

SEPARATE COVER ITEM

Board Meeting: April 12, 2011

Item No.: 14.1.5

Document: Resolution No. 11-02 (TSFFA)



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. 11-02 A Resolution of the Board of Directors of the Tracy School Facilities Financing Authority Authorizing the Issuance of Tracy School Facilities Financing Authority General Obligation Revenue Bonds (Federally Taxable/Qualified School Construction Bonds), Series A, in an Aggregate Principal Amount of Not to Exceed \$19,771,000, Authorizing the Execution and Delivery of an Indenture, a Bond Purchase Agreement and a Commitment Letter and Other Matters Related Thereto

BACKGROUND: On March 8, 2011, the TUSD Board of Education heard a presentation regarding the financing plan for the issuance of an additional series of bonds to finance Measure S projects. The financing plan calls for the formation of an agency under the Joint Powers Act by and between the California Municipal Finance Authority ("CMFA") and Tracy Joint Unified School District to be known as the Tracy School Facilities Financing Authority (the "Authority").

At the March 22, 2011 Board of Education meeting, the Board approved Resolution No. 10-25, which authorized the execution and delivery of a Joint Exercise of Powers Agreement (the "Agreement") which creates and establishes the "Authority". The purpose of the Agreement is to establish a public entity for the exercise of additional powers given to a joint powers entity under the Joint Powers Act; including, but not limited to, the issuance of Bonds for the purpose of aiding in the financing and refinancing of public capital improvements for the benefit of the District.

RATIONALE: In order to move forward with Measure S projects, the Tracy Joint Unified School District desires to issue bonds of the SFID No. 3, Series 2011A, in a principal amount not to exceed \$18 million. In order to assist the District with this financing, the TSFFA desires to purchase the District bonds and to provide additional funding for project costs. It is therefore necessary for the TSFFA to issue TSFFA General Obligation Revenue Bonds (Federally Taxable/Qualified School Construction Bonds) in an amount not to exceed \$19,771,000. The School District applied for and received an allotment of the State's Qualified School Construction Bonds. This allotment will be assigned and transferred to TSFFA, thereby providing the Authority with the means to provide additional funding to pay for project costs.

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

RECOMMENDATIONS: Adopt Resolution No. 11-02 A Resolution of the Board of Directors of the Tracy School Facilities Financing Authority Authorizing the Issuance of Tracy School Facilities

Financing Authority General Obligation Revenue Bonds (Federally Taxable/Qualified School Construction Bonds), Series A, in an Aggregate Principal Amount of Not to Exceed \$19,771,000, Authorizing the Execution and Delivery of an Indenture, a Bond Purchase Agreement and a Commitment Letter and Other Matters Related Thereto

Prepared by: Bonny Carter, Director of Facilities and Planning

Tracy School Facilities Financing Authority

Resolution No. TSFFA 11-02

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TRACY SCHOOL FACILITIES FINANCING AUTHORITY AUTHORIZING THE ISSUANCE OF TRACY SCHOOL FACILITIES FINANCING AUTHORITY GENERAL OBLIGATION REVENUE BONDS (FEDERALLY TAXABLE/QUALIFIED SCHOOL CONSTRUCTION BONDS), SERIES A, IN AN AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$19,771,000, AUTHORIZING THE EXECUTION AND DELIVERY OF AN INDENTURE, A BOND PURCHASE AGREEMENT AND A COMMITMENT LETTER AND OTHER MATTERS RELATED THERETO

WHEREAS, the Tracy School Facilities Financing Authority (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 in order to assist such school districts in financing or refinancing public capital improvements;

WHEREAS, the Tracy Joint Unified School District (the "District") is a school district organized and existing under the laws of the State of California;

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 2008, Series 2011A (the "District Bonds"), in the aggregate principal amount of not to exceed \$18,000,000;

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 required to purchase the District Bonds and to provide additional funds to the District to pay a portion of the costs of such school facilities, the Authority desires to provide for the issuance 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 not to exceed \$19,771,000;

WHEREAS, in order to provide for the authentication and delivery of the Authority Bonds, to establish and declare the terms and conditions upon which the Authority Bonds are to be issued and secured and to secure the payment of the principal thereof, premium, if any, and interest thereon, the Authority proposes to enter into an Indenture with The Bank of New York Mellon Trust Company, as Trustee (such Indenture, 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 "Indenture");

WHEREAS, the Authority proposes to purchase the District Bonds pursuant to a Bond Purchase Agreement between the Authority and 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, 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 a portion of the State's Qualified School Construction Bond volume allocation and has received such allotment in an amount equal to \$19,771,700 (the "Allotment");

WHEREAS, the District has proposed 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 Authority desires that the Allotment be assigned and transferred by the District to the Authority and that the Authority Bonds be designated as Qualified School Construction Bonds;

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

(a) the Indenture;

(b) the Bond Purchase Agreement; and

(c) the Commitment Letter; and

WHEREAS, the Authority desires to proceed to issue and sell the Authority 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 Authority Bonds;

NOW, THEREFORE, BE IT RESOLVED, by the Board of Directors of the Tracy School Facilities Financing Authority, as follows:

Section 1. All of the recitals herein contained are true and correct and the Board of Directors of the Authority (the "Board of Directors") so finds and determines.

Section 2. The Board of Directors hereby finds and determines that the purchase of the District Bonds by the Authority will result in significant public benefits, namely, savings in the effective interest rates on the District Bonds.

Section 3. Subject to the provisions of Section 4 hereof, the issuance of the Authority Bonds, in the aggregate principal amount of not to exceed \$19,771,000 on the terms and conditions set forth in, and subject to the limitations specified in, the Indenture, is hereby authorized and approved. The Authority 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 Indenture, as the same shall be completed as provided in this Resolution.

Section 4. The Indenture, 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 Chair of the Authority, the Vice Chair of the Authority, the Executive Director of the Authority, the Treasurer and Controller of the Authority and the Secretary of the Authority, and such other officers of the Authority as the Chair of the Authority or the Executive Director of the Authority 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 Authority, to execute and deliver the Indenture 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 Indenture by such Authorized Officer; provided, however, that such changes, insertions and omissions shall not authorize an aggregate principal amount of Authority Bonds in excess of \$19,771,000, shall not result in a final maturity date of the Authority Bonds later than the maximum maturity date permitted for Qualified School Construction Bonds on the date of sale of the Authority Bonds and shall not result in a true interest cost for the Authority Bonds in excess of 8.00%.

Section 5. The Bond Purchase 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 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 Authority, to execute and deliver the Bond Purchase 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 Bond Purchase Agreement by such Authorized Officer; provided, however, that such changes, insertions and omissions shall not result in the purchase price to be paid for the District Bonds being greater than 105% of the principal amount thereof.

Section 6. 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 Authority, 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 7. The Board of Directors hereby determines that it is in the best interests of the Authority (a) that the Allotment be assigned and transferred by the District 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, and (b) that the Authority Bonds be designated as Qualified School Construction Bonds. The Authorized Officers are, and each of them is, hereby authorized and directed to execute and deliver, for and on behalf of the Authority, 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 8. The officers of the Authority are, and each of them is, hereby authorized and directed, for and in the name of the Authority, to do any and all things and to execute and deliver any and all documents and certificates which they or any of them deem 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 agents of the Authority with respect to the transactions set forth above are hereby approved, confirmed and ratified.

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

APPROVED AND ADOPTED by the Board of Directors of the Tracy School Facilities
Financing Authority on April 12, 2011.

Chair of the Board of Directors

ATTEST:

Secretary

SECRETARY'S CERTIFICATE

I, _____, Secretary of the Tracy School Facilities Financing Authority, 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 Directors of said Authority duly and regularly held on April 12, 2011, of which meeting all of the members of said Board 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; that 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

Secretary of the Tracy School Facilities
Financing Authority

INDENTURE

by and between

TRACY SCHOOL FACILITIES FINANCING AUTHORITY

and

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

Dated as of _____, 2011

**Relating to
Tracy School Facilities Financing Authority
General Obligation Revenue Bonds**

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INDENTURE

THIS INDENTURE (this "Indenture"), 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 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 trustee (the "Trustee").

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 in order to assist such school districts in financing public capital improvements;

WHEREAS, the Tracy Joint Unified School District (the "District") is a school district organized and existing under the laws of the State of California;

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 2008, 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 required to purchase the District Bonds and to provide additional funds to the District to pay a portion of the costs of such school facilities, the Authority desires to provide for the issuance of the Tracy School Facilities Financing Authority General Obligation Revenue Bonds (Federally Taxable/Qualified School Construction Bonds), Series A (the "Series A Bonds"), in the aggregate principal amount of \$ _____;

WHEREAS, the Authority desires to provide for the issuance of additional bonds (the "Additional Bonds") payable on a parity with the Series A Bonds (the Series A Bonds and any such Additional Bonds being collectively referred to as the "Bonds");

WHEREAS, in order to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and

secured and to secure the payment of the principal thereof, premium, if any, and interest thereon, the Authority has authorized the execution and delivery of this Indenture; and

WHEREAS, the Authority has determined that all acts and proceedings required by law necessary to make the Bonds, when executed by the Authority, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal special obligations of the Authority, and to constitute this Indenture 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 Indenture has been in all respects duly authorized;

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that in order to secure the payment of the principal of, premium, if any, and interest on all Bonds at any time issued and outstanding under this Indenture, according to their tenor, and to secure 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 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 Bonds by the owners thereof, and for other valuable consideration, the receipt whereof is hereby acknowledged, the Authority does hereby covenant and agree with the Trustee, for the benefit of the respective owners from time to time of the 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 Indenture and of any certificate, opinion or other document herein or therein mentioned, have the meanings herein specified.

"Additional Bonds" means Bonds other than Series A Bonds issued hereunder in accordance with the provisions of Sections 3.05 and 3.06.

"Annual Debt Service" means, for each Bond Year, the sum of (a) the interest due on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Bonds are retired as scheduled (including by reason of mandatory sinking fund redemptions), and (b) the scheduled principal due in such Bond Year (including any mandatory sinking fund redemptions due in such Bond Year).

"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.

"Authorized Denominations" means, with respect to the Series A Bonds, \$1,000 and any integral multiple thereof.

"Authorized Representative" means, with respect to the Authority, the Chair, the Vice-Chair, the Executive Director, the Secretary and the Treasurer and Controller of the Authority, and any other Person designated as an Authorized Representative of the Authority in a Written Certificate of the Authority filed with the Trustee.

"Average Lost Monthly Interest Income" means the amount determined by dividing (i) the product of the principal amount of the Series A Bonds redeemed and the Prepayment Factor, by (ii) twelve (12).

"Bond Counsel" means a firm of nationally recognized bond counsel selected by the Authority.

"Bond Law" means the Marks-Roos Local Bond Pooling Act of 1985, constituting Sections 6584 et seq. of the California Government Code.

"Bond Year" means each twelve-month period beginning on August 2 in each year and extending to the next succeeding August 1, both dates inclusive, except that the first Bond Year shall begin on the Closing Date and end on August 1, 2011.

"Bonds" means the Tracy School Facilities Financing Authority General Obligation Revenue Bonds issued hereunder, and includes the Series A Bonds and any Additional Bonds.

"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 Trustee 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.

"Calculation Agent" means JPMorgan Chase Bank, N.A., so long as it is the Majority Authority Bond Owner, and otherwise the District or its designee.

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

"Code" means the Internal Revenue Code of 1986.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the Authority relating to the authorization, issuance, sale and delivery of the Bonds and the District Bonds, including but not limited to printing expenses, rating agency fees, filing and recording fees, initial fees, expenses and charges of the Paying Agent and its counsel, including the Paying Agent's first annual administrative fee, initial fees, expenses and charges of the Trustee and its counsel, including the Trustee's first annual administrative fee, fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals, fees and charges for preparation, execution and safekeeping of the Bonds and the District Bonds, any premium for a bond insurance policy securing payment of the Bonds or the District Bonds and any other cost, charge or fee in connection with the original issuance of the Bonds and the District Bonds.

"Costs of Issuance Fund" means the fund by that name established and held by the Trustee pursuant to Section 3.04.

"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.

"Debt Service Fund" means the fund by that name established and held by the Trustee pursuant to Section 5.03.

"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.

"Discount Rate" means the Treasury Rate determined as of the date which is five Business Days prior to the applicable repayment or redemption date.

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

“District 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 under the Paying Agent Agreement.

“Event of Default” means any event or circumstance specified in Section 7.01.

“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 Series A Bonds and ending on the later of the date that is three years 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.

“Extraordinary Optional Redemption Premium” means an amount with respect to the Series A Bonds redeemed equal to the sum of the present values of the Average Lost Monthly Interest Income for each month falling in the period from the redemption date to the maturity date of the Series A Bonds (with any fraction of a month counted as a month), discounted from the end of each such month to the redemption date at the Discount Rate. The Extraordinary Optional Redemption Premium shall be calculated by the Calculation Agent and, if requested by the District and at the District’s expense, shall be verified by an independent certified public accountant reasonably acceptable to the Authority and the Calculation Agent. If the Calculation Agent or accountant, as the case may be, determines that “B” in the definition of Prepayment Factor is equal to or greater than “A” in the definition of Prepayment Factor, then no Extraordinary Optional Redemption Premium shall be due.

“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 Authority.

“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 District Bonds are deposited as provided in the Paying Agent Agreement and into which a portion of the proceeds of the Series A Bonds are deposited as provided herein.

“Indenture” means this Indenture, dated as of _____, 2011, by and between the Authority and the Trustee, as originally executed and as it may be amended or supplemented from time to time by any Supplemental 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 Bonds remain Outstanding.

"Investor Letter" means the Investor Letter that, except as otherwise provided in this Indenture, is to be executed by the transferee of a Bond and delivered to the Authority and the Trustee in connection with the transfer, sale or other disposition of such Bond, the form of which is attached hereto as Exhibit C.

"Majority Authority Bond Owner" means the Owner of a majority of the aggregate principal amount of the Bonds then Outstanding hereunder.

"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 Authority.

"Office of the Trustee" means the principal corporate trust office of the Trustee in Los Angeles, California, or such other office as may be specified to the Authority by the Trustee in writing.

"Opinion of Counsel" means a written opinion of Bond Counsel.

"Original Purchaser" means JPMorgan Chase Bank, N.A., as the original purchaser of the Series A Bonds from the Authority.

"Outstanding" means, when used as of any particular time with reference to Bonds, subject to the provisions of Section 11.08, all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under this Indenture except (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation, (b) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with Section 10.01, and (c) Bonds in lieu of which other Bonds shall have been authenticated and delivered by the Trustee pursuant to Section 2.08.

"Owner" means, with respect to a Bond, the Person in whose name such Bond is registered on the Registration Books.

"Paying Agent" means The Bank of New York Mellon Trust Company, N.A., as paying agent under the Paying Agent Agreement, or any successor thereto as paying agent thereunder.

"Paying Agent Agreement" means the Paying Agent Agreement, dated as of _____, 2011, by and between the District and the Paying Agent, pursuant to which the District Bonds are issued, as originally executed and as it may be amended or supplemented from time to time in accordance with the terms thereof.

"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.

“Prepayment Factor” means a rate equal to “A” minus “B”, where “A” equals the Treasury Rate determined as of the date of issuance of the Bond and “B” equals the Treasury Rate determined as of the date which is five Business Days prior to the redemption date.

“Principal Prepayments” means, for any District Bonds, any amounts required to be paid to the Trustee, as owner thereof, in connection with a redemption of such District Bonds pursuant to subsection (b) or subsection (c) of Section 4.01 of the Paying Agent Agreement, consisting of the principal of such District Bonds so redeemed and the premium determined in accordance therewith paid upon such redemption, but excluding the amount of regularly scheduled payments of principal of such District Bonds paid concurrently therewith.

“Program Fund” means the fund by that name established and held by the Trustee pursuant to Section 3.03.

“Purchase Agreement” means the Bond Purchase Agreement, dated _____, 2011, by and between the District and the Authority, relating to the acquisition by the Trustee of the District Bonds.

“Qualified Institutional Buyer” means a “qualified institutional buyer” within the meaning of Rule 144A promulgated under the Securities Act.

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

“Rebate Fund” means the fund by that name established and held by the Trustee pursuant to Section 5.05.

“Rebate Requirement” has the meaning ascribed thereto in the Tax Certificate.

“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 Trustee pursuant to Section 5.04.

“Redemption Price” means the aggregate amount of principal of and premium, if any, on the Bonds payable upon the redemption thereof pursuant hereto.

“Registration Books” means the records maintained by the Trustee for the registration of ownership and registration of transfer of the Bonds pursuant to Section 2.05.

“Revenue Fund” means the fund by that name established and held by the Trustee pursuant to Section 5.02.

“Revenues” means (a) all amounts derived from or with respect to the District Bonds, including all payments of principal thereof and premium, if any, and interest thereon (including Principal Prepayments), and (b) the Subsidy Payments.

"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 Authority.

"Securities Act" means the Securities Act of 1933, as amended, and the rules, regulations and published interpretations of the Securities and Exchange Commission promulgated thereunder from time to time.

"Series" means the initial series of Bonds executed, authenticated and delivered on the date of initial issuance of the Bonds and identified pursuant to this Indenture as the Series A Bonds, and any Additional Bonds issued pursuant to a Supplemental Indenture and identified as a separate Series of Bonds.

"Series A Bonds" means the Tracy School Facilities Financing Authority General Obligation Revenue Bonds (Federally Taxable/Qualified School Construction Bonds), Series A, issued hereunder.

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

"State" means the State of California.

"Subsidy Payments" means the amounts that are received from the United States Treasury with respect to the Series A Bonds under Section 6431 of the Code, which the Authority has elected to receive under Section 6431(f)(2) of the Code, and are deposited in the Revenue Fund pursuant to Section 6.07.

"Supplemental Indenture" means any supplemental indenture amendatory of or supplemental to this Indenture, but only if and to the extent that such Supplemental Indenture 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 A Bonds relating to the requirements of Section 148 of the Code, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Treasury Rate" means the yield on the United States Treasury bill, note or bond, selected by the Calculation Agent in a commercially reasonable manner, having a maturity closest in length to the period from the date such yield is determined to the maturity date of the Series A Bonds.

"Trustee" 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 Trustee hereunder, substituted in its place as provided herein.

“Verification Report” means, with respect to the deemed payment of Bonds pursuant to clause (ii) of Section 10.02(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) of Section 10.02(a).

“Written Certificate” and **“Written Request”** of the Authority mean, respectively, a written certificate or written request signed in the name of the Authority 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 District” has the meaning ascribed thereto in the Paying Agent Agreement.

Section 1.02. Equal Security. In consideration of the acceptance of the Bonds by the Owners thereof, this Indenture shall be deemed to be and shall constitute a contract among the Authority, the Trustee and the Owners from time to time of all Bonds authorized, executed, issued and delivered hereunder and then Outstanding to secure the full and final payment of the principal of, premium, if any, and interest on all 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 Authority shall be for the equal and proportionate benefit, protection and security of all Owners of the Bonds without distinction, preference or priority as to security or otherwise of any Bonds over any other 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 BONDS

Section 2.01. Authorization of Bonds; Special Obligations. (a) The Authority hereby authorizes the issuance of the Bonds under and subject to the terms of this Indenture, the Bond Law and other applicable laws of the State. The Bonds may consist of one or more Series of varying denominations, dates, maturities, interest rates and other provisions, subject to the provisions and conditions contained herein. The Bonds shall be designated generally as the "Tracy School Facilities Financing Authority General Obligation Revenue Bonds," each Series thereof to bear such additional designation as may be necessary or appropriate to distinguish such Series from every other Series of Bonds.

(b) All obligations of the Authority under the Bonds shall be special obligations of the Authority, payable, as provided herein, solely from Revenues and the other assets pledged therefor hereunder. Neither the faith and credit nor the taxing power of the Authority, the District, or the State, or any political subdivision thereof, is pledged to the payment of the Bonds.

Section 2.02. Terms of Series A Bonds. (a) The Series A Bonds shall be designated "Tracy School Facilities Financing Authority General Obligation Revenue Bonds (Federally Taxable/Qualified School Construction Bonds), Series A." The aggregate principal amount of Series A Bonds that may be issued and Outstanding under this Indenture shall not exceed \$ _____, except as may be otherwise provided in Section 2.08.

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

(c) The Series A Bonds shall be dated as of the Closing Date, shall be issued in the aggregate principal amount of \$ _____, shall mature on February 1, 20__ 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 ____%.

(d) Interest on the Series A Bonds shall be payable from the Interest Payment Date next preceding the date of authentication thereof unless (i) a Series A 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 A 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 A Bonds shall be paid in lawful money of the United States on each Interest Payment Date by wire transfer of immediately available funds to the account specified by the Owner thereof in a written instrument delivered to the Trustee prior to the preceding Record Date or, if no such written instrument is so delivered to the Trustee, by check of the Trustee mailed by first-class mail, postage prepaid, on such Interest Payment Date to such Owner at the address shown on the Registration Books as of the close of business on the preceding Record Date.

(e) The principal of the Series A 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 Trustee.

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

(g) The Series A 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 Bonds. The Bonds shall be executed in the name and on behalf of the Authority with the manual or facsimile signature of the Chair of the Authority attested by the manual or facsimile signature of the Secretary of the Authority. The Bonds shall then be delivered to the Trustee for authentication by it. In case any of such officers of the Authority who shall have signed or attested any of the Bonds shall cease to be such officers before the Bonds so signed or attested shall have been authenticated or delivered by the Trustee, or issued by the Authority, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the Authority as though those who signed and attested the same had continued to be such officers, and also any Bonds may be signed and attested on behalf of the Authority by such Persons as at the actual date of execution of such Bonds shall be the proper officers of the Authority although at the nominal date of such Bonds any such Person shall not have been such officer of the Authority.

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

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

Section 2.06. Limitations on Transfer. (a) Ownership of Bonds of a Series may be transferred, in whole but not in part, (i) only to a Person that is a Qualified Institutional Buyer that is purchasing such Bonds for not more than one account for investment purposes and not with a view to distributing such Bonds, and (ii) only if such Qualified Institutional Buyer delivers to the Authority and the Trustee a completed and duly executed Investor Letter substantially in the form attached hereto as Exhibit C. The Authority and the Trustee may rely conclusively upon the information contained in any Investor Letter.

(b) No Owner of Bonds of a Series shall transfer such Bonds to any Person that such Owner does not reasonably believe is a Qualified Institutional Buyer that is purchasing such Bonds for not more than one account for investment purposes and not with a view to distributing such Bonds. Any Owner effecting a transfer of Bonds of a Series shall, and does hereby agree to, indemnify the Authority and the Trustee against any liability that may result if such transfer is not made in accordance with this Section. The transferor of ownership of Bonds of a Series agrees to

provide notice to any proposed transferee of such Bonds of the restrictions on transfer described herein.

(c) Each Person to whom ownership of Bonds of a Series is transferred pursuant hereto shall be deemed by the acceptance of such ownership to have agreed to be bound by the provisions of this Section.

(d) The Bonds shall bear a legend describing or referencing the restrictions on transferability set forth in subsection (a) of this Section.

Section 2.07. Transfer and Exchange of Bonds. Subject to the provisions of Section 2.06, any Bond may 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 (a) surrender of such Bond to the Trustee for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee, and (b) delivery to the Authority and the Trustee of a completed and duly executed Investor Letter substantially in the form attached hereto as Exhibit C. Whenever any Bond or Bonds shall be so surrendered for transfer, the Authority shall execute and the Trustee shall authenticate and shall deliver a new Bond or Bonds of the same Series and maturity in a like aggregate principal amount, in any Authorized Denomination. The Trustee 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 Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of Bonds of the same Series and maturity of other Authorized Denominations. The Trustee shall require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

The Trustee shall not be obligated to make any transfer or exchange of Bonds of a Series pursuant to this Section during the period established by the Trustee for the selection of Bonds of such Series for redemption, or with respect to any Bonds of such Series selected for redemption.

Section 2.08. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the Authority, at the expense of the Owner of said Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of the same Series and maturity in a like principal amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be canceled by it and delivered to, or upon the order of, the Authority. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence and indemnity satisfactory to the Authority and the Trustee shall be given, the Authority, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of the same Series and maturity in a like aggregate principal amount in lieu of and in replacement for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured or shall have been selected for redemption, instead of issuing a replacement Bond, the Trustee may pay the same without surrender thereof). The Authority may require payment by the Owner of a sum not exceeding the actual cost of preparing each replacement Bond issued under this Section and of the expenses which may be incurred by the Authority and the Trustee. Any Bond of a Series issued under the provisions of this Section in lieu of any Bond of such Series alleged to be

lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Authority whether or not the 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 Indenture with all other Bonds of such Series secured by this Indenture.

Section 2.09. Temporary Bonds. The Bonds of a Series may be issued in temporary form exchangeable for definitive Bonds of such Series when ready for delivery. Any temporary Bonds may be printed, lithographed or typewritten, shall be of such Authorized Denominations as may be determined by the Authority, shall be in fully registered form without coupons and may contain such reference to any of the provisions of this Indenture as may be appropriate. Every temporary Bond shall be executed by the Authority and authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive Bonds. If the Authority issues temporary Bonds of a Series it shall execute and deliver definitive Bonds of such Series as promptly thereafter as practicable, and thereupon the temporary Bonds of such Series may be surrendered, for cancellation, at the Office of the Trustee and the Trustee shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of such Series and maturities in Authorized Denominations. Until so exchanged, the temporary Bonds of such Series shall be entitled to the same benefits under this Indenture as definitive Bonds of such Series authenticated and delivered hereunder.

ARTICLE III

ISSUANCE OF BONDS; APPLICATION OF PROCEEDS; ADDITIONAL BONDS

Section 3.01. Issuance of Series A Bonds. The Authority may, at any time, execute the Series A Bonds and deliver the same to the Trustee. The Trustee shall authenticate the Series A Bonds and deliver the Series A Bonds to the Original Purchaser upon receipt of a Written Request of the Authority and upon receipt of (a) a completed Investor Letter duly executed by the Original Purchaser substantially in the form attached hereto as Exhibit C, and (b) the purchase price therefor.

Section 3.02. Application of Proceeds of the Series A Bonds. On the Closing Date, the proceeds of the sale of the Series A Bonds received by the Trustee, \$ _____, shall be deposited or transferred by the Trustee as follows:

(a) the Trustee shall deposit the amount of \$ _____ in the Program Fund;

(b) [the Trustee shall deposit the amount of \$ _____ in the Capitalized Interest Account within the Debt Service Fund;]

(c) the Trustee shall deposit the amount of \$ _____ in the Costs of Issuance Fund; and

(d) the Trustee shall transfer the amount of \$ _____ to the County Treasurer for deposit in the County treasury to the credit of the Improvement Fund.

Section 3.03. Program Fund. (a) The Trustee shall establish and maintain a separate fund designated the "Program Fund." The Trustee shall credit all District Bonds to the Program Fund and shall hold and administer the Program Fund so long as the Trustee is the owner of any District Bond.

(b) On the Closing Date there shall be deposited in the Program Fund the amount specified in Section 3.02.

(c) On the Closing Date, the Trustee shall withdraw from the Program Fund the amount of \$ _____ and apply such amount to the purchase on such date of the District Bonds, all pursuant to and in accordance with the provisions of the Purchase Agreement. In accordance with the Purchase Agreement, the ownership of the District Bonds shall be registered in the name of the Trustee upon the acquisition thereof.

Section 3.04. Costs of Issuance Fund. (a) The Trustee shall establish and maintain a separate fund designated the "Costs of Issuance Fund." On the Closing Date, the Trustee shall deposit in the Costs of Issuance Fund the amount required to be deposited therein pursuant to Section 3.02. There shall additionally be deposited in the Cost of Issuance Fund the portion, if any, of the proceeds of the sale of any Additional Bonds required to be deposited therein under the Supplemental Indenture pursuant to which such Additional Bonds are issued.

(b) The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee from time to time to pay the Costs of Issuance upon submission of a Written Request of the Authority stating (i) the Person to whom payment is to be made, (ii) the amount to be paid, (iii) the purpose for which the obligation was incurred, (iv) that such payment is a proper charge against the Costs of Issuance Fund, and (v) that such amounts have not been the subject of a prior disbursement from the Costs of Issuance Fund, in each case together with a statement or invoice for each amount requested thereunder. Each such Written Request or Written Certificate of the Authority shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts.

(c) On the last Business Day that is no later than six months after the Closing Date, all amounts, in any, remaining in the Costs of Issuance Fund shall be transferred by the Trustee to the Paying Agent for deposit in the Bond Fund established under the Paying Agent Agreement and the Costs of Issuance Fund shall be closed.

(d) If the Costs of Issuance Fund has been closed in accordance with the provisions hereof, such Fund shall be reopened and reestablished by the Trustee in connection with the issuance of any Additional Bonds, if so provided in the Supplemental Indenture pursuant to which such Additional Bonds are issued.

Section 3.05. Conditions for the Issuance of Additional Bonds. The Authority may, with the consent of the Majority Authority Bond Owner (so long as a Majority Authority Bond Owner exists), at any time issue one or more Series of Additional Bonds (in addition to the Series A Bonds) payable from Revenues as provided herein on a parity with all other Bonds theretofore issued hereunder, but only subject to the following conditions, which are hereby made conditions precedent to the issuance of such Additional Bonds:

(a) upon the issuance of such Additional Bonds, no default shall have occurred and be continuing hereunder;

(b) the issuance of such Additional Bonds shall have been authorized under and pursuant to this Indenture and the Bond Law and shall have been provided for by a Supplemental Indenture which shall specify the following:

(i) the purposes for which such Additional Bonds are to be issued; provided, however, that the proceeds of the sale of such Additional Bonds shall be applied only to provide funds to refund any Bonds issued hereunder and, if so specified in the Supplemental Indenture pursuant to which such Additional Bonds are issued, to provide funds to pay Costs of Issuance incurred in connection with the issuance of such Additional Bonds;

(ii) the principal amount and designation of such Series of Additional Bonds;

(iii) the interest rate to be borne by each maturity of such Additional Bonds, which shall be a rate that is fixed from the date of issuance of such Additional Bonds through such maturity date;

(iv) the date, the maturity date or dates and the dates on which mandatory sinking fund redemptions, if any, are to be made for such Additional Bonds; provided, however, that each such maturity date or dates and dates on which a mandatory sinking fund redemption is to be made shall be February 1 or August 1 and, provided, further, that serial maturities of serial Bonds or mandatory sinking fund redemptions for term Bonds, or any combination thereof, shall be established to provide for the redemption or payment of such Additional Bonds on or before their respective maturity dates;

(v) [the redemption premiums and terms, if any, for such Additional Bonds; provided, however, that such Additional Bonds of such additional Series shall be subject to mandatory redemption from Principal Prepayments received with respect to the District Bonds, on the dates on which and at the redemption prices at which the Series A Bonds are subject to redemption therefrom];

(vi) the form of such Additional Bonds; and

(vii) such other provisions that are appropriate or necessary and are not inconsistent with the provisions hereof;

(c) Annual Debt Service in each Bond Year, calculated for all Bonds to be Outstanding after the issuance of such Additional Bonds, shall be less than or equal to Annual Debt Service in such Bond Year, calculated for all Bonds Outstanding immediately prior to the issuance of such Additional Bonds.

Nothing contained herein shall limit the issuance of any bonds payable from Revenues if, after the issuance and delivery of such bonds, none of the Bonds theretofore issued hereunder will be Outstanding.

Section 3.06. Procedure for the Issuance of Additional Bonds. At any time after the sale of any Additional Bonds in accordance with the Bond Law, such Additional Bonds shall be executed by the Authority for issuance hereunder and shall be delivered to the Trustee and thereupon shall be authenticated and delivered by the Trustee, but only upon receipt by the Trustee of the following:

(a) a certified copy of the Supplemental Indenture authorizing the issuance of such Additional Bonds;

(b) a Written Certificate of the Authority stating that the conditions precedent to the issuance of such Additional Bonds specified in Section 3.05 have been satisfied;

(c) a Written Request of the Authority as to the delivery of such Additional Bonds;

(d) an opinion of Bond Counsel substantially to the effect that (i) this Indenture and all Supplemental Indentures have been duly authorized, executed and delivered by, and constitute the valid and binding obligations of, the Authority, enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency,

reorganization, moratorium and other similar laws affecting creditors rights and by the application of equitable principles and by the exercise of judicial discretion in appropriate cases and subject to the limitations on legal remedies against political subdivisions in the State), and (ii) such Additional Bonds constitute valid and binding special obligations of the Authority and are enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors rights and by the application of equitable principles and by the exercise of judicial discretion in appropriate cases and subject to the limitations on legal remedies against political subdivisions in the State);

(e) the proceeds of the sale of such Additional Bonds; and

(f) such further documents or money as are required by the provisions hereof or by the provisions of the Supplemental Indenture authorizing the issuance of such Additional Bonds.

Section 3.07. Additional Bonds. So long as any of the Bonds remain Outstanding, the Authority shall not issue any Additional Bonds or obligations payable from Revenues, except pursuant to Sections 3.05 and 3.06.

ARTICLE IV

REDEMPTION OF BONDS

Section 4.01. No Optional Redemption of Series A Bonds. The Series A Bonds shall not be subject to optional redemption prior to maturity.

Section 4.02. Mandatory Redemption of Series A Bonds from Principal Prepayments.

(a) *Mandatory Redemption from Principal Prepayments resulting from Extraordinary Optional Redemption of District Bonds.* The Series A Bonds shall be subject to mandatory redemption on any Interest Payment Date, in whole or in part, from and to the extent of any Principal Prepayments resulting from the redemption of District Bonds pursuant to subsection (b) of Section 4.01 of the Paying Agent Agreement, at a Redemption Price equal to the sum of the principal amount of the Series A Bond so redeemed, plus the Extraordinary Optional Redemption Premium for such Series A Bonds so redeemed, together with accrued interest thereon to the date of redemption.

(b) *Mandatory Redemption from Principal Prepayments resulting from Extraordinary Optional Redemption of District Bonds.* The Series A Bonds shall be subject to mandatory redemption no later than 90 days after the end of the Expenditure Period, in whole or in part, from and to the extent of any Principal Prepayments resulting from the redemption of District Bonds pursuant to subsection (c) of Section 4.01 of the Paying Agent Agreement, at a Redemption Price equal to the principal amount of the Series A Bonds so redeemed, plus the Extraordinary Optional Redemption Premium for such Series A Bonds so redeemed, together with accrued interest thereon to the date of redemption.

(c) Series A Bonds shall be mandatorily redeemed from Principal Prepayments resulting from the redemption of District Bonds pursuant to subsection (b) or subsection (c) of Section 4.01 of the Paying Agent Agreement on the dates, in the amounts, in the manner and otherwise in accordance with Written Certificate of the District delivered to the Trustee, pursuant to subsection (d) of Section 4.01 of the Paying Agent Agreement, in connection with such redemption of District Bonds; provided, however, that such Series A Bonds shall be so redeemed only if, at the time such Written Certificate of the District is delivered to the Trustee, there is also delivered to the Trustee the written report of an Independent Consultant with respect thereto required to be so delivered pursuant to Section 4.01(d) of the Paying Agent Agreement. On each date on which Principal Prepayments resulting from the redemption of District Bonds pursuant to subsection (b) or subsection (c) of Section 4.01 of the Paying Agent Agreement are received by the Trustee, such Principal Prepayments shall be applied by the Trustee to pay the Redemption Price of Series A Bonds in accordance with the Written Certificate of the District applicable to such Principal Prepayments.

Section 4.03. Mandatory Sinking Fund Redemption of Series A Bonds. The Series A 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 A 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:

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

If some but not all of the Series A Bonds are redeemed pursuant to subsection (a) or subsection (b) of Section 4.02, the principal amount of Series A Bonds to be redeemed pursuant to this Section on any subsequent February 1 or August 1 shall be reduced, by the aggregate principal amount of the Series A 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 Trustee in connection with such redemption pursuant to subsection (c) of Section 4.02.

Section 4.04. Notice of Redemption. The Trustee on behalf and at the expense of the Authority shall mail (by first class mail) notice of any redemption to the respective Owners of any 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 Bond numbers and the maturity or maturities of the Bonds to be redeemed (except in the event of redemption of all of the Bonds of such maturity or maturities in whole), and shall require that such Bonds be then surrendered at the Office of the Trustee for redemption at the Redemption Price, giving notice also that further interest on such 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 Bonds or the cessation of accrual of interest thereon from and after the date fixed for redemption. With respect to any notice of (a) any optional redemption of Bonds of a Series, unless at the time such notice is given the Bonds to be redeemed shall be deemed to have been paid within the meaning of Section 10.02, or (b) any mandatory redemption of Bonds of a Series resulting from the redemption of District Bonds, unless at the time such notice is given such District Bonds shall be deemed to have been paid within the meaning of Section 9.02 of the Paying Agent Agreement, such notice shall state that such redemption is conditional upon receipt by the Trustee, on or prior to the date fixed for such redemption, of moneys that, together with other available amounts held by the Trustee, are sufficient to pay the Redemption Price of, and accrued interest on, the 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 Authority shall not be required to redeem such Bonds. In the event a notice of redemption of Bonds contains such a condition and such moneys are not so received, the redemption of Bonds as described in the conditional notice of redemption shall not be made and the Trustee 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 Bonds pursuant to such notice of redemption.

Section 4.05. Selection of Bonds for Redemption. Whenever provision is made in this Indenture for the redemption of less than all of the Bonds, the Trustee shall select the Bonds to be redeemed from all Bonds not previously called for redemption (a) with respect to any redemption pursuant to Section 4.02, as provided in said Section, and (b) with respect to any other redemption of Additional Bonds, among maturities as provided in the Supplemental Indenture pursuant to which such Additional Bonds are issued, and by lot among Bonds of the same Series with the same maturity in any manner which the Trustee in its sole discretion shall deem appropriate and fair. For purposes of such selection, all Bonds shall be deemed to be comprised of separate denominations equal to the minimum Authorized Denomination therefor and such separate denominations shall be treated as separate Bonds which may be separately redeemed.

Section 4.06. Partial Redemption of Bonds. Upon surrender of any Bonds redeemed in part only, the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of the same Series in Authorized Denominations in an aggregate principal amount equal to the unredeemed portion of the Bonds surrendered.

Section 4.07. Effect of Notice of Redemption. Notice having been mailed as aforesaid, and moneys for the Redemption Price, and the interest to the applicable date fixed for redemption, having been set aside with the Trustee, the Bonds shall become due and payable on said date, and, upon presentation and surrender thereof at the Office of the Trustee, said Bonds shall be paid at the Redemption Price thereof, together with interest accrued and unpaid to said date.

If, on said date fixed for redemption, moneys for the Redemption Price of all the Bonds to be redeemed, together with interest to said date, shall be held by the Trustee 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 Bonds shall cease to accrue and become payable. All moneys held by or on behalf of the Trustee for the redemption of Bonds shall be held in trust for the account of the Owners of the Bonds so to be redeemed without liability to such Owners for interest thereon.

All Bonds paid at maturity or redeemed prior to maturity pursuant to the provisions hereof shall be canceled upon surrender thereof and destroyed. Bonds may not be purchased in lieu of redemption.

ARTICLE V

SECURITY FOR THE BONDS; FLOW OF FUNDS; INVESTMENTS

Section 5.01. Pledge and Assignment. (a) Subject only to the provisions of this Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein, in order to secure the payment of the principal of, premium, if any, and interest on the Bonds in accordance with their terms, the provisions of this Indenture and the Bond Law, the Authority hereby pledges to the Owners, and grants thereto a lien on and a security interest in, all of the Revenues and any other amounts held in the Revenue Fund and the Debt Service Fund. Said pledge shall constitute a first lien on and security interest in such assets, which shall immediately attach to such assets and be effective, binding and enforceable against the Authority, its successors, purchasers of any of such assets, creditors and all others asserting rights therein, to the extent set forth in, and in accordance with, this Indenture, irrespective of whether those parties have notice of the pledge of, lien on and security interest in such assets and without the need for any physical delivery, recordation, filing or further act.

(b) The Authority hereby assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds, all of the Revenues and all of the right, title and interest of the Authority in the District Bonds. The Trustee shall be entitled to and shall collect and receive all of the Revenues, and any Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority and shall forthwith be paid by the Authority to the Trustee. The Trustee also shall be entitled to and may take all steps, actions and proceedings reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the District under and with respect to the District Bonds.

Section 5.02. Revenue Fund. (a) The Trustee shall establish and maintain a separate fund designated the "Revenue Fund." Upon the receipt by the Trustee of any Revenues, the Trustee shall deposit such Revenues in the Revenue Fund; provided, however, that any portion of any such Revenues that represents Principal Prepayments shall be deposited in the Redemption Fund.

(b) On each Interest Payment Date, the Trustee shall withdraw from the Revenue Fund and transfer to the Debt Service Fund the amount, if any, necessary to cause the amount on deposit in the Debt Service Fund to be equal to the principal, if any, of and interest on the Bonds due and payable on such Interest Payment Date, including principal due and payable by reason of mandatory sinking fund redemption of such Bonds.

Section 5.03. Debt Service Fund. (a) The Trustee shall establish and maintain a separate fund designated the "Debt Service Fund." [The Trustee shall establish and maintain the Capitalized Interest Account within the Debt Service Fund until the date all amounts are transferred therefrom in accordance with subsection (b) of this Section.] The Trustee shall deposit in the Debt Service Fund from time to time the amounts required to be deposited therein pursuant to Section 5.02.

(b) On each Interest Payment Date, the Trustee shall withdraw from the Debt Service Fund for payment to the Owners of the Bonds the principal, if any, of and interest on the Bonds then due and payable, including principal due and payable by reason of mandatory sinking fund

redemption of such Bonds[; provided, however, that on each Interest Payment Date occurring on or prior to _____, 20__, prior to making said withdrawal, if and to the extent available in the Capitalized Interest Account within the Debt Service Fund, an amount equal to the interest on the Bonds then due and payable shall be transferred from the Capitalized Interest Account within the Debt Service Fund to the Debt Service Fund. On _____, 20__, the Trustee shall transfer any amounts then remaining in the Capitalized Interest Account to the Debt Service Fund].

Section 5.04. Redemption Fund. (a) The Trustee shall establish and maintain a special fund designated the "Redemption Fund." Upon the receipt by the Trustee of any Principal Prepayments, the Trustee shall deposit such Principal Prepayments in the Redemption Fund.

(b) Amounts in the Redemption Fund shall be disbursed therefrom for the payment of the Redemption Price of Series A Bonds redeemed pursuant to Section 4.02 and to pay the Redemption Price of Additional Bonds redeemed under the Supplemental Indenture pursuant to which such Additional Bonds are issued.

Section 5.05. Rebate Fund. (a) The Trustee shall establish and maintain a special fund designated the "Rebate Fund." There shall be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Tax Certificate, as specified in a Written Request of the Authority. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement, for payment to the United States of America. Notwithstanding defeasance of the Bonds pursuant to Article X or anything to the contrary contained herein, all amounts required to be deposited into or on deposit in the Rebate Fund shall be governed exclusively by this Section and by the Tax Certificate (which is incorporated herein by reference). The Trustee shall be deemed conclusively to have complied with such provisions if it follows the written directions of the Authority, and shall have no liability or responsibility to enforce compliance by the Authority with the terms of the Tax Certificate. The Trustee may conclusively rely upon the Authority's determinations, calculations and certifications required by the Tax Certificate. The Trustee shall have no responsibility to independently make any calculation or determination or to review the Authority's calculations.

(b) Any funds remaining in the Rebate Fund after payment in full of all of the Bonds and after payment of any amounts described in this Section, shall, upon receipt by the Trustee of a Written Request of the Authority, be withdrawn by the Trustee and remitted to the Authority.

Section 5.06. Investment of Moneys. (a) Except as otherwise provided herein, all moneys in any of the funds or accounts established pursuant to this Indenture and held by the Trustee shall be invested by the Trustee solely in Permitted Investments, as directed in writing by the Authority two Business Days prior to the making of such investment. Moneys in all funds and accounts held by the Trustee 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 Indenture. Absent timely written direction from the Authority, the Trustee 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 Trustee's obligations and responsibilities as a fiduciary hereunder.

(b) Subject to the provisions of Section 5.05, all interest, profits and other income received from the investment of moneys in any fund or account established pursuant to this Indenture shall be retained therein.

(c) Permitted Investments acquired as an investment of moneys in any fund or account established under this Indenture 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 Trustee 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 Trustee may act as principal or agent in the making or disposing of any investment. Upon the Written Request of the Authority, the Trustee 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 Trustee 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 Trustee may commingle moneys in any of the funds and accounts established hereunder.

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

ARTICLE VI

COVENANTS

Section 6.01. Punctual Payment. The Authority shall punctually pay or cause to be paid the principal, premium, if any, and interest to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of this Indenture, according to the true intent and meaning thereof, but only out of Revenues and other assets pledged for such payment as provided in this Indenture and received by the Authority or the Trustee.

Section 6.02. Extension of Payment of Bonds. The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this Section shall be deemed to limit the right of the Authority to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

Section 6.03. Against Encumbrances; Defense of Pledge. The Authority shall not create, or permit the creation of, any pledge of, lien on, security interest in or charge or other encumbrance upon the assets pledged under this Indenture, except as permitted hereby. The Authority shall at all times, to the extent permitted by law, defend, preserve and protect said pledge of such assets, and the lien thereon and security interest therein created hereby, against all claims and demands of all Persons whomsoever.

Section 6.04. Tax Covenants. (a) The Authority 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 Series A Bonds as Qualified School Construction Bonds. Without limiting the generality of the foregoing, the Authority 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 A Bonds.

(b) In the event that at any time the Authority 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 Trustee in any of the funds or accounts established hereunder, the Authority shall so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

(c) Notwithstanding any provisions of this Section, if the Authority shall provide to the Trustee 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 Series A Bonds as Qualified School Construction Bonds, the Trustee 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 6.05. Collection of Revenues. The Trustee shall collect and cause to be paid to it all Revenues promptly as such Revenues become due and payable, and shall enforce and cause to be enforced all rights of the Trustee under and with respect to the District Bonds.

Section 6.06. Disposition of District Bonds. The Trustee shall not sell or otherwise dispose of the District Bonds, or any interest therein unless either (a) there shall have occurred and be continuing an Event of Default hereunder, or (b) the proceeds derived by the Trustee from such sale or other disposition are sufficient to enable the Trustee to redeem or defease all of the Outstanding Bonds in accordance with the terms hereof.

Section 6.07. Subsidy Payments. The Authority shall, in the Tax Certificate, designate the Series A Bonds as "qualified school construction bonds" pursuant to Section 54F(a) of the Code and as "specified tax credit bonds" for purposes of Section 6431 of the Code pursuant to Section 6431(f)(3) of the Code. The Authority shall cause the amounts that are payable by the United State Treasury with respect to the Series A Bonds under Section 6431 of the Code to be paid directly to the Trustee and deposited in the Revenue Fund, and shall promptly transfer to the Trustee for deposit in the Revenue Fund any such amounts received by the Authority.

Section 6.08. Sovereign Immunity. The Authority does not enjoy any rights of immunity on the grounds of sovereign immunity in respect of its obligations under this Indenture. To the extent the Authority has or hereafter may acquire under any applicable law any right to immunity from legal proceedings on the grounds of sovereignty, the Authority 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 Indenture.

Section 6.09. Annual Reports and Notifications Required by the Bond Law. (a) Not later than October 30 of each year, commencing October 30, 2011 and until the October 30 following the final maturity of the Bonds, the Authority shall supply to the California Debt and Investment Advisory Commission the information required to be provided thereto pursuant to Section 6599.1(b) of the Bond Law.

(b) If at any time the Trustee fails to pay principal or interest due on any scheduled payment date for the Bonds, the Trustee shall notify the Authority in writing of such failure and, in accordance with Section 6599.1(c) of the Bond Law, the Authority shall notify the California Debt and Investment Advisory Commission of such failure within 10 days of the failure to make such payment.

Section 6.10. Further Assurances. The Authority 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 Indenture and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in this Indenture.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES

Section 7.01. Events of Default. The occurrence, from time to time, of any one or more of the following events shall constitute an Event of Default under this Indenture:

(a) failure to pay any installment of principal of any Bonds when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption or otherwise;

(b) failure to pay any installment of interest on any Bonds when and as the same shall become due and payable.

(c) failure by the Authority to observe and perform any of the other covenants, agreements or conditions on its part in this Indenture or in the Bonds contained, if such failure shall have continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the Authority by the Trustee or the Owners of not less than 5% in aggregate principal amount of the Bonds at the time Outstanding; provided, however, that if, in the reasonable opinion of the Authority, the failure stated in the notice can be corrected, but not within such 30 day period, such failure shall not constitute an Event of Default if corrective action is instituted by the Authority within such 30 day period and the Authority shall thereafter diligently and in good faith cure such failure in a reasonable period of time; or

(d) commencement by the Authority of a voluntary case under Title 11 of the United States Code or any substitute or successor statute.

Section 7.02. Exercise of Rights Under District Bonds. Subject to Section 7.12, in each and every case during the continuance of an Event of Default, the Trustee may and, at the direction of the Owners of not less than a majority of the aggregate principal amount of Bonds then Outstanding, and upon indemnification of the Trustee to its reasonable satisfaction, shall, upon notice in writing to the Authority, exercise any and all rights and pursue any and all remedies available pursuant to law or granted with respect to the District Bonds and, in addition, take whatever action at law or in equity may appear necessary or desirable to protect and enforce any of the rights vested in the Trustee or the Owners by this Indenture or by the Bonds, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement or for the enforcement of any other legal or equitable right, including any one or more of the remedies set forth in Section 7.03.

Section 7.03. Other Remedies. If an Event of Default shall have occurred and be continuing, the Trustee shall have the right:

(a) by mandamus, suit, action or proceeding, to compel the Authority and its officers, agents or employees to perform each and every term, provision and covenant contained in this Indenture and in the Bonds, and to require the carrying out of any or all such covenants and agreements of the Authority and the fulfillment of all duties imposed upon it by this Indenture and the Bonds;

(b) by suit, action or proceeding in equity, to enjoin any acts or things which are unlawful, or the violation of any of the rights of the Trustee or the Owner; or

(c) by suit, action or proceeding in any court of competent jurisdiction, to require the Authority and its officers and employees to account as if it and they were the trustee or trustees of an express trust.

Notwithstanding anything to the contrary contained in this Indenture, the Trustee shall have no right upon an Event of Default hereunder to accelerate the payment of the principal or interest on any Bonds.

Section 7.04. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by any law. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 7.05. Application of Funds. If an Event of Default shall occur and be continuing, all Revenues and any other funds thereafter received by the Trustee under any of the provisions of this Indenture shall be applied by the Trustee as follows and in the following order:

(a) to the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners and payment of reasonable fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under this Indenture;

(b) to the payment to the Persons entitled thereto of all installments of interest then due in the order of the maturity of such installments and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the Persons entitled thereto, without any discrimination or preference;

(c) to the payment to the Persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by call for redemption, with interest on the overdue principal at the rate borne by the respective Bonds on the date of maturity or redemption, and, if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the Persons entitled thereto, without any discrimination or preference;

(d) to the payment to the Persons entitled thereto of any other amounts owed with respect to the Bonds; and

(e) any remaining funds shall be transferred by the Trustee to the Revenue Fund.

Section 7.06. Power of Trustee to Enforce. All rights of action under this Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of the Owners of such Bonds, subject to the provisions of this Indenture.

Section 7.07. Owners' Direction of Proceedings. Subject to Section 7.12, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnification of the Trustee to its reasonable satisfaction, to direct the method of conducting all remedial proceedings taken by the Trustee hereunder; provided, however, that such direction shall not be otherwise than in accordance with the provisions of this Indenture, the Bond Law and other applicable law, and, provided, further, that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Owners not parties to such direction.

Section 7.08. Limitation on Owners' Right to Sue. No Owner of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Indenture, the Bond Law or any other applicable law with respect to such Bond, unless (a) such Owner shall have given to the Trustee written notice of the occurrence of an Event of Default, (b) so long as a Majority Authority Bond Owner exists, such Owner shall have obtained the Majority Authority Bond Owner's consent to such institution, (c) the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name, (d) such Owner or said Owners shall have tendered to the Trustee indemnity reasonably satisfactory to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request, and (e) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of any remedy hereunder or under law; it being understood and intended that no one or more Owners shall have any right in any manner whatever by such Owner's or Owners' action to affect, disturb or prejudice the security of this Indenture or the rights of any other Owners, or to enforce any right under the Bonds, this Indenture, the Bond Law or other applicable law with respect to the Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Owners, subject to the provisions of this Indenture.

Section 7.09. Absolute Obligation. Nothing in this Indenture or the Bonds contained shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the principal of and interest on the Bonds to the respective Owners at their respective dates of maturity, or upon call for redemption, as herein provided, but solely from Revenues and the other assets pledged therefor hereunder, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

Section 7.10. Termination of Proceedings. In case any proceedings taken by the Trustee or any one or more Owners on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or any Owner, then in every such case the Trustee, such Owner and the Authority, subject to any determination in such proceedings, shall be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of the Trustee, the Owners and the Authority shall continue as though no such proceedings had been taken.

Section 7.11. No Waiver of Default. No delay or omission of the Trustee or of any Owner to exercise any right or power arising upon the occurrence of any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or an acquiescence therein, and every power and remedy given by this Indenture to the Trustee or to the Owners may be exercised from time to time and as often as may be deemed expedient.

Section 7.12. Majority Authority Bond Owner to Direct Default Proceedings. Anything in this Indenture to the contrary notwithstanding, so long as a Majority Authority Bond Owner exists, the Majority Authority Bond Owner shall have the right to direct any default proceedings with respect to the Bonds.

ARTICLE VIII

TRUSTEE

Section 8.01. Duties and Liabilities of Trustee. (a) *Duties of Trustee Generally.* The Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in this Indenture. The Trustee shall, during the existence of any Event of Default which has not been cured or waived, exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) *Removal of Trustee.* The Authority 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 Trustee initially a party hereto and any successor thereto unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee 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 Owners of not less than a majority of the aggregate principal amount of the Bonds at the time Outstanding (or their attorneys duly authorized in writing), or (ii) the Trustee 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 Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee 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 Trustee 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 Trustee by an instrument in writing.

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

(d) *Appointment of Successor Trustee.* Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee; provided, however, that any successor Trustee shall be qualified as provided in subsection (e) of this Section. If no qualified successor Trustee shall have been appointed and have accepted appointment within 45 days following notice of removal or notice of resignation as aforesaid, the removed or resigning Trustee 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 Trustee, and such court may thereupon, after such notice, if any, as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Indenture shall signify its acceptance of such appointment by executing and delivering to the Authority and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, 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 Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the written request of the Authority or the successor Trustee, such predecessor Trustee 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 Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under this Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the successor Trustee shall, within 15 days after such acceptance, mail, by first class mail postage prepaid, a notice of the succession of such Trustee to the trusts hereunder to the Owners at the addresses shown on the Registration Books.

(e) *Qualifications of Trustee.* The Trustee 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 Trustee shall cease to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in this Section.

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

Section 8.02. Merger or Consolidation. Any bank, national banking association or trust company into which the Trustee 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 Trustee 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 8.01(e) shall be the successor to such Trustee, 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 8.03. Liability of Trustee. (a) The recitals of facts herein and in the Bonds contained shall be taken as statements of the Authority, and the Trustee shall not assume responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of this Indenture or of the 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 Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of any Bonds, or in respect of the security afforded by this Indenture and the Trustee shall incur no responsibility in respect thereof. The Trustee shall be under no responsibility or duty with respect to (i) the issuance of the 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 Trustee, or (iii) the application of any moneys paid to the Authority or others in accordance with this Indenture, except as to the application of any moneys paid to it in its capacity as Trustee. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Trustee 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 Indenture. The Trustee and its officers and employees may become the Owner of Bonds with the same rights it would have if it were not Trustee, 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 Owners, whether or not such committee shall represent the Owners of a majority in aggregate principal amount of the Bonds then Outstanding.

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

(c) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture.

(d) No provision of this Indenture shall require the Trustee to risk or advance its own funds.

(e) The immunities and protections extended to the Trustee also extend to its directors, officers, employees and agents.

(f) The Trustee 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.

(g) Before taking action under Article VII or this Article or upon the direction of the Owners, the Trustee may require indemnity satisfactory to the Trustee be furnished to it to protect it against all fees and expenses, including those of its attorneys and advisors, and protect it against all liability it may incur.

(h) The Trustee shall not be deemed to have knowledge of an Event of Default hereunder unless it has actual knowledge thereof.

Section 8.04. Right to Rely on Documents. The Trustee 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 Trustee may consult with counsel, who may be counsel to the Authority, 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 Trustee shall in no event delay any payment with respect to the Bonds in anticipation of any such opinion.

Whenever in the administration of the duties imposed upon it by this Indenture the Trustee 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 Authority, and such Written Certificate shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of this Indenture in reliance upon such Written Certificate, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

Section 8.05. Accounting Records and Reports; Preservation and Inspection of Documents. The Trustee 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 Bonds, the Revenues and all funds and accounts established by it pursuant to this Indenture. Such books of record and account shall be available for inspection by the Authority, during regular business hours and upon reasonable notice and under reasonable circumstances as agreed to by the Trustee. The Trustee shall deliver to the Authority a monthly accounting of the funds and accounts it holds under this Indenture; provided, however, that the Trustee 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 Trustee under the provisions of this Indenture shall be retained in its possession and shall be subject during business hours and upon reasonable notice to the inspection of the Authority, the Owners and their agents and representatives duly authorized in writing.

Section 8.06. Compensation and Indemnification. The Authority shall pay to the Trustee from time to time all reasonable compensation pursuant to a pre-approved fee letter for all services rendered under this Indenture, 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 Indenture. The Authority shall, to the extent permitted by law, indemnify and save the Trustee harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder, including the enforcement of any remedies and the defense of any suit, and which are not due to its negligence or its willful misconduct. The duty

of the Authority to compensate and indemnify the Trustee shall survive the resignation or removal of the Trustee and the termination and discharge of this Indenture.

ARTICLE IX

MODIFICATION OR AMENDMENT

Section 9.01. Amendments Permitted. (a) This Indenture and the rights and obligations of the Authority, the Trustee and the Owners hereunder may be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority and the Trustee may enter into when there are filed with the Trustee the written consent of the Majority Authority Bond Owner (so long as a Majority Authority Bond Owner exists) or the Owners of a majority of the aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 11.08. No such modification or amendment shall (i) extend the fixed maturity of any 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 Bond so affected, (ii) permit any pledge of, or the creation of any lien on, security interest in or charge or other encumbrance upon the assets pledged under this Indenture prior to or on a parity with the pledge contained in, and the lien and security interest created by, this Indenture or deprive the Owners of the pledge contained in, and the lien and security interest created by, this Indenture, except as expressly provided in this Indenture, without the consent of the Owners of all of the Bonds then Outstanding, or (iii) modify or amend this Section without the prior written consent of the Owners of all Bonds then Outstanding.

(b) This Indenture and the rights and obligations of the Authority, the Trustee and the Owners hereunder may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority and the Trustee 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 other Owners for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Authority contained in this Indenture other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the Authority, 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 Indenture;

(iii) to provide for the issuance of one or more Series of Additional Bonds, and to provide the terms and conditions under which such Series of Additional Bonds may be issued, subject to and in accordance with the provisions of Article III;

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

(v) in any other respect whatsoever as the Authority 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 Authority and the Trustee of any Supplemental Indenture, the Trustee shall mail a notice (the form of which shall be furnished to the Trustee by the Authority), by first class mail postage prepaid, setting forth in general terms the substance of such Supplemental Indenture, to the Owners 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 Indenture.

Section 9.02. Effect of Supplemental Indenture. Upon the execution of any Supplemental Indenture pursuant to this Article, this Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of the Authority, the Trustee 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 Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

Section 9.03. Endorsement of Bonds; Preparation of New Bonds. Bonds delivered after the effective date of any Supplemental Indenture pursuant to this Article may and, if the Authority so determines, shall bear a notation by endorsement or otherwise in form approved by the Authority and the Trustee as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand of the Owner of any Bond Outstanding at the time of such effective date and presentation of such Bond for such purpose at the Office of the Trustee a suitable notation shall be made on such Bonds. If the Supplemental Indenture shall so provide, new Bonds so modified as to conform, in the opinion of the Authority and the Trustee, to any modification or amendment contained in such Supplemental Indenture, shall be prepared and executed by the Authority and authenticated by the Trustee and, in that case, upon demand of the Owner of any Bond Outstanding at the time of such effective date, and presentation of such Bond for such purpose at the Office of the Trustee, such a new Bond in equal principal amount of the same Series, interest rate and maturity shall be exchanged for such Owner's Bond so surrendered.

Section 9.04. Amendment of Particular Bonds. The provisions of this Article shall not prevent any Owner from accepting any amendment or modification as to any particular Bond owned by it, provided that due notation thereof is made on such Bond.

ARTICLE X

DEFEASANCE

Section 10.01. Discharge of Indenture. (a) If (i) the Authority shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Outstanding Bonds the principal thereof and the interest and 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 the Owners shall cease to be entitled to the pledge of the Revenues and the other assets as provided herein, and all agreements, covenants and other obligations of the Authority hereunder shall thereupon cease, terminate and become void and this Indenture shall be discharged and satisfied. In such event, the Trustee shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the Authority 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 Bonds.

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

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

Section 10.02. Bonds Deemed To Have Been Paid. (a) If moneys shall have been set aside and held by the Trustee for the payment or redemption of any Bond and the payment of the interest thereon to the maturity or redemption date thereof, such Bond shall be deemed to have been paid within the meaning and with the effect provided in Section 10.01. Any Outstanding 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 10.01 if (i) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the Authority shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail, on a date in accordance with the provisions of Section 4.04, notice of redemption of such Bond on said redemption date, said notice to be given in accordance with Section 4.04, (ii) there shall have been deposited with the Trustee 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 interest to become due on such Bond on and prior to the maturity date or redemption date thereof, as the case may be, and the principal of and premium, if any, on such Bond, and (iii) in the event such Bond is not by its terms subject to redemption within the next succeeding 60 days, the Authority shall have given the Trustee, in form satisfactory to the Trustee, irrevocable instructions to mail as soon as practicable, a notice to the Owner of such Bond that the deposit required by clause (ii) above has been made with the Trustee and that such 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 Bond.

(b) No Bond shall be deemed to have been paid pursuant to clause (ii) of subsection (a) of this Section unless the Authority shall have caused to be delivered (i) an executed copy of a Verification Report with respect to such deemed payment, addressed to the Authority, the Trustee and the Majority Authority Bond Owner, if any, in form and in substance acceptable to the Authority, the Trustee 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 Authority, the Trustee and the Majority Authority Bond Owner, if any, in form and in substance acceptable to the Authority, the Trustee and the Majority Authority Bond Owner, if any, to the effect that (I) such Bond has been paid within the meaning and with the effect expressed in this Indenture, this Indenture has been discharged in respect of such Bond and all agreements, covenants and other obligations of the Authority hereunder as to such Bond have ceased, terminated, become void and been completely discharged and satisfied.

(c) The Trustee may seek and is entitled to rely upon (i) an Opinion of Counsel reasonably satisfactory to the Trustee 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 Trustee may reasonably request, of accountants or other financial consultants concerning the matters described in subsection (b) of this Section.

Section 10.03. Unclaimed Moneys. Any moneys held by the Trustee in trust for the payment and discharge of the principal of, or premium or interest on, any Bond which remain unclaimed for two years after the date when such principal, premium or interest has become payable, if such moneys were held by the Trustee at such date, or for two years after the date of deposit of such moneys if deposited with the Trustee after the date when such principal, premium or interest become payable, shall, at the Written Request of the Authority, be repaid by the Trustee to the Authority as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owner of such Bond shall look only to the Authority for the payment of such principal, premium or interest.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Limitation of Rights. Nothing in this Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any Person other than the Authority, the Trustee and the Owners any legal or equitable right, remedy or claim under or in respect of this Indenture 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 Authority, the Trustee and the Owners.

Section 11.02. Successor Deemed Included in all References to Predecessor. Whenever in this Indenture either the Authority or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained required hereby to be performed by or on behalf of the Authority or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 11.03. Destruction of Bonds. Whenever in this Indenture provision is made for the cancellation by the Trustee and the delivery to the Authority of any Bonds, the Trustee shall, in lieu of such cancellation and delivery, destroy such Bonds.

Section 11.04. Severability of Invalid Provisions. If any one or more of the provisions contained in this Indenture or in the 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 Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of this Indenture, and this Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Authority hereby declares that it would have entered into this Indenture and each and every other Section, subsection, paragraph, sentence, clause or phrase hereof and authorized the issuance of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, subsections, paragraphs, sentences, clauses or phrases of this Indenture may be held illegal, invalid or unenforceable.

Section 11.05. 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 Authority:	Tracy School Facilities Financing Authority c/o Tracy Joint Unified School District 1875 West Lowell Street Tracy, California 95376 Attention: Executive Director
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If to the Trustee:

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 11.06. Notice to Majority Authority Bond Owner. Any notice that is required to be given to an Owner or to the Trustee pursuant to this Indenture shall also be provided to the Majority Authority Bond Owner.

Section 11.07. Evidence of Rights of Owners. Any request, consent or other instrument required or permitted by this Indenture 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 Bonds transferable by delivery, shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee and the Authority 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 Bonds shall be proved by the Registration Books.

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

Section 11.08. Disqualified Bonds. In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are known by the Trustee to be owned or held by or for the account of the Authority, or by any other obligor on the Bonds, or by any Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or any other obligor on the Bonds, shall be disregarded and deemed not to be Outstanding

for the purpose of any such determination. 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 Trustee the pledgee's right to vote such 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 Authority or any other obligor on the Bonds. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee.

Section 11.09. Money Held for Particular Bonds. The money held by the Trustee for the payment of the interest, principal or premium due on any date with respect to particular Bonds (or portions of Bonds in the case of 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 10.03, but without any liability for interest thereon.

Section 11.10. Funds and Accounts. Any fund or account required by this Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, 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 Bonds and the rights of every Owner thereof. The Trustee may establish any such additional funds or accounts as it deems necessary to perform its obligations hereunder.

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

Section 11.11. 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 Indenture 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 Indenture and, unless otherwise specifically provided in this Indenture, no interest shall accrue for the period from and after such nominal date.

Section 11.12. Waiver of Personal Liability. No member, officer, agent or employee of the Authority shall be individually or personally liable for the payment of the principal of or premium or interest on the 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 Indenture.

Section 11.13. 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 Indenture; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

Section 11.14. Conclusive Evidence of Regularity. Bonds issued pursuant to this Indenture shall constitute evidence of the regularity of all proceedings under the Bond Law.

Section 11.15. Waiver of Jury Trial. Each of the Authority and the Trustee 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 Indenture, the Series A 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 Authority 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 A 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 Authority and the Trustee 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 Authority and the Trustee 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 Indenture 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 11.16. Governing Law. This Indenture and the Bonds shall be construed and governed in accordance with the laws of the State.

Section 11.17. Execution in Counterparts. This Indenture 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 Authority has caused this Indenture to be signed in its name by its representative thereunto duly authorized, and the Trustee, in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed in its corporate name by its officer thereunto duly authorized, all as of the day and year first above written.

**TRACY SCHOOL FACILITIES
FINANCING AUTHORITY**

By: _____

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

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 Authority:

(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.

(3) Other forms of investments (including investment agreements, including guaranteed investment contracts, or repurchase agreements) approved by the Majority Authority Bond Owner.

EXHIBIT B

FORM OF SERIES A BOND

No.

\$ _____

**TRACY SCHOOL FACILITIES FINANCING AUTHORITY
GENERAL OBLIGATION REVENUE BOND
(FEDERALLY TAXABLE/QUALIFIED SCHOOL CONSTRUCTION BONDS)
SERIES A**

DATED DATE

INTEREST RATE

MATURITY DATE

REGISTERED OWNER:

PRINCIPAL AMOUNT:

THIS BOND IS SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND MAY ONLY BE TRANSFERRED IN ACCORDANCE WITH THE PROVISIONS OF SECTION 2.06 OF THE INDENTURE. NO TRANSFER, SALE OR OTHER DISPOSITION OF THIS BOND MAY BE MADE EXCEPT TO A PERSON THAT IS A QUALIFIED INSTITUTIONAL BUYER.

The Tracy School Facilities Financing Authority (the "Authority"), for value received, hereby promises to pay, solely from the sources hereinafter described, 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 Indenture, dated as of _____, 2011 (the "Indenture"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as Trustee.

This Bond is one of a series of a duly authorized issue of bonds designated "Tracy School Facilities Financing Authority General Obligation Revenue Bonds (Federally Taxable/Qualified School Construction Bonds), Series A" (the "Series A Bonds") in the aggregate principal amount of \$ _____. Pursuant to and as more particularly provided in the Indenture, additional bonds ("Additional Bonds") may be issued by the Authority secured by a lien on a parity with the lien securing the Series A Bonds. The Series A Bonds and any Additional Bonds are collectively referred to as the "Bonds."

The Series A Bonds are issued pursuant to the Indenture and the Marks-Roos Local Bond Pooling Act of 1985, constituting Section 6584 et seq. of the California Government Code (the

"Bond Law"). Reference is hereby made to the Bond Law and to the Indenture and any and all amendments thereof for a description of the terms on which the Series A Bonds are issued, for the rights of the Owners of the Series A Bonds, for the provisions for payment of the Series A Bonds, for the amendment of the Indenture (with or without consent of the Owners of the Series A Bonds); and all the terms of the Indenture are hereby incorporated herein and constitute a contract between the Authority 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 A Bonds shall be payable from the Interest Payment Date next preceding the date of authentication thereof unless (a) a Series A 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 A 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 A Bonds shall be paid in lawful money of the United States on each Interest Payment Date by wire transfer of immediately available funds to the account specified by the Owner thereof in a written instrument delivered to the Trustee prior to the preceding Record Date or, if no such written instrument is so delivered to the Trustee, by check of the Trustee mailed by first-class mail, postage prepaid, on such Interest Payment Date to such Owner at the address shown on the Registration Books as of the close of business on the preceding Record Date. The principal of the Series A 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 Trustee.

The Revenues which secure the Bonds and from which the Bonds are payable consist primarily of (a) amounts derived from or with respect to the Bonds of the School Facilities Improvement District No. 3 of the Tracy Joint Unified School District, Election of 2008, Series 2011A (the "District Bonds"), issued by the Tracy Joint Unified School District (the "District") and acquired by the Authority with proceeds of the Series A Bonds in accordance with the Indenture, including but not limited to all payments of the principal thereof and interest thereon, and (b) the amounts that are received from the United States Treasury with respect to the Series A Bonds under Section 6431 of the Code, which the Authority has elected to receive under Section 6431(f)(2) of the Code, and are deposited in the Revenue Fund, as more fully set forth in the Indenture. Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, in order to secure the payment of the principal of, premium, if any, and interest on the Bonds in accordance with their terms, the provisions of the Indenture and the Bond Law, the Authority pledges to the Owners, and grants thereto a lien on and a security interest in, all of the Revenues and any other amounts held in the Revenue Fund and the Debt Service Fund. Said pledge constitutes a first lien on and security interest in such assets, which shall immediately attach to such assets and be effective, binding and enforceable against the Authority, its successors, purchasers of any of such assets, creditors and all others asserting rights therein, to the extent set forth in, and in accordance with, the Indenture, irrespective of whether those parties have notice of the pledge of, lien on and security interest in such assets and without the need for any physical delivery, recordation, filing or further act.

All obligations of the Authority under the Bonds shall be special obligations of the Authority, payable, as provided in the Indenture, solely from Revenues and the other assets pledged therefor under the Indenture. Neither the faith and credit nor the taxing power of the Authority, the District or the State, or any political subdivision thereof, is pledged to the payment of the Bonds.

The Series A Bonds have been issued to provide funds to acquire the District Bonds and to provide funds to finance certain school facilities of the District.

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

The Series A are issuable as fully registered Series A Bonds without coupons in denominations of \$1,000 or any integral multiple thereof. Subject to the limitations and upon payment of the charges, if any, provided in the Indenture, fully registered Series A Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount and maturity of fully registered Series A Bonds of other Authorized Denominations.

Ownership of a Bond may be transferred (a) only to a Person that is a Qualified Institutional Buyer that is purchasing such Bond for not more than one account for investment purposes and not with a view to distributing such Bond, and (b) only if such Qualified Institutional Buyer delivers to the Authority and the Trustee a completed and duly executed Investor Letter substantially in the form attached as Exhibit C to the Indenture. No Owner of a Bond shall transfer such Bond to any Person that such Owner does not reasonably believe is a Qualified Institutional Buyer that is purchasing such Bond for not more than one account for investment purposes and not with a view to distributing such Bond. Any Owner effecting a transfer of a Bond shall, and does hereby agree to, indemnify the Authority and the Trustee against any liability that may result if such transfer is not made in accordance with this provision of the Indenture. The transferor of ownership of a Bond agrees to provide notice to any proposed transferee of such Bond of the restrictions on transfer described in the Indenture.

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

The Indenture and the rights and obligations of the Authority, the Trustee and the Owners of the Series A 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 Indenture.

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

This Bond shall not be entitled to any benefit, protection or security under the Indenture 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 Trustee.

The Authority hereby certifies that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in the issuance of the Series A Bonds do exist, have happened and have been performed in due time, form and manner as required by law.

IN WITNESS WHEREOF, the Authority has caused this Bond to be signed in its name and on its behalf by the manual or facsimile signature of the Executive Director of the Authority, attested by the manual or facsimile signature of the Secretary of the Authority, all as of the Dated Date identified above.

**TRACY SCHOOL FACILITIES
FINANCING AUTHORITY**

By: _____
Executive Director

ATTEST:

Secretary

CERTIFICATE OF AUTHENTICATION

This is one of the Series A Bonds described in the within-mentioned Indenture and registered on the Registration Books.

Date: _____

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

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 Bond and hereby irrevocably constitute(s) and appoint(s) _____ attorney, to transfer the same on the registration books of the Trustee 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 Trustee.

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

EXHIBIT C

FORM OF INVESTOR LETTER

Tracy School Facilities Financing Authority
c/o Tracy Joint Unified School District
1875 West Lowell Street
Tracy, California 95376
Attention: Associate Superintendent of Business Services

The Bank of New York Mellon Trust Company, N.A.
700 South Flower Street, Suite 500
Los Angeles, California 90017

Re: Tracy School Facilities Financing Authority
General Obligation Revenue Bonds, Series ____

Ladies and Gentlemen:

The undersigned (the "Purchaser") understands that Tracy School Facilities Financing Authority (the "Authority") has, pursuant to the Indenture, dated as of _____ 1, 2011 (the "Indenture"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), issued the Tracy School Facilities Financing Authority General Obligation Revenue Bonds, Series ____, in the aggregate initial principal amount of \$ _____. The Purchaser intends to purchase certain of said Bonds, or a beneficial interest therein (in either case, for purposes of this Investor Letter, the "Bonds"). In connection with such purchase of the Bonds, the Purchaser makes the certifications, representations, warranties, acknowledgements and covenants contained in this Investor Letter to each of the addressees hereof, with the express understanding that such certifications, representations, warranties, acknowledgements and covenants will be relied upon by such addressees. Capitalized undefined terms used herein shall have the meanings ascribed thereto in the Indenture.

The Purchaser hereby certifies, represents, warrants, acknowledges and covenants as follows:

(a) The Purchaser is duly organized, validly existing and in good standing under the laws of the jurisdiction in which it was incorporated or formed and is authorized to invest in the Bonds being purchased hereby. The person executing this letter on behalf of the Purchaser is duly authorized to do so on the Purchaser's behalf.

(b) The Purchaser is a "qualified institutional buyer" (a "Qualified Institutional Buyer") within the meaning of Rule 144A promulgated under the Securities Act of 1933, as amended (the "Securities Act").

(c) The Purchaser is not purchasing the Bonds for more than one account, is purchasing the Bonds for investment purposes and is not purchasing the Bonds with a view to distributing the Bonds.

(d) The Purchaser has sufficient knowledge and experience in financial and business matters, including the purchase and ownership of municipal bonds and other obligations similar to the Bonds, to be capable of evaluating the merits and risks of an investment in the Bonds, and the Purchaser is able to bear the economic risks of such an investment.

(e) The Purchaser recognizes that an investment in the Bonds involves significant risks, that there is no established market for the Bonds and that none is likely to develop and, accordingly, that the Purchaser must bear the economic risk of an investment in the Bonds for an indefinite period of time.

(f) The Purchaser understands and agrees that ownership of a Bond may be transferred (i) only to a Person that is a Qualified Institutional Buyer that is purchasing such Bond for not more than one account for investment purposes and not with a view to distributing such Bond, and (ii) only if such Qualified Institutional Buyer delivers to the Authority and the Trustee a completed and duly executed Investor Letter substantially in the form attached to the Indenture as Exhibit C.

(g) The Purchaser understands and agrees that it may transfer all or any part of the Bonds only to an institution that the Purchaser reasonably believes is a Qualified Institutional Buyer that is purchasing such Bonds for not more than one account for investment purposes and not with a view to distributing such Bonds.

(h) The Purchaser is not relying upon the Authority, the Trustee, the Tracy Joint Unified School District or any of their affiliates or employees for advice as to the merits and risks of investment in the Bonds. The Purchaser has sought such accounting, legal and tax advice as it has considered necessary to make an informed investment decision.

(i) The Purchaser has conducted its own independent examination of, and has had an opportunity to ask questions and receive answers concerning the Authority, the Trustee, the Tracy Joint Unified School District, the Indenture, the Bonds, and the security therefor, the School Facilities Improvement District No. 3 of the Tracy Joint Unified School District, the Paying Agent Agreement, the District Bonds, and the security therefor, and the transactions and documents related to or contemplated by the foregoing.

(j) The Purchaser has been furnished with all documents and information regarding the Authority, the Trustee, the Tracy Joint Unified School District, the Indenture, the Bonds, and the security therefor, the School Facilities Improvement District No. 3 of the Tracy Joint Unified School District, the Paying Agent Agreement, the District Bonds, and

the security therefor, and the transactions and documents related to or contemplated by the foregoing, and all matters related thereto, that it has requested.

(k) The Purchaser understands that the offering and sale of the Bonds by the Authority were exempt from Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, pursuant to Section (d) of said Rule.

(l) The Purchaser understands that the Bonds carry no rating from any rating service.

(m) The Purchaser understands that the Bonds are not registered under the Securities Act of 1933 and are not registered or otherwise qualified for sale under the "blue sky" laws and regulations of any state.

(n) The Purchaser understands and acknowledges that interest on the Bonds is not excluded from gross income for purposes of federal income taxation under the Internal Revenue Code of 1986.

IN WITNESS WHEREOF, the Purchaser has executed this Investor Letter as of the date set forth below.

Dated: _____

Very truly yours,

[Printed Name of Purchaser]

By: _____

Name: _____

Title: _____

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 from 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)