

SEPARATE COVER ITEM

Board Meeting: April 12, 2011

Item No.: 14.1.2

Document: Resolution No. 10-30



TRACY
UNIFIED SCHOOL DISTRICT

BUSINESS SERVICES MEMORANDUM

TO: Dr. James C. Franco, Superintendent
FROM: Dr. Casey Goodall, Associate Superintendent for Business
DATE: April 6, 2011
SUBJECT: Adopt Resolution No. 10-30 A Resolution of the Board of Trustees of the Tracy Joint Unified School District Authorizing the Issuance of Not to Exceed \$18,000,000 Aggregate Principal Amount of Bonds of the School Facilities Improvement District No. 3 of the Tracy Joint Unified School District, Election of 2008, Series 2011A, Authorizing the Execution and Delivery of a Paying Agent Agreement, A Bond Purchase Agreement and a Commitment Letter and Other Matters Related Thereto

BACKGROUND: On June 24, 2008, the Board of Trustees adopted a resolution ordering an election requesting voters authorize the issuance of school facilities improvement district bonds on the ballot held on Tuesday, November 4, 2008 election. The Proposition 39 measure was for the purpose of raising money for the specified school facilities benefiting School Facilities Improvement District No. 3 of the Tracy Joint Unified School District and required a 55% approval from voters. The bond measure received voter approval in excess of the 55% required and the District adopted a resolution certifying the results of the election to the County Board of Supervisors and that all election proceedings were accomplished according to law.

RATIONALE: In March 2009, the District sold the first series of the SFID No. 3 bonds, for \$12 million. On January 11, 2011, the Board approved the Facilities Utilization Committee recommendation to sell up to \$26 million of bonds in order to move ahead with Measure S projects; and, on March 8, 2011, the Board heard a presentation by financial consultants, KNN Public Finance, on the financing plan for the issuance of an additional series of bonds to finance Measure S projects.

The newly created JPA Authority, the "Tracy School Facilities Financing Authority" (TSFFA) will purchase this Series of bonds, the Series 2011A Bonds. In order to provide the required funds to purchase the Series 2011A Bonds, the TSFFA will issue General Obligation Revenue Bonds (Federally Taxable/Qualified School Construction Bonds) in the aggregate principal amount of not to exceed \$19,771,000. This structure essentially allows the district and taxpayer to share the Federal subsidy in the form of lowered interest costs to the taxpayer and provide additional project funding.

FUNDING: The bonds are to be repaid from taxes to be levied on property within the school facilities improvement district authorized by the voters.

RECOMMENDATIONS: Adopt Resolution No. 10-30 A Resolution of the Board of Trustees of the Tracy Joint Unified School District Authorizing the Issuance of Not to Exceed \$18,000,000 Aggregate Principal Amount of Bonds of the School Facilities Improvement District No. 3 of the

Tracy Joint Unified School District, Election of 2008, Series 2011A, Authorizing the Execution and Delivery of a Paying Agent Agreement, A Bond Purchase Agreement and a Commitment Letter and Other Matters Related Thereto

Prepared by: Bonny Carter, Director of Facilities and Planning



RESOLUTION NO. 10-30

A RESOLUTION OF THE BOARD OF TRUSTEES OF THE TRACY JOINT UNIFIED SCHOOL DISTRICT AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$18,000,000 AGGREGATE PRINCIPAL AMOUNT OF BONDS OF THE SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 3 OF THE TRACY JOINT UNIFIED SCHOOL DISTRICT, ELECTION OF 2008, SERIES 2011A, AUTHORIZING THE EXECUTION AND DELIVERY OF A PAYING AGENT AGREEMENT, A BOND PURCHASE AGREEMENT AND A COMMITMENT LETTER AND OTHER MATTERS RELATED THERETO

WHEREAS, the Board of Trustees (the "Board of Trustees") of the Tracy Joint Unified School District (the "District"), located in the counties of San Joaquin and Alameda, California, has formed School Facilities Improvement District No. 3 of the Tracy Joint Unified School District (the "SFID"), located wholly within in the County of San Joaquin (the "County");

WHEREAS, the Board of Trustees duly called an election, and such election was regularly held, on behalf of the SFID, on November 4, 2008, at which the following proposition (as abbreviated pursuant to Section 13247 of the California Elections Code) was submitted to the electors of the SFID:

"To renovate and modernize the community's oldest elementary and middle schools, upgrade classrooms, replace aging roofs, old heating, electrical, plumbing, cooling and ventilation systems with energy efficient systems, and improve security and technology systems at all schools, increasing student access to computers, shall School Facilities Improvement District No. 3 of the Tracy Joint Unified School District be authorized to issue \$43,100,000 in bonds, at legal interest rates, with all expenditures monitored by an Independent Citizens' Oversight Committee?"

WHEREAS, at least 55% of the votes cast on said proposition were in favor of issuing said bonds;

WHEREAS, a portion of said authorized bonds in the aggregate principal amount of \$12,000,000, have heretofore been issued and sold;

WHEREAS, the Board of Trustees of the District has deemed it necessary and desirable that an additional portion of said authorized bonds in an aggregate principal amount of not to exceed \$18,000,000 be issued, which portion of said bonds is to be designated "Bonds of the School Facilities Improvement District No. 3 of the Tracy Joint Unified School District, Election of 2008, Series 2011A" (the "Series 2011A Bonds");

WHEREAS, in order to provide for the authentication and delivery of the Series 2011A Bonds, to establish and declare the terms and conditions upon which the Series 2011A Bonds are to be issued and to provide for the payment of the principal thereof and interest and premium, if any, thereon, the District proposes to enter into a Paying Agent Agreement with The Bank of New York Mellon Trust Company, N.A., as paying agent (the "Paying Agent") (such Paying Agent Agreement, in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution, being referred to herein as the "Paying Agent Agreement");

WHEREAS, the Tracy School Facilities Financing Authority (the "Authority") has presented the District with a proposal, in the form of a Bond Purchase Agreement, to purchase the Series 2011A Bonds from the District (such Bond Purchase Agreement, in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution, being referred to herein as the "Bond Purchase Agreement");

WHEREAS, in order to provide the funds required to purchase the Series 2011A Bonds and to provide additional funds to the District to pay a portion of the costs of such school facilities, the Authority proposes to issue the Tracy School Facilities Financing Authority General Obligation Revenue Bonds (Federally Taxable/Qualified School Construction Bonds), Series A (the "Authority Bonds"), in the aggregate principal amount of not to exceed \$19,771,000;

WHEREAS, JP Morgan Chase Bank, N.A. (the "Purchaser") has presented the Authority and the District with a proposal, in the form of a Commitment Letter, to purchase the Authority Bonds from the Authority (such Commitment Letter, in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution, being referred to herein as the "Commitment Letter");

WHEREAS, the American Recovery and Reinvestment Act of 2009 (the "Recovery Act") added Section 54F to the Internal Revenue Code of 1986 (the "Code"), which authorizes a debt instrument known as "qualified school construction bonds" ("Qualified School Construction Bonds"), which are federally taxable bonds with federal subsidies for which the federal government subsidizes the interest cost (up to a set rate) through the allowance of direct subsidy payments;

WHEREAS, the Recovery Act limits the dollar volume of Qualified School Construction Bonds for 2010 to \$11 billion, of which the State of California was allocated \$720,058,000;

WHEREAS, the District has applied to the California Department of Education for an allotment of such 2010 Qualified School Construction Bond volume cap and has received such allotment in an amount equal to \$19,771,700 (the "Allotment");

WHEREAS, the District desires that the Allotment be assigned and transferred to the Authority in order that the Authority Bonds may be designated as Qualified School Construction Bonds, thereby providing the Authority with the means to provide additional funds to the District to pay the costs of school facilities;

WHEREAS, the District desires that the Auditor-Controller of the County annually establish tax rates on taxable property within the SFID for repayment of the Series 2011A Bonds, pursuant to Sections 29100-29103 of the California Government Code, that the Board of Supervisors of the County annually approve the levy of such tax, and that the Treasurer-Tax Collector (the "Treasurer") of the County annually collect such tax and apply the proceeds thereof to the payment of principal of and interest on the Series 2011A Bonds when due, all pursuant to Sections 15250 and 15251 of the California Education Code (the "Education Code");

WHEREAS, there have been prepared and submitted to this meeting forms of:

- (a) the Paying Agent Agreement;
- (b) the Bond Purchase Agreement; and
- (c) the Commitment Letter; and

WHEREAS, the District desires to proceed to issue and sell the Series 2011A Bonds and to authorize the execution of such documents and the performance of such acts as may be necessary or desirable to effect the offering, sale and issuance of the Series 2011A Bonds;

NOW, THEREFORE, BE IT RESOLVED, by the Board of Trustees of the Tracy Joint Unified School District as follows:

Section 1. The above recitals are true and correct, and the Board of Trustees so finds and determines.

Section 2. Subject to the provisions of Section 3 hereof, the issuance of the Series 2011A Bonds, in the aggregate principal amount of not to exceed \$18,000,000 on the terms and conditions set forth in, and subject to the limitations specified in, the Paying Agent Agreement, is hereby authorized and approved. The Series 2011A Bonds shall be dated, shall bear interest at the rates, shall mature on the dates, shall be subject to call and redemption, shall be issued in the form and shall be as otherwise provided in the Paying Agent Agreement, as the same shall be completed as provided in this Resolution.

Section 3. The Paying Agent Agreement, in substantially the form submitted to this meeting and made a part hereof as though set forth herein, be and the same is hereby approved. The President of the Board of Trustees, or such other member of the Board of Trustees as the President may designate, the Superintendent of the District and the Associate Superintendent of Business Services of the District, or such other officer or employee of the District as the

Superintendent may designate (the "Authorized Officers"), are, and each of them is, hereby authorized, and any one of the Authorized Officers is hereby directed, for and in the name of the District, to execute and deliver the Paying Agent Agreement in the form submitted to this meeting, with such changes, insertions and omissions as the Authorized Officer executing the same may require or approve, such requirement or approval to be conclusively evidenced by the execution of the Paying Agent Agreement by such Authorized Officer; provided, however, that such changes, insertions and omissions (a) shall not authorize an aggregate principal amount of Series 2011A Bonds in excess of \$18,000,000, (b) shall not result in a final maturity date of the Series 2011A Bonds later than the maximum maturity date permitted for Qualified School Construction Bonds on the date of sale of the Series 2011A Bonds, and (c) shall not result in a true interest cost for the Series 2011A Bonds in excess of 8.00%.

Section 4. Because of the need for flexibility in timing the sale of the Series 2011A Bonds in order to achieve maximum interest cost savings, the Board of Trustees hereby determines to sell the Series 2011A Bonds on a negotiated sale. The Bond Purchase Agreement, in substantially the form submitted to this meeting and made a part hereof as though set forth in full herein, be and the same is hereby approved. The Authorized Officers are, and each of them is, hereby authorized, and any one of the Authorized Officers is hereby directed, for and in the name of the District, to execute and deliver the Bond Purchase Agreement in the form presented to this meeting, with such changes, insertions and omissions as the Authorized Officer executing the same may require or approve, such requirement or approval to be conclusively evidenced by the execution of the Bond Purchase Agreement by such Authorized Officer; provided, however, that such changes, insertions and omissions shall not result in a purchase price of the Series 2011A Bonds of less than 100% of the aggregate principal amount of the Series 2011A Bonds.

Section 5. The Commitment Letter, in substantially the form submitted to this meeting and made a part hereof as though set forth herein, be and the same is hereby approved. The Authorized Officers are, and each of them is, hereby authorized, and any one of the Authorized Officers is hereby directed, for and in the name of the District, to execute and deliver the Commitment Letter in the form submitted to this meeting, with such changes, insertions and omissions as the Authorized Officer executing the same may require or approve, such requirement or approval to be conclusively evidenced by the execution of the Commitment Letter by such Authorized Officer; provided, however, that such changes, insertions and omissions shall not result in a purchase price of the Authority Bonds of less than 100% of the aggregate principal amount of the Authority Bonds.

Section 6. The Board of Trustees hereby determines that it is in the best interests of the District that the Allotment be assigned and transferred to the Authority so that the Authority Bonds may be designated as Qualified School Construction Bonds, thereby providing the Authority with the means to provide additional funds to the District to pay the costs of school facilities. The Authorized Officers are, and each of them is, hereby authorized and directed to execute and deliver, for and on behalf of the District, any and all documents and instruments and to do and cause to be done any and all acts and things necessary or advisable in order to effectuate such assignment and transfer of the Allotment and to cause the Authority Bonds to be designated as Qualified School Construction Bonds, including making the applicable formal election required by the Code to issue the Authority Bonds as Qualified School Construction Bonds.

Section 7. The Superintendent of the District, or such other officer or employee of the District as the Superintendent of the District may designate, is hereby authorized and directed to report to the Auditor-Controller of the County the final terms of sale of the Series 2011A Bonds, and to file with the Auditor-Controller and with the Treasurer of the County a copy of the Bond Purchase Agreement and this Resolution, and the schedule of amortization of the principal of and payment on the Series 2011A Bonds, and to file with the Treasurer of the County a proposed schedule of draws on the improvement fund of the SFID, and this Resolution shall serve as the notice required to be given by Section 15140(c) of the Education Code and as the District's request to the Auditor-Controller of the County and the Board of Supervisors of the County to propose and adopt in each year a tax rate applicable to all taxable property of the SFID for payment of the Series 2011A Bonds, pursuant to law; and to the other officers of the County to levy and collect said taxes for the payment of the Series 2011A Bonds, to pay in a timely manner to the Paying Agent on behalf of the Owners of the Series 2011A Bonds the principal, interest, and premium, if any, due on the Series 2011A Bonds in each year, and to create in the County treasury to the credit of the District an improvement fund of the SFID and an interest and sinking fund of the SFID pursuant to Section 15357 of the Education Code.

Section 8. The officers and employees of the District are, and each of them hereby is, authorized and directed to execute and deliver, for and on behalf of the District, any and all documents and instruments and to do and cause to be done any and all acts and things necessary or advisable in order to consummate the transactions contemplated by this Resolution and otherwise to carry out, give effect to and comply with the terms and intent of this Resolution.

Section 9. All actions heretofore taken by the officers and employees of the District with respect to the issuance and sale of the Series 2011A Bonds, or in connection with or related to any of the agreements or documents referred to herein, are hereby approved, confirmed and ratified.

Section 10. This Resolution shall take effect immediately upon its adoption.

APPROVED AND ADOPTED by the Board of Trustees of the Tracy Joint Unified School District on April 12, 2011.

President of the Board of Trustees

ATTEST:

Clerk of the Board of Trustees

CLERK'S CERTIFICATE

I, _____, Clerk of the Board of Trustees of the Tracy Joint Unified School District, hereby certify that the foregoing is a full, true and correct copy of a resolution duly adopted at a regular meeting of the Board of Trustees of said District duly and regularly held at the regular meeting place thereof on April 12, 2011, of which meeting all of the members of said Board of Trustees had due notice and at which a majority thereof were present; and that at said meeting said resolution was adopted by the following vote:

AYES:

NOES:

ABSENT OR NOT VOTING:

An agenda of said meeting was posted at least 72 hours before said meeting at 1875 West Lowell Avenue, Tracy, California, a location freely accessible to members of the public, and a brief general description of said resolution appeared on said agenda.

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

Dated: _____, 2011

Clerk of the Board of Trustees of the Tracy
Joint Unified School District

PAYING AGENT AGREEMENT

by and between

TRACY JOINT UNIFIED SCHOOL DISTRICT

and

**THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
AS PAYING AGENT**

Dated as of _____ 1, 2011

**Relating to
Bonds of the School Facilities Improvement District No. 3
of the Tracy Joint Unified School District
Election of 2008, Series 2011A**

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PAYING AGENT AGREEMENT

THIS PAYING AGENT AGREEMENT (this "Paying Agent Agreement"), dated as of _____ 1, 2011, is by and between TRACY JOINT UNIFIED SCHOOL DISTRICT, a school district organized and existing under the laws of the State of California (the "District"), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association organized and existing under the laws of the United States of America, as paying agent (the "Paying Agent").

WITNESSETH:

WHEREAS, the Board of Trustees (the "Board of Trustees") of the Tracy Joint Unified School District (the "District"), located in the counties of San Joaquin and Alameda, California, has formed School Facilities Improvement District No. 3 of the Tracy Joint Unified School District (the "SFID"), located wholly within in the County of San Joaquin (the "County");

WHEREAS, the Board of Trustees duly called an election, and such election was regularly held, on behalf of the SFID, on November 4, 2008, at which the following proposition (as abbreviated pursuant to Section 13247 of the California Elections Code) was submitted to the electors of the SFID:

"To renovate and modernize the community's oldest elementary and middle schools, upgrade classrooms, replace aging roofs, old heating, electrical, plumbing, cooling and ventilation systems with energy efficient systems, and improve security and technology systems at all schools, increasing student access to computers, shall School Facilities Improvement District No. 3 of the Tracy Joint Unified School District be authorized to issue \$43,100,000 in bonds, at legal interest rates, with all expenditures monitored by an Independent Citizens' Oversight Committee?"

WHEREAS, at least 55% of the votes cast on said proposition were in favor of issuing said bonds;

WHEREAS, a portion of said authorized bonds in the aggregate principal amount of \$12,000,000, have heretofore been issued and sold;

WHEREAS, the Board of Trustees of the District has deemed it necessary and desirable that an additional portion of said authorized bonds in an aggregate principal amount of not to exceed \$ _____ be issued, which portion of said bonds is to be designated "Bonds of the School Facilities Improvement District No. 3 of the Tracy Joint Unified School District, Election of 2008, Series 2011A" (the "Series 2011A Bonds");

WHEREAS, the Board of Trustees of the District has deemed it necessary and desirable that, simultaneously with the issuance of the Series 2011A Bonds, an additional portion of said authorized bonds in an aggregate principal amount of not to exceed \$ _____ be issued, which portion of said bonds is to be designated "Bonds of the School Facilities Improvement District No. 3

of the Tracy Joint Unified School District, Election of 2008, Series 2011B” (the “Series 2011B Bonds”);

WHEREAS, the District is authorized pursuant to Section 53506 *et seq.* of the California Government Code to issue the Series 2011A Bonds;

WHEREAS, in order to provide for the authentication and delivery of the Series 2011A Bonds, to establish and declare the terms and conditions upon which the Series 2011A Bonds are to be issued and secured and to provide for the payment of the principal thereof, premium, if any, and interest thereon, the District has authorized the execution and delivery of this Paying Agent Agreement; and

WHEREAS, the District has determined that all acts and proceedings required by law necessary to make the Series 2011A Bonds, when executed by the District, authenticated and delivered by the Paying Agent and duly issued, the valid, binding and legal obligations of the District, and to constitute this Paying Agent Agreement a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of this Paying Agent Agreement has been in all respects duly authorized;

NOW, THEREFORE, THIS PAYING AGENT AGREEMENT WITNESSETH, that in order to provide for the payment of the principal of, premium, if any, and interest on all Series 2011A Bonds at any time issued and outstanding under this Paying Agent Agreement, according to their tenor, and to provide for the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Series 2011A Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Series 2011A Bonds by the owners thereof, and for other valuable consideration, the receipt whereof is hereby acknowledged, the District does hereby covenant and agree with the Paying Agent, for the benefit of the respective owners from time to time of the Series 2011A Bonds, as follows:

ARTICLE I

DEFINITIONS; EQUAL SECURITY

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section shall for all purposes of this Paying Agent Agreement and of any certificate, opinion or other document herein or therein mentioned, have the meanings herein specified.

“Act” means Sections 53506 *et seq.* of the California Government Code.

“Authority” means the Tracy School Facilities Financing Authority, a joint exercise of powers authority organized and existing under the laws of the State, and any successor thereto.

“Authority Bonds” means the Tracy School Facilities Financing Authority General Obligation Revenue Bonds (Federally Taxable/Qualified School Construction Bonds), Series A, issued under the Authority Indenture.

“Authority Indenture” means the Indenture, dated as of _____ 1, 2011, by and between the Authority and the Authority Trustee, as originally executed and as it may be amended or supplemented from time to time in accordance with the terms thereof.

“Authority Redemption Price” has the meaning ascribed to the term “Redemption Price” in the Authority Indenture.

“Authority Trustee” means The Bank of New York Mellon Trust Company, N.A., as trustee under the Authority Indenture, or any successor thereto as trustee thereunder.

“Authorized Denomination” means, with respect to the Series 2011A Bonds, as of any date, the principal amount of the Series 2011A Bonds Outstanding as of such date.

“Authorized Representative” means, with respect to the District, the Superintendent and the Associate Superintendent of Business Services of the District, and any other Person designated as an Authorized Representative of the District in a Written Certificate of the District filed with the Paying Agent.

“Board of Trustees” means the Board of Trustees of the District.

“Board of Supervisors” means the Board of Supervisors of the County.

“Bond Counsel” means a firm of nationally recognized bond counsel selected by the District.

“Bond Fund” means the fund by that name established and held by the Paying Agent pursuant to Section 5.01.

“Business Day” means a day which is not (a) a Saturday, Sunday or legal holiday in the State, (b) a day on which banking institutions in the State, or in any state in which the Office of the

Paying Agent is located, are required or authorized by law (including executive order) to close, or (c) a day on which the New York Stock Exchange is closed.

"Closing Date" means the date upon which the Series 2011A Bonds are delivered to the Original Purchaser, being _____, 2011.

"Code" means the Internal Revenue Code of 1986.

"County" means the County of San Joaquin, a county and political subdivision of the State organized and existing under the laws of the State, and any successor thereto.

"County Treasurer" means the Treasurer - Tax Collector of the County or any authorized deputy thereof.

"District" means Tracy Joint Unified School District, a school district organized and existing under the laws of the State, and any successor thereto.

"Defeasance Securities" means (a) non-callable direct obligations of the United States of America ("United States Treasury Obligations"), and (b) evidences of ownership of proportionate interests in future interest and principal payments on United States Treasury Obligations held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying United States Treasury Obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

"Expenditure Period" means the "expenditure period" defined in 54A(d)(2)(B)(ii) of the Code, which is the period beginning on the date of issuance of the Authority Bonds and ending on the later of the date that is three years from such date of issuance or such later date, if any, as permitted by the Internal Revenue Service in response to a request to extend such period.

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

"Improvement Fund" means the school facilities improvement fund, or an account therein, established within the County treasury for the SFID, into which proceeds of the Series 2011A Bonds are deposited as provided herein and into which a portion of the proceeds of the Authority Bonds are deposited as provided in the Authority Indenture.

"Independent Consultant" means any consultant or firm of such consultants selected by the Authority and who, or each of whom (a) is generally recognized to be qualified in the financial consulting field, (b) is in fact independent and not under the control of the Authority or the District, (c) does not have any substantial interest, direct or indirect, with or in the Authority or the District, and (d) is not connected with the Authority or the District as an officer or employee thereof, but who may be regularly retained to make reports to the Authority or the District.

“Interest Payment Dates” means February 1 and August 1 of each year, commencing _____ 1, 20____, so long as any Series 2011A Bonds remain Outstanding.

“Majority Authority Bond Owner” means the Person in whose name a majority of the aggregate principal amount of the Authority Bonds then outstanding under the Authority Indenture is registered on the records maintained by the Authority Trustee for the registration of ownership and registration of transfer of the Authority Bonds pursuant to Section 2.05 of the Authority Indenture.

“Moody’s” means Moody’s Investors Service, Inc., a corporation duly organized and existing under the laws of the State of Delaware, and its successors and assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the District.

“Office of the Paying Agent” means the principal corporate trust office of the Paying Agent in Los Angeles, California, or such other office as may be specified to the District by the Paying Agent in writing.

“Opinion of Counsel” means a written opinion of Bond Counsel.

“Original Purchaser” means the original purchaser of the Series 2011A Bonds from the District.

“Outstanding” means, when used as of any particular time with reference to Series 2011A Bonds, subject to the provisions of Section 10.08, all Series 2011A Bonds theretofore, or thereupon being, authenticated and delivered by the Paying Agent under this Paying Agent Agreement except (a) Series 2011A Bonds theretofore canceled by the Paying Agent or surrendered to the Paying Agent for cancellation, (b) Series 2011A Bonds with respect to which all liability of the District shall have been discharged in accordance with Section 9.01, and (c) Series 2011A Bonds in lieu of which other Series 2011A Bonds shall have been authenticated and delivered by the Paying Agent pursuant to Section 2.07.

“Owner” means, with respect to a Series 2011A Bond, the Person in whose name such Series 2011A Bond is registered on the Registration Books.

“Paying Agent” means The Bank of New York Mellon Trust Company, N.A., a national banking association organized and existing under the laws of the United States of America, or any successor thereto as Paying Agent hereunder substituted in its place as provided herein.

“Paying Agent Agreement” means this Paying Agent Agreement, dated as of _____ 1, 2011, by and between the District and the Paying Agent, as originally executed and as it may be amended or supplemented from time to time by any Supplemental Paying Agent Agreement.

“Permitted Investments” is defined in Exhibit A hereto.

"Person" means an individual, corporation, limited liability company, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

"Principal Prepayments" has the meaning ascribed to such term in the Authority Indenture.

"Qualified School Construction Bonds" means obligations meeting the requirements of Section 54A and 54F of the Code.

"Record Date" means, with respect to interest payable on any Interest Payment Date, the 15th calendar day of the month preceding such Interest Payment Date, whether or not such day is a Business Day.

"Redemption Fund" means the fund by that name established and held by the Paying Agent pursuant to Section 5.02.

"Redemption Price" means the aggregate amount of principal of and premium, if any, on the Series 2011A Bonds payable upon the redemption thereof pursuant hereto.

"Registration Books" means the records maintained by the Paying Agent for the registration of ownership and registration of transfer of the Series 2011A Bonds pursuant to Section 2.05.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation duly organized and existing under the laws of the State of New York, and its successors and assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "S&P" shall be deemed to refer to any other nationally recognized securities rating agency selected by the District.

"Series 2011A Bonds" means the Bonds of the School Facilities Improvement District No. 3 of the Tracy Joint Unified School District, Election of 2008, Series 2011A, issued hereunder.

"SFID" means School Facilities Improvement District No. 3 of the Tracy Joint Unified School District.

"State" means the State of California.

"Subsidy Loss" means any event, including, but not limited to, (a) a Tax Law Change, or (b) any act or failure to act, or the making of any untrue representation or certification, by the Authority or the District, the effect of which is to suspend, reduce or terminate the Subsidy Payments.

"Subsidy Loss Rate" means the rate of interest per annum that, if borne by the Series 2011A Bonds from and after the date of a Subsidy Loss would result in the debt service on the Series 2011A Bonds payable on each Interest Payment Date on and after such date to be sufficient, but not materially more than sufficient, to pay debt service on the Authority Bonds on such Interest Payment Date.

"Subsidy Payments" means the amounts that are payable by the United States Treasury with respect to the Authority Bonds under Section 6431 of the Code, which the Authority has elected to receive under Section 6431(f)(2) of the Code.

"Supplemental Paying Agent Agreement" means any agreement amendatory of or supplemental to this Paying Agent Agreement, but only if and to the extent that such Supplemental Paying Agent Agreement is specifically authorized hereunder.

"Tax Certificate" means the Tax Certificate executed by the Authority and the District at the time of issuance of the Series 2011A Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Tax Law Change" means that legislation has been enacted by the Congress of the United States, or a decision has been rendered by a court of the United States, or an order, ruling, regulation (final, temporary or proposed) or official statement has been made by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency of appropriate jurisdiction, the effect of which suspends, reduces or terminates the payment to the Authority of the Subsidy Payments.

"Verification Report" means, with respect to the deemed payment of Series 2011A Bonds pursuant to clause (ii)(B) of Section 9.02(a), a report of a nationally recognized certified public accountant, or firm of such accountants, verifying that the Defeasance Securities and cash, if any, deposited in connection with such deemed payment satisfy the requirements of clause (ii)(B) of Section 9.02(a).

"Written Certificate" and **"Written Request"** of the District mean, respectively, a written certificate or written request signed in the name of the District by an Authorized Representative. Any such certificate or request may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

"Written Certificate of the Authority" has the meaning ascribed thereto in the Authority Indenture.

Section 1.02. Equal Security. In consideration of the acceptance of the Series 2011A Bonds by the Owners thereof, this Paying Agent Agreement shall be deemed to be and shall constitute a contract among the District, the Paying Agent and the Owners from time to time of all Series 2011A Bonds authorized, executed, issued and delivered hereunder and then Outstanding to provide for the full and final payment of the principal of, premium, if any, and interest on all Series 2011A Bonds which may from time to time be authorized, executed, issued and delivered hereunder, subject to the agreements, conditions, covenants and provisions contained herein; and all agreements and covenants set forth herein to be performed by or on behalf of the District shall be for the equal and proportionate benefit, protection and security of all Owners of the Series 2011A Bonds without distinction, preference or priority as to security or otherwise of any Series 2011A Bonds over any other Series 2011A Bonds by reason of the number or date thereof or the time of authorization, sale, execution, issuance or delivery thereof or for any cause whatsoever, except as expressly provided herein or therein.

ARTICLE II

THE SERIES 2011A BONDS

Section 2.01. Authorization of Series 2011A Bonds. The District hereby authorizes the issuance of the Series 2011A Bonds under and subject to the terms of this Paying Agent Agreement, the Act and other applicable laws of the State.

Section 2.02. Terms of Series 2011A Bonds. (a) The Series 2011A Bonds shall be designated "Bonds of the School Facilities Improvement District No. 3 of the Tracy Joint Unified School District, Election of 2008, Series 2011A." The aggregate principal amount of Series 2011A Bonds that may be Outstanding under this Paying Agent Agreement shall not exceed \$_____, except as may be otherwise provided in Section 2.07.

(b) The Series 2011A Bonds shall be issued in fully registered form without coupons in the Authorized Denomination, so long as no Series 2011A Bond shall have more than one maturity date.

(c) The Series 2011A Bonds shall be dated as of the Closing Date, shall be issued in the aggregate principal amount of \$_____, shall mature on February 1, _____ and shall bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) at a rate per annum equal to (i) [from and including the Closing Date to but not including _____, 20____, _____%, and (ii)] from and including _____, 20____ to but not including the maturity date of the Series 2011A Bonds, _____%; provided, however; that from and after the date of a Subsidy Loss, the Series 2011A bonds shall bear interest at a rate per annum equal to the lesser of (A) the Subsidy Loss Rate, and (B) 12%.

(d) Interest on the Series 2011A Bonds shall be payable from the Interest Payment Date next preceding the date of authentication thereof unless (i) a Series 2011A Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it shall bear interest from such Interest Payment Date, or (ii) a Series 2011A Bond is authenticated on or before the first Record Date, in which event interest thereon shall be payable from the Closing Date. Interest on the Series 2011A Bonds shall be paid in lawful money of the United States on each Interest Payment Date. Interest shall be paid by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Series 2011A Bond Owners at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date.

(e) The principal of the Series 2011A Bonds shall be payable in lawful money of the United States of America upon presentation and surrender thereof upon maturity or earlier redemption at the Office of the Paying Agent.

(f) Notwithstanding anything to the contrary contained herein, the payment of principal of and premium, if any, and interest on any Series 2011A Bond of which the Authority Trustee is the Owner shall be made to the Authority Trustee in immediately available funds (including by internal wire transfer) on each applicable payment date.

(g) The Series 2011A Bonds shall be subject to redemption as provided in Article IV.

(h) The Series 2011A Bonds shall be in substantially the form set forth in Exhibit B hereto, with appropriate or necessary insertions, omissions and variations as permitted or required hereby.

Section 2.03. Execution of Series 2011A Bonds. The Series 2011A Bonds shall be executed in the name and on behalf of the District with the manual or facsimile signature of the President of the Board of Trustees attested by the manual or facsimile signature of the Clerk of the Board of Trustees. The Series 2011A Bonds shall then be delivered to the Paying Agent for authentication by it. In case any of such officers of the District who shall have signed or attested any of the Series 2011A Bonds shall cease to be such officers before the Series 2011A Bonds so signed or attested shall have been authenticated or delivered by the Paying Agent, or issued by the District, such Series 2011A Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the District as though those who signed and attested the same had continued to be such officers, and also any Series 2011A Bonds may be signed and attested on behalf of the District by such Persons as at the actual date of execution of such Series 2011A Bonds shall be the proper officers of the District although at the nominal date of such Series 2011A Bonds any such Person shall not have been such officer of the District.

Section 2.04. Authentication of Series 2011A Bonds. Only such of the Series 2011A Bonds as shall bear thereon a certificate of authentication substantially in the form as that set forth set forth in Exhibit B hereto, manually executed by the Paying Agent, shall be valid or obligatory for any purpose or entitled to the benefits of this Paying Agent Agreement, and such certificate of the Paying Agent shall be conclusive evidence that the Series 2011A Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this Paying Agent Agreement.

Section 2.05. Registration Books. The Paying Agent shall keep or cause to be kept, at the Office of the Paying Agent, sufficient records for the registration and transfer of ownership of the Series 2011A Bonds, which shall be open to inspection during regular business hours and upon reasonable notice by the District; and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the Series 2011A Bonds as provided herein.

Section 2.06. Transfer of Series 2011A Bonds. Any Series 2011A Bond may, in accordance with its terms, be transferred, in whole but not in part, upon the Registration Books by the Person in whose name it is registered, in person or by such Person's duly authorized attorney, upon surrender of such Series 2011A Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Paying Agent. Whenever any Series 2011A Bond shall be surrendered for transfer, the District shall execute and the Paying Agent shall authenticate and shall deliver a new Series 2011A Bond of the same maturity in a like principal amount. The Paying Agent shall require the Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer.

The Paying Agent shall not be obligated to make any transfer of Series 2011A Bonds pursuant to this Section during the period established by the Paying Agent for the selection of Series 2011A Bonds for redemption, or with respect to any Series 2011A Bonds selected for redemption.

Section 2.07. Bonds Mutilated, Lost, Destroyed or Stolen. If any Series 2011A Bond shall become mutilated, the District, at the expense of the Owner of said Series 2011A Bond, shall execute, and the Paying Agent shall thereupon authenticate and deliver, a new Series 2011A Bond of the same maturity in a like principal amount in exchange and substitution for the Series 2011A Bond so mutilated, but only upon surrender to the Paying Agent of the Series 2011A Bond so mutilated. Every mutilated Series 2011A Bond so surrendered to the Paying Agent shall be canceled by it and delivered to, or upon the order of, the District. If any Series 2011A Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Paying Agent and, if such evidence and indemnity satisfactory to the Paying Agent and the District shall be given, the District, at the expense of the Owner, shall execute, and the Paying Agent shall thereupon authenticate and deliver, a new Series 2011A Bond of the same maturity in a like aggregate principal amount in lieu of and in replacement for the Series 2011A Bond so lost, destroyed or stolen (or if any such Series 2011A Bond shall have matured or shall have been selected for redemption, instead of issuing a replacement Series 2011A Bond, the Paying Agent may pay the same without surrender thereof). The District may require payment by the Owner of a sum not exceeding the actual cost of preparing each replacement Series 2011A Bond issued under this Section and of the expenses which may be incurred by the District and the Paying Agent. Any Series 2011A Bond issued under the provisions of this Section in lieu of any Series 2011A Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the District whether or not the Series 2011A Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of this Paying Agent Agreement with all other Series 2011A Bonds secured by this Paying Agent Agreement.

Section 2.08. Temporary Bonds. The Series 2011A Bonds may be issued in temporary form exchangeable for definitive Series 2011A Bonds when ready for delivery. Any temporary Series 2011A Bonds may be printed, lithographed or typewritten, shall be in the Authorized Denomination, shall be in fully registered form without coupons and may contain such reference to any of the provisions of this Paying Agent Agreement as may be appropriate. Every temporary Series 2011A Bond shall be executed by the District and authenticated by the Paying Agent upon the same conditions and in substantially the same manner as the definitive Series 2011A Bonds. If the District issues temporary Series 2011A Bonds it shall execute and deliver definitive Series 2011A Bonds as promptly thereafter as practicable, and thereupon each temporary Series 2011A Bond may be surrendered, for cancellation, at the Office of the Paying Agent and the Paying Agent shall authenticate and deliver in exchange for each such temporary Series 2011A Bond a definitive Series 2011A Bond of the same maturity in a like principal amount. Until so exchanged, the temporary Series 2011A Bonds shall be entitled to the same benefits under this Paying Agent Agreement as definitive Series 2011A Bonds authenticated and delivered hereunder.

ARTICLE III

DELIVERY OF SERIES 2011A BONDS; APPLICATION OF PROCEEDS

Section 3.01. Delivery of Series 2011A Bonds. The District may, at any time, execute the Series 2011A Bonds and deliver the same to the Paying Agent. The Paying Agent shall authenticate the Series 2011A Bonds and deliver the Series 2011A Bonds to the Original Purchaser upon receipt of a Written Request of the District and upon receipt of the purchase price therefor.

Section 3.02. Application of Proceeds. On the Closing Date, the proceeds of the sale of the Series 2011A Bonds received by the Paying Agent, \$_____, shall be transferred by the Paying Agent to the County Treasurer for deposit in the County treasury to the credit of the Improvement Fund.

ARTICLE IV

REDEMPTION OF SERIES 2011A BONDS

Section 4.01. Redemption of Series 2011A Bonds. (a) Except as set forth in subsection (b) and subsection (c) of this Section, the Series 2011A Bonds shall not be subject to optional redemption prior to maturity.

(b) The Series 2011A Bonds shall be subject to extraordinary optional redemption on any Interest Payment Date after the occurrence of a Tax Law Change, in whole or in part, from any source of available funds, on such Interest Payment Date, in such principal amounts and at such Redemption Price as shall enable the District to deliver to the Paying Agent and the Authority Trustee the Written Certificate of the District and the written report of the Independent Consultant required by subsection (d) of this Section.

(c) The Series 2011A Bonds shall be subject to extraordinary optional redemption no later than 90 days after the end of the Expenditure Period, in whole or in part, from any source of available funds, including amounts transferred from the Improvement Fund to the Redemption Fund pursuant to Section 6.03, on such date, in such principal amounts and at such Redemption Prices as shall (i) cause a redemption of the Authority Bonds in a principal amount equal to the amount transferred from the Improvement Fund to the Redemption Fund pursuant to Section 6.03, and (ii) enable the District to deliver to the Paying Agent and the Authority Trustee the Written Certificate of the District and the written report of the Independent Consultant required by subsection (d) of this Section.

(d) In order to effect a redemption of Series 2011A Bonds pursuant to subsection (b) or subsection (c) of this Section, the District shall deliver to the Paying Agent and the Authority Trustee (i) a Written Certificate of the District specifying (A) the subsection of this Section pursuant to which Series 2011A Bonds are to be redeemed, (B) the principal amount of the Series 2011A Bonds to be redeemed pursuant to such subsection, (C) the date on which such Series 2011A Bonds are to be so redeemed, which date shall be a date on which the Series 2011A Bonds are subject to redemption pursuant to such subsection, (D) the Redemption Price of the Series 2011A Bonds to be so redeemed on such date, (E) the amount of each mandatory sinking fund installment for the Series 2011A Bonds to be Outstanding after the date of such redemption, (F) the principal amount of the Authority Bonds to be mandatorily redeemed, pursuant to the Authority Indenture, from the Principal Prepayments resulting from such redemption of such Series 2011A Bonds, (G) the date on which the Authority Bonds are to be so mandatorily redeemed from such Principal Prepayments, (H) the Authority Redemption Price of the Authority Bonds to be so mandatorily redeemed from such Principal Prepayments, and (I) the amount of each mandatory sinking fund installment for the Authority Bonds to be Outstanding after the date of such mandatory redemption from such Principal Prepayments, and (ii) a written report of an Independent Consultant demonstrating that, if such Principal Prepayments resulting from such redemption of such Series 2011A Bonds are applied to the redemption of the Authority Bonds on the date, at the Authority Redemption Price, in the manner and otherwise in accordance with such Written Certificate of the District, the debt service on the Series 2011A Bonds payable on each Interest Payment Date on and after the date on which such Series 2011A Bonds are to be so redeemed will be sufficient, but not materially more than sufficient, to pay

debt service on the Authority Bonds on such Interest Payment Date. Such Written Certificate of the District and such written report of such Independent Consultant shall be delivered to the Paying Agent and the Authority Trustee not less than 45 days prior to the date on which such Series 2011A Bonds are to be so optionally redeemed, or such later date as shall be acceptable to the Paying Agent and the Authority Trustee.

(e) *Mandatory Sinking Fund Redemption.* The Series 2011A Bonds shall be subject to mandatory sinking fund redemption, in part, on February 1 or August 1, as applicable, in each year, commencing August 1, 20__, at a Redemption Price equal to the principal amount of the Series 2011A Bonds so redeemed, without premium, together with accrued interest thereon to the date of redemption, in the aggregate respective principal amounts in the respective years as follows:

Sinking Fund Redemption Date (<u>August 1</u>)	Principal Amount to be <u>Redeemed</u>
August 1, 20__	
August 1, 20__	
August 1, 20__	
August 1, 20__	
August 1, 20__	
August 1, 20__	
August 1, 20__	
August 1, 20__	
August 1, 20__	
August 1, 20__	
August 1, 20__	
August 1, 20__	
August 1, 20__	
February 1, 20__ (Maturity)	

If some but not all of the Series 2011A Bonds are redeemed pursuant to subsection (b) or subsection (c) of this Section, the principal amount of Series 2011A Bonds to be redeemed pursuant to this subsection (e) on any subsequent February 1 or August 1 shall be reduced, by the aggregate principal amount of the Series 2011A Bonds so redeemed pursuant to such subsection, such reduction to be allocated among Sinking Fund Redemption Dates as specified in the Written Certificate of the District and the written report of an Independent Consultant delivered to the Paying Agent in connection with such redemption pursuant to subsection (d) of this Section.

Section 4.02. Notice of Redemption. The Paying Agent on behalf and at the expense of the District shall mail (by first class mail) notice of any redemption to the respective Owners of any Series 2011A Bonds designated for redemption at their respective addresses appearing on the Registration Books at least 30 but not more than 60 days prior to the date fixed for redemption. Such notice shall state the date of the notice, the redemption date, the redemption place and the Redemption Price and shall designate the CUSIP numbers, if any, the Series

2011A Bond numbers and the maturity or maturities of the Series 2011A Bonds to be redeemed (except in the event of redemption of all of the Series 2011A Bonds of such maturity or maturities in whole), and shall require that such Series 2011A Bonds be then surrendered at the Office of the Paying Agent for redemption at the Redemption Price, giving notice also that further interest on such Series 2011A Bonds will not accrue from and after the date fixed for redemption. Neither the failure to receive any notice so mailed, nor any defect in such notice, shall affect the validity of the proceedings for the redemption of the Series 2011A Bonds or the cessation of accrual of interest thereon from and after the date fixed for redemption. With respect to any notice of any optional redemption of Series 2011A Bonds, unless at the time such notice is given the Series 2011A Bonds to be redeemed shall be deemed to have been paid within the meaning of Section 9.02, such notice shall state that such redemption is conditional upon receipt by the Paying Agent, on or prior to the date fixed for such redemption, of moneys that, together with other available amounts held by the Paying Agent, are sufficient to pay the Redemption Price of the Series 2011A Bonds to be redeemed, and that if such moneys shall not have been so received said notice shall be of no force and effect and the District shall not be required to redeem such Series 2011A Bonds. In the event a notice of redemption of Series 2011A Bonds contains such a condition and such moneys are not so received, the redemption of Series 2011A Bonds as described in the conditional notice of redemption shall not be made and the Paying Agent shall, within a reasonable time after the date on which such redemption was to occur, give notice to the Persons and in the manner in which the notice of redemption was given, that such moneys were not so received and that there shall be no redemption of Series 2011A Bonds pursuant to such notice of redemption.

Section 4.03. Partial Redemption of Bonds. Upon surrender of any Series 2011A Bond redeemed in part only, the District shall execute and the Paying Agent shall authenticate and deliver to the Owner thereof, at the expense of the District, a new Series 2011A Bond in a principal amount equal to the unredeemed portion of the Series 2011A Bond surrendered.

Section 4.04. Effect of Notice of Redemption. Notice having been mailed as aforesaid, and moneys for the Redemption Price having been set aside with the Paying Agent, the Series 2011A Bonds shall become due and payable on said date and, upon presentation and surrender thereof at the Office of the Paying Agent, said Series 2011A Bonds shall be paid at the Redemption Price thereof.

If, on said date fixed for redemption, moneys for the Redemption Price of all the Series 2011A Bonds to be redeemed shall be held by the Paying Agent so as to be available therefor on such date, and, if notice of redemption thereof shall have been mailed as aforesaid and not canceled, then, from and after said date, interest on said Series 2011A Bonds shall cease to accrue. All moneys held by or on behalf of the Paying Agent for the redemption of Series 2011A Bonds shall be held in trust for the account of the Owners of the Series 2011A Bonds so to be redeemed without liability to such Owners for interest thereon.

All Series 2011A Bonds paid at maturity or redeemed prior to maturity pursuant to the provisions hereof shall be canceled upon surrender thereof and destroyed.

ARTICLE V

FLOW OF FUNDS; INVESTMENTS

Section 5.01. Bond Fund. (a) The Paying Agent shall establish and maintain a separate fund designated the "Bond Fund." Upon the receipt by the Paying Agent from the County Treasurer of amounts to pay debt service on the Series 2011A Bonds, the Paying Agent shall deposit such amounts in the Bond Fund.

(b) On each Interest Payment Date, the Paying Agent shall withdraw from the Bond Fund for payment to the Owners of the Series 2011A Bonds the principal of and interest on the Series 2011A Bonds then due and payable, including principal due and payable by reason of mandatory sinking fund redemption of such Series 2011A Bonds.

Section 5.02. Redemption Fund. (a) The Paying Agent shall establish and maintain a special fund designated the "Redemption Fund." The Paying Agent shall deposit in the Redemption Fund amounts received from the District in connection with the District's exercise of its rights to optionally redeem Series 2011A Bonds pursuant to subsection (b) or subsection (c) of Section 4.01. The Paying Agent shall deposit in the Redemption Fund amounts transferred from the Improvement Fund to the Paying Agent by the County Treasurer in accordance with Section 6.03.

(b) Amounts in the Redemption Fund shall be disbursed therefrom for the payment of the Redemption Price of Series 2011A Bonds redeemed pursuant to subsection (b) or subsection (c) of Section 4.01, as applicable.

Section 5.03. Investment of Moneys. (a) Except as otherwise provided herein, all moneys in any of the funds or accounts established pursuant to this Paying Agent Agreement and held by the Paying Agent shall be invested by the Paying Agent solely in Permitted Investments, as directed in writing by the District two Business Days prior to the making of such investment. Moneys in all funds and accounts held by the Paying Agent shall be invested in Permitted Investments maturing not later than the date on which it is estimated that such moneys will be required for the purposes specified in this Paying Agent Agreement. Absent timely written direction from the District, the Paying Agent shall invest any funds held by it in Permitted Investments described in clause (2) of the definition thereof; provided, however, that any such investment shall be made with due regard for the Paying Agent's obligations and responsibilities as a fiduciary hereunder.

(b) All interest, profits and other income received from the investment of moneys in any fund or account established pursuant to this Paying Agent Agreement shall be retained therein.

(c) Permitted Investments acquired as an investment of moneys in any fund or account established under this Paying Agent Agreement shall be credited to such fund or account. For the purpose of determining the amount in any fund or account, all Permitted Investments credited to such fund or account shall be valued by the Paying Agent at the market

value thereof, such valuation to be performed not less frequently than semiannually on or before each January 15 and July 15.

(d) The Paying Agent may act as principal or agent in the making or disposing of any investment. Upon the Written Request of the District, the Paying Agent shall sell or present for redemption any Permitted Investments so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investments is credited, and the Paying Agent shall not be liable or responsible for any loss resulting from any investment made or sold pursuant to this Section. For purposes of investment, the Paying Agent may commingle moneys in any of the funds and accounts established hereunder.

(e) The District acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the District the right to receive brokerage confirmations of security transactions as they occur, the District specifically waives receipt of such confirmations to the extent permitted by law. The Paying Agent shall furnish the District periodic cash transaction statements which include detail for all investment transactions made by the Paying Agent hereunder.

ARTICLE VI

COVENANTS

Section 6.01. Punctual Payment. The District shall punctually pay or cause to be paid the principal, premium, if any, and interest to become due in respect of all the Series 2011A Bonds, in strict conformity with the terms of the Series 2011A Bonds and of this Paying Agent Agreement, according to the true intent and meaning thereof. On or prior to the date any payment is due in respect of the Series 2011A Bonds, the District shall cause amounts to be deposited with the Paying Agent sufficient to pay the principal, premium, if any, and interest to become due in respect of all Series 2011A Bonds Outstanding on such date. The Paying Agent hereby acknowledges, and each Owner of a Series 2011A Bond, by such Owner's acceptance thereof, hereby acknowledges, that pursuant to the laws of the State, the obligation to levy and collect taxes for the payment of the Series 2011A Bonds, and to pay the principal of and interest on the Series 2011A Bonds, is an obligation to be performed by the County.

Section 6.02. Levy for Payment of Bonds. Pursuant to the laws of the State, the Board of Supervisors and officers of the County are obligated to provide for the levy and collection of property taxes in each year sufficient to pay all amounts coming due on the Series 2011A Bonds in such year, and to pay from such taxes all amounts due on the Series 2011A Bonds. The District shall take all steps required by law and by the County to ensure that the Board of Supervisors shall annually levy a tax upon all taxable property in the SFID sufficient to pay the principal of and interest on the Series 2011A Bonds as and when the same becomes due.

Section 6.03. Transfer from Improvement Fund. In connection with the District's exercise of its rights to optionally redeem Series 2011A Bonds pursuant to subsection (c) of Section 4.01, the District shall cause the County Treasurer to transfer, no later than the last day of the Expenditure Period, all amounts then remaining in the Improvement Fund to the Paying Agent for deposit in the Redemption Fund.

Section 6.04. Subsidy Loss Rate. The District shall, no later than ten Business Days after the date of a Subsidy Loss, deliver to the Paying Agent and the Authority Trustee (i) a Written Certificate of the District specifying the Subsidy Loss Rate, and (ii) a written report of an Independent Consultant demonstrating that, if the Series 2011A Bonds bear interest at the lesser of such Subsidy Loss Rate and 12% from and after the date of such Subsidy Loss, the debt service on the Series 2011A Bonds payable on each Interest Payment Date on and after such date will be sufficient, but not materially more than sufficient, to pay debt service on the Authority Bonds on such Interest Payment Date.

Section 6.05. Tax Covenants. (a) The District shall not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the status of the Authority Bonds as Qualified School Construction Bonds. Without limiting the generality of the foregoing, the District shall comply with the requirements of the Tax Certificate, which is incorporated herein as if fully set forth herein. This covenant shall survive payment in full or defeasance of the Series 2011A Bonds and the Authority Bonds.

(b) In the event that at any time the District is of the opinion that for purposes of this Section it is necessary or helpful to restrict or limit the yield on the investment of any moneys held by the Paying Agent in any of the funds or accounts established hereunder, the District shall so instruct the Paying Agent in writing, and the Paying Agent shall take such action as may be necessary in accordance with such instructions.

(c) Notwithstanding any provisions of this Section, if the District shall provide to the Paying Agent an opinion of Bond Counsel to the effect that any specified action required under this Section is no longer required or that some further or different action is required to maintain the status of the Authority Bonds as Qualified School Construction Bonds, the Paying Agent may conclusively rely on such opinion in complying with the requirements of this Section and of the Tax Certificate, and the covenants hereunder shall be deemed to be modified to that extent.

Section 6.06. Federal Davis-Bacon Act. The District shall comply with the federal Davis Bacon Act, Subchapter IV of chapter 31 of the title 40, United States Code, to the extent required by the American Recovery and Reinvestment Act of 2009 (Pub.L. 111-5).

Section 6.07. Financial Statements. The District shall provide to the Majority Authority Bond Owner within 180 days after the end of each Fiscal Year of the District, audited financial statements of the District for such fiscal year.

Section 6.08. Sovereign Immunity. The District does not enjoy any rights of immunity on the grounds of sovereign immunity in respect of its obligations under this Paying Agent Agreement. To the extent the District has or hereafter may acquire under any applicable law any right to immunity from legal proceedings on the grounds of sovereignty, the District hereby waives, to the extent permitted by law, such rights to immunity for itself in respect of its obligations arising under or related to this Paying Agent Agreement.

Section 6.09. Authority Costs. The District shall pay to the Authority from time to time as requested by the Authority the costs of the Authority incurred in connection with the Authority Bonds, including, without limitation, the fees and costs of the Authority Trustee and its counsel and any indemnification of the Authority Trustee payable by the Authority pursuant to the Authority Indenture.

Section 6.10. Further Assurances. The District shall make, execute and deliver any and all such further agreements, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Paying Agent Agreement and for the better assuring and confirming unto the Owners of the Series 2011A Bonds of the rights and benefits provided in this Paying Agent Agreement.

ARTICLE VII

PAYING AGENT

Section 7.01. Duties and Liabilities of Paying Agent. (a) *Duties of Paying Agent Generally.* The Paying Agent shall be the paying agent, registrar and transfer agent for the Series 2011A Bonds and shall perform such functions in accordance with the provisions hereof. The Paying Agent shall perform such duties and only such duties as are expressly and specifically set forth in this Paying Agent Agreement.

(b) *Removal of Paying Agent.* The District may, subject to the consent of the Majority Authority Bond Owner (so long as a Majority Authority Bond Owner exists), by an instrument in writing, remove the Paying Agent initially a party hereto and any successor thereto, and shall remove the Paying Agent initially a party hereto and any successor thereto if at any time (i) requested to do so by the Majority Authority Bond Owner, if any, or by an instrument or concurrent instruments in writing signed by the Owner of not less than a majority of the aggregate principal amount of the Series 2011A Bonds at the time Outstanding (or their attorneys duly authorized in writing), or (ii) the Paying Agent shall cease to be eligible in accordance with subsection (e) of this Section, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Paying Agent or its property shall be appointed, or any public officer shall take control or charge of the Paying Agent or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Paying Agent and thereupon shall, subject to the consent of the Majority Authority Bond Owner (so long as a Majority Authority Bond Owner exists), appoint a successor Paying Agent by an instrument in writing.

(c) *Resignation of Paying Agent.* The Paying Agent may at any time resign by giving written notice of such resignation by first class mail, postage prepaid, to the District, and to the Owners at the respective addresses shown on the Registration Books. Upon receiving such notice of resignation, the District shall, subject to the consent of the Majority Authority Bond Owner (so long as a Majority Authority Bond Owner exists), promptly appoint a successor Paying Agent by an instrument in writing.

(d) *Appointment of Successor Paying Agent.* Any removal or resignation of the Paying Agent and appointment of a successor Paying Agent shall become effective upon acceptance of appointment by the successor Paying Agent; provided, however, that any successor Paying Agent shall be qualified as provided in subsection (e) of this Section. If no qualified successor Paying Agent shall have been appointed and have accepted appointment within 45 days following giving notice of removal or notice of resignation as aforesaid, the removed or resigning Paying Agent or any Owner (on behalf of such Owner and all other Owners) may petition any court of competent jurisdiction for the appointment of a successor Paying Agent, and such court may thereupon, after such notice, if any, as it may deem proper, appoint such successor Paying Agent. Any successor Paying Agent appointed under this Paying Agent Agreement shall signify its acceptance of such appointment by executing and delivering to the District and to its predecessor Paying Agent a written acceptance thereof, and thereupon such successor Paying Agent, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such

predecessor Paying Agent, with like effect as if originally named Paying Agent herein; but, nevertheless at the written request of the District or the successor Paying Agent, such predecessor Paying Agent shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Paying Agent all the right, title and interest of such predecessor Paying Agent in and to any property held by it under this Paying Agent Agreement and shall pay over, transfer, assign and deliver to the successor Paying Agent any money or other property subject to the conditions herein set forth. Upon acceptance of appointment by a successor Paying Agent as provided in this subsection, the successor Paying Agent shall, within 15 days after such acceptance, mail, by first class mail postage prepaid, a notice of the succession of such Paying Agent hereunder to the Owners at the addresses shown on the Registration Books.

(e) *Qualifications of Paying Agent.* The Paying Agent shall be a bank, national banking association or trust company incorporated or organized under the laws of the United States of America or any state thereof, having (or if such bank, national banking association or trust company is a member of a bank holding company system, its parent bank holding company shall have) a combined capital and surplus of at least \$50,000,000, and subject to supervision or examination by federal or state agency. If such bank, national banking association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining agency above referred to, then for the purpose of this subsection the combined capital and surplus of such bank, national banking association or trust company 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 Paying Agent shall cease to be eligible in accordance with the provisions of this subsection (e), the Paying Agent shall resign immediately in the manner and with the effect specified in this Section.

(f) *Authority Trustee to Act as Paying Agent.* Notwithstanding anything to the contrary contained herein, so long as the Authority Trustee shall be the owner of any Series 2011A Bonds, no entity shall be qualified to act as the Paying Agent (or to act as any successor Paying Agent) except the Authority Trustee. Upon any resignation or removal of the Authority Trustee in accordance with the Authority Indenture, such event shall automatically cause the resignation or removal of the Paying Agent hereunder; and upon the appointment of a successor Authority Trustee in accordance with the Authority Indenture, such appointment shall automatically constitute the appointment of a successor Paying Agent hereunder. Under no circumstances shall the Paying Agent be removed or resign hereunder unless the Authority Trustee shall be removed or resign as such under and pursuant to the Authority Indenture.

Section 7.02. Merger or Consolidation. Any bank, national banking association or trust company into which the Paying Agent may be merged or converted or with which it may be consolidated or any bank, national banking association or trust company resulting from any merger, conversion or consolidation to which it shall be a party or any bank, national banking association or trust company to which the Paying Agent may sell or transfer all or substantially all of its corporate trust business, provided such bank, national banking association or trust company shall be eligible under Section 7.01(e) shall be the successor to such Paying Agent,

without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

Section 7.03. Liability of Paying Agent. (a) The recitals of facts herein and in the Series 2011A Bonds contained shall be taken as statements of the District, and the Paying Agent shall not assume responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of this Paying Agent Agreement or of the Series 2011A Bonds or shall incur any responsibility in respect thereof, other than as expressly stated herein in connection with the respective duties or obligations herein or in the Series 2011A Bonds assigned to or imposed upon it. The Paying Agent shall, however, be responsible for its representations contained in its certificate of authentication on the Series 2011A Bonds. The Paying Agent makes no representations as to the validity or sufficiency of this Paying Agent Agreement or of any Series 2011A Bonds, or in respect of the security afforded by this Paying Agent Agreement and the Paying Agent shall incur no responsibility in respect thereof. The Paying Agent shall be under no responsibility or duty with respect to (i) the issuance of the Series 2011A Bonds for value, (ii) the application of the proceeds thereof except to the extent that such proceeds are received by it in its capacity as Paying Agent, or (iii) the application of any moneys paid to the District or others in accordance with this Paying Agent Agreement except as to the application of any moneys paid to it in its capacity as Paying Agent. The Paying Agent shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Paying Agent shall not be liable for any action taken or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Paying Agent Agreement. The Paying Agent and its officers and employees may become the Owner of Series 2011A Bonds with the same rights it would have if it were not Paying Agent, and, to the extent permitted by law, may act as 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 Series 2011A Bond Owners, whether or not such committee shall represent the Owners of a majority in aggregate principal amount of the Series 2011A Bonds then Outstanding.

(b) The Paying Agent shall not be liable for any error of judgment made in good faith by a responsible officer, unless it shall be proved that the Paying Agent was negligent in ascertaining the pertinent facts.

(c) No provision of this Paying Agent Agreement shall require the Paying Agent to risk or advance its own funds.

(d) The immunities and protections extended to the Paying Agent also extend to its directors, officers, employees and agents.

(e) The Paying Agent may execute any of its powers or duties hereunder through attorneys, agents or receivers and shall not be answerable for the actions of such attorneys, agents or receivers if selected by it with reasonable care.

Section 7.04. Right to Rely on Documents. (a) The Paying Agent shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bonds or other paper or document believed by it to be genuine and to have been signed or presented by the

proper party or parties. The Paying Agent may consult with counsel, who may be counsel to the District, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith; provided, however, the Paying Agent shall in no event delay any payment with respect to the Series 2011A Bonds in anticipation of any such opinion.

(b) Whenever in the administration of the duties imposed upon it by this Paying Agent Agreement the Paying Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Written Certificate of the District, and such Written Certificate shall be full warrant to the Paying Agent for any action taken or suffered in good faith under the provisions of this Paying Agent Agreement in reliance upon such Written Certificate, but in its discretion the Paying Agent may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

Section 7.05. Accounting Records and Reports; Preservation and Inspection of Documents. The Paying Agent shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with prudent corporate trust industry standards, in which accurate entries shall be made of all transactions made by it relating to the proceeds of the Series 2011A Bonds and all funds and accounts established by it pursuant to this Paying Agent Agreement. Such books of record and account shall be available for inspection by the District during regular business hours and upon reasonable notice and under reasonable circumstances as agreed to by the Paying Agent. The Paying Agent shall deliver to the District a monthly accounting of the funds and accounts it holds under this Paying Agent Agreement; provided, however, that the Paying Agent shall not be obligated to deliver an accounting for any fund or account that (a) has a balance of zero, and (b) has not had any activity since the last reporting date.

All documents received by the Paying Agent under the provisions of this Paying Agent Agreement shall be retained in its possession and shall be subject during business hours and upon reasonable notice to the inspection of the District, the Owners and their agents and representatives duly authorized in writing.

Section 7.06. Compensation and Indemnification. The District shall pay to the Paying Agent from time to time all reasonable compensation pursuant to a pre-approved fee letter for all services rendered under this Paying Agent Agreement, and also all reasonable expenses, charges, legal and consulting fees pursuant to a pre-approved fee letter and other disbursements pursuant to a pre-approved fee letter and those of its attorneys, agents and employees, incurred in and about the performance of their powers and duties under this Paying Agent Agreement. The District shall, to the extent permitted by law, indemnify and save the Paying Agent harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder, and which are not due to its negligence or its willful misconduct. The duty of the District to compensate and indemnify the Paying Agent shall survive the resignation or removal of the Paying Agent and the termination and discharge of this Paying Agent Agreement.

ARTICLE VIII

MODIFICATION OR AMENDMENT

Section 8.01. Modifications and Amendments Permitted. (a) This Paying Agent Agreement and the rights and obligations of the District, the Paying Agent and the Owners hereunder may be modified or amended from time to time and at any time by a Supplemental Paying Agent Agreement, which the District and the Paying Agent may enter into when there are filed with the Paying Agent the written consents of the Majority Authority Bond Owner (so long as a Majority Authority Bond Owner exists) and the Owners of a majority of the aggregate principal amount of the Series 2011A Bonds then Outstanding, exclusive of Series 2011A Bonds disqualified as provided in Section 10.08. No such modification or amendment shall (i) extend the fixed maturity of any Series 2011A Bond, reduce the amount of principal thereof or the rate of interest thereon, or alter the redemption provisions thereof, without the consent of the Owner of each Series 2011A Bond so affected, or (ii) amend this Section without the prior written consent of the Owners of all Series 2011A Bonds then Outstanding.

(b) This Paying Agent Agreement and the rights and obligations of the District, the Paying Agent and the Owners hereunder may also be modified or amended from time to time and at any time by a Supplemental Paying Agent Agreement, which the District and the Paying Agent may enter into with the written consent of the Majority Authority Bond Owner (so long as a Majority Authority Bond Owner exists), but without the consent of any Owners for any one or more of the following purposes:

(i) to add to the covenants and agreements of the District contained in this Paying Agent Agreement, other covenants and agreements thereafter to be observed, or to surrender any right or power herein reserved to or conferred upon the District, provided that such modification or amendment does not materially adversely affect the rights or interests of the Owners;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision contained in this Paying Agent Agreement;

(iii) to permit the qualification of this Paying Agent Agreement under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect; and

(iv) in any other respect whatsoever as the District may deem necessary or desirable, provided that such modification or amendment does not materially adversely affect the rights or interests of the Owners.

(c) Promptly after the execution by the District and the Paying Agent of any Supplemental Paying Agent Agreement, the Paying Agent shall mail a notice (the form of which shall be furnished to the Paying Agent by the District), by first class mail postage prepaid, setting forth in general terms the substance of such Supplemental Paying Agent Agreement, to the Majority Authority Bond Owner, if any, and the Owners of the Series 2011A Bonds at the respective addresses shown on the Registration Books. Any failure to give such notice, or any

defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Paying Agent Agreement.

Section 8.02. Effect of Supplemental Paying Agent Agreement. Upon the execution of any Supplemental Paying Agent Agreement entered into pursuant to this Article, this Paying Agent Agreement shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Paying Agent Agreement of the District, the Paying Agent and the Owners 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 such Supplemental Paying Agent Agreement shall be deemed to be part of the terms and conditions of this Paying Agent Agreement for any and all purposes.

Section 8.03. Endorsement of Bonds; Preparation of New Bonds. Series 2011A Bonds delivered after the effective date of any Supplemental Paying Agent Agreement pursuant to this Article may and, if the District so determines, shall bear a notation by endorsement or otherwise in form approved by the District and the Paying Agent as to any modification or amendment provided for in such Supplemental Paying Agent Agreement, and, in that case, upon demand of the Owner of any Series 2011A Bond Outstanding at the time of such effective date and presentation of such Series 2011A Bond for such purpose at the Office of the Paying Agent a suitable notation shall be made on such Series 2011A Bonds. If the Supplemental Paying Agent Agreement shall so provide, new Series 2011A Bonds so modified as to conform, in the opinion of the District and the Paying Agent, to any modification or amendment contained in such Supplemental Paying Agent Agreement, shall be prepared and executed by the District and authenticated by the Paying Agent and, in that case, upon demand of the Owner of any Series 2011A Bond Outstanding at the time of such effective date, and presentation of such Series 2011A Bond for such purpose at the Office of the Paying Agent, such a new Series 2011A Bond in equal principal amount of the same interest rate and maturity shall be exchanged for such Owner's Series 2011A Bond so surrendered.

Section 8.04. Amendment of Particular Bonds. The provisions of this Article shall not prevent any Owner from accepting any amendment or modification as to any particular Series 2011A Bond owned by it, provided that due notation thereof is made on such Series 2011A Bond.

ARTICLE IX

DEFEASANCE

Section 9.01. Discharge of Paying Agent Agreement. (a) If (i) the District shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Outstanding Series 2011A Bonds the principal thereof and the interest and the premium, if any, thereon at the times and in the manner stipulated herein and therein, and (ii) all other amounts due and payable hereunder shall have been paid, then all agreements, covenants and other obligations of the District hereunder shall thereupon cease, terminate and become void and this Paying Agent shall be discharged and satisfied. In such event, the Paying Agent shall execute and deliver to the District all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Paying Agent shall pay over or deliver to the District all money or securities held by it pursuant hereto which are not required for the payment of the principal of and interest and premium, if any, on the Series 2011A Bonds.

(b) Subject to the provisions of subsection (a) of this Section, when any Series 2011A Bond shall have been paid and if, at the time of such payment, the District shall have kept, performed and observed all of the covenants and promises in such Series 2011A Bonds and in this Paying Agent Agreement required or contemplated to be kept, performed and observed by it or on its part on or prior to that time, then this Paying Agent Agreement shall be considered to have been discharged in respect of such Series 2011A Bond, and all agreements, covenants and other obligations of the District hereunder shall cease, terminate, become void and be completely discharged and satisfied as to such Series 2011A Bond.

(c) Notwithstanding the discharge and satisfaction of this Paying Agent Agreement or the discharge and satisfaction of this Paying Agent Agreement in respect of any Series 2011A Bond, those provisions of this Paying Agent Agreement relating to payment of the Series 2011A Bonds, interest payments and dates thereof, transfer of Series 2011A Bonds, replacement of mutilated, destroyed, lost or stolen Series 2011A Bonds, the safekeeping and cancellation of Series 2011A Bonds, non-presentment of Series 2011A Bonds, and the duties of the Paying Agent in connection with all of the foregoing, shall remain in effect and shall be binding upon the Paying Agent and the Owner of such Series 2011A Bond, and the Paying Agent shall continue to be obligated to hold in trust any moneys or investments then held by the Paying Agent for the payment of the principal of and interest and premium, if any, on such Series 2011A Bonds, and to pay to the Owner of such Series 2011A Bond the funds so held by the Paying Agent as and when such payment becomes due.

Section 9.02. Bonds Deemed To Have Been Paid. (a) If moneys shall have been set aside and held by the Paying Agent for the payment or redemption of any Series 2011A Bond and the payment of the interest thereon (calculated at an assumed rate equal to the Subsidy Loss Rate) to the maturity or redemption date thereof, such Series 2011A Bond shall be deemed to have been paid within the meaning and with the effect provided in Section 9.01. Any Outstanding Series 2011A Bond shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in Section 9.01 if (i) in case any of such Series 2011A Bonds are to be redeemed on any date prior to their maturity date, the District shall have given to the Paying Agent in form satisfactory to it irrevocable

instructions to mail, on a date in accordance with the provisions of Section 4.02, notice of redemption of such Series 2011A Bond on said redemption date, said notice to be given in accordance with Section 4.02, (ii) there shall have been deposited with the Paying Agent either (A) money in an amount which shall be sufficient, or (B) Defeasance Securities, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which shall be sufficient to pay when due the principal of, premium, if any, and interest on (assuming interest is calculated at the Subsidy Loss Rate) such Series 2011A Bond, and (iii) in the event such Series 2011A Bond is not by its terms subject to redemption within the next succeeding 60 days, the District shall have given the Paying Agent, in form satisfactory to the Paying Agent, irrevocable instructions to mail as soon as practicable, a notice to the Owners of such Series 2011A Bond that the deposit required by clause (ii) above has been made with the Paying Agent and that such Series 2011A Bond is deemed to have been paid in accordance with this Section and stating the maturity date or redemption date upon which money is to be available for the payment of the principal of and premium, if any, on such Series 2011A Bond.

(b) No Series 2011A Bond shall be deemed to have been paid pursuant to clause (ii) of subsection (a) of this Section unless the District shall have caused to be delivered (i) an executed copy of a Verification Report with respect to such deemed payment, addressed to the District, the Paying Agent and the Majority Authority Bond Owner, if any, in form and in substance acceptable to the District, the Paying Agent and the Majority Authority Bond Owner, if any, (ii) a copy of the escrow agreement entered into in connection with the deposit pursuant to clause (ii) of subsection (a) of this Section resulting in such deemed payment, which escrow agreement shall (A) provide that no substitution of Defeasance Securities shall be permitted except with other Defeasance Securities and upon delivery of a new Verification Report, and (B) provide that no reinvestment of Defeasance Securities shall be permitted except as contemplated by the original Verification Report or upon delivery of a new Verification Report, and (iii) a copy of an Opinion of Counsel, dated the date of such deemed payment and addressed to the District, the Paying Agent and the Majority Authority Bond Owner, if any, in form and in substance acceptable to the District, the Paying Agent and the Majority Authority Bond Owner, if any, to the effect that such Series 2011A Bond has been paid within the meaning and with the effect expressed in this Paying Agent Agreement, this Paying Agent Agreement has been discharged in respect of such Series 2011A Bond and all agreements, covenants and other obligations of the District hereunder as to such Series 2011A Bond have ceased, terminated, become void and been completely discharged and satisfied.

(c) The Paying Agent may seek and is entitled to rely upon (i) an Opinion of Counsel reasonably satisfactory to the Paying Agent to the effect that the conditions precedent to a deemed payment pursuant to subsection (a) of this Section have been satisfied, and (ii) such other opinions, certifications and computations, as the Paying Agent may reasonably request, of accountants or other financial consultants concerning the matters described in subsection (b) of this Section.

Section 9.03. Unclaimed Moneys. Any moneys held by the Paying Agent in trust for the payment and discharge of the principal of, or premium or interest on, any Series 2011A Bonds and remaining unclaimed for two years after such principal of or premium or interest on all of the Series 2011A Bonds has become due and payable (whether by maturity or upon prior redemption) shall be transferred to the interest and sinking fund of the SFID for payment of any

outstanding bonds of the SFID payable from such fund or, if no such bonds of the SFID are at such time outstanding, such moneys shall be transferred to the general fund of the District as provided and permitted by law.

ARTICLE X

MISCELLANEOUS

Section 10.01. Limitation of Rights. Nothing in this Paying Agent Agreement or in the Series 2011A Bonds expressed or implied is intended or shall be construed to give to any Person other than the District, the Paying Agent, the Owners and the Majority Authority Bond Owner any legal or equitable right, remedy or claim under or in respect of this Paying Agent Agreement or any covenant, condition or provision therein or herein contained, and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the District, the Paying Agent, the Owners and the Majority Authority Bond Owner.

Section 10.02. Successor Deemed Included in all References to Predecessor. Whenever in this Paying Agent Agreement either the District or the Paying Agent 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 Paying Agent Agreement contained required hereby to be performed by or on behalf of the District or the Paying Agent shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 10.03. Destruction of Series 2011A Bonds. Whenever in this Paying Agent Agreement provision is made for the cancellation by the Paying Agent and the delivery to the District of any Series 2011A Bonds, the Paying Agent shall, in lieu of such cancellation and delivery, destroy such Series 2011A Bonds.

Section 10.04. Severability of Invalid Provisions. If any one or more of the provisions contained in this Paying Agent Agreement or in the Series 2011A Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Paying Agent Agreement and such invalidity, illegality or unenforceability shall not affect any other provision of this Paying Agent Agreement, and this Paying Agent Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The District hereby declares that it would have entered into this Paying Agent Agreement and each and every other Section, subsection, paragraph, sentence, clause or phrase hereof and authorized the issuance of the Series 2011A Bonds pursuant thereto irrespective of the fact that any one or more Sections, subsections, paragraphs, sentences, clauses or phrases of this Paying Agent Agreement may be held illegal, invalid or unenforceable.

Section 10.05. Notices. All written notices, statements, demands, consents, approvals, authorizations, offers, designations, requests or other communications hereunder shall be given 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:

If to the District:	Tracy Joint Unified School District
	1875 West Lowell Street
	Tracy, California 95376
	Attention: Associate Superintendent of Business Services

If to the Paying Agent: The Bank of New York Mellon Trust Company, N.A.
700 South Flower Street, Suite 500
Los Angeles, California 90017-4104
Attention: Corporate Trust Department

Each such notice, statement, demand, consent, approval, authorization, offer, designation, request or other communication hereunder shall be deemed delivered to the party to whom it is addressed (a) if given by courier or delivery service or if personally served or delivered, upon delivery, (b) if given by telecopier, upon the sender's receipt of an appropriate answerback or other written acknowledgment, (c) if given by registered or certified mail, return receipt requested, deposited with the United States mail postage prepaid, 72 hours after such notice is deposited with the United States mail, or (d) if given by any other means, upon delivery at the address specified in this Section.

Section 10.06. Notice to Majority Authority Bond Owner. Any notice that is required to be given to an Owner or to the Paying Agent pursuant to this Paying Agent Agreement shall also be provided to the Majority Authority Bond Owner.

Section 10.07. Evidence of Rights of Owners. Any request, consent or other instrument required or permitted by this Paying Agent Agreement to be signed and executed by Owners may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Owners in Person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any Person of Series 2011A Bonds transferable by delivery, shall be sufficient for any purpose of this Paying Agent Agreement and shall be conclusive in favor of the Paying Agent and the District if made in the manner provided in this Section.

The fact and date of the execution by any Person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the Person signing such request, consent or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

The ownership of Series 2011A Bonds shall be proved by the Registration Books.

Any request, consent, or other instrument or writing of the Owner of any Series 2011A Bond shall bind every future Owner of the same Series 2011A Bond and the Owner of every Series 2011A Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Paying Agent or the District in accordance therewith or reliance thereon.

Section 10.08. Disqualified Series 2011A Bonds. In determining whether the Owners of the requisite aggregate principal amount of Series 2011A Bonds have concurred in any demand, request, direction, consent or waiver under this Paying Agent Agreement, Series 2011A Bonds which are known by the Paying Agent to be owned or held by or for the account of the

District, or by any other obligor on the Series 2011A Bonds, or by any Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the District or any other obligor on the Series 2011A Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. Series 2011A Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section if the pledgee shall establish to the satisfaction of the Paying Agent the pledgee's right to vote such Series 2011A Bonds and that the pledgee is not a Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the District or any other obligor on the Series 2011A Bonds. In case of a dispute as to such right, any decision by the Paying Agent taken upon the advice of counsel shall be full protection to the Paying Agent.

Section 10.09. Money Held for Particular Series 2011A Bonds. The money held by the Paying Agent for the payment of the interest, principal or premium due on any date with respect to particular Series 2011A Bonds (or portions of Series 2011A Bonds in the case of Series 2011A Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners entitled thereto, subject, however, to the provisions of Section 9.03, but without any liability for interest thereon.

Section 10.10. Funds and Accounts. Any fund or account required by this Paying Agent Agreement to be established and maintained by the Paying Agent may be established and maintained in the accounting records of the Paying Agent, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds and accounts shall at all times be maintained in accordance with prudent corporate trust industry standards to the extent practicable, and with due regard for the requirements hereof and for the protection of the security of the Series 2011A Bonds and the rights of every Owner thereof. The Paying Agent may establish any such additional funds or accounts as it deems necessary to perform its obligations hereunder.

The Paying Agent may commingle any of the moneys held by it hereunder for investment purposes only; provided, however, that the Paying Agent shall account separately for the moneys in each fund or account established pursuant to this Paying Agent Agreement.

Section 10.11. Business Days. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Paying Agent Agreement shall not be a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in this Paying Agent Agreement and, unless otherwise specifically provided in this Paying Agent Agreement, no interest shall accrue for the period from and after such nominal date.

Section 10.12. Waiver of Personal Liability. No member, officer, agent or employee of the District shall be individually or personally liable for the payment of the principal or premium or interest on the Series 2011A Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by any applicable provisions of law or by this Paying Agent Agreement.

Section 10.13. Interpretation. (a) Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of Articles and Sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(c) All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Paying Agent Agreement; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Paying Agent Agreement as a whole and not to any particular Article, Section or subdivision hereof.

Section 10.14. Waiver of Jury Trial. Each of the District and the Paying Agent hereby irrevocably waives to the fullest extent permitted by law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Paying Agent Agreement, the Series 2011A Bonds or the transactions contemplated hereby or thereby involving or affecting the Original Purchaser or the rights or interests of the Original Purchaser, including the rights and interests of the Original Purchaser as an Owner. The District further agrees that, in the event of litigation, it will not personally or through its agents or attorneys seek to repudiate the validity of this Section, and it acknowledges that it freely and voluntarily entered into this agreement to waive trial by jury as provided herein in order to induce the Original Purchaser to purchase the Series 2011A Bonds. If and to the extent that the foregoing waiver of the right to a jury trial is unenforceable for any reason in such forum, the District and the Paying Agent hereby consent to the adjudication of any and all claims pursuant to judicial reference as provided in California Code of Civil Procedure Section 638, and the judicial referee shall be empowered to hear and determine any and all issues in such reference whether fact or law. The District and the Paying Agent represent that each has reviewed this waiver and consent and each knowingly and voluntarily waives its jury trial rights and consents to judicial reference following the opportunity to consult with legal counsel of its choice on such matters. The referee shall be a retired California state court judge or an attorney licensed to practice law in the State of California with at least ten years' experience practicing commercial law. In the event of litigation, a copy of this Paying Agent Agreement may be filed as a written consent to a trial by the court or to judicial reference under California Code of Civil Procedure Section 638 as provided herein.

Section 10.15. Governing Law. This Paying Agent Agreement and the Series 2011A Bonds shall be construed and governed in accordance with the laws of the State.

Section 10.16. Execution in Counterparts. This Paying Agent Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the District has caused this Paying Agent Agreement to be signed in its name by its representative thereunto duly authorized, and the Paying Agent has caused this Paying Agent Agreement to be signed in its corporate name by its officer thereunto duly authorized, all as of the day and year first above written.

**TRACY JOINT UNIFIED SCHOOL
DISTRICT**

By: _____

**THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., AS PAYING
AGENT**

By: _____
Authorized Officer

EXHIBIT A

PERMITTED INVESTMENTS

“Permitted Investments” means any of the following to the extent then permitted by the general laws of the State applicable to investments by the District:

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

(2) Money market funds rated “AAm” or “AAm-G” by S&P, or better and, if rated by Moody’s, rated “Aa2” or better.

EXHIBIT B

FORM OF SERIES 2011A BOND

No. _____

\$ _____

**UNITED STATES OF AMERICA
STATE OF CALIFORNIA
COUNTY OF SAN JOAQUIN**

**BOND OF THE SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 3
OF THE TRACY JOINT UNIFIED SCHOOL DISTRICT
ELECTION OF 2008, SERIES 2011A**

DATED DATE

INTEREST RATE

MATURITY DATE

As Provided in Paying Agent Agreement

REGISTERED OWNER:

PRINCIPAL AMOUNT:

Tracy Joint Unified School District (the "District"), for value received, hereby promises to pay, but only from taxes collected by the County of San Joaquin for such purpose within School Facilities Improvement District No. 3 of the Tracy Joint Unified School District (the "SFID") pursuant to Section 15250 of the California Education Code, to the Registered Owner identified above or registered assigns (the "Registered Owner"), on the Maturity Date identified above or on any earlier redemption date, the Principal Amount identified above in lawful money of the United States of America; and to pay interest thereon at the Interest Rate identified above in like lawful money from the date hereof payable semiannually on February 1 and August 1 in each year, commencing _____ 1, 20__ (the "Interest Payment Dates"), until payment of such Principal Amount in full. Capitalized undefined terms used herein have the meanings ascribed thereto in the Paying Agent Agreement, dated as of _____ 1, 2011 (the "Paying Agent Agreement"), by and between the District and The Bank of New York Mellon Trust Company, N.A., as Paying Agent.

This Bond is one of a duly authorized issue of bonds in the aggregate principal amount of \$ _____ designated "Bonds of the School Facilities Improvement District No. 3 of the Tracy Joint Unified School District, Election of 2008, Series 2011A" (the "Series 2011A Bonds"). The Series 2011A Bonds were authorized by a vote of at least 55% of the voters voting at an election duly and legally called, held and conducted in the SFID on November 4, 2008. The Series 2011A Bonds are issued pursuant to Sections 53506 *et seq.* of the California Government Code (the "Act") and the Paying Agent Agreement.

Reference is hereby made to the Act and to the Paying Agent Agreement and any and all amendments thereof for a description of the terms on which the Series 2011A Bonds are issued, for the rights of the Owners of the Series 2011A Bonds, for the provisions for payment of the Series

2011A Bonds, for the amendment of the Paying Agent Agreement (with or without consent of the Owners of the Series 2011A Bonds); and all the terms of the Paying Agent Agreement are hereby incorporated herein and constitute a contract between the District and the Registered Owner of this Bond, to all the provisions of which the Registered Owner of this Bond, by acceptance hereof, agrees and consents.

Interest on the Series 2011A Bonds shall be payable from the Interest Payment Date next preceding the date of authentication thereof unless (a) a Series 2011A Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event interest thereon shall be payable from such Interest Payment Date, or (b) a Series 2011A Bond is authenticated on or before the first Record Date, in which event interest thereon shall be payable from the Dated Date specified above. Interest on the Series 2011A Bonds shall be paid in lawful money of the United States on each Interest Payment Date. Interest shall be paid by check of the Paying Agent mailed by first class mail, postage prepaid, on each Interest Payment Date to the Series 2011A Bond Owners at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date. The principal of the Series 2011A Bonds shall be payable in lawful money of the United States of America upon presentation and surrender thereof upon maturity or earlier redemption at the Office of the Paying Agent. Notwithstanding anything to the contrary contained in the Paying Agent Agreement, the payment of principal of and premium, if any, and interest on any Series 2011A Bond of which the Authority Trustee is the Owner shall be made to the Authority Trustee in immediately available funds (including by internal wire transfer) on each applicable payment date.

The Series 2011A Bonds are subject to redemption on the dates, at the Redemption Prices and pursuant to the terms set forth in the Paying Agent Agreement. Notice of redemption of any Series 2011A Bonds or any portions thereof shall be given as set forth in the Paying Agent Agreement.

The Series 2011A Bonds are issuable as fully registered Series 2011A Bonds without coupons. The Series 2011A Bonds are issuable in a denomination equal, as of any date, to the principal amount of the Series 2011A Bonds Outstanding as of such date.

This Bond is transferable by the Registered Owner hereof, in whole but not in part, in person or by the Registered Owner's attorney duly authorized in writing, at the Office of the Paying Agent, but only in the manner, subject to the limitations and upon payment of the charges provided in the Paying Agent Agreement, and upon surrender and cancellation of this Bond. Upon such transfer a new fully registered Series 2011A Bond of the same maturity in a like principal amount will be issued to the transferee in exchange herefor. The District and the Paying Agent may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the District and the Paying Agent shall not be affected by any notice to the contrary.

The Paying Agent Agreement and the rights and obligations of the District, the Paying Agent and the Owners of the Series 2011A Bonds may be modified or amended from time to time and at any time in the manner, to the extent, and upon the terms provided in the Paying Agent Agreement.

The Paying Agent Agreement contains provisions permitting the District to make provision for the payment of the principal of and the interest and premium, if any, on any of the Series 2011A Bonds so that such Series 2011A Bonds shall no longer be deemed to be Outstanding under the terms of the Paying Agent Agreement.

The tax for the payment of this Bond shall be limited to annual taxes to be levied upon and collected from the lands within the SFID.

The District hereby certifies and declares that the total amount of indebtedness of the District and the SFID, including the amount of this Bond, is within the limit provided by law, and that all acts, conditions and things required by law to be done or performed precedent to and in the issuance of this Bond have been done and performed in strict conformity with the laws authorizing the issuance of this Bond.

This Bond shall not be entitled to any benefit, protection or security under the Paying Agent Agreement or become valid or obligatory for any purpose until the certificate of authentication hereon endorsed shall have been executed and dated by an authorized signatory of the Paying Agent.

IN WITNESS WHEREOF, the District has caused this Bond to be signed in its name and on its behalf by the manual or facsimile signature of the President of the Board of Trustees of the Tracy Joint Unified School District, attested by the manual or facsimile signature of the Clerk of the Board of Trustees of the Tracy Joint Unified School District, all as of the Dated Date identified above.

**TRACY JOINT UNIFIED SCHOOL
DISTRICT**

By: _____
President of the Board of Trustees

ATTEST:

Clerk of the Board of Trustees

CERTIFICATE OF AUTHENTICATION

This is one of the Series 2011A Bonds described in the within-mentioned Paying Agent Agreement and registered on the Registration Books.

Date: _____

**THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., AS PAYING
AGENT**

By: _____
Authorized Signatory

ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto _____ whose address and social security or other tax identifying number is _____, the within-mentioned Series 2011A Bond and hereby irrevocably constitute(s) and appoint(s) _____ attorney, to transfer the same on the registration books of the Paying Agent with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

Note: Signature guarantee shall be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Paying Agent.

Note: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Series 2011A Bond in every particular without alteration or enlargement or any change whatsoever.

BOND PURCHASE AGREEMENT

by and between

TRACY SCHOOL FACILITIES FINANCING AUTHORITY

and

TRACY JOINT UNIFIED SCHOOL DISTRICT

Dated _____, 2011

**Relating to
Bonds of the School Facilities Improvement District No. 3
of the Tracy Joint Unified School District
Election of 2011, Series 2011A**

BOND PURCHASE AGREEMENT

THIS BOND PURCHASE AGREEMENT (this "Purchase Agreement"), dated as of _____, 2011, is by and between the TRACY SCHOOL FACILITIES FINANCING AUTHORITY, a joint exercise of powers authority organized and existing under the laws of the State of California (the "Authority"), and TRACY JOINT UNIFIED SCHOOL DISTRICT, a school district organized and existing under the laws of the State of California (the "District").

WITNESSETH:

WHEREAS, the Authority is authorized pursuant to the Marks-Roos Local Bond Pooling Act of 1985 to purchase, with the proceeds of bonds of the Authority, bonds of school districts of the State of California (the "State") in order to assist such school districts in financing or refinancing public capital improvements

WHEREAS, the District is a school district organized and existing under the laws of the State;

WHEREAS, the Board of Trustees of the District has, pursuant to the California Education Code, formed School Facilities Improvement District No. 3 of the Tracy Joint Unified School District (the "SFID");

WHEREAS, the electors within the SFID have authorized the District to issue bonds of the SFID to finance certain school facilities;

WHEREAS, in order to provide funds to finance certain of such school facilities, the District is issuing the Bonds of the School Facilities Improvement District No. 3 of the Tracy Joint Unified School District, Election of 2011, Series 2011A (the "District Bonds"), in the aggregate principal amount of \$ _____;

WHEREAS, in order to assist the District in financing such school facilities, the Authority desires to purchase the District Bonds and to provide additional funds to the District to pay a portion of the costs of such school facilities;

WHEREAS, in order to provide the funds necessary to purchase the District Bonds from the District and to provide additional funds to the District to pay a portion of the costs of such school facilities, the Authority has authorized the issuance, pursuant to an Indenture, dated as of _____ 1, 2011 (the "Authority Indenture"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Authority Trustee"), of the Tracy School Facilities Financing Authority General Obligation Revenue Bonds (Federally Taxable/Qualified School Construction Bonds), Series A (the "Authority Bonds"), in the aggregate principal amount of \$ _____;

WHEREAS, the Authority Bonds are being purchased from the Authority pursuant to a Commitment Letter, dated _____, 2011 (the "Authority Bond Commitment Letter"), by and among the Authority, the District and JP Morgan Chase Bank, N.A. (the "Purchaser"); and

WHEREAS, the Authority and the District desire to enter into this Purchase Agreement providing for the sale of the District Bonds by the District to the Authority;

NOW, THEREFORE, in consideration of the mutual agreements herein contained, the Authority and the District agree as follows:

Section 1. Purchase and Sale of District Bonds. (a) Upon the terms and conditions and upon the basis of the representations, warranties and agreements hereinafter set forth, the District hereby agrees to sell to the Authority, and the Authority hereby agrees to purchase from the District, all (but not less than all) of the \$_____ aggregate principal amount of the District Bonds. The District Bonds shall have the maturities and shall accrue interest as set forth in Exhibit A hereto.

(b) The District Bonds and accrued interest thereon shall be payable in accordance with the Paying Agent Agreement, dated as of _____ 1, 2011 (the "Paying Agent Agreement"), by and between the District and The Bank of New York Mellon Trust Company, N.A., as paying agent (the "Paying Agent"). The District Bonds shall be substantially in the form described in, and shall be executed, delivered and secured under and pursuant to, and shall be payable and subject to redemption as provided in, the Paying Agent Agreement. The proceeds of the District Bonds will be used by the District to provide to finance certain authorized school facilities. The Paying Agent Agreement and this Purchase Agreement are collectively referred to as the "Legal Documents."

(c) The aggregate purchase price for the District Bonds shall be \$_____ (being the principal amount of the District Bonds), which shall be payable solely from proceeds of sale of the Authority Bonds. The purchase price for the District Bonds shall be paid in immediately available funds.

(d) At 8:00 a.m., California time, on _____, 2011, or at such other time or on such other date as the Authority, the District and the Purchaser may mutually agree upon (the "Closing Date"), at the offices of Orrick, Herrington & Sutcliffe LLP, in Los Angeles, California, the District will deliver or cause to be delivered to the Authority, the District Bonds in the form of a single fully registered certificate (which may be typewritten), registered in the name of the Authority Trustee, as assignee of the Authority, duly executed and authenticated, and the other documents mentioned herein. The Authority will accept such delivery and pay the purchase price of the District Bonds as provided in subparagraph (c) above (such delivery and payment being herein referred to as the "Closing").

Section 2. Representations and Warranties of the District. The District hereby represents, warrants and agrees with the Authority that:

(a) The District is a school district duly organized and validly existing under the laws of the State of California (the "State"), with full legal right, power and authority to form the SFID and to issue the District Bonds under the laws of the State;

(b) The SFID is a school facilities improvement district duly formed and validly existing under the laws of the State, including the California Education Code;

(c) (i) At or prior to the Closing, the District will have taken all action required to be taken by it to authorize the issuance and delivery of the District Bonds; (ii) the District has full legal right, power and authority to enter into this Purchase Agreement and the Paying Agent Agreement, to adopt the resolution (the "Resolution") of the District authorizing the issuance of the District Bonds, to issue and to deliver the District Bonds to the Authority, to perform its obligations under each such document or instrument and to carry out and effectuate the transactions contemplated by this Purchase Agreement and the Paying Agent Agreement; (iii) the execution and delivery or adoption of and the performance by the District of the obligations represented by, the District Bonds, the Paying Agent Agreement and this Purchase Agreement have been duly authorized and such authorization shall be in full force and effect at the time of the Closing; (iv) this Purchase Agreement constitutes a valid and legally binding obligation of the District, enforceable against the District in accordance with its terms; and (vi) the District has duly authorized the consummation by it of all transactions contemplated by this Purchase Agreement;

(d) No consent, approval, authorization, order, filing, registration, qualification, election or referendum, of or by any court or governmental agency or public body whatsoever is required in connection with the issuance, delivery or sale of the District Bonds or the consummation of the other transactions effected or contemplated herein or hereby, except for such actions which have not been taken or obtained;

(e) As of the time of acceptance hereof and as of the time of the Closing, the District is not and will not be, in any manner which would adversely affect the transactions contemplated hereby and by the Paying Agent Agreement, in breach of or in default under any applicable constitutional provision, law or administrative rule or regulation of the State or the United States, or any applicable judgment or decree or any trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the District is a party or is otherwise subject and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute, in any manner which would adversely affect the transactions contemplated hereby and by the Paying Agent Agreement, a default or event of default under any such instrument; and, as of such times, to the best knowledge of the District, the issuance of the District Bonds, the execution, delivery and performance of this Purchase Agreement, the Paying Agent Agreement and the District Bonds and the compliance with the provisions hereof and thereof do not conflict with or constitute on the part of the District a violation of, or material default under, any applicable constitutional provision, law or administrative rule or regulation of the State or the United States, or any applicable judgment or decree or any trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the District is a party or is otherwise subject and do not conflict with or result in a violation or breach of, or constitute a material default under, any agreement, indenture, mortgage, lease or other instrument to which the District is a party or by which it is bound or to which it is subject;

(f) As of the time of acceptance hereof, no action, suit, proceeding, hearing or investigation is pending (in which service of process has been completed against the District) or, to the best knowledge of the District, threatened against the District: (i) in any way affecting the existence of the District or the SFID or in any way challenging the respective powers of the several offices of the titles of the officials of the District to such offices; or (ii) seeking to restrain

or enjoin the sale, issuance or delivery of any of the District Bonds, the application of the proceeds of the sale of the District Bonds, or the levy of any taxes contemplated by the Paying Agent Agreement, or in any way contesting or affecting the validity or enforceability of the District Bonds, this Purchase Agreement or the Paying Agent Agreement or contesting the powers of the District or its authority with respect to the District Bonds, the Paying Agent Agreement or this Purchase Agreement; or (iii) in which a final adverse decision could (A) result in any material adverse impact on the financial condition of the District, (B) materially adversely affect the operations of the District or the consummation of the transactions contemplated by this Purchase Agreement or the Paying Agent Agreement, or (C) declare this Purchase Agreement to be invalid or unenforceable in whole or in material part;

Section 3. Conditions to the Obligations of the Authority. The Authority has entered into this Purchase Agreement in reliance upon the representations, warranties and agreements of the District contained herein and to be contained in the documents and instruments to be delivered on the Closing Date, and upon the performance by the District of its obligations hereunder, both as of the date hereof and as of the Closing Date. Accordingly, the Authority's obligations under this Agreement to purchase, to accept delivery of and to pay for the District Bonds shall be subject to the performance by the District of its obligations to be performed hereunder and under such documents and instruments at or prior to the Closing Date, and shall also be subject to the following conditions:

(a) 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 Closing Date, as if made on the Closing Date;

(b) On the Closing Date, the Legal Documents shall be in full force and effect and shall not have been amended, modified or supplemented, and the Official Statement shall not have been amended, modified or supplemented, except in either case as may have been agreed to by the Authority and the Purchaser;

(c) As of the Closing Date, all official action of the District relating to the District Bonds shall be in full force and effect, and there shall have been taken all such actions as, in the opinion of Orrick, Herrington & Sutcliffe LLP, bond counsel ("Bond Counsel"), shall be necessary or appropriate in connection therewith, with the issuance of the Authority Bonds and the issuance of the District Bonds, and with the transactions contemplated by the Legal Documents;

(d) On the Closing Date, the Authority Bonds shall have been issued and delivered to the Purchaser and all of the conditions to closing contained in the Authority Bond Commitment Letter shall have either been satisfied or waived.

(e) At or prior to the Closing Date, the Authority and the Purchaser shall have received the following documents, in each case satisfactory in form and substance to the Authority and the Purchaser:

(i) Two copies of the Legal Documents, each duly executed and delivered by the respective parties thereto, with only such amendments, modifications or supplements as may have been agreed to in writing by the Authority and the Purchaser;

(ii) The approving opinion, dated the Closing Date and addressed to the District, of Bond Counsel to the effect that the District Bonds are valid and binding obligations of the District, subject to bankruptcy, insolvency, reorganization, moratorium and other laws affecting the enforcement of creditors' rights in general and to the application of equitable principles if equitable remedies are sought, and a letter of such counsel, dated the Closing Date and addressed to the Authority to the effect that such opinion may be relied upon by each of the Authority to the same extent as if such opinion were addressed to it;

(iii) Copies of the Resolution adopted by the Board of Trustees of the Tracy Joint Unified School District (the "School District") authorizing the issuance of the District Bonds, certified by the Clerk of said Board of Trustees;

(iv) [The opinions of _____, counsel to the Authority and the School District, dated the Closing Date and addressed to the Authority and the Purchaser, to the effect set forth in Section _____ of the Authority Bond Commitment Letter;]

(v) A certificate, dated the Closing Date, signed by a duly authorized official of the District, in form and substance satisfactory to the Authority and the Purchaser, to the effect that the representations and warranties of the District contained in this Purchase Agreement 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;

(vi) Two certified copies of the general resolution of the Paying Agent authorizing the execution and delivery of the Paying Agent Agreement by the Paying Agent; and

(vii) Such additional legal opinions, certificates, proceedings, instruments or evidences thereof and other documents as the Authority, the Purchaser or Bond Counsel may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the Closing Date, of the representations of the District herein and of the statements and information contained in the Official Statement, and the due performance or satisfaction by the Paying Agent and the District at or prior to the Closing of all agreements then to be performed and all conditions then to be satisfied by any of them in connection with the transactions contemplated hereby and by the Legal Documents.

All of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Purchase Agreement shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to the Authority, but the approval of the Authority shall not be unreasonably withheld. Receipt of, and payment for, the District Bonds shall constitute evidence of the satisfactory nature of such as to the Authority. The performance of any and all obligations of the District hereunder and the performance of any

and all conditions contained herein for the benefit of the Authority may be waived by the Authority in its sole discretion.

If the District shall be unable to satisfy the conditions to the obligations of the Authority to purchase, accept delivery of and pay for the District Bonds contained in this Purchase Agreement, or if the obligations of the Authority to purchase, accept delivery of and pay for the District Bonds shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement shall terminate, and neither the Authority nor the District shall be under further obligation hereunder, except that the respective obligations of the District and the Authority set forth in Section 4 hereof shall continue in full force and effect.

Section 4. Expenses. At the direction of the District, the Authority shall pay costs of issuance of the District Bonds, including but not limited to the following: (a) the cost of the preparation of the District Bonds and the Authority Bonds, (b) the fees and disbursements of Bond Counsel relating to the District Bonds and the Authority Bonds, (c) the fees and disbursements of accountants, advisers and of any other experts or consultants retained in connection with the issuance of the District Bonds and the Authority Bonds, and (d) any other expenses incident to the issuance of the District Bonds and the Authority Bonds or the performance of the District's obligations hereunder.

Section 5. Benefits; Survival. This Purchase Agreement is made solely for the benefit of the District, the Authority and the Purchaser, and no other person shall acquire or have any right hereunder or by virtue hereof. All of the District's representations, warranties and agreements contained in this Purchase Agreement shall remain operative and in full force and effect regardless of (a) any investigations made by or on behalf of the Authority, or (b) delivery of and payment for the District Bonds pursuant to this Purchase Agreement. The agreements contained in this Section shall survive any termination of this Purchase Agreement.

Section 6. Counterparts. This Purchase Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 7. Governing Law. The validity, interpretation and performance of this Purchase Agreement shall be governed by the laws of the State.

IN WITNESS WHEREOF, the Authority and the District have each caused this Purchase Agreement to be executed by their duly authorized officers all as of the date first above written.

**TRACY SCHOOL FACILITIES
FINANCING AUTHORITY**

By: _____

**TRACY JOINT UNIFIED SCHOOL
DISTRICT**

By: _____

EXHIBIT A

Maturity Schedule for District Bonds



April __, 2011

DRAFT FOR DISCUSSION PURPOSES ONLY – FINAL INTEREST RATE WILL BE BASED ON, AMONG OTHER CONSIDERATIONS, MARKET CONDITIONS INCLUDING THE INTEREST SUBSIDY RATE ON THE DATE THE DISTRICT AND THE JOINT POWERS AUTHORITY AND ARE IN A POSITION TO EXECUTE A COMMITMENT LETTER, BOND PURCHASE AGREEMENT OR OTHER SUCH DOCUMENT

RE: \$19,770,000 General Obligation Revenue Bonds of the Tracy School Facilities Financing Authority repaid via revenues received from payments on the Bonds of the School Facilities Improvement District No. 3 of the Tracy Joint Unified School District, Election of 2008, Series 2011A

To the Board of Trustees of the Tracy Joint Unified School District and the Board of Directors of the Tracy School Facilities Financing Authority,

JPMorgan Chase Bank, N.A. (the "Bank"), is pleased to present this commitment letter (this "Commitment Letter") to purchase the above-referenced bond (the "QSCB") upon the terms and conditions set forth below.

Please indicate your acceptance of this Commitment Letter on the attached signature page and return an executed copy of this Commitment letter to the Bank no later than 10:00 AM Pacific Time on April __, 2011. Notwithstanding timely acceptance of this Commitment Letter pursuant to the preceding sentence, the commitment herein contained will automatically terminate unless definitive QSCB bond documentation is executed and delivered to the Bank on or before May 10, 2011 unless the Bank shall agree (in its sole and absolute discretion) to an extension of such date (the "Closing Date").

Issuer: Tracy School Facilities Financing Authority - the Joint Powers Authority (either "Authority" or the "Issuer")

District: Tracy Joint Unified School District (the "District")

Purchaser: JPMorgan Chase Bank, N.A.

Financing Amount: \$19,770,000

Purchase Price: 100% of par

Financing Structure:

The QSCB will be structured as a "Qualified School Construction Bond" under Sections 54A and 54F of the Internal Revenue Code of 1986, as amended (the "Code").

The QSCB will be structured as "direct interest subsidy" bond which shall entitle the Issuer to receive semiannual interest subsidy payments (the "Interest Subsidy Payments") directly from the United States Treasury equal to the lesser of (i) the amount of each interest payment on the QSCB and (ii) the amount of interest which would have accrued on the QSCB if the QSCB bore interest at the Interest Subsidy Rate (as defined below). **The Interest Subsidy Payments shall be paid directly to the trustee for the QSCB and deposited into the Debt Service Fund for the QSCB in order to pay debt service on the QSCB when due.** The registered owner of the QSCB shall not be entitled to receive tax credits with respect to the QSCB.

A Capitalized Interest Subsidy Fund, to the extent permitted by the Code, may be funded at closing from bond proceeds to "pre-fund" an amount equal to the estimated first Interest Subsidy Payment to be received.

Proceeds of the QSCB will be used to purchase the Bonds of the School Facilities Improvement District No. 3 of the Tracy Joint Unified School District, Election of 2008, Series 2011A (the "District's Bonds") issued in the [estimated amount of \$16,770,000], at a fixed rate of interest of [TBD%] - the effect of which will produce sufficient revenues form principal and interest to pay, together with the Interest Subsidy Payments, the principal and interest on the QSCB when due. Proceeds of the District's Bonds shall be used for any "Qualified Purpose" permitted pursuant to Section 54F(a)(1) of the Code.

Both the QSCB and the District's Bonds shall be issued as "Current Interest Bonds". The District's Bonds shall be secured by the property tax levy, unlimited as to rate or amount (subject only to statutory limitations), authorized to be levied within School Facilities Improvement District No. 3 of the Tracy Joint Unified School District (the "SFID"), and shall provide sufficient revenues, together with any available Interest Subsidy Payments, to pay the principal and interest when due on the QSCB.

The principal redemption schedule for the District's Bonds shall be determined mutually.

Form of Bond:

The QSCB will be issued as a single typewritten or printed bond, in fully registered form. The Bank will take physical delivery of the QSCB - no DTC closing or CUSIP will be required.

Term of Bond:

15 years; provided, however, the term of the QSCB shall not exceed the maximum permitted maturity for qualified tax credit bonds as established by Treasury Department and published by the Bureau of Public Debt on its Internet Site for State and Local Government Series Security at <https://www.treasurydirect.gov> (the "Qualified Tax Credit Bond

Website”) on the date of the Issuer’s acceptance of this Commitment Letter (the “Acceptance Date”). Evidence of the maximum permitted maturity for qualified tax credit bonds on the Acceptance Date is attached as Exhibit A to this Commitment Letter.

Repayment Structure:

The QSCB will structured as a single term bond with mandatory annual redemptions to occur in accordance with the following schedule:

<u>Year</u>	<u>Redemption Amount*</u>
August 1, 2011	
August 1, 2012	
August 1, 2013	
August 1, 2014	
August 1, 2015	\$1,055,000
August 1, 2016	\$1,110,000
August 1, 2017	\$1,175,000
August 1, 2018	\$1,235,000
August 1, 2019	\$1,300,000
August 1, 2020	\$1,370,000
August 1, 2021	\$1,440,000
August 1, 2022	\$1,520,000
August 1, 2023	\$1,600,000
August 1, 2024	\$1,685,000
August 1, 2025	\$1,775,000
February 1, 2026	\$4,505,000

*Estimated Redemption Schedule, the final Redemption Schedule for the Bonds shall be determined via mutual consent taking into consideration, among other things, the debt service schedule of the District General Obligation Bonds.

Interest Subsidy Rate:

[5.42]% per annum* - the Interest Subsidy Rate for qualified tax credit bonds as established by Treasury Department and published on the Qualified Tax Credit Bond Website on the Acceptance Date. Evidence of the Interest Subsidy Rate on the Acceptance Date is attached as Appendix A to this Commitment Letter.

QSCB Interest Rate:

[5.42]% per annum*. Interest shall be payable to the Bank semiannually on each February 1st and August 1st over the life of the QSCB commencing on [August 1, 2012] and on the last day on which the QSCB is outstanding. Computations of interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

[*PLEASE NOTE- The Interest Subsidy Rate and QSCB Interest Rate included in this proposal are provided for indicative purposes only and are based on the Interest Subsidy Rate as of April 6, 2011

and the Bank's current cost of funds. The actual Interest Subsidy Rate and QSCB Interest Rate will be determined on the Acceptance Date and will be based on (among other considerations) the Interest Subsidy Rate in effect on the Acceptance Date and the Bank's cost of funds on such date.

Yield Maintenance: *In the event the Interest Subsidy Payments are lost or reduced, the rate on the District's Bonds will be increased as set forth in the Paying Agent Agreement.*

Redemption Provisions: The QSCB and the District Bonds shall be subject to redemption as set forth in the Indenture and Paying Agent Agreement.

Fair Wage Covenant: The Issuer and the District shall comply with the fair wage provisions of the Davis Bacon Act to the extent required by the American Recovery and Reinvestment Act of 2009.

Annual Financial Statements: Until all amounts owed to the Bank with respect to the QSCB have been paid in full, the District shall make available to the Bank its annual audited financial statement no later than 180 days after the District's applicable fiscal year-end.

Financing Documentation: The financing documentation shall contain standard and customary representations, warranties, covenants, events of default and remedies for transactions of this nature. Additionally, the District shall represent and agree that all financial statements and other information delivered to the Bank are correct and complete and that no material changes have occurred. The financing documentation shall be prepared by Bond Counsel subject to approval by the Bank and Bank Counsel.

Investment Letter: The Bank will sign an investment letter indicating that it is either an "Accredited Investor" within the meaning provided in Regulation D of the Securities Act of 1933, as amended (the "Securities Act") or a "Qualified Institutional Buyer" within the meaning provided in Rule 144A of the Securities Act, that it has made a full investigation of the security for the QSCB and has not relied upon or requested that any disclosure document be prepared by or on behalf of the Issuer, and further that it is purchasing the QSCB without a present intention to sell any portion thereof to any other person and that any subsequent resale shall be made only in accordance with applicable securities laws.

Conditions Precedent to Closing: Standard for financings of this type, including, but not limited to:

- Completion of financing documentation satisfactory to the Bank.
- Evidence of QSCB Allocation for \$19,770,000 from the State of California (including extension letters or reallocation, reauthorization letters if applicable).

- Receipt of a certified copy of the Measure S, ballot language authorizing the issuance of the District General Obligation Bonds in 2008.
- Receipt of a certified copy of the Measure S, Election 2008 election results.
- Receipt of a copy of the most recent assessed/market valuation for the Tracy Joint Unified School District.
- Absence of any material adverse change in the condition, operation or performance of the Issuer since the end of the period reported in the most recent financial statements provided to the Bank.
- Absence of any change in any law, rule or regulation (or their interpretation or administration) that may, in the sole opinion of the Bank, adversely affect the consummation of the financing.
- Verification of the aggregate amount of similar JPA financing that has been issued on behalf of the District relative to the amount of authorized by unissued GO bonding capacity of the District.
- Delivery to the Bank of a legal opinion of Bond Counsel as to the due authorization, execution, enforceability and validity of this Commitment Letter, the bond documentation and the QSCB and that the QSCB is a "qualified school construction bond" pursuant to Sections 54A and 54F of the Code and a "specified tax credit bond" under Section 6431 of the Code.

Further, the legal opinion shall specifically opine on the proposed third-party nature of the QSCB issuance by the California Municipal Finance Authority (the Joint Powers Authority) is a 'pass-through' issuance of the Tracy Joint Unified School District under the District's QSCB Allocation.

CDIAC Fee:

CDIAC Fees in the amount of 1.5 bps of the par amount of the QSCB shall be paid from the Costs of Issuance Fund to the Purchaser (or paid directly to California Debt and Investment Advisory Commission) at closing to reimburse the Purchaser for registration fees assessed by California Debt and Investment Advisory Commission

Bank Counsel:

Eric R. Sender, Esq.
Kutak Rock LLP
Suite 2100
Peachtree Center South
225 Peachtree Street, N.E.
Atlanta, Georgia 30303-1731
Telephone: (404) 222-4633

Facsimile: (404) 222-4654
E-mail: eric.sender@kutakrock.com

Bond Counsel:

Orrick, Herrington & Sutcliffe LLP

Trustee/Paying Agent:

The Bank of New York Mellon Trust Company, N.A.

Fees and Expenses:

The Issuer shall be responsible for reimbursing the Bank for reasonable fees and expenses related to preparation, negotiation, execution, and enforcement of this Commitment Letter, the financing documents and any other documentation contemplated hereby or thereby, including, but not limited to, the payment of the fee of Bank Counsel on the Closing Date in the amount of \$30,000. Upon acceptance of this Commitment Letter, any fees incurred by the Bank shall be reimbursed by the Issuer, whether or not the financing closes.

Interest Rate Lock:

The Issuer understands that due to the fact that the QSCB Interest Rate is determined as of the Acceptance Date it is necessary for the Bank to lock in its cost of funds on such date. The Issuer hereby agrees to reimburse the Bank for any rate lock breakage fees incurred by the Bank as a result of terminating its cost of funding arrangements if the financing does not close by the Closing Date. *The Issuer acknowledges that it understands that the amount of such rate lock breakage fees will vary depending, in large part, on prevailing interest rates at the time such breakage fees are calculated and under certain market conditions the amount of such rate lock breakage fees owed by the Issuer could be substantial.*

Waiver of Jury Trial:

The Issuer and the District, to the extent permitted by law, waive any right to have a jury participate in resolving any dispute arising from this transaction. To the extent such waiver is unenforceable, the Issuer and the District each hereby consents to the adjudication of any and all claims pursuant to Judicial Reference as provided in California Code of Civil Procedure Section 638, and the judicial referee shall be empowered to hear and determine any and all issues in such Reference whether fact or law.

Governing Law:

All aspects of the credit(s) being discussed including this Commitment Letter and any of the financing documents would be governed by the laws of the State of California.

Sovereign Immunity:

The Issuer and the District must represent that it does not possess and will not invoke a claim of Sovereign Immunity for disputes arising out of contractual claims.

Credit Approval:

As confirmed on the signature page to this Commitment Letter, the Bank has received credit approval for the purchase of the QSCB under the terms set forth herein.

The Bank's obligations under this Commitment Letter are conditioned upon the fulfillment to the Bank's satisfaction of each term and condition contained in this Commitment Letter unless waived by the Bank in writing.

We look forward to working with you to complete a successful QSCB financing in order to enhance the futures of students throughout the Tracy Joint Unified School District. Please feel free to contact me with any questions about this Commitment Letter.

Sincerely,

[DRAFT - DO NOT EXECUTE]

Jack Spillane
Vice President

Attachment: signature page

*** SIGNATURE PAGE TO COMMITMENT LETTER***

CONFIRMATION OF TERMS AND CONDITIONS:

JPMORGAN CHASE BANK, N.A.

By: Jack Spillane

[DRAFT – DO NOT EXECUTE]

Signature

Vice President

Title

Date

ACCEPTED THIS THE [DAY OF April, 2011].

Tracy School Facilities Financing Authority

By:

[DRAFT – DO NOT EXECUTE]

Signature

Title

APPROVED AND CONSENTED TO THIS THE [DAY OF April, 2011].

Tracy Joint Unified School District

By:

[DRAFT – DO NOT EXECUTE]

Signature

Title

Appendix A

**EVIDENCE OF INTEREST SUBSIDY RATE AND MAXIMUM MATURITY ON THE
ACCEPTANCE DATE**

(See Attached)

