mean a drawing under the Letter of Credit resulting from the presentation to the Bank by the Trustee of a certificate in the form of Annex A, B, C or D to the Letter of Credit.

"Drawing Date" shall mean the date on which the Bank pays a Drawing on the Letter of Credit.

"Event of Default" shall mean any event specified in Section 6.1 of this Agreement, provided that any requirement for notice, lapse of time, or both, or any other condition has been satisfied.

"Expiration Date" shall mean the Stated Expiration Date specified in the Letter of Credit.

"Letter of Credit" shall mean the irrevocable direct pay letter of credit to be issued by the Bank pursuant hereto for the account of the District in favor of the Trustee to support payment of the Certificates, in substantially the form of Exhibit A to this Agreement with appropriate insertions, as it may be amended or supplemented from time to time.

"Letter of Credit Commitment" shall mean U.S. \$\_\_\_\_\_, which is comprised of a principal component of [\$\_\_\_\_\_] and an interest component of [\$\_\_\_\_\_].

"Obligations" shall mean the fees relating to the Letter of Credit, any and all obligations of the District to reimburse the Bank for a drawing under the Letter of Credit, and all other obligations of the District to the Bank arising under or in relation to this Agreement.

"Payment Office" shall mean with respect to the Bank, the office of the Bank located at the address set forth on the signature page of this Agreement or such other office as the Bank may from time to time designate.

"Person" means a natural person, a firm, a corporation, a partnership, an association, a trust or any other entity or organization, including a government or political subdivision or any agency or instrumentality thereof.

"Prime Rate" shall mean the rate of interest publicly announced from time to time by the Bank as its Prime Rate. The Prime Rate is set by the Bank based on various factors, including the Bank's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans. The Bank may price loans to its customers at, above, or below the Prime Rate. Any change in the Prime Rate shall take effect at the opening of business on the day specified in the public announcement of a change in the Bank's Prime Rate.

"Project" shall have the meaning assigned to that term in Recital A.

"Related Documents" shall have the meaning set forth in Section 3.1(c) hereof.

"Stated Amount" shall mean the principal amount available to be drawn under each Letter of Credit.

"Trust Agreement" shall mean the Trust Agreement dated as of \_\_\_\_\_ 1, 2003 between the Authority and the Trustee, which provides for the execution and delivery of the Certificates.

## ARTICLE TWO

### LETTER OF CREDIT

#### Section 2.1. Issuance of Letter of Credit.

(a) Issuance of Letter of Credit. The Bank hereby agrees, on the terms and subject to the conditions hereinafter set forth, to issue the Letter of Credit to the Trustee, in accordance with the terms of this Section 2.1. The Letter of Credit shall be issued by the Bank upon satisfaction by the District and the Authority of all conditions precedent set forth in Section 3.1 hereof, and for a stated term from the date of the Letter of Credit to the Expiration Date.

(b) Drawing on the Letter of Credit. Drawings to be made under the Letter of Credit shall be made by presentation by hand delivery or by telecopy, with receipt confirmed, with an original to follow by mail, in the form of a sight draft, accompanied by the appropriate annex submitted by the Trustee and no further presentation of documentation, including the original Letter of Credit, need be made; it being understood that the telecopy, with receipt confirmed, shall in all events be considered to be the sole operative instrument of drawing. The Bank may rely upon any such telecopy drawing that the Bank, in good faith, believes to have been dispatched by the Trustee.

(c) Reduction and Reinstatement. The Stated Amount of the Letter of Credit shall be reduced by the amount of each Drawing, and shall be reinstated following certain Drawings, all as provided in the Letter of Credit.

## Section 2.2. Reimbursement of Drawings.

(a) The District hereby agrees to reimburse the Bank for any Drawing under the Letter of Credit as follows: (i) on the same day established under the Trust Agreement for payment of amounts due with respect to the Certificates, a sum equal to the amount drawn on the Letter of Credit on such payment date to pay regularly scheduled payments of principal and interest accrued with respect to the Certificates; (ii) upon demand, upon the occurrence of an Event of Default, interest on all Obligations, including all outstanding Drawings, at the Default Rate; and (iii) no later than thirty (30) days following the date of a Drawing to pay the purchase price of tendered Certificates, the amount drawn under the Letter of Credit, together with interest thereon at the Prime Rate,

(b) The District hereby agrees to pay interest on the unpaid principal amount of each Drawing due pursuant to Section 2.2(a)(iii) at a rate per annum equal to the Prime Rate. The principal amount of any Drawing not paid when due shall bear interest at the Default Rate.

(c) If the District shall fail to pay when due (whether at maturity, on demand, by reason of acceleration or otherwise) any amount due and unpaid hereunder, each such unpaid amount shall (to the extent permitted by applicable law) bear interest for each day from and including the date it was so due until paid in full at a rate per annum equal to the Default Rate, payable on demand.

## Section 2.3. Letter of Credit Fees and Other Payments

(a) Commitment Fee. Borrower agrees to pay a commitment fee of \_\_\_\_\_ and No/100 Dollars (\$\_\_\_\_\_.00) on the Closing Date, which fee shall be deemed fully earned by the Bank upon its commitment to issue the Letter of Credit, and shall be nonrefundable.

(b) Letter of Credit Fee. The District agrees to pay an annual Letter of Credit fee equal to \_\_\_\_\_. The initial Letter of Credit fee shall be due and payable on the Date of Issuance and shall include the fees for the period commencing on the Date of Issuance through the first anniversary of the Date of Issuance and shall be payable whether or not the Letter of Credit remains outstanding throughout the entire period. Thereafter, the Letter of Credit fee shall be paid quarterly in arrears on the first day of each calendar quarter commencing on \_\_\_\_\_ 1, 2004 (the initial quarterly payment shall include the fees for the period commencing on the first anniversary of the Date of Issuance through \_\_\_\_\_, 2004).

(c) Other Fees. In addition, the District shall pay to Bank upon the amendment or transfer of the Letter of Credit and upon the negotiation of each draft drawn under the Letter of Credit, fees and charges determined by Bank in accordance with Bank's standard fees and charges in effect at the time the Letter of Credit is amended or transferred or any draft is paid.

(d) Calculation of Fees and Interest. All fees and interest payable under this Agreement shall be calculated on the basis of a 365-day year and actual days elapsed.

(e) Costs and Expenses. The District shall pay any and all fees, charges and expenses, payable or incurred by the Bank in connection with the execution, delivery, performance and enforcement of this Agreement and the Letter of Credit, including without limitation, the fees and expenses of counsel to the Bank, together with interest on such amounts from the date such payment is due until paid at a rate per annum equal to the Default Rate, and agrees to save the Bank harmless from and against any and all liabilities with respect to or resulting from any delay in paying

or omission to pay such fees and expenses.

(f) Additional Costs. The District will pay the Bank, on demand, for the Bank's costs or losses arising from any statute or regulation, or any request or requirement of a regulatory agency which is applicable to all national banks or a class of all national banks. The costs and losses will be allocated to the loan in a manner determined by the Bank, using any reasonable method. The costs include the following:

(i) any reserve or deposit requirements; and

(ii) any capital requirements relating to the Bank's assets and commitments for credit.

(g) Payment Office. All payments to be made by the District to the Bank hereunder or in connection herewith, shall be made at the address of the Bank set forth on the signature page hereof not later than 1:00 p.m., Los Angeles time, on the date due and shall be made in lawful money of the United States of America and in immediately available funds. Any amount not received by the Bank by such time shall be deemed to have been received on the next succeeding Business Day. All such payments not received on the date due shall bear interest until payment in full at the Default Rate.

(h) Obligation Absolute. The obligations of the District under this Agreement shall be unconditional and irrevocable, and shall be paid or performed strictly in accordance with the terms of this Agreement under all circumstances whatsoever, including, without limitation, the following circumstances:

(i) the existence of any claim, set-off, defense or other rights which the District may have at any time against the Trustee, any beneficiary or any transferee of the Letter of Credit (or any persons for whom the Trustee, any such beneficiary or any such transferee may be acting) or the Bank, whether in connection with the transactions contemplated by this Agreement or any related or unrelated transactions;

(ii) any breach of contract or other dispute between the District, the Corporation, the Trustee, any beneficiary or any transferee of the Letter of Credit (or any person for whom the Trustee, any such beneficiary or any such transferee may be acting), the Bank or any other person;

(iii) any delay, extension of time, renewal, compromise or other indulgence or modification granted or agreed to by the Bank, with or without notice to or approval by the District, in respect of any of the District's obligations to the Bank under this Agreement;

(iv) any certificate, statement or any other document presented under the Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect, provided that payment by the Bank under the Letter of Credit against presentation of any such certificate, statement or document shall not have constituted gross negligence or willful misconduct of the Bank;

(v) any non-application or misapplication by the Trustee of the proceeds of any Drawing under the Letter of Credit;



(vi) payment by the Bank under the Letter of Credit against presentation of a certificate which does not comply with the terms of the Letter of Credit, provided that such payment by the Bank shall not have constituted gross negligence or willful misconduct of the Bank; and

(vii) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing.

(i) Non-Business Days. If any sum becomes payable pursuant to this Agreement on a day which is not a Business Day, the date for payment thereof shall be extended, without penalty, to the next succeeding Business Day, and such extended time shall be included in the computation of interest and fees.

(j) Taxes. All payments made by the District hereunder shall be made free and clear of and without deduction for any present or future income, stamp or other taxes, levies, imposts, deductions, charges, fees, withholdings, restrictions or conditions of any nature now or hereafter imposed, levied, collected, withheld or assessed by any jurisdiction or by any political subdivision or taxing authority thereof or therein (whether pursuant to United States Federal, state or local law or foreign law) and all interest, penalties or similar liabilities, excluding taxes on the overall net income of the Bank (such non-excluded taxes are hereinafter collectively referred to as the "Taxes"). If the District shall be required by law to deduct or to withhold any Taxes from or in respect of any amount payable hereunder, (i) the amount so payable shall be increased to the extent necessary so that after making all required deductions and withholdings (including Taxes on amounts payable to the Bank pursuant to this sentence) and decreased to give effect to any refunds or credits received by the Bank so that the Bank receives an amount equal to the sum it would have received had no such deductions or withholdings been made (ii) the District shall make such deductions or withholdings and (iii) the District shall pay the full amount deducted or withheld to the relevant taxation authority in accordance with applicable law. Whenever any Taxes are payable by the District, as promptly as possible thereafter the District shall send the Bank an official receipt or other documentation satisfactory to the Bank evidencing payment to such taxation authority.

(k) Maximum Rate. To the extent permitted by law, in the event that a rate of interest required to be paid by the District under this Agreement shall exceed a maximum rate established by law, any subsequent reduction in the rate of interest required to be paid by the District hereunder will not reduce the rate of interest below the maximum rate established by law until the total amount of interest accrued equals the amount of interest which would have accrued if the rate of interest required hereunder (without giving effect to this paragraph) had at all times been in effect. The Bank understands and acknowledges that its right to demand increases in Lease Payments is limited to the extent that Lease Payments may not exceed the fair rental value for the Leased Property.

Section 2.4. Liability of Bank. Neither the Bank nor any of its officers or directors shall be liable or responsible for (a) the use which may be made of the Letter of Credit or for any acts or omissions of the Trustee and any transfer in connection therewith; (b) the validity, sufficiency or genuineness of documents, or of any endorsement(s) thereon, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged; (c) payment by the Bank against presentation of documents which do not comply with the terms of the Letter of Credit, including failure of any documents to bear any reference or adequate reference to the Letter of Credit; or (d) any other circumstances whatsoever in making or failing to make payment under the Letter of Credit, except only that the District shall have a claim against the Bank, and the Bank shall be liable to the District, to the extent of any damages suffered by the District by (i) the Bank's willful

misconduct or gross negligence in determining whether documents presented under the Letter of Credit comply with the terms of the Letter of Credit or (ii) the Bank's willful failure or gross negligence in failing to pay under the Letter of Credit after the presentation to it by the Trustee of a sight draft and certificate strictly complying with the terms and conditions of the Letter of Credit. In furtherance and not in limitation of the foregoing, the Bank may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary; provided, that if the Bank shall receive written notification from the Trustee and the District that sufficiently identified (in the opinion of the Bank) documents to be presented to the Bank are not to be honored, the Bank agrees that it will not honor such documents.

The Bank shall not be liable or responsible in any respect for (i) any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with the Letter of Credit or (ii) any action, inaction or omission which may be taken by it in good faith in connection with the Letter of Credit; provided that the District shall not be liable or responsible in any respect if such liability or responsibility results from the willful misconduct or gross negligence of the Bank. The District further agrees that any action taken or omitted by the Bank under or in connection with the Letter of Credit or the related draft or documents, if done in good faith without gross negligence, shall be effective against the District as to the rights, duties and obligations of the Bank and shall not place the Bank under any liability to the District.

Section 2.5. Nature of Obligations of the District. The obligations of the District under this Agreement shall constitute a general fund obligation of the District. The obligations of the District under this Agreement to reimburse the Bank for Drawings shall be paid and performed strictly in accordance with the terms of this Agreement under all circumstances whatsoever, including, without limitation, the following circumstances:

(a) any lack of validity or enforceability of this Agreement, the Letter of Credit or any of the Related Documents;

(b) any amendment or waiver of, or any consent to or departure from this Agreement or any Related Documents;

(c) the existence of any claim, set-off, defense or other rights which the District may have at any time against the Trustee, any beneficiary or any transferee of the Letter of Credit (or any person for whom the Trustee, any such beneficiary or any such transferee may be acting), the Bank or any other person, whether in connection with this Agreement, the Letter of Credit, the Related Documents or any unrelated transaction;

(d) any statement in any certificate or any other document presented under the Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever;

(e) payment by the Bank under the Letter of Credit against presentation of a draft or certificate which does not comply with the terms of the Letter of Credit;

unless any of the foregoing results from the gross negligence or willful misconduct of the Bank.

### ARTICLE THREE

### CONDITIONS PRECEDENT

Section 3.1. Conditions Precedent to Issuance of Letter of Credit. The obligation of the Bank to issue the Letter of Credit shall be subject to the fulfillment of the following conditions precedent on or before the Date of Issuance thereof, in a manner satisfactory to the Bank and its counsel:

(a) The Bank shall have received an opinion of O'Melveny & Myers, LLP, as special counsel, in form and substance satisfactory to the Bank and its counsel, dated the Date of Issuance.

(b) The Bank shall have received an opinion of counsel to the District, in form and substance satisfactory to the Bank and its counsel;

(c) The Bank shall have received an opinion of counsel to the Authority, in form and substance satisfactory to the Bank and its counsel;

(d) The Bank shall have received on the Date of Issuance certified copies or executed originals, as the Bank may request, of this Agreement, the Trust Agreement, the Lease Agreement, the Site Lease, the Assignment Agreement, the Agency Agreement, the Remarketing Agreement, and the Certificates (collectively, the "Related Documents") and any other documents which the Bank may reasonably request evidencing that all necessary action (including, without limitation, adoption of resolutions) required to be taken by the District and the Authority in connection with the authorization, execution, issuance, delivery and performance of such documents and any other document required to be delivered by the District or the Authority pursuant to or in connection with this Agreement or the transactions contemplated hereby, has been taken.

(e) The Bank shall have received payment of the Commitment Fee required by Section 2.3(a), the Letter of Credit fee required by Section 2.3(b) and reimbursement of all out-of-pocket costs and expenses in connection with the issuance of the Letter of Credit and the execution and delivery of this Agreement and the Related Documents, including without limitation, attorneys' fees and expenses.

(f) The Bank shall have received a certificate signed by an Authorized Representative of the District dated the Date of Issuance stating that on such date:

(i) the representations and warranties set forth in this Agreement and in any other certificate, letter, writing or instrument delivered by the District to the Bank pursuant hereto or in connection herewith, shall be true and correct as of the Date of Issuance;

(ii) no material adverse change shall have occurred in the condition (financial or otherwise) of the District since the date of the District's most recent financial statements delivered to the Bank;

(iii) on the Date of Issuance, no Event of Default or no event, act or omission which with notice, lapse of time or both, would constitute such an Event of Default, shall have occurred and be continuing; and

(iv) there is no lawsuit, tax claim or other dispute pending or threatened against the District which, if lost, would impair the District's financial condition or ability to repay the unreimbursed Drawings, except as have been disclosed in writing to the Bank.

(g) The Bank shall have received copies of resolutions of the Board of Education of the District, certified by the District Clerk, authorizing, among other things, the execution, delivery and performance by the District of this Agreement and the Related Documents to which it is a party and authorizing the District to obtain issuance of the Letter of Credit pursuant to this Agreement.

(h) The Bank shall have received a certificate of an Authorized Representative of the District dated the Date of Issuance certifying as to the authority, incumbency and specimen signatures of the Authorized Representative of the District authorized to sign this Agreement and the Related Documents to which it is a party and any other documents to be delivered by it hereunder and who will be authorized to represent the District in connection with this Agreement, upon which the Bank may rely until it receives a new such certificate.

(i) The Bank shall have received copies of resolutions of the Authority, certified by an authorized representative of the Authority, authorizing, among other things, the execution, delivery and performance by the Authority of this Agreement and the Related Documents to which it is a party and authorizing the execution and delivery of the Certificates.

(j) The Bank shall have received a certificate of an authorized representative of the Authority dated the Date of Issuance certifying as to the authority, incumbency and specimen signatures of the authorized representative of the Authority authorized to sign this Agreement and the Related Documents to which it is a party and any other documents to be delivered by it hereunder and who will be authorized to represent the Authority in connection with this Agreement, upon which the Bank may rely until it receives a new such certificate.

(k) Except for state "blue sky" laws, the Bank shall have received true and correct copies of any and all governmental approvals necessary for the District and the Authority to enter into this Agreement and the Related Documents to which it is a party and such approvals necessary at the Closing Date for the transactions contemplated thereby and hereby, or if no governmental approvals are required, a certificate of an Authorized Representative of the District to the effect that no such approvals are necessary.

(l) The Bank shall have received copies of the audited financial statements of the District for the three most recent years for which such statements are available, unaudited financial statements of the District for any fiscal year for which audited financial statements are unavailable and a copy of the District's 2002-2003 adopted budget.

(m) A certificate of the Trustee, as to such matters as the Bank shall reasonably request.

(n) An opinion of counsel to the Trustee, in form and substance satisfactory to the Bank and its counsel.

(o) Evidence of business interruption insurance, general liability and property damage insurance required to be carried by the District pursuant to the Lease Agreement satisfactory to the Bank.

(p) All other legal matters pertaining to the execution and delivery of this Agreement, the issuance of the Letter of Credit and the other Related Documents shall be reasonably satisfactory to the Bank and their counsel.

## ARTICLE FOUR

### REPRESENTATIONS AND WARRANTIES

Section 4.1. Representations and Warranties. In order to induce the Bank to enter into this Agreement and to issue the Letter of Credit provided for in this Agreement, the District represents and as of the Date of Issuance, warrants and covenants with respect to itself, this Agreement and certain matters:

(a) The District is a unified school district organized and existing by virtue of and under the Constitution and the laws of the State of California, has the requisite power to carry on its present and proposed activities, and has and had full power, right and authority to enter into this Agreement and the Related Documents to which it is a party and to perform each and all of the matters and things herein and therein.

(b) This Agreement, and any instrument or agreement required hereunder, are within the District's powers, have been duly authorized, and do not conflict with any of its organizational papers.

(c) This Agreement is a legal, valid and binding agreement of the District, enforceable against the District in accordance with its terms, and any instrument or agreement required hereunder, when executed and delivered, will be similarly legal, valid, binding and enforceable.

(d) The execution and delivery of, and performance by the District of its obligations under, this Agreement and the Related Documents to which it is a party, and any and all instruments or documents required to be executed in connection herewith or therewith were and are within the powers of the District and will not violate any provision of any applicable law, regulation, decree or governmental authorization, and will not in any material respect violate or cause a default under any provision of any contract, agreement, mortgage, indenture or other undertaking to which it is a party or which is binding upon it or any of its property or assets, and will not result in the imposition or creation of any lien, charge, or encumbrance upon any of its properties or assets pursuant to the provisions of any such contract, agreement, mortgage, indenture or undertaking.

(e) Except for state "blue sky" laws, all authorizations, licenses, consents, approvals and undertakings which are required to be obtained by the District under any applicable law in connection with the execution, delivery and performance by the District of its obligations under, or in connection with, this Agreement and the Related Documents to which it is a party, have been received on or prior to the Date of Issuance; and all such authorizations, licenses, consents, approvals and undertakings are in full force and effect.

(f) This Agreement does not conflict with any law, agreement, or other obligation by which the District is bound.

(g) All financial and other information that has been or will be supplied to the Bank is sufficiently complete to give the Bank accurate knowledge of the District's financial condition, including all material contingent liabilities. Since the date of the most recent financial statement provided to the Bank, except as disclosed in the Official Statement, there has been no material adverse change in the business condition (financial or otherwise), operations, properties or prospects of the District.

(h) There is no lawsuit, tax claim or other dispute pending or threatened against the District which, if lost, would impair the District's financial condition or ability to perform its obligations under this Agreement, except as have been disclosed in writing to the Bank.

(i) The Leased Property is owned by the District free of any title defects or any liens or interests of others, except those which have been approved by the Bank in writing.

(j) The District is not in default on any obligation for borrowed money, any purchase money obligation or any other material lease, commitment, contract, instrument or obligation.

(k) The District is not immune from jurisdiction in any federal court or court within the State of California or from legal process under the laws or in the courts of the United States of America or the State of California with respect to this Agreement or any of the Related Documents.

(l) The representations and warranties of the District in the Related Documents to which it is a party are true and correct, and the District makes such representations and warranties for the benefit of the Bank as if the same were set forth at length in this Agreement and the District has furnished the Bank a true and correct copy of all of the Related Documents as in effect on the date hereof.

(m) The statements and information contained in the Official Statement issued in connection with the offering and sale of the Certificates (other than the statements and information contained under the captions "THE LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT" and "THE BANK" thereto) and all statements and information made in writing by the District to the Bank herein or in connection herewith are and at the Date of Issuance will be true, correct and complete in all material respects as such statements and information pertains to the District and as to such statements, does not and at the Date of Issuance will not omit any statement or information necessary to make the statements and information therein, in the light of the circumstances under which they were made, not misleading in any material respect.

(n) The statements and information contained in any disclosure documents issued in connection with the offer and sale of any bonds, notes or other obligations issued by the District are true, correct and complete in all material respects as such statements and information pertains to the District.

## ARTICLE FIVE

### COVENANTS

Section 5.1. Affirmative Covenants. The District covenants and agrees with the Bank as follows:

(a) The District shall reimburse the Bank for any unreimbursed Drawings under the Letter of Credit as required by Section 2.2(a).

(b) The District shall provide the following financial information and statements in form and content acceptable to the Bank, and such additional information as requested by the Bank from time to time:

(i) Within 180 days of the District's fiscal year end, the District's annual financial statements, certified and dated by an authorized financial officer of the District. These financial statements must be audited (with an unqualified opinion) by a Certified Public Accountant acceptable to the Bank.

(ii) The District shall, promptly upon its approval and within 30 days of the final adoption of the annual budget of the District, deliver to the Bank a copy of such budget and promptly after the adoption thereof, copies of any and all amendments and supplements to the budget.

(iii) Promptly, upon sending or receipt, copies of any management letters and correspondence relating to management letters, sent or received by the District to or from the District's Certified Public Accountant.

(iv) Within the period provided in (i) above, a compliance certificate of the District signed by an authorized financial officer of the District setting forth whether there existed as of the date of such financial statements and whether there exists as of the date of the certificate, any default under this Agreement and, if any such default exists, specifying the nature thereof and the action the District is taking and proposes to take with respect thereto.

(v) The District shall provide such additional information as shall be reasonably requested by the Bank within 20 days after the Bank's request for such information.

(c) The District shall promptly notify the Bank in writing of any lawsuit with a demand over \_\_\_\_\_ Dollars (\$\_\_\_\_\_) against the District.

(d) The District shall maintain adequate books and records and shall maintain its financial records in accordance with generally accepted accounting principles applicable to governmental entities, applied consistently, throughout the term of this Agreement.

(e) The District shall allow the Bank and its agents to inspect the District's properties and examine, audit, and make copies of books and records at any reasonable time. If any of the District's properties, books or records are in the possession of a third party, the District authorizes that third party to permit the Bank or its agents to have access to perform inspections or audits and to respond to the Bank's requests for information concerning such properties, books and records.

(f) The District shall maintain insurance satisfactory to the Bank as to amount, nature and carrier covering property damage (including loss of use and occupancy) to any of the District's properties, public liability insurance including coverage for contractual liability, product liability and workers' compensation, and any other insurance which is usual for the District, and in any case shall maintain the insurance required by Sections 5.3, 5.4, 5.5 and 5.6 of the Lease Agreement. Each such policy shall name the Bank as an additional insured pursuant to a lender's loss payable endorsement.

(g) The District shall not have outstanding or incur any direct or contingent liabilities or lease obligations (other than the Related Documents and the obligations of the District to the Bank under this Agreement) with respect to the Leased Property, or permit any lien or encumbrance on the Leased Property without the Bank's written consent.

(h) The District shall not permit any material adverse change to its operations or

properties throughout the term of this Agreement.

(i) The District shall execute and deliver to the Bank all such documents, consents and instruments and do all such other acts and things as may be reasonably necessary or required by the Bank to enable the Bank to exercise and enforce their rights under the Related Documents and the Related Documents and to realize thereon, and record and file and re-record and re-file all such documents and instruments, at such time or times, in such manner and at such place or places, all as may be necessary or required by the Bank to validate, preserve and protect the position of the Bank under the Related Documents.

(j) The District shall comply, in all material respects, with all applicable laws, ordinances, rules, regulations, and requirements of governmental authorities except where the necessity of compliance therewith is contested in good faith by appropriate proceedings.

(k) The District has complied with and shall comply with all health, safety, or environmental law or regulation regarding Hazardous Substances, and the District is not the subject of any claim, proceeding, notice, or other communication regarding Hazardous Substances. The District shall give the Bank prompt written notice of any such claim, proceeding, notice or other communication regarding Hazardous Substances. "Hazardous Substances" means any substance, material or waste that is or becomes designated or regulated as "toxic," "hazardous," "pollutant," or "contaminant" or a similar designation or regulation under any federal, state or local law (whether under common law, statute, regulation or otherwise) or judicial or administrative interpretation of such, including without limitation petroleum or natural gas.

(l) The District shall perform all of its obligations under the Lease Agreement and the other Related Documents, including, without limitation, its obligation to make annual appropriations for Lease Payments as required by Section 4.4(e) of the Lease Agreement.

(m) The District shall not amend or supplement any of the Related Documents without the prior written consent of the Bank.

(n) The District shall maintain the Debt Service Reserve Fund at the Reserve Requirement as provided in the Trust Agreement.

(o) On the first Business Day of each February, commencing on \_\_\_\_\_ 1, 200\_, the District shall prepay Lease Payments and direct the Trustee to prepay Certificates in equal annual installments sufficient to amortize the principal component of the Lease Payments over a \_\_\_\_\_ year period; provided, that each prepayment amount shall be rounded to the nearest Authorized Denomination amount for the Certificates.

(p) Financial Covenants. [to come].

(q) Upon completion of Project, the District shall substitute the Project for the Leased Property in accordance with the terms of the Lease.

## ARTICLE SIX



## DEFAULTS

Section 6.1. Events of Defaults and Remedies. If any of the following events shall occur and be continuing, each such event shall be an "Event of Default":

(a) The District shall fail to pay when due any amount payable by the District to the Bank under this Agreement.

(b) The Certificates or any other Related Document ceases to be valid and binding against the District or the District repudiates its obligations under this Agreement or any of the Related Documents.

(c) The District files a bankruptcy petition or the District makes a general assignment for the benefit of creditors.

(d) Any judgments or arbitration awards are entered against the District, or the District enters into any settlement agreements with respect to any litigation or arbitration, in an aggregate amount of \_\_\_\_\_ Dollars (\$\_\_\_\_\_) or more in excess of any insurance coverage.

(e) Any default occurs under any agreement in connection with any credit the District has obtained from any Person other than the Bank or which the District has guaranteed in the amount of \_\_\_\_\_ Dollars (\$\_\_\_\_\_) or more in the aggregate if the default consists of failing to make a payment when due or gives the other lender the right to accelerate the obligation.

(f) Any default occurs under the Lease Agreement or any other Related Document.

(g) The District fails to meet the conditions of, or fails to perform any obligation under, any term of this Agreement not specifically referred to in this Article.

(h) The District has given the Bank false or misleading information or representations.

(i) The general obligation credit ratings of the District shall fall below \_\_\_\_ by Standard & Poor's Rating Service or A3 by Moody's Investors Service.

If an Event of Default shall have occurred and be continuing, the Bank may (i) give notice to the Trustee under the Trust Agreement of the Bank's election to cause a mandatory tender of the Certificates because of the occurrence and continuance of an Event of Default under the Reimbursement Agreement, (ii) declare all unpaid amounts drawn under the Letter of Credit and the corresponding Bank Certificates, together with all interest accrued and unpaid thereon and all other amounts payable to the Bank hereunder to be immediately due and payable, without presentment, demand, protest or any notice of any kind or (iii) exercise any and all rights and remedies available to the Bank under this Agreement or the Trust Agreement, at law or in equity. In the event of the occurrence of an Event of Default described in Section 6.1(c), all amounts drawn under the Letter of Credit and the corresponding Bank Certificates, together with all interest accrued thereon and all other amounts owed to the Bank hereunder shall be immediately due and payable, without notice to the District and without presentment, demand, protest or further notice of any kind.

## ARTICLE SEVEN

## MISCELLANEOUS

Section 7.1. Modification of this Agreement. No amendment, modification or waiver of any provision of this Agreement or any other Related Document, and no consent to any departure by the District therefrom, shall be effective unless the same shall be in writing and signed by the Bank and no amendment, modification or waiver of any provision of the Letter of Credit shall in any event be effective unless the same shall be in writing and signed by the Bank. Any such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on the District in any case shall entitle the District to any other or further notice or demand in the same, similar or other circumstances.

Section 7.2. Successors and Assigns. This Agreement is binding on the District's and the Bank's successors and assignees. The District agrees that it may not assign this Agreement without the Bank's prior consent. The Bank may sell participations in or assign this facility, and may exchange financial information about the District with actual or potential participants or assignees; provided that such actual or potential participants or assignees shall agree to treat all financial information exchanged as confidential; and further provided that under no circumstances with such assignment or grant of participations relieve the Bank of its obligations under the Letter of Credit. If a participation is sold or the loan is assigned, the purchaser will have the right of set-off against the District.

Section 7.3 Administration Costs. The District shall pay the Bank for all costs and expenses incurred by the Bank in connection with the preparation, due diligence, administration and enforcement of this Agreement and the transactions contemplated by this Agreement, including without limitation, the legal fees and expenses of counsel to the Bank, whether the Letter of Credit is issued or not.

Section 7.4 Attorneys' Fees. The District shall reimburse the Bank for any reasonable costs and attorneys' fees incurred by the Bank in connection with the enforcement or preservation of any rights or remedies under this Agreement and any other documents executed in connection with this Agreement, and in connection with any amendment, waiver, "workout" or restructuring under this Agreement. In the event of a lawsuit or arbitration proceeding, the prevailing party is entitled to recover costs and reasonable attorneys' fees incurred in connection with the lawsuit or arbitration proceeding, as determined by the court or arbitrator. In the event that any case is commenced by or against the District under the Bankruptcy Code (Title 11, United States Code) or any similar or successor statute, the Bank is entitled to recover costs and reasonable attorneys' fees incurred by the Bank related to the preservation, protection, or enforcement of any rights of the Bank in such a case. As used in this paragraph, "attorneys' fees" includes the allocated costs of the Bank's in-house counsel.

Section 7.5 One Agreement. This Agreement and any related security or other agreements required by this Agreement, collectively:

- (a) represent the sum of the understandings and agreements between the Bank and the District concerning this credit;
- (b) replace any prior oral or written agreements between the Bank and the District concerning this credit; and
- (c) are intended by the Bank and the District as the final, complete and exclusive statement of the terms agreed to by them.

In the event of any conflict between this Agreement and any other agreements required by this Agreement, this Agreement will prevail.

Section 7.6. Indemnification. The District will indemnify and hold the Bank harmless from any loss, liability, damages, judgments, and costs of any kind relating to or arising directly or indirectly out of (a) this Agreement or any of the Related Documents, (b) any credit extended or committed by the Bank to the District hereunder, (c) any claim, whether well-founded or otherwise, that there has been a failure to comply with any law regulating the District's operations, the Certificates or any of the Related Documents, (d) the use storage, presence, disposal or release of any Hazardous Substances on or about the Property and (e) any litigation or proceeding related to or arising out of this Agreement, any such document, any such credit, or any such claim. This indemnity includes but is not limited to attorneys' fees (including the allocated cost of in-house counsel). This indemnity extends to the Bank, its parent, subsidiaries and all of their directors, officers, employees, agents, successors, attorneys, and assigns. This indemnity will survive repayment of the District's obligations to the Bank. All sums due to the Bank hereunder shall be obligations of the District, due and payable immediately without demand.

Section 7.7. Notices. Unless otherwise provided in this Agreement or in another agreement among the Authority, the Bank and the District, all notices required under this Agreement shall be personally delivered or sent by first class mail, postage prepaid, or by overnight courier, to the addresses on the signature page of this Agreement, or sent by facsimile to the fax numbers listed on the signature page, or to such other addresses as the Bank, the District and the Authority may specify from time to time in writing. Notices and other communications sent by (a) first class mail shall be deemed delivered on the earlier of actual receipt or on the fourth business day after deposit in the U.S. mail, postage prepaid, (b) overnight courier shall be deemed delivered on the next business day, and (c) telecopy shall be deemed delivered when transmitted.

Section 7.8. Headings. Article and paragraph headings are for reference only and shall not affect the interpretation or meaning of any provisions of this Agreement.

Section 7.9. Counterparts. This Agreement may be executed in as many counterparts as necessary or convenient, and by the different parties on separate counterparts each of which, when so executed, shall be deemed an original but all such counterparts shall constitute but one and the same agreement.

Section 7.10. No Waiver; Remedies. No failure on the part of the Bank to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

Section 7.11. Severability. Any provision of this Agreement which is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or non-authorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provisions in any other jurisdiction.

Section 7.12. Set-Off. Upon the occurrence and during the continuance of any Event of Default the Bank is hereby authorized at any time and from time to time, without notice to the District (any such notice being expressly waived by the District) and to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisions or final) at any time held and other indebtedness at any time owing by the Bank, except in connection with the Letter of Credit as herein provided, to or for the credit or the account of the District against any

and all of the obligations of the District now or hereafter existing under this Agreement, irrespective of whether or not the Bank shall have made any demand hereunder and although such obligations may not have matured.

Section 7.13. Governing Law. This Agreement shall be governed by, and construed in accordance with, the internal laws of the State of California.

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This Agreement is executed as of the date stated at the top of the first page.

BANK OF AMERICA, N.A.

WESTERN PLACER UNIFIED  
SCHOOL DISTRICT

By \_\_\_\_\_  
Typed Name: Deborah L. Miller  
Title: Sr. Vice President

By \_\_\_\_\_  
Typed Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Address where notices to  
the Bank are to be sent:

Address where notices to  
the District are to be sent:

CA9-706-08-06  
555 South Flower Street, 8<sup>TH</sup> Floor  
Los Angeles, CA 90071-2385  
Facsimile: 213-345-0213  
Attn: Government Banking Credit Products

810 J Street  
Lincoln, CA 95648  
Attn: \_\_\_\_\_  
Facsimile: \_\_\_\_\_

CALIFORNIA PUBLIC SCHOOL  
DISTRICT FINANCING AUTHORITY

By \_\_\_\_\_  
Typed Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Address where notices  
to the Authority are to be sent:

810 J Street  
Lincoln, CA 95648  
Attn: \_\_\_\_\_  
Facsimile: \_\_\_\_\_

§ \_\_\_\_\_  
**Western Placer Unified School District  
Certificates of Participation  
(School Facilities Project), Series 2003**

**REMARKETING AGREEMENT**

This Remarketing Agreement is made and entered into as of July 1, 2003 (this "Remarketing Agreement"), by and between the Western Placer Unified School District (the "District") and Banc of America Securities LLC (the "Remarketing Agent"), whereby the Remarketing Agent will act as exclusive sales agent with respect to the subsequent placement, if required, of the Certificates of Participation (School Facilities Project), Series 2003 (the "Certificates") executed and delivered in the aggregate principal amount of \$ \_\_\_\_\_ pursuant to a Master Trust Agreement, dated as of July 1, 2003 (the "Master Trust Agreement"), by and between \_\_\_\_\_ Authority (the "Authority") and U.S. Bank National Association, as Trustee (the "Trustee"), as supplemented by a First Supplemental Trust Agreement, dated as July 1, 2003, by and among the Trustee, the Authority and the District (together with the Master Trust Agreement, the "Trust Agreement"). In connection with the execution and delivery of the Certificates, the District has entered into a Reimbursement Agreement, dated as of July 1, 2003 (the "Reimbursement Agreement"), by and between the District and Bank of America, N.A. (the "Bank"), under which the Bank will issue an irrevocable direct-pay letter of credit (the "Letter of Credit") to pay the principal and interest represented by the Certificates and to purchase Certificates in certain circumstances. The Certificates were sold pursuant to a Certificate Purchase Agreement, dated \_\_\_\_\_, 2003 (the "Purchase Agreement"), by and between Banc of America Securities LLC and the District.

**WITNESSETH:**

**SECTION 1. Definitions.** Unless a different meaning clearly appears from the context, the capitalized words and terms used herein shall have the meanings set forth in the Trust Agreement.

**SECTION 2. Appointment of Remarketing Agent.** Subject to the terms and conditions contained herein and in the Trust Agreement, the District hereby appoints Banc of America Securities LLC as Remarketing Agent and the Remarketing Agent hereby accepts such appointment herein and under the Trust Agreement as exclusive Remarketing Agent, subject to Section 4 herein, in connection with the remarketing of the Certificates from time to time in the secondary market subsequent to the initial offering, issuance and sale of the Certificates.

**SECTION 3. Interest Rate Periods; Remarketing of Certificates; Principal Office.**  
(a) In accordance with the Trust Agreement, the Remarketing Agent's responsibilities hereunder for each remarketing of the Certificates shall include (i) determining and announcing the interest rates applicable to the Certificates, (ii) using its best efforts to remarket the Certificates (including, without limitation, Bank Certificates) at a price of 100% of the principal amount thereof plus accrued interest, if any, which have been tendered or deemed tendered by the holders thereof pursuant to the Trust Agreement and to perform the other obligations of the Remarketing Agent as set forth in the Trust Agreement; provided, that the Remarketing Agent shall use its best efforts to solicit offers to purchase Bank Certificates, if any, before other Certificates tendered or deemed tendered, and if less than all Bank Certificates are remarketed on any date, the Bank Certificates having the highest aggregate amount of interest payable shall be remarketed first, and (iii) performing such other related functions and complying with the provisions as are set forth in the Trust Agreement relating to the Remarketing Agent.

(b) The Remarketing Agent shall keep such books and records as shall be consistent with prudent industry practice and shall make such books and records available for inspection by the District, the Trustee, the Tender Agent and the Bank at all reasonable times.

(c) The Remarketing Agent hereby designates its principal office as the address set forth in the Trust Agreement.

(d) The Remarketing Agent shall take all actions and do all things as Remarketing Agent required or permitted to be taken and done under the terms of this Remarketing Agreement and the Trust Agreement.

**SECTION 4. Exclusive Agent; Resignation and Removal of Remarketing Agent; Successor Agent.** Unless this Remarketing Agreement has been previously terminated pursuant to the terms hereof, the Remarketing Agent shall act as exclusive Remarketing Agent with respect to the Certificates on the terms and conditions herein contained at all times. Subject to the provision in the following paragraph, the Remarketing Agent may at any time resign and be discharged of the duties and obligations created by this Remarketing Agreement by giving at least thirty (30) days' prior written notice to the District, the Bank and the Trustee. The Remarketing Agent may be removed at any time by the District upon thirty (30) days' notice to the Remarketing Agent by an instrument, signed by the District and filed with the Remarketing Agent, the Bank and the Trustee.

In the event the Remarketing Agent shall resign or be removed, or be dissolved, or if its property or affairs shall be taken under the control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, such Remarketing Agent shall immediately pay over, assign and deliver any moneys and Certificates held by it in such capacity to that successor remarketing agent to be appointed by the District meeting the requirements set forth in the Trust Agreement and the Reimbursement Agreement.

If the Remarketing Agent consolidates with, merges or converts into, or transfers all or substantially all its assets to, another corporation, the resulting, surviving or transferee corporation without any further act shall be the successor Remarketing Agent hereunder, provided that such corporation shall otherwise be eligible to serve in such capacity under the Trust Agreement.

Unless the District shall be in default hereunder or under any of the Financing Documents (as hereinafter defined), no resignation or removal of the Remarketing Agent shall be effective until a successor shall have been appointed and shall have accepted its duties; provided, however, that the District shall be obligated to use its best efforts to timely appoint a successor Remarketing Agent.

**SECTION 5. Furnishing of Offering Materials.** (a) The District has furnished the Remarketing Agent with sufficient copies of the Official Statement, dated \_\_\_\_\_, 2003, with respect to the Certificates (together with any documents incorporated therein and any other disclosure documents or information provided pursuant to this Agreement as it shall be amended or supplemented from time to time) for the Remarketing Agent to comply with applicable securities laws and will furnish such other information and materials with respect to the District and the Certificates as the Remarketing Agent shall reasonably request from time to time in connection with the remarketing of the Certificates. Any additional copies of the Official Statement requested by the Remarketing Agent will be provided at the expense of the Remarketing Agent.

(b) The District agrees to immediately notify the Remarketing Agent if (i) any event shall have occurred, to the actual knowledge of the District, as a result of which the Official Statement, including as then amended or supplemented, would include an untrue statement of a material fact or omit

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to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading and (ii) there is any material adverse change that may affect the remarketing of the Certificates or any fact or circumstances which constitute, or with the passage of time would constitute, an event of default under the Financing Documents (as hereinafter defined).

(c) The District will cooperate with the Remarketing Agent in the preparation, at the District's expense, of the additional marketing and disclosure materials that the Remarketing Agent reasonably determines are necessary or required in connection with the reoffering and sale of the Certificates or which the Remarketing Agent reasonably determines should be provided to owners of the Certificates.

**SECTION 6. Term and Termination of Remarketing Agreement.** This Remarketing Agreement shall become effective upon execution by the Remarketing Agent and the District and shall continue in full force and effect until the earlier of the conversion date on which all Outstanding Certificates are converted to a Fixed Interest Rate or the payment in full of the Certificates (including, without limitation, Bank Certificates) in accordance with the Trust Agreement, subject to the right of the Remarketing Agent or the District to terminate this Remarketing Agreement, as provided herein.

**SECTION 7. Representations Warranties, Covenants and Agreements of the District.** The District represents, warrants, covenants and agrees with the Remarketing Agent as follows:

(a) It is a school district duly organized and validly existing pursuant to the Constitution and the laws of the State of California.

(b) It has full power and authority to take all actions required or permitted to be taken by it by or under and to perform and observe the covenants and agreements on its part contained in this Remarketing Agreement, the Purchase Agreement, the Reimbursement Agreement, the Lease Agreement, the Sublease, the Agency Agreement and the Trust Agreement (collectively, the "Financing Documents").

(c) It has, on or before the date hereof, duly taken all actions necessary to be taken by it prior to such date for: (i) the execution, delivery and performance of the Financing Documents, and (ii) the carrying out, giving effect to, consummation and performance of the transactions and obligations contemplated hereby and by the Official Statement.

(d) The Financing Documents, when executed and delivered by the parties thereto, will constitute valid and binding obligations, enforceable against the District in accordance with their respective terms, except as the binding effect and enforceability thereof may be limited by moratorium, bankruptcy, insolvency or other applicable laws in effect from time to time affecting the rights of creditors generally and except to the extent that the enforceability thereof may be limited by the application of general principles of equity, judicial discretion and the limitation on legal remedies against public entities in California.

(e) The execution and delivery of the Financing Documents which have been or will be executed in connection with the consummation of the transactions contemplated hereby and by the Official Statement, the compliance with the terms, conditions or provisions thereof, and the consummation of the transactions therein contemplated, do not and will not, to the knowledge of the undersigned officer, violate any material law, regulation, order, writ, injunction or decree of any court or governmental body applicable to it or result in a material breach of any of the terms, conditions or provisions of, or constitute a default under, or result in the creation or imposition of any mortgage, lien,



charge or encumbrance of any nature whatsoever upon any of the properties or assets of the District pursuant to any mortgage, resolution, agreement or instrument to which the District is a party or by which it or any of its properties is bound other than those provided for in or contemplated by the Financing Documents.

(f) All authorizations, consents and approvals of, notices to, registrations or filings with, or actions in respect of any governmental body, agency or other instrumentality or court required in connection with the execution, delivery and performance by the District of the Financing Documents have been obtained, given or taken and are in full force and effect; provided, however, the District makes no representation with respect to compliance with any blue sky or state or federal securities laws.

(g) Except as described in the Official Statement, to the knowledge of the undersigned officer, there is no action, suit, proceeding, inquiry or investigation before or by any court, public board or body pending or threatened against or affecting the District wherein an unfavorable decision, ruling or finding is likely to have a material adverse effect on the financial condition or solvency of the District, or to affect the validity or enforceability of the Financing Documents, or the District's ability to perform its obligations under the Financing Documents.

(h) At no expense to the District, it will cooperate with the Remarketing Agent in the qualification of the Certificates for offering and sale and the determination of the eligibility of the Certificates for investment under the laws of such jurisdictions as the Remarketing Agent shall designate and will use its best efforts to continue any such qualification in effect so long as required for the distribution of the Certificates by the Remarketing Agent, provided that the District shall not be required to qualify to do business in any jurisdiction where it is not now qualified or subject itself to service of process in any jurisdiction in which it is not now so subject.

(i) The information contained in the Official Statement does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading. No representation is made in this paragraph, however, with respect to any information in the Official Statement with respect to DTC, the Bank, the Underwriter for the Certificates (as defined in the Official Statement) or the Remarketing Agent or information provided by them specifically for inclusion in the Official Statement.

**SECTION 8. Representations, Warranties, Covenants and Agreements of the Remarketing Agent.** The Remarketing Agent, by its acceptance hereof, represents, warrants and covenants to and with the District as follows:

(a) that it satisfies the requirements for "Remarketing Agent" set forth in the Trust Agreement and is authorized by law to perform all the duties imposed upon it by the Trust Agreement and this Remarketing Agreement and that it is a member of the National Association of Securities Dealers, Inc.

(b) that the execution and delivery of this Remarketing Agreement and the consummation of the transactions contemplated herein and in the Trust Agreement will not conflict with or constitute on the part of the Remarketing Agent a breach of or a default under its charter documents, its By-Laws, or any statute, indenture, mortgage, deed of trust, leasehold, note agreement or other agreement or instrument to which the Remarketing Agent is a party or by which it or its properties are bound, or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Remarketing Agent or any of its activities or properties.

(c) that this Remarketing Agreement has been duly authorized, executed and delivered by the Remarketing Agent and constitutes the legal, valid and binding obligation of the Remarketing Agent enforceable in accordance with its terms, except as enforcement may be limited by moratorium, bankruptcy, insolvency or other laws affecting the rights of creditors generally and except to the extent that the enforceability hereof may be limited by the application of general principles of equity.

**SECTION 9. Conditions to Remarketing Agent's Obligations.** The obligations of the Remarketing Agent under this Remarketing Agreement have been undertaken in reliance on, and shall be subject to, the due performance by the District of its obligations and agreements to be performed hereunder and to the accuracy of and compliance with the representations, warranties, covenants and agreements contained herein, on and as of each date on which Certificates are to be offered and sold pursuant to this Remarketing Agreement. The obligations of the Remarketing Agent hereunder with respect to each date on which Certificates are to be offered and sold pursuant to this Remarketing Agreement are also subject, in the discretion of the Remarketing Agent, to the following further conditions:

(a) Each of the Financing Documents shall be in full force and effect and shall not have been amended, modified or supplemented in any way which would materially and adversely affect the duties of the Remarketing Agent, except as may have been agreed to in writing by the Remarketing Agent, and there shall be in full force and effect such additional resolutions, agreements, certificates (including such certificates as may be required by regulations of the Internal Revenue Service or Special Counsel in order to establish the tax-exempt character of interest with respect to the Certificates) and opinions as shall be necessary to effect a secondary remarketing of the Certificates in the manner contemplated by this Remarketing Agreement, which resolutions, agreements, certificates and opinions shall be satisfactory in form and substance to the Remarketing Agent;

(b) The Reimbursement Agreement and the Letter of Credit shall be in full force and effect;

(c) The rating assigned to the Certificates shall not be reduced below "A" by Moody's;

(d) No "event of default" (as such term is defined in the Trust Agreement) shall have occurred and be continuing and no event shall have occurred and be continuing which, with the passage of time or giving of notice or both, would constitute such an "event of default";

(e) At or prior to the Closing Date (as defined in the Purchase Agreement), the Remarketing Agent shall have received all documents required by, and delivered pursuant to, the Purchase Agreement;

(f) The availability of current information on the District in the form of a revised Official Statement or such other documents or information as shall be reasonably requested by the Remarketing Agent;

(g) In the event that the Certificates shall be or become subject to registration under the Securities Act of 1933, as amended, there shall be in full force and effect all such registration statements, offering materials, opinions and other filings or documents as may be necessary in the reasonable opinion of the Remarketing Agent to remarket the Certificates in the manner contemplated by this Remarketing Agreement;

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(h) The Remarketing Agent may suspend its obligations under this Remarketing Agreement at any time by notifying the District in writing or by telegram, telex, telecopy, or other electronic communication of its election so to do, if:

(i) legislation is enacted by the State of California or the United States or favorably reported to either the United States House of Representatives or the United States Senate or a decision by the United States Tax Court is rendered, or a ruling or regulation (final, temporary or proposed) is made by or on behalf of the Treasury Department of the United States or the Internal Revenue Service, or a release or official statement is issued by the President, the Treasury Department or the Internal Revenue Service of the United States, affecting the federal or California tax status of the District, its property or income, or the interest on its outstanding obligations, bonds or notes (including the Certificates);

(ii) legislation is favorably reported by committee, by amendment or otherwise, in, or is enacted by, the House of Representatives or the Senate of the Congress of the United States, or a decision by a court of the United States is rendered, or a stop order, ruling, regulation or official statement by, or on behalf of, the United States Securities and Exchange Commission or other federal governmental agency is made or proposed, to the effect that the offering or sale of obligations of the general character of the Certificates, as contemplated hereby, is or would be in violation of any provision of the Securities Act of 1933, as amended and as then in effect (the "Securities Act"), or the Trust Indenture Act of 1939, as amended, or with the purpose or effect of otherwise prohibiting the offering or sale of obligations of the general character of the Certificates, or the Certificates as contemplated hereby; provided, however, that in the case of legislation favorably reported by committee, by amendment or otherwise, in the House of Representatives or the Senate of the Congress of the United States but not yet enacted, or in the case of a stop order, ruling, regulation or official statement of the United States Securities and Exchange Commission or other federal governmental agency proposed but not yet adopted or promulgated, such event shall only give rise to a right in the Remarketing Agent to suspend its obligations under this Remarketing Agreement if, in the opinion of counsel to the Remarketing Agent, such counsel being acceptable to the District, which acceptance shall not be unreasonably withheld, the introduced legislation or proposed stop order, ruling, regulation or official statement, if enacted, adopted or promulgated in its then current form, would apply retroactively to the date as of which the Remarketing Agent seeks to suspend its obligations hereunder;

(iii) any information becomes known or an event occurs which, in the Remarketing Agent's reasonable opinion, makes untrue, incorrect or misleading in any material respect any statement or information contained in the Official Statement, as the information contained therein has been supplemented or amended by other information, as of the date furnished to the Remarketing Agent or supplemented in accordance with Section 5 hereof, or causes the Official Statement, as so supplemented or amended, to contain an untrue, incorrect or misleading statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading;

(iv) except as provided in clauses (i) and (ii) of this subparagraph (f), any legislation, resolution, ordinance, rule or regulation is introduced in or is enacted by any governmental body, department or agency of the United States, the State of New York, or the State of California, or a decision by any court of competent jurisdiction within the United States, the State of New York, the State of California is rendered which, in the opinion of counsel to the Remarketing Agent, such counsel being acceptable to the District, which acceptance shall not be unreasonably withheld, precludes the remarketing of the Certificates;

(v) additional material restrictions not in force as of the date hereof are imposed upon trading in securities generally by any governmental authority or by any national securities exchange

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which, in the opinion of counsel to the Remarketing Agent, such counsel being acceptable to the District, which acceptance shall not be unreasonably withheld, preclude the remarketing of the Certificates;

(vi) Any governmental authority imposes, as to the Certificates, or obligations of the general character of the Certificates, any material restrictions not now in force, or materially increases those now in force, which, in the opinion of counsel to, the Remarketing Agent, such counsel being acceptable to the District, which acceptance shall not be unreasonably withheld, preclude the remarketing of the Certificates;

(vii) A general banking moratorium is established by federal, New York or California authorities which precludes the remarketing of the Certificates; or

(viii) the United States engages in hostilities the effect of which in the Remarketing Agent's judgment makes it impracticable or impossible to proceed with the solicitation of offers to purchase the Certificates.

(i) The Remarketing Agent may suspend its remarketing efforts upon receipt of notice of the occurrence of any "event of default" under the Trust Agreement.

**SECTION 10. Payment of Fees and Expense.** The District agrees to pay to the Remarketing Agent a fee from Additional Payments (as provided in the Lease Agreement) computed as 0.10% per annum of the average daily outstanding principal amount of the Certificates during any quarter, payable in quarterly installments in arrears; such payment shall be billed in January, April, July and October, commencing on July 1, 2003; provided, however, that such fee to be paid to the Remarketing Agent shall not be less than \$3,000 in any quarter and prorated as applicable. In the event that the interest rate on the Certificates is converted to a Fixed Interest Rate, the fee and the procedure for payment will be an amount as shall be agreed to by the District and the Remarketing Agent. The Remarketing Agent will not be entitled to compensation for any period during which its obligations are suspended and after this Remarketing Agreement shall be terminated except for a pro rata portion of the fee in respect of the quarter in which such termination occurs.

**SECTION 11. Dealing in Certificates by the Remarketing Agent.** The Remarketing Agent, in its individual capacity, may, in good faith, buy, sell, own, hold and deal in any of the Certificates offered and sold by it pursuant to this Remarketing Agreement, and may join in any action which any Certificateholder may be entitled to take with like effect as if it did not act in any capacity hereunder. The Remarketing Agent, in its individual capacity, either as principal or agent, may also engage in or be interested in any financial or other transaction with the District, and may act as depository, trustee, or agent for any committee or body of owners of Certificates secured hereby or other obligations of the District as freely as if it did not act in any capacity hereunder.

**SECTION 12. Intention of Parties.** It is the express intention of the parties hereto that any purchase, sale or transfer of any Certificates, as herein provided, shall not constitute or be construed to be the extinguishment of any Certificates or the indebtedness represented thereby or the reissuance of any Certificates.

**SECTION 13. Indemnification and Contribution.**

(a) **District Indemnification of the Remarketing Agent.** The District shall, to the extent permitted by law, indemnify and hold harmless the Remarketing Agent, each of its directors, officers and employees and each person who controls the Remarketing Agent within the meaning of Section 15 of the Securities Act (any such person being herein sometimes called an "Indemnified Party"),

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against any and all losses, claims, damages or liabilities, joint or several, to which such Indemnified Party may become subject under any statute or at law or in equity or otherwise, and shall reimburse any such Indemnified Party for any reasonable legal or other expenses incurred by it in connection with investigating any claims against it and defending any actions, but only to the extent that such losses, claims, damages, liabilities or actions arise out of or are based upon (i) an allegation or determination that the Certificates, or the obligations of the District under the Trust Agreement or the Lease Agreement, should have been registered under the Securities Act or the Securities Exchange Act of 1934, as amended, or the Trust Agreement should have been qualified under the Trust Indenture Act of 1939, as amended, or (ii) any untrue statement or alleged untrue statement of a material fact contained in the Official Statement or any amendment thereof or supplement thereto, or the omission or alleged omission to state therein a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that the District shall not be liable in any such case to the extent that any such loss, claim, damage, liability or action arises out of, or is based upon, any untrue statement or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact necessary to make the statements in the Official Statement, in light of the circumstances under which they were made, not misleading, or any amendment thereof or supplement thereto, made in reliance on and in conformity with written information provided by the Remarketing Agent specifically for use therein the Bank or DTC. Except as specifically limited above, this indemnity agreement shall not be construed as a limitation on any other liability which the District may otherwise have to any Indemnified Party provided that in no event shall the District be obligated for double indemnification.

Notwithstanding the foregoing, in no event shall Indemnified Party be entitled to indemnification pursuant to this Section 13 for any action resulting from the Remarketing Agent's negligence or misconduct.

(b) **Indemnification Procedure.** An Indemnified Party (as defined in paragraph (a) of this Section 13) shall, promptly after the receipt of notice of the commencement of any action against such Indemnified Party in respect of which indemnification may be sought against the District, notify the Indemnifying Party in writing of the commencement thereof. Failure to give such notice shall not relieve the Indemnifying Party from any liability it may have to the Indemnified Party. In case any such action shall be brought against an Indemnified Party and such Indemnified Party shall notify the Indemnifying Party of the commencement thereof, the Indemnifying Party may, or if so requested by such Indemnified Party shall, participate therein or assume the defense thereof, with counsel reasonably satisfactory to such Indemnified Party, and after notice from the Indemnifying Party to such Indemnified Party of an election so to assume the defense thereof, such Indemnified Party shall reasonably cooperate in the defense thereof, including, without limitation the settlement of outstanding claims, and the Indemnifying Party will not be liable to such Indemnified Party under this Section 13 for any legal or other expenses subsequently incurred by such Indemnified Party in connection with the defense thereof other than reasonable costs of investigation incurred with the consent of the Indemnifying Party, which consent shall not be unreasonably withheld; provided, however, that unless and until the Indemnifying Party assumes the defense of any such action at the request of such Indemnified Party, the Indemnified Party shall have the right to participate at its own expense in the defense of any action. If the Indemnifying Party shall not have employed counsel to take charge of the defense of any such action or if any Indemnified Party shall have reasonably concluded that there may be defenses available to it or them which are different from or additional to those available to the Indemnifying Party (in which case the Indemnifying Party shall not have the right to direct the defense of such action on behalf of such Indemnified Party), reasonable legal and other expenses incurred by such Indemnified Party shall be borne by the Indemnifying Party. Notwithstanding the foregoing, the Indemnifying Party shall not be liable for any settlement of any action or claim initiated without its consent.

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(c) **Contribution.** In order to provide for just and equitable contribution in circumstances in which the indemnification provided for in paragraph (a) of this Section 13 is due in accordance with its terms but is for any reason held by a court to be unavailable from the District on grounds of policy or otherwise, the District and the Remarketing Agent shall, to the extent permitted by law, contribute to the aggregate losses, claims, damages and liabilities (including legal or other expenses reasonably incurred in connection with investigating or defending same) to which the District and the Remarketing Agent may be subject in such proportion so that the Remarketing Agent is responsible for that portion represented by the percentage that the Remarketing Agent's fee paid pursuant to Section 10 hereof with respect to such remarketing bears to the aggregate principal amount of such Certificates being remarketed and the District is responsible for the balance; provided, however, that no person guilty of fraudulent misrepresentation within the meaning of Section 11(f) of the Securities Act shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation within the meaning of Section 11(f) of the Securities Act. For purposes of this Section 13, each person who controls the Remarketing Agent within the meaning of Section 15 of the Act shall have the same rights as the Remarketing Agent. Any party entitled to contribution shall, promptly after receipt of notice of commencement of any action, suit or proceeding in respect of which a claim for contribution may be made against another party or parties under this paragraph (c), notify such party or parties from whom contribution may be sought, but the omission so to notify such party or parties shall not relieve the party or parties from whom contribution may be sought from any other obligation it or they may have hereunder or otherwise than under this paragraph (c).

**SECTION 14. Miscellaneous.** (a) Except as otherwise specifically provided in this Remarketing Agreement, all notices, demands and formal actions under this Remarketing Agreement shall be in writing and mailed, telegraphed or delivered to the Remarketing Agent, the District, the Bank and the Trustee at their respective addresses set forth in the Trust Agreement. The Remarketing Agent, the District, the Bank and the Trustee may, by notice given under this Remarketing Agreement, designate other addresses to which subsequent notices, requests, reports or other communications shall be directed.

In addition, the Remarketing Agent shall provide periodic reportings of trading activity, the rate of interest and tenders with respect to the Certificates to the District as the District reasonably requests.

(b) This Remarketing Agreement will inure to the benefit of and be binding upon the Remarketing Agent and the District and their respective successors and assigns. The terms "successors" and "assigns" shall not include any purchaser of any of the Certificates solely because of such purchase.

(c) This Remarketing Agreement and each provision hereof may be amended, changed, waived, discharged or terminated only by an instrument in writing signed by the parties hereto (with a copy of any such amendment sent by mail to the parties at the addresses referenced in Section 14(a) above).

(d) Section headings have been inserted in this Remarketing Agreement only as a matter of convenience of reference, and it is agreed that such section headings are not a part of this Remarketing Agreement and will not be used in the interpretation of any provisions of this Remarketing Agreement.

(e) If any provision of this Remarketing Agreement shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions, because it conflicts with any provisions of any constitution, statute, rule of public policy, or any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of

rendering any other provision or provisions of this Remarketing Agent invalid, inoperative or unenforceable to any extent whatever.

(f) This Remarketing Agreement may be executed in several counterparts, each of which shall be regarded as an original and all of which shall constitute one and the same document.

(g) The Remarketing Agent agrees that, with the cooperation of the District, it will, at least 120 days prior to the expiration of the then existing Letter of Credit, commence reasonable actions to assist the District in obtaining an extension of the existing Letter of Credit or a new Letter of Credit prior to the expiration of the existing Letter of Credit. The Remarketing Agent shall be paid a reasonable fee for its efforts and shall receive reimbursement of its reasonable expenses (at cost) incurred in connection therewith.

(h) This Remarketing Agreement shall be interpreted and construed under the provisions of the laws of the State of California.

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**IN WITNESS WHEREOF**, the parties hereto have caused this Remarketing Agreement to be duly executed as of the day and year first written above.

**BANC OF AMERICA SECURITIES LLC**

By \_\_\_\_\_  
Title: Authorized Signatory

**WESTERN PLACER UNIFIED SCHOOL  
DISTRICT**

By \_\_\_\_\_  
Title: Authorized Officer

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as Preliminary Official Statement constitute an offer to sell or 1. icitation  
an offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.  
is Preliminary Official Statement has been deemed final by the Authority pursuant to Rule 15c2-12 of the Securities and Exchange Commission promulgated under the Securities Exchange Act of 1934, as amended, except  
information which is permitted to be excluded from this Preliminary Official Statement under said Rule

**PRELIMINARY OFFICIAL STATEMENT DATED \_\_\_\_\_, 2003**

*In the opinion of O'Melveny & Myers LLP, Special Counsel, assuming the accuracy of certain representations and compliance by the District with certain tax covenants described herein, the portion of the Base Rental payments due under the Sublease designated as and comprising interest with respect to the Certificates is excluded from gross income for federal income tax purposes under existing statutes, regulations, rulings and court decisions and, in the opinion of Special Counsel, interest with respect to the Certificates is exempt from personal income taxes of the State of California under present state law. In addition, Special Counsel is of the opinion that the interest with respect to the Certificates will not be treated as a specific item of tax preference for purposes of the federal alternative minimum tax. However, the interest paid with respect to the Certificates is included in the computation of certain federal taxes on corporations. See "TAX EXEMPTION" herein.*

**NEW ISSUE - FULL BOOK-ENTRY ONLY**

**RATINGS:** (See "RATINGS" Herein)

\$ \_\_\_\_\_  
Western Placer Unified School District Certificates of Participation  
(School Facilities Project), Series 2003  
Representing Undivided Proportionate Interests in  
Base Rental Made by the

**WESTERN PLACER UNIFIED SCHOOL DISTRICT**

to the

[NAME OF THE AUTHORITY]

Under the Terms of a Sublease Agreement

Dated: Date of Delivery

Price: 100%

Due \_\_\_\_\_ 1, 20\_\_

The Certificates are being sold and delivered, together with other funds, to (i) provide for the financing of the construction of certain school facilities on property located within Western Placer Unified School District (the "District"), (ii) fund a Reserve Fund for the Certificates and (iii) pay certain costs of issuance. See "PLAN OF FINANCE" herein.

The Certificates represent undivided proportionate interests in a Sublease Agreement (the "Sublease"), including the right to receive payments of Base Rental thereunder.

The Certificates will initially represent interest at an Adjustable Rate to be established by the Remarketing Agent, Banc of America Securities LLC, for each Adjustable Period. Interest due with respect to the Certificates while subject to the Adjustable Rate is payable on the first Business Day of each month, commencing \_\_\_\_\_ 1, 2003. The Certificates will be initially delivered in book-entry form only, registered to Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Principal and interest with respect to the Certificates will be payable to DTC. DTC is required to remit such principal and interest to its Participants (as defined herein) for subsequent disbursement to the beneficial owners of the Certificates. See "THE CERTIFICATES -- Book-Entry Only System." Principal with respect to the Certificates is payable upon surrender of the Certificates at maturity or earlier prepayment at the principal corporate trust office of the Trustee. The Certificates are to be delivered as fully registered certificates in the denomination of \$100,000 each, plus integral multiples of \$5,000 in excess thereof.

\* Preliminary, subject to change.

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The Certificates are subject to mandatory tender, among other events, upon conversion from one interest rate period to another. While the Certificates represent interest at an Adjustable Rate, they are subject to purchase upon the demand of the Owner thereof at a price of par, plus accrued interest.

**The Certificates are subject to optional and mandatory sinking fund prepayment prior to their maturity as described herein. See "THE CERTIFICATES—Prepayment of Certificates" herein.**

Payment of the principal and interest with respect to the Certificates and of the purchase price of tendered Certificates representing interest at an Adjustable Rate is payable from the proceeds of remarketing thereof, or, to the extent that remarketing proceeds are unavailable, from the proceeds of draws under that certain irrevocable direct-pay letter of credit (the "Letter of Credit") to be issued in favor of the Trustee for the benefit of the registered owners of the Certificates on the date of delivery thereof by Bank of America, N.A. (the "Bank").

The Certificates will be initially delivered only in book-entry form, registered to Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository of the Certificates. Interest and Principal represented by the Certificates are payable by U.S. Bank National Association, as Trustee, to DTC, which remits such payments to its Participants for subsequent distribution to the beneficial owners of the Certificates. See "BOOK-ENTRY ONLY SYSTEM" herein.

The District has covenanted in the Sublease to take such action as may be necessary to include all Base Rental payments in its annual budget and to make the necessary annual appropriations for all such payments of Base Rental subject to abatement resulting from material damage, destruction, condemnation or title defect which substantially interferes with the District's right to the use and occupancy of the Leased Premises, or any portion thereof. Under the Sublease, the District is required to maintain rental interruption insurance and certain other types of insurance. See "RISK FACTORS—Limited Insurance; Risk of Earthquake" herein.

**THE OBLIGATION OF THE DISTRICT TO MAKE BASE RENTAL PAYMENTS OR ADDITIONAL RENTAL 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 BASE RENTAL PAYMENTS OR ADDITIONAL RENTAL PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE DISTRICT, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.**

See the section of this Official Statement captioned "RISK FACTORS" for a discussion of certain risks associated with the purchase of the Certificates which, in addition to other matters set forth herein, should be considered in evaluating the investment quality of the Certificates. This cover page is for quick reference only. Investors should review the entire Official Statement before making an investment decision.

*The Certificates are offered when, as and if delivered and received by the Underwriter, subject to the approval as to legality by O'Melveny & Myers LLP, Los Angeles, California, Special Counsel, and certain other conditions. Certain legal matters will be passed upon for the Bank by its General Counsel and by Seed Mackall & Cole, LLP, Santa Barbara, California. It is anticipated that the Certificates in book-entry form will be available for delivery to The Depository Trust Company in New York, New York on or about \_\_\_\_\_, 2003.*

Dated: \_\_\_\_\_, 2003



No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than those contained herein. If given or made, such other information or representations must not be relied upon as having been authorized by the District. 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 a person in any jurisdiction in which it is unlawful for such person to make such an 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.

The information set forth herein has been obtained from official sources which are believed to be reliable. However, the information is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriter. The information and expression of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or any other parties described since the date hereof. This Official Statement is being 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, unless authorized in writing by the District. All summaries of documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

Other than with respect to information concerning the Bank contained under the caption "THE LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT" and "APPENDIX G - FORM OF LETTER OF CREDIT" herein, none of the information in this Official Statement, including, without limitation, the information contained in the appendices hereto, has been supplied or verified by the Bank, and the Bank makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Certificates; or (iii) the tax-exempt status of interest with respect to the Certificates.

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

**THE CERTIFICATES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT AND HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.**

**WESTERN PLACER UNIFIED SCHOOL DISTRICT**

**Board of Trustees**

Karen Roberts, President  
Paul Long, Vice-President  
Marcia Harris, Clerk  
Earl Mentze, Member  
Nels Tahti, Member

**District Administrators**

Roger R. Yohe, Superintendent

**PROFESSIONAL SERVICES**

**Special Counsel**

O'Melveny & Myers LLP

**Financial Advisor**

Caldwell Flores Winters, Inc.  
Emeryville, California

**Trustee**

U.S. Bank National Association  
Los Angeles, California

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## OFFICIAL STATEMENT

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Western Placer Unified School District Certificates of Participation  
(School Facilities Project), Series 2003

Representing Undivided Proportionate Interests in  
Base Rental Made by the

**WESTERN PLACER UNIFIED SCHOOL DISTRICT**

to the

**[NAME OF THE AUTHORITY]**

Under the Terms of a Sublease

### INTRODUCTION

The following Introduction presents a brief description of certain information in connection with the Certificates and is qualified in its entirety by reference to the entire Official Statement and the documents summarized or described herein. No person is authorized to make offers to sell, or solicit offers to buy, the Certificates unless the entire Official Statement is delivered in connection with the offer or solicitation. Capitalized terms used in this Official Statement and not defined elsewhere herein have the meanings given such terms in APPENDIX B—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" hereto.

The purpose of this Official Statement, which includes the cover page, the table of contents and the attached Appendices, is to provide certain information concerning the execution, delivery and sale of \$ \_\_\_\_\_ aggregate principal amount of Western Placer Unified School District Certificates of Participation (School Facilities Project), Series 2003 (the "Certificates").

The Certificates represent undivided proportionate interests in the Sublease Agreement, dated as of July 1, 2003 (the "Sublease"), by and between the Western Placer Unified School District (the "District"), a public school district duly organized and existing under the laws of the State of California (the "State"), and the [Name of the Authority], a joint exercise of power authority (the "Authority"), including the right to receive payments of base rental made by the District thereunder ("Base Rental"). The Certificates will be executed and delivered pursuant to the Master Trust Agreement, dated as of July 1, 2003 (the "Master Trust Agreement"), by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee") as supplemented by the First Supplement Trust Agreement, dated as of July 1, 2003 (the "First Supplemental Agreement" and, together with the Master Trust Agreement, the "Trust Agreement"), by and among the Authority, the District and the Trustee.

The Authority will acquire a leasehold interest in certain real property and improvements thereon (the "Leased Premises") pursuant to the Lease Agreement, dated as of July 1, 2003 (the "Lease Agreement"), by and between the District and the Authority. Pursuant to the Sublease, the District will

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\* Preliminary, subject to change.

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simultaneously lease the Leased Premises from the Authority in consideration for which the District will pay Base Rental. See "THE LEASED PREMISES" herein.

The Authority will assign to the Trustee, for the benefit of the owners of the Certificates (the "Owners"), all of the Authority's rights, title and interest in and to the Sublease (except the Authority's rights to indemnification and to receive notices in accordance with the Sublease), including the right to receive Base Rental when due, pursuant to an Assignment Agreement, dated as of \_\_\_\_\_, 2003, by and between the Authority and the Trustee (the "Assignment Agreement").

The Certificates are being executed and delivered for the purpose of, and a portion of the proceeds of the Certificates, together with other available funds, will be used to finance the construction of certain school facilities on property located with the District. A portion of the proceeds of the Certificates will also be used, together with other available funds, to fund a Reserve Fund for the Certificates and to pay certain costs of issuance.

Under the Sublease, the District is required to pay Base Rental and additional rental ("Additional Rental"), in the amounts, at the times and in the manner set forth in the Sublease. A portion of each Base Rental payment is designated as interest and a portion is designated as principal. The District has covenanted in the Sublease to take such action as may be necessary to include all Base Rental and Additional Rental with respect to the Leased Premises due in each fiscal year in its annual budget, and to make the necessary annual appropriations for all such rental payments (except to the extent such payments are abated). The District, however, is not obligated to levy or pledge any form of taxation for the payment of rental for the Leased Premises, nor has the District covenanted to do so. The payment of Base Rental is subject to abatement during any period in which, by reason of material damage, destruction, condemnation or title defect, there is substantial interference with the right of the District to the use and occupancy of the Leased Premises. See "SECURITY AND SOURCES OF PAYMENT OF THE CERTIFICATES—Rental Abatement" and "RISK FACTORS—Abatement of Base Rental" herein.

THE OBLIGATION OF THE DISTRICT TO MAKE BASE RENTAL PAYMENTS OR ADDITIONAL RENTAL 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 BASE RENTAL PAYMENTS OR ADDITIONAL RENTAL PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE DISTRICT, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

See "STATE CONSTITUTIONAL LIMITATIONS ON DISTRICT REVENUES AND EXPENDITURES" herein for a description of certain limitations on the District's revenues. For certain financial information with respect to the District, see "DISTRICT FINANCIAL MATTERS" and "DISTRICT DEBT STRUCTURE" herein and the Audited Financial Statements of the District in APPENDIX A. There are certain risks associated with the investment in and ownership of the Certificates. See "RISK FACTORS" herein.

The payment of principal and interest (but not premium) with respect to the Certificates and the Purchase Price of tendered Certificates (to the extent not paid from remarketing proceeds) will be paid from drawings made under that certain irrevocable direct-pay letter of credit (the "Letter of Credit") issued by Bank of America, N.A. (the "Bank") in favor of the Trustee for the benefit of the Owners of the Certificates on the date of delivery thereof. The form of Letter of Credit is appended hereto as

APPENDIX E. The District has entered into a Reimbursement Agreement with the Bank, dated as of July 1, 2003 (the "Reimbursement Agreement"), pursuant to which the Bank agrees to issue the Letter of Credit.

Banc of America Securities LLC has been appointed by the District under that certain Remarketing Agreement, dated as of July 1, 2003, to act as the initial Remarketing Agent for the Certificates while they represent interest at an Adjustable Rate. See the caption, "THE CERTIFICATES - Remarketing Agent."

Under the Sublease, the District is required to maintain rental interruption insurance to cover loss of the use of the Leased Premises due to hazards covered under a policy of "all risk" insurance. Such rental interruption insurance is required to be in an amount sufficient at all times to pay the total rent payable under the Sublease to cover the period of repair or replacement but not be less than two times the maximum Base Rental payments payable in any Fiscal Year for the term of the Sublease. [Funds on deposit in the Reserve Fund and the Base Rental Account, the Interest Account and the Principal Account of the Certificate Fund are also available to make such abated payments.] In addition, the Leased Premises will be insured (to the extent the District elects not to self-insure) against damage and destruction. [The District currently does not carry commercial earthquake insurance. Accordingly, in the event of damage or destruction due to an earthquake, no proceeds from the rental interruption insurance would be available to pay Base Rental.] Net insurance proceeds and condemnation awards will, if an abatement would occur from the damage, destruction, title defect or taking of the Leased Premises, be applied to repair or replace the Leased Premises (unless the District elects not to repair or replace the Leased Premises) or to prepay all or a portion of the Certificates. See "SECURITY AND SOURCES OF PAYMENT OF THE CERTIFICATES" and "RISK FACTORS" herein and APPENDIX B—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—Trust Agreement" hereto.

The summaries or references to the Lease Agreement, the Sublease, the Trust Agreement, the Assignment Agreement and other documents, agreements and statutes referred to herein, and the description of the Certificates included in this Official Statement, do not purport to be comprehensive or definitive, and such summaries, references and descriptions are qualified in their entirety by reference to each such document, agreement or statute. All capitalized terms used in this Official Statement (unless otherwise defined herein) which are defined in the Sublease or the Trust Agreement shall have the meanings assigned to such terms as set forth therein. See APPENDIX B—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" hereto.

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## THE CERTIFICATES

### General Provisions

The Certificates will be executed and delivered in an aggregate principal amount of \$ \_\_\_\_\_.\* The Certificates will be delivered in fully registered form only and, when executed and delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository of the Certificates. Ownership interests in the Certificates may be purchased in book-entry form only in the denominations hereinafter set forth. See "BOOK-ENTRY ONLY SYSTEM" herein.

### Interest With Respect to Certificates

**General.** The Certificates will initially represent interest from \_\_\_\_\_, 2003 until \_\_\_\_\_, 2003 (i.e., the Initial Adjustable Period) at the rate per annum of \_\_\_\_% and, thereafter, at the Adjustable Rates calculated in accordance with the Sublease. Interest on the Certificates is payable on the first business day of each month until maturity (each an "Payment Date"). The interest rate with respect to the Certificates may be converted to a Fixed Rate upon compliance with certain provisions of the Trust Agreement and upon the prior written consent of the Bank. All Certificates must be either in an Adjustable Rate or a Fixed Rate.

Interest on the Certificates will be calculated by (x) multiplying \$5,000 times each different Adjustable Rate for in effect from and including the last Payment Date times the actual number of days that such Adjustable Rate was in effect, (y) dividing the resulting product by 365 (or 366 if the year in which such computation is being made has 366 days), and (z) totaling the amounts computed for each such Adjustable Rate and rounding the resulting figure to the nearest cent. The Certificates are deliverable in denominations of \$5,000 or any integral multiple thereof. Following the conversion of the Certificates to a Fixed Rate, interest will be calculated on the basis of a 360-day year, comprised of twelve 30-day months. In no event shall the interest rate with respect to the Certificates exceed 12% per annum, being the "Maximum Interest Rate," except for any Certificates theretofore purchased by the Bank with the proceeds of a drawing under the Letter of Credit, which are subject to different interest rate provisions.

**Adjustable Rate.** An "Adjustable Period" means, following the Initial Adjustable Period, consisting of the period from the Closing Date to the immediately following Wednesday, for the Certificates and prior to the Conversion Date, the period commencing on the Thursday after each Adjustable Rate Calculation Date to and including the Wednesday of the following week, and from and after the Conversion Date, means the remaining term of such Certificates. An "Adjustable Rate Calculation Date" means the Wednesday of each week, or, if any such Wednesday is not a Business Day, the next preceding Business Day. The Adjustable Rate with respect to the Certificates shall be determined as described below.

(A) During the Initial Adjustable Period, the interest with respect to the Certificates (except for any Bank Certificates) will be payable at the Initial Adjustable Rate.

(B) For each Adjustable Period subsequent to the Initial Adjustable Period, the Adjustable Rate for the Certificates (except for any Bank Certificates) shall be the rate determined by the Remarketing Agent on the applicable Adjustable Rate Calculation Date, having due regard for prevailing financial market conditions, to be the rate (but not higher than the rate) which would be necessary to be

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\* Preliminary, subject to change.

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payable with respect to such Certificates in order to enable the Remarketing Agent to remarket such Certificates tendered to the Remarketing Agent at one hundred percent (100%) of the principal amount thereof. The Remarketing Agent will notify the Trustee, the Tender Agent (if other than the Trustee), the Bank and the District of such Adjustable Rate by telecopier, facsimile or some other method capable of making a written record upon receipt no later than 5:00 p.m., California time, on each Adjustable Rate Calculation Date.

(C) Except for Bank Certificates, which shall evidence interest at the Bank Rate, if the Remarketing Agent shall fail to determine the Adjustable Rate on an Interest Rate Calculation Date, then the Adjustable Rate shall be (i) one hundred percent (100%) of the rate for 60-day tax-exempt commercial paper published in the afternoon of said Adjustable Rate Calculation Date by the Munifacts Wire System, Inc., or (ii) if no such rate is then published, it shall continue to be the same as for the prior Interest Period.

The determination of the Adjustable Rate by the Remarketing Agent shall be conclusive and binding upon the District, the Authority, the Trustee, the Tender Agent, the Bank and the Owners of the Certificates.

Interest with respect to each Certificate shall accrue from the Payment Date next preceding the date of execution thereof, unless (i) it is executed as of an Payment Date, in which event interest represented shall be payable from such Payment Date; or (ii) it is executed after a Record Date and before the close of business on the immediately following Payment Date, in which event interest with respect thereto shall be payable from such Payment Date; or (iii) it is executed prior to the close of business on \_\_\_\_\_, 200\_\_, in which event interest with respect thereto shall be payable from its dated date; provided, however, that if, at the time of execution of any Certificate, interest with respect thereto is in default, interest with respect thereto shall be payable from the Payment Date to which interest has previously been paid or made available for payment. "Record Date" for Certificates means the close of business on the fifteenth day of the month preceding an Payment Date.

Interest with respect to the Certificates is payable by check mailed to the registered owner thereof on each Payment Date at the address shown on the Certificate registration books maintained by the Trustee as of the Record Date (provided, however, that at the option of any Certificate Owner of at least \$1,000,000 in aggregate principal amount of Certificates, interest payments will be wired to an account at a financial institution within the United States designated by such Owner in writing prior to the applicable Record Date to the Trustee).

Conversion to Fixed Rate. The interest rate to be payable with respect to the Certificates may be converted to a Fixed Rate as follows:

(A) At any time after the Initial Adjustable Rate is established, the District may, with the prior written consent of the Bank, elect to have all of the Certificates be payable at the Fixed Rate by giving written notice to the Trustee, the Tender Agent, the Bank and the Remarketing Agent of such election at least thirty-five (35) and not more than forty-five (45) days prior to the proposed Conversion Date, which shall be an Interest Payment Date, so long as all obligations of the District owed to the Bank shall have been satisfied. The Bank may elect to have all of the Certificates in an Adjustable Rate converted to the Fixed Rate on any date after the date on which the Bank has held Bank Certificates for forty-five (45) consecutive days without such Certificates having been remarketed pursuant to the Trust Agreement, by giving written notice to the Trustee, the District and the Remarketing Agent of such election at least fifteen (15) and not more than twenty (20) days prior to the proposed Conversion Date,

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which shall be an Interest Payment Date. The notice of election by the Bank or the District shall state the proposed Conversion Date, which shall be an Interest Payment Date.

Conversion of the interest rate with respect to the Certificates to a Fixed Rate may not occur until the District or the Bank, as the case may be, has provided to the Trustee, not less than thirty-five (35) days prior to the proposed Conversion Date, (i) an opinion of Special Counsel, to the effect that conversion to the Fixed Rate is lawful under applicable law, is permitted by the Lease Agreement and the Trust Agreement, and will not adversely affect the exclusion from gross income for purposes of federal income taxation of interest payable with respect to such Certificates.

(B) An election by the District or the Bank to convert the interest payable with respect to the Certificates to the Fixed Rate may be rescinded by the party making the election at any time prior to the mailing of notice to the Certificate Owners described below, upon receipt of such rescission by the Trustee, the Remarketing Agent, the District and the Bank.

(C) Upon receipt by the Trustee of the items described in paragraph (A) above by the date specified therein, the Trustee shall send a notice not less than thirty days prior to the proposed Conversion Date to the Remarketing Agent, the District, the Bank and each Certificate Owner by first-class mail, postage prepaid, giving notice of the mandatory tender of Certificates of such Series as described under the caption “– Mandatory Tender of Certificates While in an Adjustable Rate Mode – *Conversion to Fixed Rate*” below, and further stating that each Owner must deliver his or her Certificates to the Tender Agent on the Conversion Date for purchase at a price of 100% of the principal amount thereof. Any Certificate not so delivered by such date will nonetheless be deemed to have been delivered by and purchased from the Owner at such price on the Conversion Date, and interest shall cease to accrue with respect to such Certificates from such date.

#### **Principal With Respect to the Certificates**

The principal represented by the Certificates is payable only upon surrender of such Certificates at maturity or earlier prepayment at the office of the Trustee. Principal, premium, if any, and interest due with respect to the Certificates are payable by the Trustee to DTC. Disbursement of such payments to DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of DTC Participants.

Owners of the Certificates will have a direct, undivided proportionate interest in the Base Rental payments made under the Sublease. To the extent the Base Rental payments are abated or not fully made under the Sublease, all Certificate Owners will receive a proportionate reduction in their payments, based on the relative amounts of Base Rental payments due during the time over which the total Base Rental payments are abated or not made. The Base Rental may be prepaid in part for any reason. If so prepaid, the Certificate Owners will be entitled only to the remaining Base Rental payments after such prepayment.

#### **Prepayment of Certificates**

The Certificates shall be subject to prepayment as follows:

(A) in whole or in part on any Interest Payment Date when interest with respect to the Certificates is payable at the Fixed Rate, in the event and to extent the principal component of Lease Payments is voluntarily prepaid by the District under the Lease Agreement, at a prepayment price of one hundred percent (100%) of the principal amount of the Certificates to be prepaid plus a premium

described below, expressed as a percentage of the principal amount of the Certificates called for prepayment and subject to the following:

(i) if on the Conversion Date from an Adjustable Rate Period to a Fixed Rate Period, there remain at least fifteen (15) years to the maturity of the Certificates, the Certificates may be prepaid on or after the first \_\_\_\_\_ 1 following the seventh anniversary of the Conversion Date, with a prepayment premium commencing at 2% on such \_\_\_\_\_ 1, with such premium declining and being reduced by  $\frac{1}{2}\%$  on each anniversary of such \_\_\_\_\_ 1 until it reaches 0%; or

(ii) if on the Conversion Date from an Adjustable Rate Period to a Fixed Rate Period, there remain at least ten (10) years but less than fifteen (15) years to the maturity of the Certificates, the Certificates may be prepaid on or after the first \_\_\_\_\_ 1 following the fifth anniversary of the Conversion Date, with a prepayment premium commencing at 2% on such \_\_\_\_\_ 1, with such premium declining and being reduced by  $\frac{1}{2}\%$  on each anniversary of such \_\_\_\_\_ 1 until it reaches 0%; or

(iii) if on the Conversion Date from an Adjustable Rate Period to a Fixed Rate Period, there remains at least five (5) years but less than ten (10) years to the maturity of the Certificates, the Certificates may be prepaid on or after the first \_\_\_\_\_ 1 following the third anniversary of the Conversion Date, with a prepayment premium commencing at 2% on such \_\_\_\_\_ 1, with such premium declining and being reduced by  $\frac{1}{2}\%$  on each anniversary of such \_\_\_\_\_ 1 until it reaches 0%.

(B) in any event, should the District receive reimbursement from the State or should the District issue general obligation bonds for all or part of the Costs of the Project, the Principal Component of Lease Payments with respect to such Certificates may be prepaid on any Interest Payment Date selected for such prepayment by the District no later than two years following the date upon which such reimbursement is or such proceeds are received by the District, at a prepayment price of par, plus accrued interest, if any, to the date of prepayment.

(C) in whole or in part on any Payment Date, from amounts deposited with the Trustee by the District in furtherance of the exercise of the District's option to prepay the principal component of the Base Rental payments in connection with its exercise of an option to purchase the Leased Premises in accordance with the Sublease and from any other funds available therefor, at a prepayment price equal to the principal amount thereof, without premium, plus accrued but unpaid interest to the Payment Date.

(D) in whole or in part in any integral multiple of an Authorized Denomination, with the prior written consent of the Bank, at a prepayment price equal to the principal amount of the Certificates of such Series called for prepayment without premium, on any date while the Certificates are payable at the Adjustable Rate, in the event and to the extent the principal component of Base Rental related to such Series is voluntarily prepaid by the District under the Sublease Agreement.

(E) in whole or in part in any integral multiple of an Authorized Denomination, on any Payment Date, to the extent of Net Proceeds of insurance or condemnation awards with respect to the Property, which Net Proceeds are deposited in the Certificate Fund and credited towards the prepayment of the Base Rental made by the District pursuant to the Sublease Agreement, at a prepayment price equal to the principal amount of such Certificates to be prepaid, together with accrued interest to the date fixed for prepayment, without premium.

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(F) in part on \_\_\_\_\_ 1 in each year on or after \_\_\_\_\_ 1, 20\_\_, to the extent of the principal components of scheduled Base Rental Payments required to be paid by the District pursuant to the Lease Agreement with respect to each such prepayment date, at a prepayment price equal to the principal amount thereof to be prepaid, together with accrued interest with respect thereto to the date fixed for prepayment, without premium, as follows:

Prepayment Date (_____ 1)	Principal Amount of Certificates <u>To Be Prepaid</u>	Prepayment Date (_____ 1)	Principal Amount of Certificates <u>to Be Prepaid</u>
	\$		\$

\*Final Maturity

In the event that the Trustee shall prepay the Certificates in part but not in whole as described in (A) or (B) above, the amount of the Certificates to be prepaid in each subsequent year pursuant to the paragraph (F) shall be reduced as directed in writing by the District, but if no such direction is received by the Trustee, then pro rata to correspond to the principal components of the Base Rental related to the Certificates prevailing following such prepayment, determined as set forth in the Sublease Agreement.

Selection of Certificates for Prepayment.

*Prior to the Conversion Date.* Prior to the Conversion Date, all or a portion of any Certificate may be prepaid, but only by lot and in a principal amount equal to an Authorized Denomination. In the event that less than all of the Certificates Outstanding are to be prepaid, the Trustee shall first select for prepayment any Bank Certificates Outstanding and thereafter shall select the remaining Certificates to be prepaid by lot. Upon surrender of any Certificate for prepayment in part, the Trustee shall execute and deliver to the Owner thereof, at the expense of the District, a new Certificate or Certificates of Authorized Denominations of the same maturity and in an aggregate principal amount equal to the unprepaid portion of the Certificate so surrendered.

*From and After the Conversion Date.* From and after the Conversion Date, all or a portion of any Certificate may be prepaid, but only in a principal amount equal to an Authorized Denomination. In the event that less than all of the Certificates Outstanding are to be prepaid, the Trustee shall first select for prepayment any Bank Certificates Outstanding and thereafter shall select the Certificates to be prepaid in such order of prepayment as shall be selected by the District. Upon surrender of any Certificate for prepayment in part, the Trustee shall execute and deliver to the Owner thereof, at the expense of the District, a new Certificate or Certificates of Authorized Denominations of the same maturity and in an aggregate principal amount equal to the unprepaid portion of the Certificate so surrendered.

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**Notice of Prepayment.** The Trustee shall give notice ("Prepayment Notice"), at the expense of the District, of the prepayment of the Certificates at least 30 but not more than 60 days prior to the date designated for prepayment. Such Prepayment Notice shall specify: (a) the date of prepayment, (b) the place or places where the prepayment will be made, including the name and address of any paying agent, (c) the prepayment price, (d) the CUSIP numbers (if any) assigned to the Certificates to be prepaid, (e) the numbers of the Certificates to be prepaid in whole or in part and, in the case of any Certificates to be prepaid in part only, the amount of such Certificates to be prepaid, and (f) the interest rate and stated maturity date of each Certificate to be prepaid in whole or in part. Such Prepayment Notice shall further state that on the specified date there shall become due and payable upon each Certificate or portion thereof being prepaid the prepayment price, together with interest accrued to the prepayment Date thereon, and that from and after such date interest with respect thereto shall cease to accrue and be payable.

The failure of any Owner to receive such Prepayment Notice or any defect in such Prepayment Notice shall not affect the validity of the prepayment of any Certificates. Notice having been given as aforesaid, and the monies for the prepayment (including the interest to the applicable date of prepayment) having been set aside in accordance with the requirements of the Trust Agreement, the Certificates to be prepaid shall become due and payable on such date of prepayment.

**Effect of Prepayment.** If notice of prepayment has been duly given and moneys for the payment of the prepayment price of the Certificates to be prepaid are held by the Trustee, then on the prepayment Date designated in such notice, the Certificates so called for prepayment shall become payable at the prepayment price specified in such notice; and from and after the date so designated, interest evidenced by the Certificates so called for prepayment shall cease to accrue, such Certificates shall cease to be entitled to any benefit or security hereunder and the Owners of such Certificates shall have no rights in respect thereof except to receive payment of the prepayment price thereof, and such moneys shall be pledged to such prepayment. The Trustee shall, upon surrender for payment of any of the Certificates to be prepaid, pay such Certificates at the prepayment price thereof.

#### **Mandatory Tender of Certificates while in an Adjustable Rate Mode**

**Conversion to Fixed Rate.** Upon receipt of a notice of conversion of the interest with respect to the Certificates to the Fixed Rate pursuant to the Sublease, the Trustee shall provide notice not less than thirty (30) days prior to the Conversion Date to such Owner of the Certificate or Certificates to be converted at the address shown on the Certificate registration books maintained by the Trustee, with a copy to the Bank, by first class mail, postage prepaid, of such Conversion Date and requiring each such Certificate Owner to tender his or her Certificates to the Tender Agent for purchase on the Conversion Date. All Certificates, whether or not tendered for purchase on or prior to the Conversion Date, shall be deemed purchased on the Conversion Date at a price of one hundred percent (100%) of the principal amount thereof, plus accrued and unpaid interest to such date. The Trustee shall cancel all Certificates on its records not tendered by Certificate Owners as required pursuant to the aforesaid notice and prepare a revised form of Certificate, with the advice of Counsel and consistent with the terms of this Trust Agreement, provided that the Trustee receives the opinion of Special Counsel that such conversion of interest to the Fixed Rate will not adversely affect the exclusion of interest income of the Owners thereof for federal income tax purposes.

**Substitute Security.** Upon the determination of the District to provide a Substitute Security with respect to the Certificates, the Trustee shall provide notice not less than thirty (30) days prior to the effective date of such Substitute Security to such Owner of the Certificate or Certificates to be converted at the address shown on the Certificate registration books maintained by the Trustee, with a copy to the

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Bank, by first class mail, postage prepaid, of a mandatory tender date which shall be the effective date of such Substitute Security (unless such day is not a Business Day, in which case such mandatory tender date shall be on the next preceding Business Day), and requiring each Owner of Certificates to tender his Certificates to the Tender Agent for purchase on the effective date of the Substitute Security. All Certificates, whether or not tendered for purchase on or prior to the effective date of the Substitute Security, shall be deemed purchased on the effective date of the Substitute Security (unless such day is not a Business Day, in which case such purchase date shall be on the next preceding Business Day), at their Purchase Price.

Bank Election. Upon the receipt by the Trustee of written notice from the Bank of the Bank's election to cause a mandatory tender of Certificates because of an event of default (as defined in the Reimbursement Agreement), the Trustee shall, within five (5) Business Days of receipt thereof, provide notice to each Owner of the Certificates to be tendered at the address shown on the Certificate registration books maintained by the Trustee, with a copy to the Bank, by first class mail, postage prepaid, of a mandatory tender date which will be no more than seven (7) days (unless such day is not a Business Day, in which case such mandatory tender date shall be on the next preceding Business Day) after the mailing of such notice by the Trustee, and requiring each Owner to tender his Certificates of such Series for purchase on such date. All Certificates of the affected Series, whether or not tendered for purchase on or prior to such mandatory tender date, shall be deemed tendered and purchased on such mandatory tender date at their Purchase Price.

Expiration of Letter of Credit. The Trustee shall provide notice at least fifteen (15) days prior to the expiration date of the Letter of Credit to each Owner of the Certificates at the address shown on the Certificate registration books maintained by the Trustee, with a copy to the Bank, by first class mail, postage prepaid, of a mandatory tender date which will be at least ten (10) days prior to the Expiration Date of such Letter of Credit, as defined in such Letter of Credit, and requiring each Owner to tender his Certificates to the Tender Agent for purchase on the date ten (10) days prior to the Expiration Date of such Letter of Credit, and stating that such mandatory tender shall be required. All Certificates of such Series, whether or not tendered for purchase on or prior to such mandatory tender date, shall be deemed tendered and purchased on such mandatory tender date at their Purchase Price.

Nonreinstatement of the Letter of Credit. Upon receipt by the Trustee of written notice from the Bank that it has not been reimbursed for an interest drawing under the Letter of Credit pursuant to an interest draft and that accordingly all or a portion of the interest portion of the Letter of Credit will not be reinstated, the Trustee shall, within three (3) days of receipt thereof, provide notice by first class mail, postage prepaid, of a mandatory tender date, which shall be no more than seven (7) days (unless such day is not a Business Day, in which case such mandatory tender date shall be on the next preceding Business Day) after the mailing of such notice by the Trustee, and requiring each Owner to tender his Certificates for purchase on such date. Such Certificates, whether or not tendered for purchase on or prior to such mandatory tender date, shall be deemed purchased on such mandatory tender date at their Purchase Price.

No Call of Previously Tendered Certificates. Certificates previously called for prepayment are not subject to mandatory tender, provided the prepayment price is paid to the Owner prior to the new mandatory tender date.

Bank Certificates and Disqualified Certificates. The above provisions shall not be applicable to Bank Certificates or to Certificates that are otherwise disqualified under the Trust Agreement.

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### **Demand Purchase Option while in an Adjustable Rate Mode**

At the option of the Owner thereof, on any Business Day upon seven days' notice to the Tender Agent (each, a "Purchase Date") during which interest is payable at an Adjustable Rate, any Certificates (other than Bank Certificates) will be purchased at their Purchase Price (unless the Purchase Date falls between a Record Date and an Interest Payment Date, in which event no accrued interest shall be paid until the next succeeding Interest Payment Date and interest accrued from the Purchase Date to such Interest Payment Date shall be paid by such Owner to the subsequent Owner by tendering a due bill for such interest on the Purchase Date), upon:

(A) delivery to the Tender Agent, not less than seven (7) days prior to the date on which such Certificates are to be purchased, of a notice of exercise of option to demand purchase of Certificates in substantially the form set forth on the Certificates, duly completed and executed by the Owner of the Certificate or Certificates to be purchased (which notice shall be effective upon receipt), which sets forth (i) the principal amount of Certificates to be tendered, (ii) the identifying numbers and CUSIP numbers thereof, (iii) the Purchase Date applicable thereto and (iv) an acknowledgment that such tender is irrevocable; and

(a) delivery to the Tender Agent of the Certificates to be purchased, in negotiable form, for payment at or prior to 8:30 a.m., California time, on the Purchase Date specified in the aforesaid notice; provided, however, that if a Certificate Owner fails to deliver a Certificate as provided herein, such Certificate will nonetheless be deemed to have been delivered on the date required and will no longer be Outstanding and such Certificate Owner will be entitled only to the Purchase Price payable for such Certificate, and such purchase price will be paid to such Certificate Owner upon surrender of such Certificate to the Tender Agent.

There shall be no obligation on the part of the District or the Authority to purchase Certificates that are tendered for purchase in accordance with their terms, but are not remarketed and are not, in fact, purchased by the Bank under the Letter of Credit. Accordingly, neither the District nor the Authority is obligated to use its own funds to purchase Certificates which are tendered as set forth above.

### **Remarketing of Certificates**

On the Business Day that is five (5) days prior to the Conversion Date with respect to the Certificates, seven (7) days prior to a mandatory tender date other than with respect to a Substitute Security, five (5) days prior to the effective date of the Substitute Security or upon the delivery by any Certificate Owner of a written demand upon the Tender Agent described in subparagraph (a) under the preceding caption meeting the requirements of the Lease Agreement, as applicable, the Tender Agent shall determine the Certificates tendered or deemed to be tendered under the Trust Agreement and shall immediately give the Remarketing Agent, the Bank, the District and the Trustee (unless the Trustee is then acting as the Tender Agent) facsimile or telephonic notice thereof, promptly confirmed by a written notice, and the Remarketing Agent shall offer for sale and use its best efforts to sell the Certificates identified in such notice which are subject to mandatory tender in accordance with the Trust Agreement or subject to demand purchase in accordance with the Trust Agreement. Any sale of Certificates described under this paragraph shall be made at the Purchase Price, provided that no accrued interest shall be paid if the Conversion Date, a mandatory tender date, the effective date of the Substitute Security or the Purchase Date for such Certificates, as the case may be, falls on an Interest Payment Date or between a Record Date and an Interest Payment Date; provided further, however, that no Certificates shall be remarketed to the District or the Authority.

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By 4:00 P.M., California time, on the Business Day preceding the Conversion Date, the effective date of the Substitute Security or the Purchase Date for such Certificates, as the case may be, the Remarketing Agent shall give facsimile or telephonic notice, promptly confirmed by a written notice, to the Tender Agent, the Trustee, the District and the Bank (A) directing the Tender Agent to deliver or make available for pick-up any Certificates which the Remarketing Agent has sold to the new purchaser thereof on such Conversion Date, mandatory tender date, effective date of the Substitute Security or Purchase Date, as the case may be, (B) stating the principal amount of Certificates sold pursuant to paragraph (a) above, and (C) directing the Tender Agent to pay the Owner who was required to tender pursuant to the Trust Agreement or to the Owner who demanded payment pursuant to the Trust Agreement. The Remarketing Agent shall deliver or cause to be delivered to the Tender Agent by 8:00 a.m., California time, on the Conversion Date, mandatory tender date, the effective date of the Substitute Security or the Purchase Date for such Certificates, the Purchase Price with respect to the Certificates to be so purchased. To the extent that moneys otherwise available to the Tender Agent pursuant to the Trust Agreement to purchase the tendered Certificates are insufficient for such purpose (which information shall be provided by the Tender Agent to the Trustee no later than 8:15 a.m., California time, on the Conversion Date, the mandatory tender date, the effective date of the Substitute Security or the Purchase Date), or if the Remarketing Agent fails to provide notice to the Tender Agent as required above, the Trustee shall draw on the Letter of Credit with respect to Certificates in an amount sufficient to make timely payment for such Certificates tendered pursuant to the Trust Agreement.

The Certificates tendered for optional purchase after the date notice is given of the posting of Substitute Security or of conversion to the Fixed Rate shall not be remarketed except to a buyer who has acknowledged, in writing delivered to the Trustee concurrently with the written notice of sale described in paragraph (b) above, at the time of such purchase that such Certificates must be tendered for purchase at par plus accrued interest on the effective date of the Substitute Security or on the Conversion Date, as applicable.

#### **No Remarketing After Default**

Anything in the Trust Agreement to the contrary notwithstanding, the Remarketing Agent shall not remarket Certificates without the Bank's prior written consent if there shall have occurred and be continuing an Event of Default which shall cause a failure of the payment of principal or interest with respect to the Certificates or if any event shall have occurred which with notice or the lapse of time would constitute an Event of Default which shall cause a failure of the payment of principal or interest with respect to the Certificates; provided that in all cases, the Remarketing Agent shall have first received prior written notice of the occurrence and continuance of such default.

#### **Mandatory Conversion**

The District shall (or, in the absence of direction from the District, the Bank may) commence conversion of interest payable with respect to the Certificates to the Fixed Rate in accordance with the procedures set forth in the Sublease Agreement upon (i) failure of the Bank to purchase Certificates in accordance with the terms of the Certificates and as provided in the Letter of Credit; (ii) on or after the day which is 30 days prior to the scheduled expiration date of the Letter of Credit, unless there shall have been provided to the District, the Bank and the Trustee a commitment of another provider to deliver a Substitute Security no less than fifteen (15) days prior to said scheduled expiration date; (iii) if Certificates remain in the status of Bank Certificates for a consecutive period of forty-five (45) days or longer in any Certificate Year; (iv) if Bank Certificates shall represent interest at any time in excess of the Maximum Interest Rate; (v) the District fails to deliver a Substitute Security as required by the Trust Agreement, or (vi) within fifteen (15) days after it is determined by a court of competent jurisdiction that

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the Letter of Credit is not enforceable, if the District does not cause a Substitute Security to be delivered to the Trustee within such time period.

### Remarketing Agent

Banc of America Securities LLC has been appointed to serve as the initial Remarketing Agent (the "Remarketing Agent") for the Certificates pursuant to the Trust Agreement and pursuant to a Remarketing Agreement between the District and the Remarketing Agent. The Remarketing Agent may resign or be removed and a successor Remarketing Agent may be appointed in accordance with the Remarketing Agreement; provided, however, that except while the Certificates are in other than a Fixed Rate, unless the District shall be in default under the Remarketing Agreement, no resignation or removal of the Remarketing Agent will become effective until a successor Remarketing Agent has accepted such appointment as provided in the Remarketing Agreement, provided further, that the District shall be obligated to use its best efforts to timely appoint a successor remarketing agent.

### Trustee

U.S. Bank National Association has been appointed as Trustee and Tender Agent for the Certificates under the Trust Agreement. The Trustee may resign or be removed or replaced by the District as provided in the Trust Agreement. For so long as U.S. Bank National Association is Trustee, its principal corporate trust office shall be 550 South Hope Street, Suite 500, Los Angeles, California 90071, or such other address as the Trustee may designate. See "APPENDIX B--SUMMARY OF PRINCIPAL LEGAL DOCUMENTS--THE TRUST AGREEMENT" for a summary of the rights, duties and obligations of the Trustee.

## ESTIMATED SOURCES & USES OF PROCEEDS

The proceeds to be received from the sale of the Certificates are estimated to be applied as set forth in the table below:

### SOURCES

Principal Amount of Certificates	\$ _____
Total Sources	\$ _____

### USES

Costs of Issuance Fund <sup>(1)</sup>	\$ _____
Certificate Fund	
Underwriter's Discount	

Total Uses	\$ _____
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(1) Includes costs of printing, fees of Special Counsel, Trustee, Financial Advisor and rating agencies [and the premium payable to the Insurer].

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## PLAN OF FINANCE

The District plans to apply certain of the proceeds from the sale of the Certificates to finance the construction of certain school facilities on property located within the District.

## THE LEASED PREMISES

[to come]

## SECURITY AND SOURCES OF PAYMENT OF THE CERTIFICATES

### General

Each Certificate represents a direct, undivided proportionate interest in the Base Rental payments to be made by the District to the Authority under the Sublease. The District will covenant in the Sublease to take such action as may be necessary to include all Base Rental payments and Additional Rental (as defined hereinafter) in its annual budgets and to make the necessary annual appropriations for all Base Rental payments and Additional Rental. Each Base Rental payment installment shall be payable on the first business day of each month, commencing \_\_\_\_\_ 1, 2003, in an amount sufficient to pay, when due, the principal and interest represented by the Certificates. Under the Sublease, the District agrees to make additional payments ("Additional Rental" and together with Base Rental payments, "Rental Payments") as shall be required thereunder. The Authority, pursuant to the Assignment Agreement, will assign its rights under the Sublease to receive Rental Payments and certain other rights to the Trustee for the benefit of the Owners of the Certificates.

The District is responsible for repair and maintenance of the Leased Premises during the term of the Sublease.

Except as provided in the Sublease, Base Rental payments due under the Sublease will be subject to abatement during any period in which, by reason of material damage, destruction, theft, condemnation or defects in title to the Leased Premises or any portion thereof, there is substantial interference with the use or right of possession by the District of the Leased Premises or any portion thereof. See "—Rental Abatement" below.

Should the District default under the Sublease, the Trustee, as assignee of the Authority under the Sublease, may, [with the consent of the Certificate Insurer,] reenter the Leased Premises and eject all parties in possession therefrom and, without terminating the Sublease, re-let the Leased Premises as provided under the Sublease or may retain the Sublease and hold the District liable for all Base Rental payments thereunder as they become due. See "APPENDIX B—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—The Sublease—Default by District; Remedies." See "RISK FACTORS."

[Payment of the Principal and interest represented by the Certificates when due will be insured by a financial guaranty insurance policy to be issued by the Certificate Insurer simultaneously with the execution and delivery of the Certificates. See "CERTIFICATE INSURANCE."]

### Base Rental Payments

The Certificates represent proportionate interests of the Owners thereof in certain rights under the Sublease, including the right to receive Base Rental payments to be made by the District thereunder. The Base Rental payments will be made from amounts included in the District's annual budget and

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appropriated therefor except to the extent paid from the net proceeds of insurance or condemnation awards or certain other monies held under the Trust Agreement, including monies held in the Reserve Fund established under the Trust Agreement.

Pursuant to the Assignment Agreement, certain of the rights, title and interest of the Authority under the Site Lease and the Sublease will be assigned to the Trustee for the benefit of the Owners of the Certificates, including the Authority's right to receive Base Rental payments under the Sublease but excluding its right to indemnification and to receive notices. The Trustee, pursuant to the Trust Agreement, will receive Base Rental payments for the benefit of the Owners of the Certificates. See the "Base Rental Payments" table below. The District is required under the Sublease to make semiannual Base Rental payments for the use and occupancy of the Leased Premises from legally available funds which are scheduled to be sufficient to pay, when due, amounts designated as principal and interest with respect to the Certificates. Additional Rental payments due from the District under the Sublease include amounts sufficient to pay certain taxes and assessments charged with respect to the Leased Premises, insurance premiums, trustee fees, auditing fees, legal fees and certain administrative costs. See "APPENDIX B—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—The Sublease" and See "RISK FACTORS" herein.

THE OBLIGATION OF THE DISTRICT TO MAKE BASE RENTAL PAYMENTS OR ADDITIONAL RENTAL 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 BASE RENTAL PAYMENTS OR ADDITIONAL RENTAL PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE DISTRICT, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

#### **Rental Abatement**

Except to the extent of (i) available amounts held by the Trustee in the Certificate Fund or the Reserve Fund, (ii) amounts received in respect of rental interruption insurance or title insurance, and (iii) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Certificates, Base Rental payments due under the Sublease with respect to the Leased Premises or any portion of the Leased Premises will be subject to abatement during any period in which, by reason of material damage, destruction, theft, condemnation or defects in title to the Leased Premises or portion of the Leased Premises, there is substantial interference with the use or right of possession by the District of the Leased Premises or portion of the Leased Premises. The amount of rental abatement shall be such that the resulting Base Rental payments represent fair rental value for the use and possession of the portions of the Leased Premises as to which the District has beneficial use and occupancy and as to which such damage, destruction, theft, condemnation or title defects do not substantially interfere with the use and right of possession by the District. Such abatement shall continue for the period commencing with the date of such substantial interference due to damage, destruction, theft, condemnation or title defects and ending with the restoration of the Leased Premises to tenantable condition.

In the event of any such damage, destruction, theft, condemnation or title defects, the Sublease shall continue in full force and effect, except as otherwise provided in the Sublease.

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## Reserve Fund

Initially, the Reserve Fund will be funded in an amount equal to \$ \_\_\_\_\_. If on any Payment Date, the amounts in the Certificate Fund are less than the Principal and interest payments due with respect to the Certificates still outstanding on such date, then the Trustee will transfer from the Reserve Fund amounts sufficient to make up such deficiencies into the Certificate Fund.

The amounts in the Reserve Fund may be substituted at the option of the District by the deposit with the Trustee, of an insurance policy, surety bond, letter of credit or other such credit facility in a stated amount equal to the amounts so substituted.

## Covenants to Insure

The Leased Premises are or will be insured to the extent described in "APPENDIX B—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—Sublease" hereof. The District is required to procure and maintain, or cause to be procured and maintained, "all risk" coverage, not including earthquake and flood insurance. [The District does not currently maintain earthquake insurance with a commercial carrier and has no plans to do so.] See "RISK FACTORS—Limited Insurance; Risk of Earthquake" herein. The proceeds of any insurance (other than any rental interruption or workers' compensation insurance), including the proceeds of any self-insurance fund and of any condemnation award received on account of any damage, destruction or taking of the Leased Premises or any portion thereof, shall be held by the Trustee in a special account and made available for and applied to the extent necessary to the cost of repair or replacement of such Leased Premises. The District shall, within 90 days of the occurrence of the event of damage, destruction or taking, notify the Trustee in writing of whether the District intends to replace or repair such Leased Premises. If the District elects to replace or repair such Leased Premises, the District shall deposit with the Trustee the full amount of any insurance deductible. If the damage, destruction or taking was such that an abatement of Base Rental payments and Additional Payments would result, the District has covenanted to (i) apply sufficient funds from the insurance proceeds, condemnation awards and other legally available funds to replace or repair such Leased Premises, or (ii) direct the Trustee to transfer the insurance proceeds and condemnation award to the Prepayment Fund to be used to prepay the Certificates. See "THE CERTIFICATES—Prepayment of the Certificates" herein.

Under the Sublease, the District is required to procure and maintain, or cause to be procured and maintained, throughout the term of the Sublease, rental interruption insurance to cover loss, total or partial, of the use of any part of the Leased Premises as a result of any of the hazards covered in the "all risk" insurance required by the Sublease, excluding earthquake coverage, in an amount sufficient at all times to pay the total rent payable under the Sublease for a period adequate to cover the period of repair or replacement. Such policy shall provide that the amount payable thereunder shall not be less than an amount equal to two times the maximum Base Rental payments for all of the Leased Premises payable in any Fiscal Year. The proceeds of such insurance are to be paid to the Trustee and deposited by the Trustee in the Base Rental Account and applied first to the payment of all amounts due to the Interest Account for the immediate payment of interest payments past due, then to the Principal Account for immediate payment of Principal past due according to the tenor of the Certificates, and then to the Reserve Fund to the extent necessary to make the amount on deposit therein equal to the Reserve Requirement. Any excess proceeds of rental interruption insurance shall remain on deposit in the Base Rental Account to be applied as described above. [Because the District does not carry earthquake insurance, no proceeds from the rental interruption insurance would be available to pay Base Rental payments in the event of damage or destruction resulting from a seismic event.] See "RISK FACTORS" herein and "APPENDIX B—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—Sublease" hereof.

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The District is also required to obtain a title insurance policy with respect to the Leased Premises in an amount at least equal to the aggregate outstanding principal amount of Certificates. See APPENDIX B—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—The Sublease—Insurance" hereto.

## **THE LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT**

### **General**

*The following is a brief outline of certain provisions of the Letter of Credit, and is not to be considered a full statement pertaining thereto. Reference is made to APPENDIX E—"FORM OF LETTER OF CREDIT" hereto for a more detailed description therein and to the Letter of Credit on file with the Trustee for the complete text thereof.*

The Purchase Price of and principal and interest represented by the Certificates (other than Bank Certificates) will be supported by the irrevocable direct-pay Letter of Credit to be issued on the date of delivery of the Certificates by Bank of America, N.A. (the "Bank"). On or before each tender date and each Interest Payment Date for the Certificates, the Trust Agreement directs the Trustee to draw under the Letter of Credit in accordance with its terms and to use the proceeds of such drawings as payment to the Owners of Purchase Price, principal or interest, as appropriate.

### **Letter of Credit**

The Letter of Credit delivered on the date of delivery of the Certificates is an irrevocable, direct-pay obligation of the Bank to pay, in immediately available funds, amounts drawn by the Trustee pursuant to the terms thereof, with a stated amount (the "Stated Amount") equal to (a) the principal amount represented by the Certificates, plus (b) interest with respect to the Certificates for a period of 49 days, calculated at the rate of 12% per annum; *provided, however*, that the Trustee is entitled to draw only such amounts as may be required to make actual payments of interest with respect to the Certificates.

The Letter of Credit expires on the date (the "Termination Date") which is the earliest of (i) the date the Bank honors a Final Draft (as defined in the Letter of Credit, which includes a drawing upon the final stated maturity date of the Certificates, with respect to the payment upon tender of all Certificates due to a default under Reimbursement Agreement), or the expiration of Letter of Credit or nonreinstatement of the Letter of Credit, (ii) the date the Bank honors a draft upon mandatory tender with respect to the delivery of a Substitute Security (as defined in the Trust Agreement) or on the Conversion Date, (iii) the date on which the Bank receives written notice from the Trustee that there are no longer any Certificates "outstanding" (as defined in the Trust Agreement), and (iv) the Stated Expiration Date of the Letter of Credit.

### **Reimbursement Agreement**

Among other things, the Reimbursement Agreement provides for (a) the repayment to the Bank of all drawings made under the Letter of Credit, together with specified interest thereon; (b) the payment or reimbursement to the Bank of certain specified fees, costs and expenses; (c) certain material affirmative and negative covenants to be observed on the part of the District; and (d) certain indemnification of the Bank by the District.

Each of the following events, acts or occurrences constitutes an "Event of Default" under the Reimbursement Agreement:

(a) The District shall fail to pay when due any amount payable by the District to the Bank under the Reimbursement Agreement.

(b) The Certificates or any other Related Document ceases to be valid and binding against the District or the District repudiates its obligations under the Reimbursement Agreement or any of the Related Documents.

(c) The District files a bankruptcy petition or the District makes a general assignment for the benefit of creditors.

(d) Any judgments or arbitration awards are entered against the District, or the District enters into any settlement agreements with respect to any litigation or arbitration, in an aggregate amount of Ten Million Dollars (\$10,000,000) or more in excess of any insurance coverage.

(e) Any default occurs under any agreement in connection with any credit the District has obtained from anyone else or which the District has guaranteed in the amount of Five Million Dollars (\$5,000,000) or more in the aggregate if the default consists of failing to make a payment when due or gives the other lender the right to accelerate the obligation.

(f) Any default occurs under the Lease Agreement or any other Related Document.

(g) The District fails to meet the conditions of, or fails to perform any obligation under, any term of the Reimbursement Agreement not specifically referred to in this list of defaults.

(h) The District has given the Bank false or misleading information or representations.

(i) The credit ratings of the District shall fall below A- by Standard & Poor's Rating Service or A3 by Moody's Investors Service.

Upon the occurrence and during the continuance of any Event of Default under the Reimbursement Agreement, the Bank at its option may, upon notice to the Trustee and the District, do any of the following: (a) require, in accordance with the Trust Agreement, the Trustee to give notice of mandatory tender of Certificates and to purchase all such Certificates at their Purchase Price, or (b) exercise all other legal and equitable rights and remedies available to the Bank under the Reimbursement Agreement and the Operative Documents.

**Purchasers of the Certificates are advised that the Bank and the District have reserved the right to make amendments to the terms of the Reimbursement Agreement (but not the Letter of Credit) without notice to or consent of the Owners. Accordingly, the Bank has the right, but not the obligation, in its sole discretion, to waive any of the foregoing Events of Default without requiring the Trustee to call the Certificates for mandatory tender.**

#### **Substitute Security**

Not less than 60 days prior to the termination of the Letter of Credit, the District may deliver to the Trustee a Substitute Security reasonably satisfactory to the Bank (if the Bank will remain following the date of substitution), the Trustee and the Tender Agent. The Substitute Security will be accepted by the Trustee if it is accompanied by (i) a favorable Opinion of Special Counsel; (ii) an opinion of counsel satisfactory to the Remarketing Agent to the effect that the Substitute Security is a valid and enforceable obligation of the issuer or provider thereof; (iii) an opinion of counsel that no registration of the Substitute

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Security is required under the Securities Act of 1933, as amended; (iv) all information required to give notice of mandatory tender of the Certificates, as and if required by the Trust Agreement; (v) in certain circumstances, moneys to pay any premium with respect to the Certificates; and (vi) written confirmation from Moody's or S&P (whichever is then rating the Certificates) that such action will not in and of itself result in a reduction or withdrawal of the rating on the Certificates.

Any Substitute Security shall be a standby purchase agreement, an irrevocable letter of credit, a line or lines of credit or other similar agreement or agreements or any other agreement or agreements used to provide liquidity support for the Certificates, or any combination of the foregoing, which provides for the purchase of the Certificates under certain circumstances by the provider thereof, issued and delivered to the Trustee in accordance with the Trust Agreement.

*The following information concerning Bank of America, N.A. ("BoFA" or the "Bank"), has been provided by representatives of BoFA and has not been independently confirmed or verified by the Underwriter or the District. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information given below or incorporated herein by reference is correct as of any time subsequent to its date.*

#### **Certain Information Concerning the Bank**

Bank of America, N.A. (the "Bank") a national banking association organized under the laws of the United States, and its principal executive offices are located in Charlotte, North Carolina. The Bank is a wholly owned indirect subsidiary of Bank of America Corporation and is engaged in general consumer banking, commercial banking and trust business, offering a wide range of commercial, corporate, international, financial market, retail and fiduciary banking services. As of December 31, 2002, the Bank had consolidated assets of \$565 billion, consolidated deposits of \$400 billion and stockholder's equity of \$51 billion based on regulatory accounting principles.

Bank of America Corporation is a bank holding company registered under the Bank Holding Company Act of 1956, as amended, with its principal executive offices located in Charlotte, North Carolina. Additional information regarding Bank of America Corporation is set forth in its Annual Report on Form 10-K for the fiscal year ended December 31, 2001, together with any subsequent documents it filed with the Securities and Exchange Commission (the "Commission") pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act").

The Letter of Credit has been issued by the Bank. Moody's Investors Services, Inc. ("Moody's") currently rates the Bank's long-term certificates of deposit as "Aa1" and short-term certificates of deposit as "P-1". Standard & Poor's Rating Services ("Standard & Poor's") rates the Bank's long-term certificates of deposit as "AA-" and its short-term certificates of deposit as "A-1+". Fitch, Inc. ("Fitch") rates long-term certificates of deposit of the Bank as "AA" and short-term certificates of deposit as "F1+". Further information with respect to such ratings may be obtained from Moody's, Standard & Poor's and Fitch, respectively. No assurances can be given that the current ratings of the Bank's instruments will be maintained.

The Bank will provide copies of the most recent Bank of America Corporation Annual Report on Form 10-K, any subsequent reports on Form 10-Q, and any required reports on Form 8-K (in each case as filed with the Commission pursuant to the Exchange Act), and the most recent publicly available portions of the quarterly Call Reports of the Bank delivered to the Comptroller of the Currency, without charge, to

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each person to whom this document is delivered, on the written request of such person. Written requests should be directed to:

Bank of America Corporate Communications  
100 North Tryon Street, 18th Floor  
Charlotte, North Carolina 28255  
Attention: Corporate Communications

PAYMENTS OF PRINCIPAL AND INTEREST ON THE BONDS WILL BE MADE FROM DRAWINGS UNDER THE LETTER OF CREDIT. PAYMENTS OF THE PURCHASE PRICE OF THE BONDS WILL BE MADE FROM DRAWINGS UNDER THE LETTER OF CREDIT IF REMARKETING PROCEEDS ARE NOT AVAILABLE. ALTHOUGH THE LETTER OF CREDIT IS A BINDING OBLIGATION OF THE BANK, THE BONDS ARE NOT DEPOSITS OR OBLIGATIONS OF BANK OF AMERICA CORPORATION OR ANY OF ITS AFFILIATED BANKS AND ARE NOT GUARANTEED BY ANY OF THESE ENTITIES. THE BONDS ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY AND ARE SUBJECT TO CERTAIN INVESTMENT RISKS, INCLUDING POSSIBLE LOSS OF THE PRINCIPAL AMOUNT INVESTED.

The information contained in this section relates to and has been obtained from the Bank. The information concerning Bank of America Corporation and the Bank contained herein is furnished solely to provide limited introductory information regarding Bank of America Corporation and the Bank and does not purport to be comprehensive. Such information is qualified in its entirety by the detailed information appearing in the documents and financial statements referenced above.

The delivery hereof shall not create any implication that there has been no change in the affairs of Bank of America Corporation or the Bank since the date hereof, or that the information contained or referred to in this section is correct as of any time subsequent to its date.

### **BOOK-ENTRY ONLY SYSTEM**

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Certificates. The Certificates will initially be issued as fully-registered Certificates 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 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 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 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 the Certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies,

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clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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](http://www.dtcc.com).

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 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 may be requested by an authorized representative of DTC. The deposit of 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 and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

Payments of Principal, interest and redemption premium, if any, on the 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 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 (nor its nominee), the Trustee, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee or the District, 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 services as depository with respect to the Certificates at any time by giving reasonable notice to the Trustee or the District. Under such circumstances, in the event that a successor depository is not obtained, the Certificates are required to be printed and delivered.

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

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.

## **RISK FACTORS**

*The following discussion sets forth some of the events that could affect the payment of Base Rental. The following discussion of risks is not meant to be an exhaustive list of the risks associated with the purchase of the Certificates and does not necessarily reflect the relative importance of the various risks. Potential investors are advised to consider the following factors along with all other information contained in this Official Statement in evaluating the Certificates. There can be no assurances that other risk factors will not become material in the future.*

### **General Considerations**

The obligation of the District to make Base Rental payments or Additional Rental 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 Base Rental payments or Additional Rental payments constitutes an indebtedness of the District, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

Although the Sublease does not create a pledge, lien or encumbrance upon the funds of the District, the District is obligated under the Sublease to pay Base Rental from any source of legally available funds, subject to certain exceptions such as abatement (see "Abatement of Base Rental" below), and the District has covenanted in the Sublease to take such action as may be necessary to include all Base Rental payments in its annual budget and annually to appropriate an amount necessary to make such Base Rental payments. The District is currently liable on other obligations payable from general revenues. See "DISTRICT DEBT STRUCTURE" herein.

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### **Additional Obligations**

The District has the right and authority to enter into other obligations which may constitute additional charges against its general revenues without obtaining the consent of the Owners or the beneficial owners of the Certificates. To the extent that additional obligations are incurred by the District, the funds available to make Base Rental payments may be decreased.

### **Limited Recourse; No Acceleration on Default**

Even if the District has breached the Sublease, the Sublease will continue in effect for so long as the Trustee, as assignee of the Authority, does not terminate the District's right to possession of the Leased Premises, and the Trustee, as assignee of the Authority, may enforce all of its rights and remedies under the Sublease, including the right to recover Base Rental payments with respect to the Leased Premises as they become due.

The enforcement of any remedies provided in the Sublease could prove both expensive and time consuming. Although the Sublease provides that if the District defaults the Trustee may retake possession of the Leased Premises and relet all or a part of it, the Leased Premises may not be easily recoverable, and even if recovered, could be of little value to others because of its specialized nature. Additionally, the Trustee may have limited ability to relet such property to provide a source of rental payments sufficient to pay the Principal and interest represented by the Certificates as to preserve the tax-exempt nature of the interest component of the Base Rental payments. Furthermore, due to the governmental nature of the Leased Premises, it is not certain whether a court would permit the exercise of the remedy of reletting with respect thereto.

In the event of a default, there is no remedy of acceleration of the total Base Rental payments due over the term of the Sublease and the Trustee is not empowered to sell the Leased Premises and use the proceeds of such sale to prepay the Certificates or pay debt service thereon. The District will only be liable for Base Rental payments on an annual basis, and the Trustee would be required to seek a separate judgment each year for that year's defaulted Base Rental payments.

Any suit for the enforcement of any remedy available to the District would be subject to limitations on legal remedies against school districts in California, including a limitation on enforcement of judgments against funds of a fiscal year other than the fiscal year in which the Base Rental payments were due and against funds needed to serve the public welfare and interest, and including limitations imposed by the provisions of federal bankruptcy laws and the laws or equitable principles that may affect creditors' rights.

### **Abatement of Base Rental**

The obligation of the District to pay Base Rental is in consideration for the right to the use and occupancy of the Leased Premises. The obligation of the District to pay Base Rental will be abated in whole or in part if the District does not have the right to use and occupy the Leased Premises.

The amount of Base Rental payments due under the Sublease will be adjusted or abated during any period in which, by reason of material damage, destruction, condemnation or a title defect, there is substantial interference with the right to use and occupy any portion of the Leased Premises. Funds in the Reserve Fund may be used by the Trustee to make payments in the event Base Rental received by the Trustee is sufficient to pay principal and interest with respect to the Certificates as such amounts become due.

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If damage or destruction to the Leased Premises results in abatement or adjustment of Base Rental payments and the resulting Base Rental payments, together with moneys in the Base Rental Payment Fund and the Reserve Fund, are insufficient to make all payments of Principal and interest with respect to the Certificates during the period that the Leased Premises is being replaced, repaired or reconstructed, then the scheduled payments of Principal and interest with respect to the Certificates will not be made and the only remedy available to the Trustee or Owners of the Certificates will be the proceeds from rental interruption insurance. The District is required to obtain rental interruption insurance which will provide coverage of two times the maximum Base Rental payments payable in any Fiscal Year. [However, rental interruption insurance will not cover the abatement of Base Rental resulting from an earthquake.] See APPENDIX B—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—The Sublease" hereto.

### **Substitution/Release of Leased Premises**

The Sublease provides that, upon the satisfaction of certain conditions, the District may substitute other property for the Leased Premises. See APPENDIX B—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—The Sublease" hereto. Although the Sublease requires that the total fair rental value of the substitute Leased Premises is at least equal to 100% of the maximum amount of Base Rental and Additional Rental payments becoming due in the then current Lease Year and in any subsequent Lease Year, it does not require that such property have an annual fair rental value equal to the annual fair rental value of the Leased Premises at the time of substitution or release. Furthermore, the Sublease does not require that the substituted property be of any particular type. Such a substitution or release could have an adverse impact on the security for the Certificates.

### **Limited Insurance; Risk of Earthquake**

The Sublease provides that the District may self-insure for casualty, liability and workers' compensation insurance. The Sublease does not require the District to maintain actuarially determined reserves to cover payments of claims pursuant to casualty and liability insurance deductibles, or for claims not covered by the liability and casualty insurance.

Under the Sublease, the District is not required to procure and maintain, or cause to be procured and maintained, earthquake insurance on the Leased Premises. See APPENDIX B—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—The Sublease" hereto. [The District does not currently carry earthquake insurance with respect to the Leased Premises and has no plans to do so in the future. Future earthquakes could damage the Leased Premises, which could result in an abatement of Base Rental. The rental interruption insurance procured by the District would not cover Base Rental in the event an abatement due to damage or destruction caused by an earthquake.]

### **Seismic Considerations**

The Leased Premises is located in the general proximity of several active and potentially active faults, including an active fault known as the San Andreas Fault. Earthquakes occurring within 60 miles of the Leased Premises are capable of generating ground shaking of engineering significance to the Leased Premises. Consequently, if there were an occurrence of severe seismic activity in the District, there could be substantial damage to and interference with the District's right to use and occupy all or a portion of the Leased Premises, which could result in Base Rental payments being subject to abatement. See "Abatement of Base Rental Payments" above. The District is not required to obtain or maintain earthquake insurance for the Leased Premises and has no plans to do so in the future.

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## **Loss of Tax Exemption**

Interest evidenced by the Certificates could become includable in gross income for purposes of federal income taxation retroactive to the date such Certificates were issued as a result of acts or omissions of the District in violation of its covenants in the Trust Agreement. Should such an event of taxability occur, the Certificates are not subject to special prepayment and will remain outstanding until maturity or until prepaid under one of the prepayment provisions contained in the Trust Agreement. For further discussions of the tax treatment of the Certificates, see "TAX EXEMPTION" herein.

## **No Liability of Corporation to the Owners**

Except as expressly provided in the Trust Agreement, the Authority will not have any obligation or liability to the Owners of the Certificates with respect to the payment when due of the Base Rental Payments by the District, or with respect to the performance by the District of other agreements and covenants required to be performed by it contained in the Sublease or the Trust Agreement, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Trust Agreement.

## **Bankruptcy and Equitable Limitations**

In addition to the limitations on remedies contained in the Sublease and the Trust Agreement, the rights and remedies provided in the Sublease and the Trust Agreement may be limited by, and are subject to, the provisions of federal bankruptcy laws, as now or hereinafter enacted, and to other laws or equitable principles that may affect the enforcement of creditors' rights. The various legal opinions delivered concurrently with the delivery of the Certificates (including Special Counsel's approving legal opinion) will be qualified as to the enforceability of the Certificates, the Trust Agreement, the Sublease and other related documents by bankruptcy, reorganization, moratorium, insolvency, fraudulent conveyance or other similar laws relating to or affecting the enforcement of creditors' rights, to the application of equitable principles, to the exercise of judicial discretion and to the limitation on legal remedies against public agencies in the State.

Under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), which governs the bankruptcy proceedings for public agencies such as the District, there are no involuntary petitions in bankruptcy. If the District were to file a petition under Chapter 9 of the Bankruptcy Code, the Owners of the Certificates, the Trustee and the Authority could be prohibited from taking any steps to collect amounts due from the District under the Sublease.

## **Revenue Sources to Pay Certificates**

The District derives the majority of its revenues from or through the State. See "DISTRICT FINANCIAL MATTERS" herein. As a result, decreases in State revenues, or changes in the State's method of funding education, can significantly affect appropriations made by the legislature to school districts. See "CONSTITUTIONAL LIMITATIONS ON TAXES AND EXPENDITURES—Proposition 98" herein and "STATE OF CALIFORNIA FISCAL ISSUES" below.

## **Book-Entry System**

Beneficial owners of the Certificates may experience some delay in their receipt of distributions of Principal and interest on the Certificates since such distributions will be forwarded by the Trustee to DTC and DTC will credit such distributions to the accounts of the Participants' which will thereafter

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credit them to the accounts of the beneficial owners either directly or indirectly through Indirect Participants. See "BOOK-ENTRY ONLY SYSTEM" herein.

Since transactions in the Certificates can be effected only through DTC, Participants, Indirect Participants and certain banks, the ability of a beneficial owner to pledge Certificates to persons or entities that do not participate in the DTC system, or otherwise to take actions in respect of such Certificates, may be limited due to lack of a physical certificate. Beneficial owners will not be recognized by the Trustee as registered Owners for purposes of the Trust Agreement, and beneficial owners will be permitted to exercise the rights of registered Owners only indirectly through DTC and the Participants. See "BOOK-ENTRY ONLY SYSTEM" herein.

## **GENERAL INFORMATION ABOUT THE DISTRICT**

### **Introduction**

The Western Placer Unified School District was established as a school district in 1966. The District is located in the northwest corner of Placer County including the City of Lincoln. The District encompasses approximately 175 square miles and currently operates four elementary schools, one middle school, one high school, two continuation high schools, and one charter home school program. The current student-teacher ratio in the District is 25:1 in grade K, 18:1 in grades 1-3, 28:1 in grades 4-5, 24:1 in grades 6-8, and 25:1 in grades 9-12.

### **Board of Trustees**

The District is governed by a five member Board of Trustees (the "Board"), whose members are elected to four-year terms. The terms are staggered on two-year intervals to provide continuity of governance. Vacancies during terms are filled by an individual appointed by a majority of the remaining Board members or, if there is no majority, by a special election. Members appointed by a majority of the Board serve until the next scheduled election, at which time the voters elect a person to serve the remaining years of the term.

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**Table 1**  
**WESTERN PLACER UNIFIED SCHOOL DISTRICT**  
**Board of Trustees**

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Karen Roberts	President	2004
Paul Long	Vice-President	2004
Marcia Harris	Clerk	2006
Earl Mentze	Member	2006
Nels Tahti	Member	2006

Source: Western Placer Unified School District

#### **Superintendent and Administrative Personnel**

The day-to-day operations of the District are managed by a Board-appointed Superintendent of Schools. Brief information with respect to the person holding such position follows.

Roger R. Yohe, Superintendent—Mr. Yohe has 31 years of administrative experience, including 16 years as a Superintendent. Mr. Yohe has been employed by the district since 1995.

#### **Average Daily Attendance and Base Revenue Limit**

Between fiscal years 1992-93 and 2001-02, the District's average daily attendance ("ADA") increased by 28.3 percent. The ADA and Base Revenue Limit for these years, as well as projections for fiscal years 2002-03 through 2003-04, are set forth below:

**Table 2**  
**WESTERN PLACER UNIFIED SCHOOL DISTRICT**  
**Average Daily Attendance**

<u>Fiscal Year</u>	<u>Average Daily Attendance</u>	<u>Base Revenue Limit</u>
1992-93	2,686	\$3,092.60
1993-94	2,705	3,093.88
1994-95	2,741	3,095.11
1995-96	2,750	3,241.26
1996-97	2,802	3,379.08
1997-98	2,902	3,558.91
1998-99	2,940	3885.62
1999-00	2,985	4018.41
2000-01	3,110	4458.69
2001-02	3,446	4632.69
	<b>Projected</b>	
2002-03	3,592	4725.69
2003-04	3,889	4725.69

Source: Western Placer Unified School District

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## Employee Relations

In the fall of 1974, the State of California (the "State") Legislature enacted a public school employee collective bargaining law known as the Rodda Act, which became effective in stages in 1976. The law provides that employees are to be divided into appropriate bargaining units, which are to be represented by an exclusive bargaining agent.

The Western Placer Teacher's Association serves as the exclusive bargaining agent for the teachers of the District ("Certificated Employees"). The existing employment contract between the District and its Certificated Employees expires on June 30, 2002. As of June 30, 2002, the District employed 222 full-time Certificated Employees with a total annual payroll of \$12,119,044.

**Table 3**  
**WESTERN PLACER UNIFIED SCHOOL DISTRICT**  
**Certificated Employees**

<u>School Year</u>	<u>Number of Employees</u>
1992-93	126
1993-94	129
1994-95	129
1995-96	147
1996-97	162
1997-98	162
1998-99	178
1999-00	190
2000-01	188
2001-02	222
2002-03	233

Source: Western Placer Unified School District

The Western Placer Classified Employees' Association has been selected as the exclusive bargaining agent for non-teaching ("Classified Employees"). The existing contract expires on June 30, 2004. As of June 30, 2002, the District employed 165 Classified Employees with a total annual payroll of \$3,777,893.

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**Table 4**  
**WESTERN PLACER UNIFIED SCHOOL DISTRICT**  
**Classified Employees**

<u>School Year</u>	<u>Total Number of Employees</u>
1992-93	98
1993-94	110
1994-95	110
1995-96	120
1996-97	139
1997-98	143
1998-99	164
1999-00	142
2000-01	151
2001-02	165
2002-03	179

Source: Western Placer Unified School District

#### **Retirement System**

The District participates in the State of California Teachers' Retirement System ("STRS"), which provides benefits to full-time Certificated Personnel. The District also participates in the State of California Public Employees Retirement System ("PERS"), which provides benefits to full-time Classified Personnel and part-time employees who are employed more than 1,000 hours during the year.

The District was required to contribute \_\_\_ percent of gross salary expenditures to STRS during the fiscal year ended June 30, 2002. The District's PERS contribution during fiscal year ended June 30, 2002, averaged \_\_\_ percent of gross salary expenditures.

The District's retirement contributions for the fiscal year ended June 30, 2002 are as follows:

**Table 5**  
**WESTERN PLACER UNIFIED SCHOOL DISTRICT**  
**Retirement Contributions for Fiscal Year 2001-2002**

	<u>Number of Employees Covered</u>	<u>Total Employer Contributions</u>	<u>District's Covered Payroll</u>	<u>Employer Contributions as a % of Covered Payroll</u>
STRS	252	952,713	11,550,732	8.25%
PERS	141	0	3,374,945	0.00%

Source: Western Placer Unified School District

For the 2000-2003 fiscal year, the District estimates contributions of \$1,067,833 for STRS and \$101,903 for PERS. Both STRS and PERS are operated on a statewide basis.

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## Insurance

The Western Placer Unified School District maintains insurance with Schools Insurance Group, with such retentions and other terms providing coverages 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.

The following chart illustrates the multilevel coverage:

Liability Coverage		
	<u>Limit Per Occurrence</u>	<u>School District Deductible</u>
Schools Insurance Group	\$100,000	\$2,000
Coregis	\$100,001 - \$1,000,000	
SELF	\$1,000,001 - \$15,000,000	
SELF Optional	\$15,000,001 - \$25,000,000	

Real & Personal Property Coverage		
	<u>Limit Per Occurrence</u>	<u>Deductible</u>
Schools Insurance Group	\$100,000	\$1,000
Corgis	\$100,001 - Replacement	

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

## DISTRICT FINANCIAL MATTERS

### Accounting Practices

The accounting policies of the District conform to generally accepted accounting principles and are in accordance with the policies and procedures of the California School Accounting Manual. In accordance with Section 41010 of the California Education Code, the policies and procedures of the California School Accounting Manual are to be followed by all school districts within the State.

### Comparative Financial Statements and 2002-2003 Current Budget

The District is required by provisions of the California Education Code to maintain each year a balanced budget in which the sum of expenditures plus the ending fund balance for each year cannot exceed the revenues plus the carry over fund balance from the previous year. The California State Department of Education imposes a uniform budgeting format for each school district in the State.

Pursuant to State law, the District adopted on June 19, 2002 a fiscal line-item budget setting forth revenues and expenditures so that appropriations during fiscal year 2002-2003 will not exceed the sum of revenues plus beginning fund balance.

Table 6 summarizes the District's Statement of General Fund Revenues, Expenditures and Changes in Fund Balance for fiscal years audited 1999-00 to 2001-02, and 2nd Interim Report for fiscal

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year 2002-03. See APPENDIX A – “EXCERPTS FROM THE DISTRICT’S 2001-2002 AUDITED FINANCIAL STATEMENT” for further detail on the District’s financial condition.

**Table 6**  
**WESTERN PLACER UNIFIED SCHOOL DISTRICT**  
**Summary of General Fund Sources and Expenditures**  
**Fiscal Years 1999-2000 to 2002-03**

	<b>Audited 1999-00</b>	<b>Audited 2000-01</b>	<b>Audited 2001-02</b>	<b>2<sup>nd</sup> Interim 2002-03</b>
<b>SOURCES</b>				
Revenue Limit Sources:				
State Apportionments	\$ 7,218,549	\$ 8,795,352	\$ 9,060,144	
Local Sources	9,335,382	10,896,502	13,834,086	
Total Revenue Limit	<u>\$16,553,931</u>	<u>\$19,691,854</u>	<u>\$22,894,230</u>	<u>\$17,911,474</u>
Federal Revenues	\$ 576,938	\$ 733,487	\$ 1,142,520	\$ 1,528,087
Other State Revenues	3,899,959	4,878,362	3,692,051	4,179,542
State On-Behalf Payments	685,078	728,124	520,017	
Other Local Revenue	2,619,976	2,700,016	1,987,924	2,156,846
Total Revenues	<u>\$24,335,882</u>	<u>\$28,731,843</u>	<u>\$30,236,742</u>	<u>\$25,775,949</u>
<b>EXPENDITURES</b>				
Certificated Salaries	\$ 9,219,984	\$10,852,373	\$12,119,044	\$12,950,392
Classified Salaries	2,744,097	3,375,541	3,777,893	3,685,402
Employee Benefits	2,571,901	3,278,646	3,681,019	4,229,805
State On-Behalf Payments	685,078	728,124	520,017	
Books and Supplies	1,705,010	1,946,789	2,146,471	3,046,695
Contracted Services &				
Capital Expenditures	2,076,021	2,402,135	2,241,310	2,096,017
Capital Outlay	425,534	546,559	304,331	29,950
Other Outgo	4,322,560	5,339,102	6,564,423	397,656
Direct Support / Indirect Costs			(116,353)	(107,165)
Debt Service Expenditures	181,674	88,185	86,532	
Total Expenditures	<u>\$23,931,859</u>	<u>\$28,557,454</u>	<u>\$31,324,687</u>	<u>\$26,328,752</u>
Excess of Revenues over (Under)				
Expenditures	\$ 404,023	\$174,389	(\$1,087,945)	(\$552,803)
<b>OTHER FINANCING SOURCES</b>				
Operating Transfers In				
Operating Transfers Out	(220,405)	(173,761)	(148,059)	(129,233)
Other				
Total Other sources (uses)	<u>(\$220,405)</u>	<u>(\$173,761)</u>	<u>(\$148,059)</u>	<u>(129,233)</u>
Excess (Deficiency) of Revenues and				
Other Financing Sources over				
Expenditures and Other Uses	\$138,618	\$628	(\$1,236,004)	(\$682,036)
Fund Balance (Deficit), July 1	\$2,389,834	\$2,772,094	\$2,772,722	\$1,536,718
Fund Balance (Deficit), June 30	<u>\$2,573,452</u>	<u>\$2,772,722</u>	<u>\$1,536,718</u>	<u>\$854,682</u>

Source: Western Placer Unified School District

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## 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 sources; (3) other State sources; and (4) other local sources. Each of these revenue sources is described below.

### Revenue Limit Sources

Since fiscal year 1973-74, State school districts have operated under general purpose revenue limits established by the State Legislature. In general, the base revenue limits are calculated for each school district by multiplying (1) the ADA for each such district by (2) a base revenue limit per unit of ADA. The base revenue limit calculations are adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among all State school districts of the same type. In fiscal year 2000-01, the District's base revenue limit per unit of ADA was approximately \$4,458.69. For fiscal year 2001-02, the District's base revenue limit per unit of ADA was approximately \$4,632.69. And for fiscal year 2002-03, the District estimates that its revenue limit per unit of ADA will be \$4,725.69.

In fiscal year 2000-01, the District received \$19,691,854 from revenue limit sources, which accounted for approximately 68.5 percent of its General Fund revenues. For fiscal year 2001-02, the District received \$22,894,230 from revenue limit sources, which accounted for approximately 75.7 percent. The fiscal year 2002-03 Interim Report has estimated \$17,911,474, which is 69.5 percent of its estimated General Fund revenues.

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

Beginning in fiscal year 1978-79, Proposition 13 and its implementing legislation permitted each county to levy and collect all property taxes (except for levies to support prior voter approved indebtedness) and prescribed how levies on county-wide property values were to be shared with local taxing entities within each county. The District's fiscal year 2001-02 share of the property tax revenue in the County equaled \$ \_\_\_\_\_ and is estimated to equal \$ \_\_\_\_\_ in fiscal year 2002-03.

Property taxes collected by the County to pay the principal of and interest on the Bonds do not constitute local property taxes for purposes of being applied toward the District's revenue limit.

### Basis of Property Taxation

All property is assessed using full cash value as defined by Article XIII A of the State Constitution. State law, however, provides exemptions from ad valorem property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions.

For purposes of allocating the County's 1% base property tax levy, future assessed valuation growth allowed under Article XIII A (new construction, certain changes of ownership, up to 2% inflation) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools will share the growth of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year. The availability of revenue from growth in the tax bases in such entities may be affected by the existence of

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redevelopment agencies which, under certain circumstances, may be entitled to revenues resulting from the increase in certain property values.

State law exempts \$7,000 of the assessed valuation of an owner-occupied principal residence. This exemption does not result in any loss of revenue to local agencies because an amount equivalent to the taxes that would have been payable on such exempt values is paid by the State to local agencies.

### **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 10, respectively. A penalty of 10 percent 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 percent 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 March 1 and if unpaid become delinquent on August 31. A penalty of 10 percent attaches immediately to delinquent unsecured taxes. If unsecured taxes are unpaid at 5 p.m. on October 31, an additional penalty of 1.5 percent 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 interests belonging or assessed to the delinquent taxpayer.

### **Assessed Valuation**

District taxes are collected by the County at the same time and on the same tax rolls 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 March 1, and is subsequently equalized in August of each year.

Table 7 shows the assessed valuation in the District for the current fiscal year 2002-03 and the previous nine fiscal years.

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**Table 7**  
**WESTERN PLACER UNIFIED SCHOOL DISTRICT**  
**Assessed Valuations**

	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total Before Rdv. Increment</u>	<u>Total After Rdv. Increment</u>
1998-99	\$ 909,392,536	\$2,462,198	\$42,637,290	\$ 954,492,024	\$ 874,649,288
1999-00	1,006,368,856	1,983,436	41,403,479	1,049,755,771	979,742,094
2000-01	1,321,770,016	2,057,303	59,086,295	1,382,913,614	1,300,157,567
2001-02	1,758,736,933	2,308,211	51,971,597	1,813,016,741	1,705,016,856
2002-03	2,254,818,317	2,083,576	78,560,328	2,335,462,221	2,206,816,480

Source: California Municipal Statistics, Inc.

### Tax Rates

There are a total of 39 tax rate areas in the District. Table 8 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 1992-93 to fiscal year 2002-03.

**Table 8**  
**WESTERN PLACER UNIFIED SCHOOL DISTRICT**  
**Summary of Ad Valorem Tax Rates**

	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>
County-wide	1.000000	1.000000	1.000000	1.000000	1.000000
Western Placer Unified School District	<u>.057833</u>	<u>.053046</u>	<u>.049233</u>	<u>.028198</u>	<u>.027384</u>
Total	1.057833	1.053046	1.049233	1.028918	1.027384

Source: California Municipal Statistics, Inc.

Table 9 lists the secured tax charges and delinquencies for the District.

*5.747*

**Table 9**  
**WESTERN PLACER UNIFIED SCHOOL DISTRICT**  
**Secured Tax Charges and Delinquencies**

[To be Updated]

<u>Fiscal</u> <u>Year</u>	<u>Secured</u> <u>Tax Charge</u> <sup>(1)</sup>	<u>Amt. Del.</u> <u>June 30</u>	<u>% Del.</u> <u>June 30</u>
1992-93			
1993-94			
1994-95			
1995-96			
1996-97			
1997-98			
1998-99			
1999-00			
2000-01			
2001-02			

<sup>(1)</sup> 1% General Fund apportionment.

Source: California Municipal Statistics, Inc.

Table 10 lists the 20 largest secured property owners in the District for fiscal year 2002-03.

**Table 10**  
**WESTERN PLACER UNIFIED SCHOOL DISTRICT**  
**Largest 2002-03 Local Secured Property Taxpayers**

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2002-03 Assessed</u> <u>Valuation</u>	<u>% of</u> <u>Total (1)</u>
1.	Del Webb California Corp.	Residential Development	\$ 99,949,998	4.43%
2.	Buzz Oates Enterprises II / Marvin Oates	Industrial	57,151,297	2.53
3.	Sierra Pacific Industries	Industrial	34,452,901	1.53
4.	Placer Holdings Inc.	Golf Course	27,389,813	1.21
5.	Ultrapower-Rocklin	Power Plant	16,465,460	0.73
6.	First American Trust Company	Vacant	15,697,313	0.70
7.	Townsend Rocklin LLC	Industrial	13,989,025	0.62
8.	Auburn Creek Investors	Apartments	13,344,456	0.59
9.	Safeway Inc.	Commercial	12,143,272	0.54
10.	Coherent Inc.	Industrial	10,094,674	0.45
11.	Turkey Ranch Golf Club Inc.	Golf Course	10,013,333	0.44
12.	Formica Corporation	Industrial	9,901,628	0.44
13.	Alice and Paul Ferrari, Jr.	Vacant	9,693,050	0.43
14.	CSY Lincoln Crossing	Residential Development	8,985,493	0.40
15.	Asset Seven Corp.	Golf Course	8,900,000	0.39
16.	Robb-Jack Corporation	Industrial	7,487,661	0.33
17.	Roseville Rockpile LLC	Vacant	6,045,000	0.27
18.	Sutter Bypass Properties Inc.	Agricultural	5,954,102	0.26
19.	Lincoln Town Center LLC	Commercial	5,823,406	0.26
20.	Warm Springs Investments Ltd.	Agricultural	5,086,757	0.23
			<u>\$378,568,639</u>	<u>16.79%</u>

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(1) Local Secured Assessed Valuation; excluding tax-exempt property.

Source: California Municipal Statistics, Inc.

Table 11 describes the District's land use.

**Table 11**  
**WESTERN PLACER UNIFIED SCHOOL DISTRICT**  
**Assessed Valuation and Parcels by Land Use**

	2002-03 <u>Assessed Valuation (1)</u>	<u>% of Total</u>	<u>No. of Parcels</u>	<u>% of Total</u>
<b>Non-Residential:</b>				
Agricultural	\$ 69,602,135	3.09%	389	3.32%
Commercial	48,313,112	2.14	112	0.96
Vacant Commercial	19,255,851	0.85	41	0.35
Industrial	146,332,030	6.49	61	0.52
Vacant Industrial	37,344,611	1.66	99	0.85
Recreational	59,372,098	2.63	29	0.25
Government/Social/Institutional	10,719,737	0.48	25	0.21
Vacant Other	50,911,038	2.26	674	5.76
Miscellaneous	<u>56,042,722</u>	<u>2.49</u>	<u>379</u>	<u>3.24</u>
Subtotal Non-Residential	\$ 497,893,334	22.08%	1,809	15.45%
<b>Residential:</b>				
Single Family Residence	\$1,571,237,174	69.68%	8,082	69.04%
Condominium/Townhouse	630,399	0.03	3	0.03
Mobile Home	19,047,604	0.84	252	2.15
2-3 Residential Units	32,119,822	1.42	174	1.49
4+ Residential Units/Apartments	38,868,494	1.72	18	0.15
Vacant Residential	<u>95,021,490</u>	<u>4.21</u>	<u>1,368</u>	<u>11.69</u>
Subtotal Residential	\$1,756,924,983	77.92%	9,897	84.55%
<b>Total</b>	\$2,254,818,317	100.00%	11,706	100.00%

(1) Local Secured Assessed Valuation; excluding tax-exempt property.

JC:(\$100)

Source: California Municipal Statistics, Inc.

### Federal Sources

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. The federal revenues, all of which are restricted, comprised approximately 2.6 percent of General Fund Sources in fiscal year 2000-01, 3.8 percent of the General Fund Sources in fiscal year 2001-02, and are estimated to equal approximately 5.9 percent of such revenues in fiscal year 2002-03.

### Other State Sources

As discussed previously, 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 ("Other State Sources"). In fiscal year 2000-01, Other State Sources accounted for approximately 19.5 percent of

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total General Fund Sources, 14.0 percent of total General Fund Sources in fiscal year 2001-02, and are estimated to equal approximately 16.2 percent of total General Fund Sources in fiscal year 2002-03.

The District receives State aid from the California State Lottery (the "Lottery") which was established by a constitutional amendment approved at the November 1984 general election. Lottery revenues must be used for the education of students and cannot be used for non-instructional purposes such as real property acquisition, facility construction or the financing of research. Although the allocation formula is established, the exact amount of future Lottery revenues can only be projected. Lottery net revenues (gross revenues less prizes and administrative expenses) are allocated by computing an amount per ADA or full-time equivalent ("FTE") positions. This figure is derived by dividing the total net revenue amount by the total ADA for grades K-12 and community colleges, and by the total FTE for the University of California system and the California State University system. Each entity receives an amount equal to its total ADA or FTE, as applicable. Lottery revenues received by the District for the General Fund in fiscal year 2000-01 were \$653,146, which amounted to approximately 2.3 percent of total General Fund Sources. For fiscal year 2001-02, Lottery revenues received were \$251,334, which amounts to approximately .8 percent, and for fiscal year 2002-03, projected lottery revenue is expected to be \$421,007, which is 1.6 percent of total budgeted General Fund Sources.

#### Other Local Sources

In addition to property taxes, the District receives additional local revenues from items such as the leasing of property owned by the District and interest earnings. Revenues from these Other Local Sources equaled approximately 9.4 percent of the total General Fund Sources in fiscal year 2000-01, 6.6 percent in fiscal year 2001-02, and are estimated to equal approximately 8.4 percent of the total General Fund Sources in fiscal year 2002-03.

#### Employment

Table 12 lists the ten largest private employers located in the boundaries of the District.

**Table 12**  
**WESTERN PLACER UNIFIED SCHOOL DISTRICT**  
**Largest Employers in the District**

<u>Name</u>	<u>Type of Business</u>	<u># of Employees</u>
1. Sierra Pacific Industries	Lumber-Manufacturers	300
2. Solectron Global Svc	Computers-Service & Repair	275
3. Gladding Mc Bean & Co	Structural Clay Products Nec (Mfrs)	240
4. B & B Construction	Concrete Contractors	160
5. Twelve Bridges Golf Club	Golf Courses-Public	140
6. Del WEBB Lincoln Hills Admin	Home Builders	125
7. Walldesign Inc	Dry Wall Contractors	115
8. Robb-Jack Corp	Machine Tools-Manufacturers	100
9. Lincoln Manor Inc	Nursing & Convalescent Homes	96
10. Beermann's	Brewers	95

Source: American Business Information

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## DISTRICT DEBT STRUCTURE

### Capital Leases

The District leases buildings valued at \$168,424 under agreements that provide for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

<u>Fiscal Year</u>	<u>Lease Payment</u>
1998-99	\$ 28,571
1999-00	28,571
2000-01	28,571
2001-02	28,571
2002-03	28,571
2003-04	<u>28,571</u>
Total	171,426
Less Amount Representing Interest	<u>(31,569)</u>
Lease Payments	\$139,857

Source: Western Placer Unified School District

### Operating Lease

The District has entered into an operating lease for two portable classrooms with lease terms in excess of one year. The agreement does not contain a purchase option. The agreement contains a termination clause providing for cancellation after a specified number of days written notice to the lessor, but it is unlikely that the District will cancel the agreement prior to the expiration date. Future minimum lease payments under this agreement are as follows:

<u>Fiscal Year</u>	<u>Lease Payment</u>
2000-01	\$
2001-02	—
Total	\$

### Capital Plan

The District has identified a facilities need of approximately \$18.8 million over the next 10 years to renovate and modernize its three existing schools and build a new middle school. In order to satisfy the local funding requirement, the District placed a \$12.0 million bond on the November, 1998, ballot which was approved by more than the required two-thirds majority of voters. The District also expects to receive approximately \$6.8 million in State Aid funding to construct the new middle school and modernize the existing three schools.

The District plans to construct phase I of the middle school with the first series of bonds (i.e., the Bonds) and State funds and finish phase II with future series of bonds. Modernization projects such as upgrading restrooms, libraries, plumbing and electrical systems will be funded through a combination of the Bonds and the second series of bonds as well as State funds.

## DIRECT AND OVERLAPPING DEBT

Contained within the District are numerous overlapping local agencies providing public services. These local agencies have outstanding debt issued in the form of general obligation, lease revenue and special tax and assessment bonds. The direct and overlapping debt of the District is shown in the following table. Tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds, and non-bonded capital lease obligations are excluded from the debt statement. The District has not reviewed the following table for completion or accuracy and makes no representation in connection therewith.

**Table 13**  
**WESTERN PLACER UNIFIED SCHOOL DISTRICT**  
**Estimated Direct and Overlapping Bonded Debt**

### WESTERN PLACER UNIFIED SCHOOL DISTRICT

2002-03 Assessed Valuation:	\$2,335,462,221
Redevelopment Incremental Valuation:	<u>128,645,741</u>
Adjusted Assessed Valuation:	\$2,206,816,480

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:

	% Applicable	Debt 7/1/03	
<b>Western Placer Unified School District</b>	<b>100. %</b>		<b>\$13,152,284</b>
Placer County Water Agency, Zone No. 1	11.591		59,114
Nevada Irrigation District	9.578		475,548
Placer County Service Area No. 28, Zone 6-A-1	100.		41,000
City of Rocklin Community Facilities District No. 2	0.075		5,535
City of Lincoln 1915 Act Bonds	100.		<u>58,549,233</u>
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>			<b>\$72,282,714</b>

DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:

Placer County General Fund Obligations	7.384%	\$ 1,858,922	
Placer County Office of Education Certificates of Participation	7.384	236,288	
Sierra Joint Community College District Certificates of Participation	5.299	243,489	
<b>Western Placer Unified School District Certificates of Participation</b>	<b>100.</b>	<b>22,368,108</b>	(1)
Auburn Area Recreation and Park District Certificates of Participation	0.034	<u>406</u>	
<b>TOTAL DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT</b>		<b>\$24,707,213</b>	

COMBINED TOTAL DEBT	\$96,989,927 (2)
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(1) Excludes lease revenue 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 2002-03 Assessed Valuation:

Direct Debt (\$13,152,284).....	0.56%
Total Direct and Overlapping Tax and Assessment Debt .....	3.10%

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Ratios to Adjusted Assessed Valuation:

**Combined Direct Debt (\$35,520,392) .....1.61%**  
Combined Total Debt .....4.40%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/02: \$0

YV:(\$450)

Source: California Municipal Statistics, Inc.

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## STATE CONSTITUTIONAL LIMITATIONS ON DISTRICT REVENUES AND EXPENDITURES

The District, like other State public agencies, is subject to the following Constitutional limits on its ability to raise and expend Sources.

### Article XIII A

On June 6, 1978, California voters approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. This amendment, which added Article XIII A to the California Constitution, among other things affects the valuation of real property for the purpose of taxation in that it defines the full cash property 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 newly constructed, or when a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or a reduction in the consumer price index or comparable local data at a rate not to exceed 2% per year, or reduced in the event of declining property value caused by damage, destruction or other factors including a general economic downturn. The amendment further limits the amount of any *ad valorem* tax on real property to 1% of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition.

Legislation enacted by the California Legislature to implement Article XIII A provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this Official Statement (except as noted) is shown at 100% of assessed value and all general tax rates reflect the \$1 per \$100 of taxable value. Tax rates for voter approved bonded indebtedness and pension liability are also applied to 100% of assessed value.

Future assessed valuation growth allowed under Article XIII A (new construction, change of ownership, 2% annual value growth) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and school districts will share the growth of "base" revenue from the tax rate area. Each year's growth allocation becomes part of each agency's allocation the following year. The District is unable to predict the nature or magnitude of future revenue sources that may be provided by the State to replace lost property tax revenues. Article XIII A effectively prohibits the levying of any other *ad valorem* property tax above the 1% limit except for taxes to support indebtedness approved by the voters as described above.

### Unitary Property

AB 454 (Chapter 921, Statutes of 1987) provides that revenues derived from most utility property assessed by the State Board of Equalization ("Unitary Property"), commencing with the 1988/89 Fiscal Year, will be based on a uniform rate within each county and allocated as follows: (a) each jurisdiction will receive up to 102% of its prior year State-assessed revenue; and (b) if countywide revenues generated from Unitary Property are less than the previous year's revenues or greater than 102% of the previous year's revenues, each jurisdiction will share the burden of the shortfall or excess revenues by a specified formula. This provision applies to all Unitary Property except railroads, whose valuation will continue to be allocated to individual tax rate areas. The provisions of AB 454 do not constitute an elimination of the assessment of any State-assessed properties nor a revision of the methods of assessing utilities by the

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State Board of Equalization. Generally, AB 454 allows valuation growth or decline of Unitary Property to be shared by all jurisdictions in a county.

## Article XIII B

On November 6, 1979, California voters approved Proposition 4, the so-called Gann Initiative, which added Article XIII B to the California Constitution. In June 1990, Article XIII B was amended by the voters through their approval of Proposition 111. Article XIII B of the California Constitution limits the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the state to the level of appropriations for the prior fiscal year, as adjusted annually for changes in the cost of living, population and services rendered by the governmental entity. The "base year" for establishing such appropriation limit is the 1978-79 fiscal year. Increases in appropriations by a governmental entity are also permitted (a) if financial responsibility for providing services is transferred to the governmental entity, or (b) for emergencies so long as the appropriations limits for the three years following the emergency are reduced to prevent any aggregate increase above the Constitutional limit. Decreases are required where responsibility for providing services is transferred from the government entity.

Appropriations subject to Article XIII B include generally any authorization to expend during the fiscal year the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. Appropriations subject to limitation pursuant to Article XIII B do not include debt service on indebtedness existing or legally authorized as of January 1, 1979 on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for such purpose, appropriations required to comply with mandates of courts or the Federal government, appropriations for qualified outlay projects, and appropriations by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to any entity of government from (a) regulatory licenses, user charges, and user fees to the extent such proceeds exceed the cost of providing the service or regulation, (b) the investment of tax revenues and (c) certain State subventions received by local governments. Article XIII B includes a requirement that if an entity's revenues in any year exceed the amount permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two fiscal years.

As amended in June 1990, the appropriations limit for local governments in each year is based on the limit for the prior year, adjusted annually for changes in the costs of living and changes in population, and adjusted, where applicable, for transfer of financial responsibility of providing services to or from another unit of government. The change in the cost of living is, at the local government's option, either (i) the percentage change in California per capita personal income, or (ii) the percentage change in the local assessment roll for the jurisdiction due to the addition of nonresidential new construction. The measurement of change in population is a blended average of statewide overall population growth, and change in attendance at local school and community college ("K-14") districts.

As amended by Proposition 111, the appropriations limit is tested over consecutive two-year periods. Any excess of the aggregate "proceeds of taxes" received by the District over such two-year period above the combined appropriations limits for those two years is to be returned to taxpayers by reductions in tax rates or fee schedules over the subsequent two years. Any proceeds of taxes received by the District in excess of the appropriations limit are absorbed into the State's allowable limit.

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Article XIII B permits any government entity to change the appropriations limit by vote of the electorate in conformity with statutory and Constitutional voting requirements, but any such voter-approved change can only be effective for a maximum of four years. Pursuant to statute, if a school district receives any proceeds of taxes in excess of its appropriations limit, it may, by resolution of the governing board, increase its appropriations limit to equal the amount received, provided that the State has sufficient excess appropriations limit in that fiscal year.

#### **Articles XIII C and XIII D**

On November 5, 1996, California voters approved Proposition 218—Voters Approval for Local Government Taxes—Limitation on Fees, Assessments, and Charges—Initiative Constitutional Amendment. Proposition 218 added Articles XIII C and XIII D to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. Among other things, Proposition 218 states that all taxes imposed by local governments shall be deemed to be either “general taxes” (imposed for general governmental purposes) or “special taxes” (imposed for specific purposes); prohibits special purpose government agencies, including school districts, from levying general taxes; and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote. Proposition 218 also provides that no tax may be assessed on property other than ad valorem property taxes imposed in accordance with Articles XIII and XIII A of the California Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4.

Article XIII C 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 Treasurer and Tax Collector to levy a property tax sufficient to pay debt service on the Certificates coming due in each year. Legislation adopted in 1997 provides that Article XIII C 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 that would constitute an impairment of contractual rights under the contracts clause of the U.S. Constitution.

Article XIII D deals with assessments and property-related fees and charges. Article XIII D explicitly provides that nothing in Article XIII C or XIII D 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 matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination.

#### **Proposition 46**

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

## Proposition 98

On November 8, 1988, California voters approved Proposition 98, a combined initiative, constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" ("Proposition 98"). Proposition 98 changed State funding of public education below the university level and the operation of the State's appropriations limit, primarily by guaranteeing K-14 schools a minimum share of State General Fund revenues. Under Proposition 98 (as modified by Proposition 111, which was enacted on June 5, 1990), K-14 schools are guaranteed the greater of (a) 40.9% of State General Fund revenues ("Test 1"), or (b) the amount appropriated to K-14 schools in the prior year, adjusted for changes in the cost-of-living (measured as in Article XIII B by reference to per capita personal income) and enrollment ("Test 2"), or (c) a third test which would replace the second test in any year when the percentage growth in per capita State General Fund revenues from the prior year plus 1/2 of 1% is less than the percentage growth in California per capita personal income ("Test 3"). Under Test 3, schools would receive the amount appropriated in the prior year adjusted for changes in enrollment and per capita State General Fund revenues, plus an additional small adjustment factor. If Test 3 is used in any year, the difference between Test 3 and Test 2 would become a "credit" to schools which would be paid in future years when State General Fund revenue growth exceeds personal income growth.

The Proposition 98 guarantee is funded from two sources: local property taxes and General Fund. Any amount not funded by local property taxes is funded by the General Fund. Thus, given a policy decision to fund the minimum guarantee or to fund in excess of the guarantee, property tax collections represent an offset to General Fund Costs. This is true regardless of whether the year in question is a Test 1, Test 2, or Test 3 year.

Proposition 98 permits the Legislature by two-thirds vote of both houses, with the Governor's concurrence, to suspend the K-14 schools' minimum funding formula for a one-year period, and any corresponding reduction in funding for that year will not be paid in subsequent years. However, in determining the funding level for the succeeding year, the formula base for the prior year will be reinstated as if such suspension had not taken place. In the fall of 1989, the State Legislature and the Governor utilized this provision to avoid having 40.9% of revenues generated by a special supplemental sales tax enacted for earthquake relief to go to K-14 schools.

Proposition 98 also changes how tax revenues in excess of the State Appropriations Limit are distributed. "Excess" tax revenues are determined based on a two-year cycle, so that the State could avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year were under its limit. After any two-year period, if there are excess State tax revenues, 50% of the excess would be transferred to K-14 schools with the balance returned to taxpayers. Further, any excess State tax revenues transferred to K-14 schools 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 will not be increased by this amount.

Since Proposition 98 is unclear in some details, there can be no assurance that the Legislature or a court might not interpret Proposition 98 to require a different percentage of General Fund revenues to be allocated to K-14 districts, or to apply the relevant percentage to the State's budgets in a different way than is proposed in the Governor's Budget. In any event, the Governor and other fiscal observers expect Proposition 98 to place increasing pressure on the State's budget over future years, potentially reducing resources available for other State programs, especially to the extent the Article XIII B spending limit would restrain the State ability to fund such other programs by raising taxes.

The application of Proposition 98 and other statutory regulations has become increasingly difficult to predict accurately in recent years. One major reason is that Proposition 98 minimums under Test 1 and Test 2 described above are dependent on State General Fund revenues. In the past fiscal years, the State made actual allocations to K-14 districts based on an assumption of State General Fund revenues at a level above that which was ultimately realized. In such years, the State has considered the amounts appropriated above the minimum as a loan to K-14 districts, and has deducted the value of these loans from future years' estimated Proposition 98 minimums.

### **Proposition 187**

At the November 8, 1994 General Election, California voters approved Proposition 187, an initiative statute, which makes illegal aliens ineligible for public social services, public health care services (unless emergency under federal law), and public school education at elementary, secondary and post-secondary levels. Among other things, Proposition 187 also requires state and local agencies to report persons who are suspected illegal aliens to the California Attorney General and the United States Immigration and Naturalization Service (the "INS"). The Legislative Analyst estimated the most significant fiscal effects of Proposition 187 would fall into the following three categories:

*Program Savings.* The state and local governments (primarily counties) would realize savings from denying certain benefits and services to persons who cannot document their citizenship or legal immigration status. These savings could be in the range of \$200 million annually, based on the current estimated use of these services and benefits by illegal immigrants.

*Verification Costs.* The state, local governments, and schools would incur significant costs to verify citizenship or immigration status of students, parents, persons seeking health care or social services, and persons who are arrested. Ongoing annual costs could be in the tens of millions of dollars, with first-year costs considerably higher (potentially in excess of \$100 million).

*Potential Losses of Federal Funds.* Proposition 187 places at risk up to \$15 billion annually in federal funding for education, health and welfare programs due to conflicts with federal requirements.

With respect to Public Education, the Legislative Analyst reported that any child who lives in California may attend public schools through high school. The U.S. Supreme Court has determined (in the case of *Plyler v. Doe*) that excluding children who are illegal immigrants from public schools violates the federal constitution.

Based on INS estimates, the exclusion of roughly 300,000 illegal immigrant children in California public schools, the State of California could save up to \$1.2 billion annually; however, in light of the U.S. Supreme Court decision in *Plyler v. Doe*, the Legislative Analyst has stated these estimated savings would not be realized.

Following the adoption of Proposition 187 by California voters, numerous suits were filed in federal courts challenging the constitutionality of Proposition 187. Orders have been issued by the federal district court to restrain the State from implementing Proposition 187. On March 8, 1998, the federal district court entered a final judgment in the case, holding key portions of the measure unconstitutional and permanently enjoining the State from implementing those sections which would have required law enforcement, teachers and social service and health care workers to verify a person's immigration status and subsequently report illegal immigrants to authorities and deny them social service, health care and

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education benefits. An appeal by the Attorney General of the State was filed with the 9th Circuit Court of Appeals on March 25, 1998. On July 29, 1999, Governor Davis announced that the State had agreed to drop its appeal, and a mediated settlement that accepted most of the district court's rulings was approved in September 1999.

### **Proposition 227**

Proposition 227 was enacted in the California Primary Election held on June 2, 1998, and amends the California Education Code to require that all children in California public schools be taught in English, and requires that all children be placed in English language immersion classrooms. During a temporary transition period, normally not to exceed one year, English learners (students who do not speak English or whose native language is not English) will be educated in a sheltered English immersion program. Once English learners acquire a good working knowledge of English, they shall be transferred to English language mainstream classrooms. Proposition 227 also addresses penalties associated with not following the law as written. In summary, Proposition 227 (1) removes the right of the local education agency (board of education) to determine the program of instruction for English learners, (2) establishes a complex system for parents who desire a waiver to have their children learn through their primary language, and (3) imposes penalties for refusal to implement the enactment of its entirety. The constitutionality of Proposition 227 has been upheld in federal court.

### **Proposition 39**

On November 7, 2000, California voters approved Proposition 39. The measure amended the State Constitution, reducing from two-thirds to 55% the voter-approval requirement for passage of local general obligation bonds. These bonds would be used to repair, construct or replace school facilities and classrooms. In addition, the measure requires two annual independent performance and financial audits to ensure expenditures are appropriate. Within the first 18 months after the new law went into effect, 84% of local bond measures passed, compared to 59% for the last 18 months under the prior system.

Proposition 39 also established new accountability and procedural requirements for bond elections. Districts can choose whether they want to meet those requirements and enjoy the 55% passing level, or maintain more flexibility but get two-thirds "yes" votes. In about 70% of the elections held between January 2001 to June 2002, districts have opted for the lower threshold. Those successful elections represent \$4.88 billion or almost 80% of bond proceeds.

### **Future Initiatives**

Article XIII A, Article XIII B, Article XIII C, Article XIII D, and Propositions 39, 46, 98, 111, 187 and 227 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 school districts' revenues or such districts' ability to expend revenues.

## **STATE OF CALIFORNIA FISCAL ISSUES**

### **Economic Conditions In California**

In January 2003, Governor Gray Davis said that "California now faces the most serious fiscal challenge in its history." The decline in State revenues is attributable in large part to declines in personal

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income tax receipts, principally due to reduced stock-market related income tax revenues, such as capital gains realizations and stock option income, in a state that derives a large share of its revenue from a sharply progressive personal income tax. The State estimates that stock market-related personal income tax revenue declined from \$17.6 billion in fiscal year 2000-01 to \$8.6 billion in fiscal year 2001-02, and to \$5.2 billion in 2002-03, a total 70 percent decline. Through the first quarter of 2003, the State's overall economy was stagnant, with slow growth projected for the balance of 2003 and moderate growth in 2004.

### **2001-02 Fiscal Year Budget**

Governor Gray Davis signed the State budget for 2001-2002 on July 26, 2001. Total K-12 funding from all sources is \$52.7 billion, an increase of \$2.8 billion (5.61%) over the prior fiscal year. K-12 spending per pupil from Proposition 98 funding decreases by \$77 from \$6,685 in 2000-01 to \$6,608 in 2001-02, a 1.17% decrease.

Significant features of the 2001-02 State Budget for K-12 school districts include:

- *Immediate Intervention/Underperforming Schools Program (II/USP)* - \$161 million to provide planning grants and to increase implementation grants from \$168 to \$200 per pupil to schools that participate in the II/USP to improve the academic achievement of the schools' pupils.
- *High Priority Students Block Grant* - Block grants will be awarded to provide up to \$400 per pupil to improve student achievement in low-performing schools. Although this grant will be available to all schools in the bottom five deciles of the Academic Performance Index, priority will be given to the lowest scoring schools that apply or are already participating in the II/USP.
- *Mathematics and Reading Professional Development Program* - \$80 million for the first year of the University of California-approved four-year Mathematics and Reading Professional Development Program. Over the course of this program, 249,000 K-12 teachers and 22,000 teaching aides will receive 40 hours of intensive, out-of-classroom training in mathematics and/or reading instruction. Additionally, teachers will be provided with 80 hours of follow-up training. Schools will receive \$2,500 for each teacher trained and \$1,000 for each teaching aide trained.
- *School Energy Cost Assistance* - \$250 million for allocation to school districts, county offices of education, and charter schools on a per-pupil basis for school energy costs and energy conservation measures.

### **2002-03 Fiscal Year Budget**

Governor Gray Davis signed the State budget for 2002-03 on September 5, 2002. Total K-12 funding from all sources is of \$54.5 billion, an increase of \$1.8 billion (3.42%) over the prior fiscal year. K-12 spending per pupil from Proposition 98 funding increases by \$30 from \$6,608 in 2001-02 to \$6,638 in 2002-03, a 0.45% increase.

Significant features of the 2002-03 State Budget for K-12 school districts include:

- *Instructional Materials Block Grant* - \$400 million (\$150 million one-time) to provide standards-aligned instructional materials for K-12 students.

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- *Principal Training Program* - \$7.5 million for the second year of the third-year Principal Training Program, which will provide 15,000 principals and vice principals with training in instructional standards and effective school management techniques. Schools will receive \$3,000 per person trained, which must be matched by \$1,000 from the school district.
- *Superintendent Training Program* - \$350,000 for the first year of this five-year program, which will provide superintendents of school districts with 40 hours of training in topics chosen by the superintendent and the local governing board from a variety of training areas.
- *High Achieving/Improving School Awards* - \$77 million to pay the remaining balance of the \$144.3 million in Governor's Performance Awards earned by schools in 2001-02.
- *Interventions in Underperforming Schools* - \$6.0 million Proposition 98 General Fund and up to \$29.1 million in federal Title I funds to support schools working with School Assistance and Intervention Teams.

#### **The 2003-04 Governor's Budget [To be updated]**

The 2003-04 Governor's Budget, released on January 10, 2003, was revised on May 14, 2003, by the May Revision to the Governor's Budget (the "May Revision"). The May Revision proposes a total of 1.8 percent increase to \$55.5 billion in spending on K-12 education, and an increase in K-12 spending per pupil from Proposition 98 funding by \$231, from \$6,638 in 2002-03 to \$6,869 in 2003-04, a 3.48% increase.

Significant features of the May Revision for K-12 school districts include:

- *Priority Programs Fully Funded.* Class Size Reduction funding is fully restored with a \$180 million increase. Special Education is fully funded with an increase of \$28 million in Proposition General Fund, and an increase of \$69 million in federal funding is proposed to fund mental health services. Programs to assist underperforming schools are fully funded to meet the needs of current participants, with an increase of over \$60 million from the Governor's Budget level.
- *Proposition 98 Guarantee.* The guarantee under Test 2 is fully funded. The General Fund share of the guarantee increases by \$1.503 billion. An \$879 million adjustment is made to the guarantee to reflect the restoration of the child care program to Proposition 98.
- *Accountability.* An additional \$65.3 million for accountability programs to fund schools participating in Immediate Intervention/Underperforming Schools Program (\$44.4 million) and the High Priority Schools Grants Program (\$20.9 million) at \$200 per pupil and \$400 per pupil, respectively, less a 20 percent deferral.
- *Class Size Reduction.* The May Revision proposes to increase funding for the K-3 Class Size Reduction Program by \$179.7 million to rescind the across-the-board proposed for the program. This increase fully restore the program's base funding level for 2003-04.

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## **The Budget Act and Proposition 98**

The application of Proposition 98 and other statutory regulations has become increasingly difficult to predict accurately in recent years. One major reason is that Proposition 98 minimum funding levels under Test 1 and Test 2 described herein under "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS - Proposition 98" are dependent on State General Fund revenues. During prior fiscal years, the State made actual allocations to K-12 districts based on an assumption of State General Fund revenues at a level above that which was ultimately realized. In such years, the State has considered the amounts appropriated above the minimum as a loan to K-12 districts, and has deducted the value of these loans from future years' estimated Proposition 98 minimum funding levels. The State determined that there were loans to K-12 districts of \$1.3 billion during fiscal year 1990-91 and \$1.1 billion during fiscal year 1991-92, which loans were treated as being repaid during the respective subsequent fiscal year. The State further determined that "prepayments" of future Proposition 98 appropriations were made in fiscal years 1991-92 and 1992-93 in the amount of \$1.0 billion and \$0.8 billion respectively, \$1.0 billion during fiscal year 1992-03, \$787 million during fiscal year 1993-94 and \$8 million during fiscal year 1994-95. These "prepayments" have been combined into one loan totaling approximately \$1.8 billion. Repayment would come from future years' Proposition 98 entitlements, and would be conditioned on maintaining current funding levels per pupil for K-12 schools.

### **Changes in State Budget**

The final State Budget, which requires approval by a two-thirds vote of each house of the State Legislature, may differ substantially from the Governor's original budget proposal. Accordingly, the District cannot predict the impact that the 2003-04 budget, or subsequent budgets, will have on its finances and operations, however, the District does not expect variations in State aid to have a material effect on its ability to pay Principal and interest on the Certificates as and when due.

### **Public Education Facilities Bond Act**

The Public Education Facilities Bond Act appeared on the March 1996 ballot as Proposition 203 and was approved by California voters. This measure authorizes \$3 billion in general obligation bonds for construction at schools and higher education campuses. It includes \$2.025 billion to finance construction, renovation and seismic safety projects for public schools from kindergarten through high school (K-12) and \$975 million for constructing, strengthening and upgrading buildings and other facilities at California's public colleges and universities.

School districts receive assistance with building and modernizing their facilities from the Leroy F. Greene State School Building Lease-Purchase Program, which depends on voter-approved state bonds for financing. According to the California Department of Finance, the projected cost of new construction, modernization and deferred maintenance for K-12 public schools is \$17.44 billion over the next 10 years. These estimates assume approximately 140,000 new students in K-12 schools each year in California. As last reported, \$7.1 billion in projects were pending before the State Allocation Board, which must approve projects funded by the State School Building Lease-Purchase Program. The total includes projects already approved by the board. Of this total, \$5.3 billion is for new construction and \$1.8 billion is for modernization. State bond issues require a majority vote for approval. Local bond issues, including those for K-12 school facilities, require a two-thirds vote for approval.

Of the \$2.025 billion for K-12 school facilities, Proposition 203 authorizes: at least \$960 million for the construction of new school buildings, including the purchase of new land; up to \$900 million for

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renovation projects including electrical wiring for computer use, portable classrooms, air-conditioning for year-round schools, construction projects for small school districts and districts impacted by nearby prisons, extended day-care facilities, special-education facilities, roof replacement, lead and asbestos abatement, some seismic safety improvements and improved school security; up to \$100 million for seismic retrofitting projects to improve earthquake safety in existing buildings; up to \$40 million for projects in school districts that agree to contribute at least 60% of the costs; up to \$25 million for projects that involve joint use by school districts and other public entities of school facilities, such as libraries and playgrounds. Proposition 203 also authorizes the transfer of approximately \$45 million in unsold bonds and funds from prior bond sales authorized under the State School Building Aid Program to the State School Building Lease-Purchase Program. K-12 school bond funds would be disbursed to school districts, county superintendents of schools and county boards of education by the State Allocation Board.

### **Class Size Reduction Kindergarten-University Public Education Facilities Bond Act of 1998**

The Class Size Reduction Kindergarten-University Public Education Facilities Bond Act of 1998 was approved by California voters on November 3, 1988, and is popularly known as Proposition 1A. This measure authorizes \$9.2 billion in bonds for purposes including construction of new schools. The allocation of proceeds to new school construction is overseen by the State Allocation Board (the "SAB"). In the case of *Godinez v. Davis*, No. BC227352, which was filed in the Superior Court of the State of California for the County of Los Angeles on March 30, 2000, plaintiffs, including students, their parents and community groups, sought injunctions and other forms of relief that could have, if granted, disrupted allocations for new school construction from Proposition 1A bond proceeds.

The plaintiffs in *Godinez* alleged that the procedures adopted by the State Allocation Board violate their right to equal protection of the laws and certain proceeds allocation requirements under the California Constitution and state law. The relief sought included enjoining the State Allocation Board from continuing to utilize the allegedly non-compliant allocation procedures and from undertaking any new allocations for new school construction under non-compliant procedures. The plaintiffs also sought a declaration that some regulations governing the allocation procedure are unconstitutional. The settlement of the case calls for the establishment of a priority point system that uses school district enrollment figures to establish priority for funding. The SAB also approved a quarterly allocation method of disbursing Proposition 1A new school construction funds, with \$450 million held until July 2002.

### **The Kindergarten-University Public Education Facilities Bond Act**

The Kindergarten-University Public Education Facilities Bond Act was approved by California voters on November 5, 2002, and is popularly known as Proposition 47. This measure authorizes \$13.05 billion in bonds for the construction and modernization of elementary, secondary, and higher education facilities in California. Of the \$13.05 billion, \$11.4 billion of the general obligation bonds for K-12 education facilities would be divided as follows: \$4.8 billion for new construction and modernization projects; \$3.45 billion for new school construction related to growth; \$1.4 billion for modernization of older schools; \$1.7 billion for "critically overcrowded schools," and \$50 million for joint-use facilities.

### **After School Education and Safety Program of 2002**

On November 5, 2002, the voters approved an initiative statute called the "After School Education and Safety Program of 2002." The initiative will require the State to expand funding for before and after school programs in the State's public elementary and middle schools. Beginning with the 2004-05 fiscal year and in the first year that non-Proposition 98 appropriations exceed the base level by \$1.5 billion, the initiative will require the State to appropriate up to \$550 million annually, depending on the

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amount above the trigger level. (The initiative defines the base level as the fiscal year during the period July 1, 2000, through June 30, 2004, for which the State's non-guaranteed General Fund appropriations are the highest as compared to any other fiscal year during that period. Using May 2003 data, the 2000-01 fiscal year is the base year). Since non-Proposition 98 General Fund appropriations proposed in the 2003-04 Governor's Budget at May Revision are \$3.95 billion below the "trigger" amount, the initiative is unlikely to require implementation of the funding increase for several years. By comparison, the May Revision of the 2003-04 Governor's Budget includes about \$121.5 million for these programs, \$428.4 million below the amount which the initiative would require if it were in effect.

### **California Lottery**

In the November 1984 general election, the voters of the State approved a Constitutional Amendment establishing a California State Lottery (the "Lottery"). Since 1985, the net revenues (revenues less expenses and prizes) of the Lottery have been used to supplement other money allocated to public education. Revenues of the State Lottery have been allocated as follows: 50 percent is returned to players as prizes; at least 34 percent is allocated to public education and a maximum of 16 percent can be used for the payment of administrative expenses and promotions to administer the lottery. The amount allocated to public education is distributed, based upon student enrollment, to K-14 public schools (K-12 school districts and community colleges), the California State University, the University of California, Hastings College of the Law, and specific state departments that provide K-14 education programs. At the school district level, the allocation of net revenues of the State Lottery is based upon the average daily attendance of each school district; however, the exact allocation formula may vary from year to year. In recent years, lottery revenues have averaged approximately \$2.6 billion a year.

In the March 2000 general election, the voters of the State approved Proposition 20, the terms of which changed the way that a portion of the annual lottery revenues is distributed to public education and specify that such funds be reserved for the purchase of textbooks and instructional materials. Under prior law, local school districts were responsible for providing necessary services and materials such as teachers, facilities, and instructional materials (textbooks and other reading materials, but also including other items such as computer software, arts and crafts supplies, and maps) to educate children.

Proposition 20 requires that one-half of any increase in education revenue be allocated to K-14 public schools and reserved for the purchase of textbooks and instructional materials. In determining any increase in annual lottery revenues to be distributed to public education, Proposition 20 uses fiscal year 1997-97 as the "base year." In that year, the State allocated \$780 million in lottery monies to public education. Proposition 20 did not change the way "base" lottery revenues are allocated to public education, nor the method by which the other one-half of growth monies is allocated. The annual amount of funds dedicated to instructional materials would depend on changes in the level of overall lottery revenues.

### **TAX EXEMPTION**

**[to be updated by OMM]**

In the opinion of O'Melveny & Myers LLP ("Special Counsel"), under existing statutes, regulations, rulings and court decisions, the portion of each Base Rental payment due under the Sublease designated as and comprising interest and received by the beneficial owners of the Certificates is excluded from gross income for federal income tax purposes pursuant to Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"). In addition, Special Counsel is of the opinion that the Sublease is not a "private activity bond" within the meaning of Section 141(a) of the Code and, therefore,

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the interest portion of each Base Rental Payment is not a specific item of tax preference for purposes of the Code's alternative minimum tax provisions. However, the interest portion of each Base Rental payment received by or allocated to a corporation will be included in adjusted current earnings for purposes of computing such corporation's alternative minimum tax liability.

The original issue discount ("OID"), if any, with respect to the Certificates is treated as interest for federal income tax purposes and is excluded from gross income to the same extent as the interest with respect to the Certificates. OID with respect to the Certificates, if any, is includable in adjusted current earnings as it accrues rather than at the time OID is actually paid to and received by the Owners of the Certificates upon the maturity or prepayment of such Certificates. OID accrues on an actuarial basis (i.e., on the basis of a geometric progression over the term of the Certificates) rather than ratably, and an Owner's adjusted basis in such Certificates sold with OID will be increased by the amount of any accrued OID for purposes of determining the amount of gain or loss on disposition of such Certificate.

Special Counsel is further of the opinion that the portion of each Base Rental payment due under the Sublease designated as and comprising interest and received by the Owners of the Certificates is exempt from personal income taxes of the State under present State law.

In rendering such opinions, Special Counsel has relied upon representations and covenants of the District in the Trust Agreement and in the District's Tax and Nonarbitrage Certificate concerning the use of the facilities refinanced with Certificate proceeds, the investment and use of Certificate proceeds and the rebate to the federal government of certain earnings thereon. In addition, Special Counsel has assumed that all such representations are true and correct and that the District will comply with such covenants. Special Counsel has expressed no opinion with respect to the exclusion of the interest with respect to the Certificates from gross income under Section 103(a) of the Code in the event that any of such representations are untrue or the District fails to comply with such covenants, unless such failure to comply is based on the advice or opinion of Special Counsel. Special Counsel has expressed no opinion regarding the effect, if any, of legislation enacted after the date of issuance of the Certificates on the exclusion of interest with respect to the Certificates from income for federal tax purposes. In addition, no assurance can be given that any such legislation could not directly or indirectly reduce the benefit of the receipt of interest which is otherwise excluded from gross income for federal income tax purposes.

Special Counsel has expressed no opinion regarding any impact of the ownership of, receipt of interest with respect to, or disposition of the Certificates other than as expressly described above. Prospective purchasers of the Certificates should be aware that, in addition to other possible tax consequences, ownership of, receipt of interest with respect to, or disposition of the Certificates may be affected by the following federal income tax provisions: (i) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Certificates or, in the case of a financial institution, the portion of a holder's interest expense allocable to interest relating to the Certificates; (ii) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) of the Code reduces the deduction for loss reserves by 15% of the sum of certain items, including interest with respect to the Certificates; (iii) for taxable years beginning before January 1, 1996, interest with respect to the Certificates earned by some corporations could be subject to the environmental tax imposed by Section 59A of the Code; (iv) interest with respect to the Certificates earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code; (v) passive investment income, including interest with respect to the Certificates, may be subject to federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income; and (vi) Section 86 of the Code requires recipients of certain social security and certain railroad

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retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest with respect to the Certificates. The presence of any such effect, as well as the magnitude thereof, depends on the specific factual situation with respect to each particular Certificate Owner.

### **CERTAIN LEGAL MATTERS**

O'Melveny & Myers LLP Los Angeles, Special Counsel, will render opinions with respect to the validity and enforceability of the Lease Agreement, the Sublease, the Assignment Agreement and the Trust Agreement in connection with the Certificates and as to the validity of the Certificates, the forms of which opinions are set forth in APPENDIX C hereto. Copies of such approving opinions will be available at the time of delivery of the respective Certificates.

### **ABSENCE OF LITIGATION**

There is no action, suit or proceeding known to the District to be pending or threatened, restraining or enjoining the execution or delivery of the Certificates, the Sublease, the Site Lease or the Trust Agreement or in any way contesting or affecting the validity of the foregoing or any proceedings of the District taken with respect to any of the foregoing.

### **CONTINUING DISCLOSURE**

The District has covenanted for the benefit of the holders and beneficial owners of the Certificates to provide certain financial information and operating data relating to the District by not later than 270 days following the end of the District's fiscal year (which currently ends on June 30), commencing with the report for the fiscal year 2004 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if material. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. For a description of such covenants, see APPENDIX D – Form of Continuing Disclosure Agreement. 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.

### **UNDERWRITING**

The Certificates are being purchased for reoffering by Bank of America Securities LLC (the "Underwriter"). The Underwriter has agreed to purchase the Certificates at a discount of \$ \_\_\_\_\_ from the initial public offering price pursuant to a purchase agreement with the District. The purchase agreement provides that the Underwriter will purchase all of the Certificates if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in the purchase agreement.

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

### **RATINGS**

[Moody's Investors Service ("Moody's") and Standard & Poor's Ratings Services, a division of The McGraw Hill Corporation ("S&P") have assigned ratings of "\_\_\_\_" and "\_\_\_\_" respectively, to the Certificates.] Such ratings reflect only the views of such organizations and any desired explanation of the

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significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody's Investors Service, Inc., 99 Church Street, New York, New York 10007; and Standard & Poor's Corporation, 25 Broadway, New York, New York 10004. 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 ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Certificates.

#### **ADDITIONAL INFORMATION**

The purpose of this Official Statement is to supply information to purchasers of the Certificates. Quotations from and summaries and explanations of the Certificates and of the statutes and documents contained herein do not purport to be complete, and reference is made to such documents and statutes for full and complete statements of their provisions.

Bank of America Securities LLC is acting as the Underwriter of the Certificates and has received a variety of District reports. These reports include audits and budgets. Any Certificate Owner may obtain copies of such reports, as available, from the District.

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

The execution and delivery of this Official Statement has been duly authorized by the District.

#### **WESTERN PLACER UNIFIED SCHOOL DISTRICT**

By: \_\_\_\_\_  
Superintendent

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**APPENDIX A**

**AUDITED FINANCIAL STATEMENTS FOR 2001-2002 AND  
UNAUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2002-03**



**APPENDIX B**  
**SUMMARY OF PRINCIPAL LEGAL DOCUMENTS**

**DEFINITIONS AND**  
**SUMMARY OF PRINCIPAL LEGAL DOCUMENTS**

[to come]

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**APPENDIX C**  
**FORMS OF OPINIONS OF SPECIAL COUNSEL**

**APPENDIX D**  
**FORM OF CONTINUING DISCLOSURE AGREEMENT**

**APPENDIX E**  
**LETTER OF CREDIT**

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## **Potential Areas for City / School Collaboration**

1. Joint Library
2. Aquatic Center
3. Community Center
4. Foskett Park/School
5. Twelve Bridges Park/School
6. Joint downtown Office Building with Shared Council Chambers/Board Room
7. School Grounds/Park Maintenance
8. Joint Purchasing of Major Supplies and Equipment
9. Printing
10. Joint Maintenance Facility
11. Trail Development within the Outdoor Learning Environment
12. Tree Planting
13. Development of Trails and Discovery Zones along the Auburn Ravine Linear Park and Environmental Education
14. Recycling of Paper and (Cafeteria) Cans and Bottles
15. Programming of Athletic Field Use
16. Safe Routes to Schools
17. City Internships for School Credits
18. Community Service Opportunities for Students
19. Sweeping and Maintenance of School Parking Lots
20. After School Enrichment Programs
21. Latch Key Day Care Program Using School Facilities and Licensed City Day Care Teachers

22. Police and Fire Explorer Program

23. Other

**MISSION STATEMENT:** Empower Students with the Skills, Knowledge, and Attitudes for Success in an Ever Changing World

**BOARD OF TRUSTEE GLOBAL DISTRICT GOALS**

1. Develop and continually upgrade a well articulated K-12 academic program that challenges all students to achieve their highest potential.
2. Fosters a safe, caring environment where individual differences are valued and respected.
3. Provide facilities for all district programs and functions that are suitable in terms of function, space, cleanliness and attractiveness.
4. Promote the involvement of the community, local government, business, service organizations, etc. as partners in the education of our students.

**COMPLIANCE CHECK LIST**

Complies with Board Policy \_\_\_\_  
Complies with Site Plan (LUP) \_\_\_\_  
Complies with Governance &  
Management Document \_\_\_\_  
Complies with Mission Statement \_\_\_\_  
Funding Sign-Off by J. Stewart \_\_\_\_  
  
Personnel Sign-Off by B. Noyes \_\_\_\_  
Program Sign Off by S. Leaman \_\_\_\_  
  
SBLT Involvement \_\_\_\_  
Initial

**WESTERN PLACER UNIFIED SCHOOL DISTRICT  
BOARD OF TRUSTEE MEETING  
FACT SHEET**

**SUBJECT:**

City/District Facility  
Exploration

**AGENDA ITEM AREA:**

Special Facility Planning Session

**REQUESTED BY:**

Tahti/Mentze

**ENCLOSURES:**

Letter from the City

**MEETING DATE:**

June 24, 2003

---

**BACKGROUND:**

- The two Board representatives to this committee will discuss and report the current status.

**SUPERINTENDENT'S RECOMMENDATION:**

Administration recommends the Board of Trustees discuss and take any action they feel is necessary.

Eva\h:\wpfiles\Board\format1

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**City Manager's Office**

Gerald F. Johnson  
City Manager  
916-645-4070 x211  
Fax: 916-645-8903

May 23, 2003

Roger Yohe  
School Superintendent  
Western Placer Unified School District  
810 "J" Street  
Lincoln, CA 95648

Re: City Hall Expansion / School District Headquarters

Dear Roger:

Enclosed is a proposal from Williams + Paddon Architects to prepare a space programming analysis and conceptual design plan for new City offices and School District Headquarters. Mark Posnick was proposed to complete the work in two phases. If you are agreeable, I would suggest that we proceed with the space programming phase. I believe the Council would be willing to pre-fund the District's share as a credit against the future sale of the District's land underlying the project.

Please let me know if you would like us to proceed.

Sincerely,

Gerald F. Johnson  
City Manager

Cc: George Dellwo

6.1



WILLIAMS + PADDON

## LETTER OF TRANSMITTAL

Architects + Planners / Inc

2237 DOUGLAS BLVD. SUITE 160  
ROSEVILLE, CALIFORNIA 95661916-786-8178  
916-786-8265 FAX  
WWW.WILLIAMSPLUSPADDON.COM

TO: City of Lincoln

640 Fifth Street

Lincoln, CA 95648

Fax (916) 645-3552

DATE: 5/5/03

JOB NO: 226600

ATTENTION: George Dellwo AICP

RE: Lincoln City Hall Expansion

WE ARE SENDING YOU: ☒ ATTACHED ☐ UNDER SEPARATE COVER VIA FAX THE FOLLOWING ITEMS:☐ ORIGINALS ☒ COPIES ☐ PRINTS ☐ DISKS ☐

QUANTITY	DATE	NO.	DESCRIPTION
1	5/2/03		City Hall/School District Programming and Site Design Proposal

THESE ARE TRANSMITTED AS CHECKED BELOW:

- ☒ FOR APPROVAL ☐ APPROVED AS SUBMITTED ☐ RESUBMIT \_\_\_\_\_ COPIES FOR APPROVAL  
☐ FOR YOUR USE ☐ APPROVED AS NOTED ☐ SUBMIT \_\_\_\_\_ COPIES FOR DISTRIBUTION  
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REMARKS: George,

Attached is the proposal for the programming of the proposed City Hall and School District Building. It also includes the proposal for the civil engineering we discussed and the site analysis and concept design. The programming fee is separated equally (50% & 50%) since the City and the School District are taking approximately 15,000 s.f. each. If this changes due to direction or as a result of the programming, the time and therefore the fee could be reallocated to match the respective percentage (i.e. 20,000 s.f. and 10,000 s.f. - 67% & 33%)

COPY TO:

SIGNED:

Mark Posnick AIA

IF CONTENTS ARE NOT AS NOTED, PLEASE CONTACT THIS OFFICE IMMEDIATELY. THANK YOU.  
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6.2

## Project Understanding and Scope Proposal *Site Analysis and Programming*

### City Hall/School District Building – Lincoln, CA

May 2, 2003

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#### PROJECT DESCRIPTION

The project is anticipated to consist of an approximately 30,000 s.f. annex building for City Hall, located on the northwest corner of the intersection of G<sup>th</sup> Street and F Street in downtown Lincoln. The site is known as site option 2 from the previous site analysis study performed by Williams + Paddon. It is anticipated that the building will have a basement for storage and equipment.

The building will be occupied by the City of Lincoln and the Lincoln School District. It is anticipated that the City will occupy approximately 10,000 s.f. to 15,000 s.f. and the School District will occupy approximately 10,000 s.f. to 15,000 s.f. The final amounts and allocation will be determined by the proposed programming services.

#### SCOPE DESCRIPTION

Basic Services consist of those described in Phases One and Two, and include Architectural Programming, Architectural Site Design and Civil Engineering services.

#### Phase One – Programming

1.1 Williams + Paddon will conduct a kickoff meeting with key individuals of the City of Lincoln and the Lincoln School District to review the programming process and determine the overall objectives and constraints of the project. Identification of current departmental configurations, known deficiencies and constraints within the current

facilities, current strategies considered to accommodate growth. Issues will be established and outlined to be captured in the interviews.

1.1.1 The City of Lincoln, the Lincoln School District, and Williams + Paddon will conduct a walk-through of City's and the School District's existing facilities during the interviews.

1.1.2 Williams + Paddon will meet with separately with the City of Lincoln designated representatives and the School District designated representatives to develop information about the following aspects of their operations:

- Departmental/Area functions, systems and procedures.
- Conference and Training needs
- Desired adjacencies.
- Public and Staff movement.
- Special requirements, including but not limited to HVAC, plumbing, electrical, lighting, security.

1.1.3 It is anticipated that there will be a total of eight to ten interviews between the City of Lincoln and the Lincoln School District

1.1.4 Williams + Paddon will document workplace standards for each particular area (i.e. City Manager, Public Works), identifying the area (square footage) required for program calculations and the requirements/needs and adjacencies required for the layout diagram.

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Project Understanding and Scope Proposal  
*Site Analysis and Programming*

City Hall/School District Building - Lincoln, CA

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- 1.1.5 Williams + Paddon will identify relationships and interface requirements between the City and the School district that can result in common or shared facilities and spaces.
- 1.1.6 The City and the School District will provide equipment sizing, utility requirements and equipment specifications.
- 1.1.7 Williams + Paddon will prepare a summary report of findings and adjacency diagrams, appropriate for commencement of the blocking phase.
- 1.1.8 Williams + Paddon will conduct a draft summary report review meeting separately with the City and the School District representatives to obtain comments from each group.
- 1.1.9 After comments have been addressed, Williams + Paddon will conduct a workshop with the City Council and the School District Board to present and review the summary report.

Deliverables:

- Program detail and summary report including space recommendations and requirements categorized by department, agencies showing department and support space adjacency requirements and common area requirements, equipment list and special utility requirements.

Phase Two - Site Research, Analysis and Concept Design

2.1 SITE RESEARCH & ANALYSIS SERVICES

- 2.1.1 Civil Engineering Services for the project will be provided by a California licensed civil engineer, under contract with Williams + Paddon. The civil engineering contract will include fees and services for preparing a topographic and boundary survey of the proposed project site, topography of the adjacent streets and alley, general location of the existing structures and trees, utility research and coordination with the City of Lincoln.
- 2.1.2 The civil engineer will perform survey, boundary, utility and topographic work, and create a CADD file base drawing of the existing site. This CADD file base drawing will be provided to Williams + Paddon in AutoCAD 2002 format, and Williams + Paddon will be able to rely on and use this file for the design of this project.
- 2.1.3 Williams + Paddon will coordinate with the civil engineer to provide field topography, boundary and utility survey based on Title Report provided by The City of Lincoln.
- 2.1.4 Williams + Paddon will conduct meetings with the City of Lincoln and School District Representatives to discuss and review design requirements/development issues.

**Project Understanding and Scope Proposal**  
*Site Analysis and Programming*

**City Hall/School District Building - Lincoln, CA**

May 2, 2003

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- 2.1.5 During Site Research & Analysis Phase Williams + Paddon will consult with Lincoln Planning, Public Works/Engineering Department, Building Department and Fire Department to solicit feedback on proposed site development and building massing.
- 2.1.6 Williams + Paddon will prepare preliminary building code analysis, indicating preliminary code criteria.
- 2.1.7 Based on the Preliminary Program, and site information, Williams + Paddon will prepare alternative schematic site development concepts for the site plan.
- 2.1.8 Williams + Paddon will meet with representatives of the City and the School District to review and discuss qualities of the site alternatives, determine the preferred alternate and the direction for refinement.
- 2.1.9 Williams + Paddon will continue development of site development concept into a specific site plan.
- 2.1.10 Williams + Paddon will conduct a presentation Workshop to the City of Lincoln City Council and the School District Board members to review the design concepts and development issues, and present the specific site plan.
- 2.1.11 Based on comments from the site presentation workshop, and the final approved program, Williams + Paddon will further refine the site plan to create a final site plan layout.

- 2.1.12 Williams + Paddon will present the final site plan layout at a joint meeting of the City Council and the School District Board, and obtain approval and direction to proceed with Schematic Design.

- 2.2 During the project, Williams + Paddon will provide project administration and coordination of architect's consultants as required to perform the work.

Deliverables:

- Topography and Boundary Survey
- Conceptual Site Development Alternatives
- Specific Site Plan
- Colored Final Site Plan Layout.

**Included in Basic Services fee proposal:**

- Architectural Programming
- Architectural Site Design
- Civil Engineering Surveying

**Not Included in Basic Services but can be provided as an additional service:**

- Building floor plan, space plan or exterior elevation design.
- Schematic Design, Design Development, Construction Drawings and Construction Administration
- Furniture Selection, Design and Specification Services
- Survey of new & existing equipment & furnishings to be utilized in space.
- Construction Cost Estimating

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Project Understanding and Scope Proposal  
*Site Analysis and Programming*

City Hall/School District Building - Lincoln, CA

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ASSUMPTIONS

- A. The following will be provided by the City of Lincoln:
- Title Report
  - Parcel map and delineation of the various parcels which will form the project site
  - City Staff and School District Staff needs or projection information which currently exists
- B. The basis of the programming and site analysis is site Option 2E from the site selection booklet developed by Williams + Paddon and approved by the City Council at the 4/14/03 meeting.
- C. The fees associated with Schematic Design, Design Development, Construction Drawings and Construction Administration will be developed after the determination of the program, the final building size and the site layout.

BILLING SCHEDULE

Principal	\$ 158.00
Project Director	\$ 138.00
Project Manager	\$ 129.00
Architect	\$ 116.00
Interior Designer	\$ 97.00
Technical I	\$ 97.00
Technical II	\$ 80.00
Technical III	\$ 58.00
Expert Witness	\$ 260.00

REIMBURSABLE EXPENSES

*Reimbursable Expenses are in addition to the Compensation for Basic and Additional Services and include actual expenditures made by the Architect and the Architect's employees and consultants in the interest of the Project for the expenses listed in the following Subparagraphs:*

Automobile mileage shall be charged at \$.31 per mile. Blueprint reproductions will be charged at cost plus 15%. Photocopies shall be charged at \$.10 per 8 1/2" x 11" copy. Expense of other reproductions, postage, and handling of drawings, specifications and other documents, excluding reproductions for the office use of the Architect and the Architect's consultants will be charged at cost plus 15%.

Expense of photographic production techniques, when used in connection with Additional Services, shall be charged at cost plus 15%.

Expense of renderings, models and mock-ups requested by the Owner shall be charged at cost plus 15%.

ESTIMATED FEES

*New* \* Phase 1

City Programming	\$9,850
School District Programming	\$9,850
<i>Later</i> → Phase 2	
Site Research, Analysis and Concept Design (Civil Engineering)	\$21,780

41,480

*u.b*

Project Understanding and Scope Proposal  
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Expense of any additional insurance coverage of limits, including professional liability insurance, requested by the Client in excess of that normally carried by the architect's consultants shall be charged at cost plus 15%.

**LIMITATION OF LIABILITY**

The final contract will contain a clause limiting the architect's liability. This limitation was an important consideration in determining the fee for the project. Should this limitation of liability be rejected, an additional 5% shall be added to the fee to compensate for the added liability risk. If the limitation amount is adjusted, the architect's fee shall likewise be equitably adjusted.

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WILLIAMS + PADDON ARCHITECTS + PLANNERS

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