

Consent Item E.3.1.
Prepared by Karl Christensen
April 5, 2011

Approval of Hard Drive Replacement of
Existing Mitel Phone Switch at the District
Office and School Sites

BACKGROUND:

The Mitel Phone System at the District Office and school sites is approximately 11 years old. There are a total of 9 Mitel SX2000 switches. There is a switch at the District Office Technology's Data Center and one switch at each of the schools, except Rio Seco School, whose phone service is running off the District's switch.

The hard drive in the phone switch holds the information on the phone circuit, call routing, DID (Direct Inbound Dialing) extension, name appearance, automated calling distribution, and call transfer. This information is the logic inside the physical phone switch.

Reliability of the existing Hard Drives

The existing hard drives are as old as the phone switches and some units are starting to experience data corruption. This is an indication of possible hardware failure. In the event of a hard drive failure, the phone service will be disrupted.

As part of the modernization work at Chet F. Harritt, Hill Creek, and PRIDE Academy at Prospect Avenue schools, phone switch modules must be replaced to switch from fiber to copper wiring. Administration recommends concurrent replacement of phone switch hard drives.

RECOMMENDATION:

It is recommended that the Board of Education approve the replacement of the hard drives and RSD Back-Up disk for the phone switches at the District Office and 8 school sites.

This recommendation supports the following District goal:

- Provide facilities that optimize the learning environment for all students.

FISCAL IMPACT:

The fiscal impact of the hardware and installation cost is as follows to be charged to Capital Improvement Program funds:

District Office	\$3,071.00
SX-2000 Hard Disk Drive Upgrade and RSD Optical Disk	
8 x School Sites	\$13,848.00
SX-2000 Hard Disk Drive Upgrade and RSD Optical Disk	
Freight	\$66.00
Sales Tax	\$779.10
Total	\$17,764.10

STUDENT ACHIEVEMENT IMPACT:

Replacement of the phone switch hard drives would ensure uninterrupted phone services to the District offices, schools and classrooms. Phone communication to the classrooms is important for student safety.

Motion:		Second:		Vote:		Agenda Item E.3.1.
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Consent Item E.3.2.
Prepared by Karl Christensen
April 5, 2011

Approval of Site DSA Inspector IOR
for Chet F. Harritt School Modernization

BACKGROUND:

The Division of State Architect (DSA) reviews and approves all school construction projects. Part of the construction process requires Inspectors of Record (IOR) services be assigned to the construction of school projects. These entities must be DSA-qualification approved.

RECOMMENDATION:

It is recommended that the Board of Education approve IOR services with Hendrix, California School Construction Services, for the Chet F. Harritt School modernization project.

This recommendation supports the following District goals:

- Provide facilities that optimize the learning environment for all students.
- Pursue actively the funding and resources to fulfill our mission and maintain fiscal solvency.

FISCAL IMPACT:

The fiscal impact of Phase 2 IOR and staff extension services will be funded from CIP funds, and Prop R bond proceeds. The fiscal breakdown is as follows:

Inspection Services (2 inspectors assigned)	\$66,600
Staff Extension Services	\$8,920

STUDENT ACHIEVEMENT IMPACT:

The Modernization/Capital Improvement Program plans will positively impact student learning environments.

Motion:		Second:		Vote:		Agenda E.3.2.
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Discussion and/or Action Item F.2.1. Adoption of Resolution #1011-19, to Issue Series E General Obligation Bonds

Prepared by Karl Christensen
April 5, 2011

BACKGROUND:

On November 7, 2006, the registered voters of the District approved the authorization for the District to issue a total of \$60 million in general obligation bonds (the "Bond Authorization") to "modernize classroom facilities, upgrade safety systems, enhance technology, improve traffic flow, and indoor/outdoor learning spaces, provide improved access for persons with disabilities, enhance technology and science lab facilities, and provide additional classrooms."

In 2007, the \$18,000,000 Santee School District General Obligation Bonds, Election of 2006, Series A (the "2006 Bonds") were issued pursuant to the Bond Authorization. The proceeds of the Series A Bonds were used to finance new and modernized classrooms at five (5) of the District's nine (9) schools. On August 20, 2008, pursuant to the Bond Authorization, the \$12,385,076.75 Santee School District, General Obligation Bonds, Election of 2006, Series B, the \$2,869,039.35 Santee School District, General Obligation Bonds, Election of 2006, Series C and the \$7,840,155.20 Santee School District, General Obligation Bonds, Election of 2006, Series D (collectively, the "2008 Bonds") were issued. The proceeds of the 2008 Bonds were also used to finance new and modernized classrooms at five (5) of the District's nine (9) schools. There is currently \$18,905,728.70 principal amount remaining from the Bond Authorization for the issuance of additional bonds.

The District proposes to commence the construction of a new 10 classroom addition for the Hill Creek Elementary School ("Hill Creek") in July concurrent with the commencement of modernization of Hill Creek. It is proposed that the Board of Education authorize the issuance of not to exceed \$5,000,000 principal amount of the Santee School District 2011 General Obligation Bonds, Election of 2006, Series E (the "Bonds") in order to finance the construction of the classroom addition.

The Bonds are proposed to be issued by the District pursuant to the California Constitution, Chapter 1.5 of the California Education Code, the Bond Authorization and Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Act"), the Bond Authorization and a resolution of the Board of Education authorizing the issuance of the Bonds (the "Resolution of Issuance") presented to the Board of Education for its consideration.

By adoption of the Resolution of Issuance, the Board of Education will be:

- authorizing the issuance of the Bonds in a principal amount not to exceed \$5,000,000;

- authorizing the sale of the Bonds as a negotiated sale to Stone & Youngberg LLC (the "Underwriter") for the reasons specified in the Resolution of Issuance and subject to the following parameters:
 - the purchase price for the Bonds shall not be less than par, i.e., 100% of the principal amount of the Bonds;
 - the true interest cost for the Bonds shall not be in excess of 9.00%;
 - the Underwriter's discount shall not exceed 1.7% of the principal amount of the Bonds (excluding any costs of issuance the Underwriter agrees to pay);
- approving the form of a Bond Purchase Agreement by and between the District and the Underwriter to establish the terms and conditions pursuant to which the Bonds will be sold by the District and purchased by the Underwriter and authorizing the Superintendent or Assistant Superintendent, Business Services, to approve and execute the final form of the Bond Purchase Agreement;
- approving the terms and conditions which will apply to the Bonds, including but not limited to:
 - the Bonds shall be structured as capital appreciation bonds, i.e., bonds that accrete interest rather than pay current interest to the owners of such bonds, and/or convertible capital appreciation bonds, i.e., bonds that accrete interest from the date of issuance to the conversion date, and, following the conversion date, pay current interest to the date of maturity of such bonds; and
 - the final maturity of the Bonds shall not exceed 40 years;
- requesting that the County of San Diego (the "County") levy on all taxable property in the District a continuing direct *ad valorem* tax in an amount sufficient to pay the scheduled debt service on the Bonds;
- requesting that the County direct the Treasurer-Tax Collector of the County to serve as the paying agent for the Bonds;
- approving the form of the Preliminary Official Statement pertaining to the Bonds and authorizing the Superintendent or Assistant Superintendent, Business Services, to deem the Preliminary Official Statement "final" prior to its distribution and to approve and execute a final Official Statement;
- agreeing that the District will comply with and carry out the provisions of the Continuing Disclosure Certificate (Appendix C of the Preliminary Official Statement) to provide annual reports and certain additional reports upon the occurrence of certain specified events to comply with the requirements of federal securities laws and regulations; and
- appointing Best Best & Krieger LLP as bond and disclosure counsel for the Bonds.

To review the Preliminary Official Statement and the Bond Purchase Agreement, see Supplement A.

RECOMMENDATION:

It is recommended that the Board of Education adopt Resolution #1011-19, "Resolution of the Board of Education of the Santee School District Authorizing the Issuance of the Santee School District General Obligation Bonds, Election of 2006, Series E, in an Aggregate Principal Amount not to Exceed Five Million Dollars (\$5,000,000)" as submitted.

This recommendation supports the following District goal:

- Pursue actively the funding and resources to fulfill our mission and maintain fiscal solvency.
- Provide facilities that optimize the learning environment for all students.

FISCAL IMPACT:

The fiscal impact is up to \$5 million in bond proceeds for the Capital Improvement Program

STUDENT ACHIEVEMENT IMPACT:

This is a fiscal item. All fiscal resources impact student achievement.

Motion:		Second:		Vote:		Agenda Item F.2.1.
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RESOLUTION NO. 1011-19

**RESOLUTION OF THE BOARD OF EDUCATION OF
SANTEE SCHOOL DISTRICT AUTHORIZING THE
ISSUANCE OF SANTEE SCHOOL DISTRICT 2011
GENERAL OBLIGATION BONDS, ELECTION OF 2006,
SERIES E, IN AN AGGREGATE PRINCIPAL AMOUNT
NOT TO EXCEED FIVE MILLION DOLLARS (\$5,000,000)**

WHEREAS, pursuant to paragraph (3) of subdivision (b) of Section 1 of Article XIII A and subdivision (b) of Section 18 of Article XVI of the California Constitution and Chapter 1.5 of Part 10, Division 1, Title 1 of the Education Code of the State of California ("Chapter 1.5"), an election was duly called and regularly held in the Santee School District, County of San Diego, California (herein called the "District"), on November 7, 2006 (the "Election"), at which a bond proposition (the "Bond Proposition") summarized as follows was submitted to the electors of the District:

"To improve the quality of education, shall the Santee School District modernize classroom facilities upgrade safety systems, enhance technology, improve traffic flow, and indoor/outdoor learning spaces, provide improved access for persons with disabilities, enhance technology and science lab facilities, and provide additional classrooms by issuing \$60,000,000 of bonds at an interest rate not to exceed the statutory limit, with a citizens' oversight committee, independent audits, and no money for salaries or administration"; and

WHEREAS, fifty-five percent or more of the votes cast on the Bond Proposition were in favor thereof and it was therefore approved (as approved, the "Bond Authorization"); and

WHEREAS, on April 17, 2007, pursuant to the Bond Authorization, the \$18,000,000 Santee School District 2007 General Obligation Bonds, Election of 2006, Series A" (the "Series A Bonds") were issued; and

WHEREAS, on August 20, 2008, pursuant to the Bond Authorization, the \$12,385,076.75 Santee School District, General Obligation Bonds, Election of 2006, Series B, the \$2,869,039.35 Santee School District, General Obligation Bonds, Election of 2006, Series C and the \$7,840,155.20 Santee School District, General Obligation Bonds, Election of 2006, Series D were issued; and

WHEREAS, the Board of Education of the District (the "Board of Education") has determined that general obligation bonds of the District to be designated "Santee School District 2011 General Obligation Bonds, Election of 2006, Series E" (the "Bonds"), shall be issued pursuant to the Bond Authorization in an aggregate principal amount that shall not exceed Five Million Dollars (\$5,000,000); and

WHEREAS, the District has not received a qualified or negative certification in its most recent interim report; and

WHEREAS, pursuant to the California Constitution, Chapter 1.5 of the California Education Code, the Bond Authorization and Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Act"), the Bonds are authorized to be issued for the purposes set forth in the Bond Authorization; and

WHEREAS, this Board of Education further deems it necessary and desirable to authorize the sale of the Bonds by a negotiated sale to Stone & Youngberg LLC. (the "Underwriter"), pursuant to a Bond Purchase Agreement (the "Bond Purchase Agreement"), and pursuant to Education Code Section 15146 has found and determined the following reasons therefor: to (1) better ensure that the tax rate estimated to voters at the time of the election will be maintained; (2) allow the District to control the timing and structuring of the sale of the Bonds to the municipal bond market and, potentially, take advantage of interest rate opportunities for the favorable sale of the Bonds; (3) provide more flexibility in the debt structure; (4) allow the District to work with participants familiar with the District; and (5) provide an ability to implement the sale of the Bonds in a shorter time period, an increased ability to structure the Bonds to fit the needs of particular purchasers, and a greater opportunity for the Underwriter to pre-market the Bonds to potential purchasers, including local residents, prior to the sale, all of which will contribute to the District's goal of achieving the lowest overall cost of funds; and

WHEREAS, the District has appointed Best Best & Krieger LLP as Bond and Disclosure Counsel to the District with respect to the Bonds; and

WHEREAS, in accordance with Education Code Section 15146, estimates of the costs associated with the issuance of said bonds are attached hereto as Exhibit A; and

WHEREAS, there have been submitted and are on file with the Secretary of this Board of Education proposed forms of a Bond Purchase Agreement and an Official Statement with respect to the Bonds proposed to be sold; and

WHEREAS, all acts, conditions and things required by law to be done or performed have been done and performed in strict conformity with the laws authorizing the issuance of general obligation bonds of the District, and the indebtedness of the District, including the proposed issuance of the Bonds, is within all limits prescribed by law;

NOW, THEREFORE, THE BOARD OF EDUCATION OF SANTEE SCHOOL DISTRICT DOES HEREBY RESOLVE, DETERMINE AND ORDER, AS FOLLOWS:

Section 1. Authorization of the Bonds.

To raise money for the purposes authorized by voters of the District at the Election by approval of the Bond Authorization and to pay all necessary legal, financial and contingent costs in connection with the issuance of the Bonds, this Board hereby authorizes the issuance of the Bonds pursuant to the Act in one or more sub-series, and orders such Bonds sold at one or more negotiated sales such that the Bonds shall accrete or bear interest at rates not to exceed that authorized by the Bond Authorization, shall be payable upon such terms and provisions as shall be set forth in the Bonds, and shall be in an aggregate principal amount not-to-exceed \$5,000,000. The Bonds shall be issued at Capital Appreciation Bonds or Convertible Capital Appreciation Bonds.

The provisions, covenants and agreements set forth in this Resolution to be performed by or on behalf of the District constitute a contract for the equal benefit, protection and security of the Owners of the Bonds. All of the Bonds, without regard to the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof, except as expressly provided in or permitted by this Resolution.

Section 2. Approval of Negotiated Sale of the Bonds to the Underwriter pursuant to the Bond Purchase Agreement.

The Board hereby approves the sale of the Bonds at a negotiated sale to the Underwriter. The Bond Purchase Agreement for the Bonds, in substantially the form submitted to this Board of Education, is hereby approved, and the Superintendent of the District, the Assistant Superintendent, Business Services, of the District, or such other officer of the District designated in writing by the Superintendent or Assistant Superintendent, Business Services, for the purpose (each an "Authorized District Representative"), is hereby authorized and directed on behalf of the District to execute and approve the Bond Purchase Agreement providing for the sale by the District of the Bonds and the purchase by the Underwriter of the Bonds at a purchase price to be set forth therein; provided, that (i) said purchase price shall not be less than 100% of the principal amount of the Bonds; (ii) the true interest cost for the Bonds shall not be in excess of 9.00%, (iii) the effective compounded rate of interest on each Bond shall not exceed 12% per annum; (iv) the Underwriter's discount shall not exceed 1.70% of the aggregate principal amount of the Bonds (excluding any costs of issuance the Underwriter agrees to pay pursuant to the Bond Purchase Agreement); and (vi) the Bonds shall otherwise conform to the limitations specified herein; and provided further, that such execution and approval shall constitute conclusive evidence of the approval by the District of any changes or revisions therein from the form of Bond Purchase Agreement filed herewith.

Section 3. Definitions.

Unless otherwise set forth herein, as used in this Resolution, the terms set forth below shall have the following meanings given to them:

"Accreted Interest" means, with respect to the Bonds, the Accreted Value thereof minus the Denominational Amount thereof as of the date of calculation.

"Accreted Value" means with respect to the Bonds, as of the date of calculation, the Denominational Amount thereof, plus Accreted Interest thereon to such date of calculation, compounded semiannually on each February 1 and August 1, April 1 and October 1 or April 15 and October 15 (as specified in the Bond Purchase Agreement, commencing on the date stated in the Bond Purchase Agreement) at the stated Accretion Rate to maturity thereof, assuming in any such semiannual period that such Accreted Value increases in equal daily amounts on the basis of a 360-day year of twelve 30-day months.

"Accretion Rate" means, unless otherwise provided in the Bond Purchase Agreement, that rate which, when applied to the Denominational Amount of any Capital Appreciation Bond or a Convertible Capital Appreciation Bond and compounded semiannually on each February 1 and August 1, April 1 and October 1 or August 15 or October 15 (as specified in the Bond

Purchase Agreement, commencing on the date set forth in the Bond Purchase Agreement), produces the Maturity Value on the maturity date (with respect to the Capital Appreciation Bonds) and the Conversion Value on the Conversion Date (with respect to the Convertible Capital Appreciation Bonds).

“Assistant Superintendent” means the Assistant Superintendent, Business Services, of the District.

“Bond Insurer” means any insurance company which issues a municipal bond insurance policy insuring the payment of the Principal of and interest on Convertible Capital Appreciation Bonds following the Conversion Date or the Denominational Amount and Accreted Interest of Capital Appreciation Bonds and the Convertible Capital Appreciation Bonds prior to the Conversion Date.

“Bond Payment Date” means (unless otherwise provided in the Bond Purchase Agreement), February 1 and August 1, April 1 and October 1 or April 15 and October 15 of each year as specified in the Bond Purchase Agreement, with respect to the compounding of interest on the Capital Appreciation Bonds and the Convertible Capital Appreciation Bonds prior to the Conversion Date; February 1 and August 1, April 1 and October 1 or April 15 and October 15 of each year as specified in the Bond Purchase Agreement, with respect to the payment of interest on the Convertible Capital Appreciation Bonds following the Conversion Date and April 1, April 15, August 1 or October 1 for payment of Accreted Value or Maturity Value on the Capital Appreciation Bonds and the Conversion Value on the Convertible Capital Appreciation Bonds as specified in the Bond Purchase Agreement.

“Bond Register” shall mean the registration books or records maintained by the Paying Agent for the Bonds.

“Bonds” or “Series E Bonds” means the Santee School District General Obligation Bonds, Election of 2006, Series E.

“Building Fund” means the fund by that name established pursuant to Section 10 hereof.

“Business Day” means any day other than (i) a Saturday or a Sunday or (ii) a day on which banking institutions in the State of California, the State of New York, or in the state in which the Paying Agent has its principal office are authorized or obligated by law or executive order to be closed.

“Capital Appreciation Bonds” means any Bonds the interest component of which is compounded semiannually on each Bond Payment Date to maturity as shown in the table of Accreted Value for such Bonds in the Bond Purchase Agreement.

“Code” means the Internal Revenue Code of 1986, as amended.

“Continuing Disclosure Certificate” means the Continuing Disclosure Certificate to be executed by the District pursuant to Rule 15c2-12(b)(5) of the Securities and Exchange Commission and dated the date of issuance and delivery of the Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Conversion Date” means, as to the Convertible Capital Appreciation Bonds, the date as specified in the Bond Purchase Agreement on which such Bonds shall convert to current interest bonds.

“Conversion Value” means, as to the Convertible Capital Appreciation Bonds, the Accreted Value of any Convertible Capital Appreciation Bond on its Conversion Date.

“Convertible Capital Appreciation Bonds” means any Bonds the interest component of which is compounded semiannually on each Bond Payment Date to the Conversion Date as shown in the table of Accreted Value for such Bonds in the Bond Purchase Agreement and, from and after the Conversion Date, bear interest on its Conversion Value which is payable semiannually on each Bond Payment Date specified for such Bond as designated and maturing in the years and in the amounts set forth in the Bond Purchase Agreement.

“County” means the County of San Diego.

“Debt Service Fund” means the fund by that name established pursuant to Section 10 hereof.

“Denominational Amount” means, with respect to any Capital Appreciation Bonds or Convertible Capital Appreciation Bonds, the initial purchase price thereof, which represents the principal amount thereof.

“Depository” means DTC or a substitute securities depository acting as Depository pursuant to Section 4(c) hereof.

“DTC” means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, in its capacity as the initial Depository.

“Information Services” means Financial Information, Inc.'s "Daily Called Bond Service," 1 Cragwood Road, 2nd Floor, South Plainfield, New Jersey 07080, Attention: Editor; Standard & Poor's Ratings Corp "Called Bond Data," 55 Water Street, New York, New York, 10041; FIS/Mergent, 580 Kingsley Park Drive, Fort Mill, South Carolina, 28715, Attention: Called Bond Department, and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to called bonds as the District may designate in a written request of the District delivered to the Paying Agent.

“Maturity Value” means the Accreted Value of any Capital Appreciation Bond on its maturity date.

“Official Statement” means the final Official Statement with respect to the Bonds.

“Owner” or “Owners” means an Owner of or the Owners of the outstanding Bonds as recorded in the Bond Register.

“Paying Agent” means the San Diego County Treasurer – Tax Collector or such financial institution that the Assistant Superintendent appoints and who is named as Paying Agent in the Official Statement, or any successor thereto.

“Paying Agent Agreement” means the Paying Agent Agreement to be entered into between the District and the Paying Agent.

“Principal” or “Principal Amount” means, with respect to any Capital Appreciation Bond and any Convertible Capital Appreciation Bond, the Denominational Amount thereof.

“Record Date” means the close of business on the fifteenth day of the month preceding each Bond Payment Date.

“Resolution” means this Resolution.

“Securities Depositories” means the following: The Depository Trust Company, with Cede & Co. as its nominee, Call Notification Department, 55 Water Street, 25th Floor, New York, NY 10041, Telecopy: (212) 855-5004, and in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the District may designate in a written request of the District delivered to the Paying Agent.

“Term Bonds” means those Bonds, if any, for which mandatory sinking fund redemption dates have been established pursuant to the Bond Purchase Agreement.

“Transfer Amount” means, with respect to any outstanding Capital Appreciation Bond or Convertible Capital Appreciation Bond, the Maturity Value.

“Treasurer” means the Treasurer-Tax Collector of the County of San Diego.

Section 4. Terms of the Bonds.

(a) Denomination, Interest, Dated Dates, Maturity Dates.

The Bonds shall be issued as Bonds registered as to both principal and interest, in a Five Thousand Dollars (\$5,000) Maturity Value, or any integral multiple thereof.

Each Capital Appreciation Bond shall be dated, and shall accrete interest from, its date of initial issuance. Capital Appreciation Bonds shall not bear interest on a current basis.

Each Convertible Capital Appreciation Bond shall be dated, and shall accrete interest from, its date of initial issuance to its Conversion Date. Each Convertible Capital Appreciation Bond shall bear interest on a current basis from and after its Conversion Date.

The Bonds shall bear interest or accrete interest at a rate or rates such that the interest rate on any Bond shall not exceed twelve percent (12%) per annum. Interest shall be payable on the Bond Payment Dates. Interest shall be calculated on the basis of a 360-day year comprised of twelve 30-day months.

Pursuant to Section 53508 of the Government Code of the State of California, the time of maturity of the Bonds shall not exceed forty (40) years.

The Capital Appreciation Bonds shall mature in the years and shall be issued in the aggregate Denominational Amounts set forth in the Bond Purchase Agreement, and shall have Denominational Amounts and Maturity Values per each Five Thousand Dollars (\$5,000) in Maturity Value and Accretion Rates as shown in the Accreted Value Table and as specified in the Bond Purchase Agreement; provided, that if the amount of the Accreted Value shown in such Accreted Value Table and the Accreted Value of any Capital Appreciation Bonds, as calculated by the District, by application of the definition of Accreted Value set forth in Section 3 hereof, [and approved by the Bond Insurer,] are different, such calculated and approved amount shall be the Accreted Value of such Capital Appreciation Bonds.

The Convertible Capital Appreciation Bonds shall mature in the years and shall be issued in the aggregate Denominational Amounts set forth in the Bond Purchase Agreement, and shall have Denominational Amounts and Conversion Values per each Five Thousand Dollars (\$5,000) in Conversion Value and Accretion Rates as shown in the Accreted Value Table and as specified in the Bond Purchase Agreement; provided, that if the amount of the Accreted Value shown in such Accreted Value Table and the Accreted Value of any Convertible Capital Appreciation Bonds, as calculated by the District, by application of the definition of Accreted Value set forth in Section 3 hereof[, and approved by the Bond Insurer,] are different, such calculated and approved amount shall be the Accreted Value of such Convertible Capital Appreciation Bonds.

(b) Redemption.

(1) Optional Redemption. The Bonds shall be subject to optional redemption as provided in the Bond Purchase Agreement.

(2) Mandatory Redemption. As provided in the Bond Purchase Agreement, any Bonds issued as Term Bonds are subject to mandatory redemption without premium from funds in the Debt Service Fund prior to their stated Maturity Dates, at the Principal Amount or Accreted Value thereof on each August 1, April 1 or April 15 as specified in the Bond Purchase Agreement, commencing in the year specified in the Bond Purchase Agreement and in Principal Amounts or Accreted Values as specified in the Bond Purchase Agreement.

(3) Selection of Bonds for Redemption. Upon any optional redemption of Bonds, if less than all outstanding Bonds are to be redeemed, the Paying Agent, upon written instruction from the District, shall select Bonds for redemption as so directed in such written instruction or, if no direction is given, in inverse order of maturity. Within a maturity, the Paying Agent shall select Bonds for redemption by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine to be appropriate. If the Bond Purchase Agreement provides for the optional redemption of Bonds, the portion of any Bond to be redeemed in part shall be in integral multiples of the Accreted Value per Five Thousand Dollars (\$5,000) of the Maturity Value or Conversion Value thereof, as applicable. If some but not all of the Term Bonds are redeemed, the aggregate Principal Amount of the Term Bonds to be redeemed in each year shall be reduced by the aggregate Principal Amount of the Term Bonds so redeemed to be allocated among Principal Amounts on a pro-rata basis in integral multiples of Five Thousand Dollars (\$5,000).

(4) Notice of Redemption. When redemption is authorized or required, and when the Paying Agent receives written instructions from the District, the Paying Agent shall give notice (a "Redemption Notice") of the redemption of the Bonds. Such Redemption Notice shall specify: (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the Principal Amount and stated Maturity Date of each Bond to be redeemed in part. Such Redemption Notice shall further state that on the specified redemption date there shall become due and payable upon each Bond, or portion thereof being redeemed, the redemption price thereof, together with the interest accrued or accreted to the redemption date, and that from and after such date, interest with respect to each Bond shall cease to accrue or accrete.

The Paying Agent shall take the following actions with respect to any such Redemption Notice:

(A) At least thirty (30) but not more than forty-five (45) days prior to the redemption date, the Redemption Notice shall be given to the respective Owners of Bonds designated for redemption by first class mail, postage prepaid, at their addresses appearing on the Bond Register.

(B) At least thirty (30) but not more than forty-five (45) days prior to the redemption date, the Redemption Notice shall be given by (1) first class mail, postage prepaid, (2) telephonically confirmed facsimile transmission, or (3) overnight delivery service, to each of the Securities Depositories.

(C) At least thirty (30) but not more than forty (45) days prior to the redemption date, the Redemption Notice shall be given by (1) first class mail, postage prepaid, (2) telephonically confirmed facsimile transmission, or (3) overnight delivery service, to one of the Information Services.

Neither failure to receive or failure to give any Redemption Notice nor any defect in any such Redemption Notice so given shall affect the sufficiency of the proceedings for the redemption of the Bonds which are being redeemed. Each check issued or other transfer of funds made by the Paying Agent for the purpose of redeeming Bonds shall bear or include the CUSIP number identifying, by series and maturity, the Bonds being redeemed with such check or other transfer.

(5) Contingent Redemption. Any Redemption Notice may specify that redemption of the Bonds designated for redemption on the specified date will be subject to the receipt by the District of monies sufficient to cause such redemption (and will specify the proposed source of such monies), and neither the District nor the County will have any liability to the Owners of any Bonds, or any other party, as a result of the District's failure to redeem the Bonds designated for redemption as a result of insufficient monies therefor.

(6) Partial Redemption of Bonds. Upon the surrender of any Bond redeemed in part only, the District shall execute and the Paying Agent shall authenticate and deliver to the Owner thereof a new Bond or Bonds of like series, tenor and maturity and of authorized denominations equal in Transfer Amount to the unredeemed portion of the Bond surrendered. Such partial redemption shall be valid upon payment of the amount required to be paid to such Owner, and the District shall be released and discharged thereupon from all liability to the extent of such payment.

(7) Effect of Notice of Redemption. Notice having been given as aforesaid, and funds for the redemption of the Bonds (including interest accrued thereon to the date of redemption) having been set aside in the Debt Service Fund, the Bonds to be redeemed shall become due and payable on such date of redemption.

If on such redemption date, money for the redemption of all the Bonds to be redeemed, as provided in subsections (b)(1) and (b)(2) of this Section 4, including interest accrued thereon to such redemption date, shall be held by the Paying Agent so as to be available therefor on such redemption date, and if notice of redemption thereof shall have been given as aforesaid, then from and after such redemption date, interest with respect to the Bonds to be redeemed shall cease to accrue or accrete and become payable. All money held by or on behalf of the Paying Agent for the redemption of Bonds shall be held in trust for the account of the Owners of the Bonds to be redeemed.

All Bonds paid at maturity or redeemed prior to maturity pursuant to the provisions of this Section 4 shall be cancelled, upon surrender thereof, and shall be delivered to the District.

(8) Purchase of Bonds. In lieu of payment at maturity or redemption under this subsection (b), at the request of the District, moneys in the Debt Service Fund may be used and withdrawn by the Treasurer for the purchase of outstanding Bonds, at public or private sale as and when, and at such prices (including brokerage and other charges) as the District may direct, but in no event may Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase. All or any portion of any Bond purchased by the Treasurer, in lieu of payment at maturity or redemption, shall be surrendered to and cancelled by the Paying Agent and delivered to the District.

(8) Bonds No Longer Outstanding. When any Bonds (or portions thereof), which have been duly called for redemption prior to maturity under the provisions of this Resolution, or with respect to which irrevocable instructions to call for redemption prior to maturity at the earliest redemption date have been given to the Paying Agent, in form satisfactory to the Paying Agent, and sufficient funds shall be held by the Paying Agent irrevocably in trust for the payment of the redemption price of such Bonds, or portions thereof, and, in the case of Convertible Capital Appreciation Bonds following the Conversion Date, accrued interest with respect thereto to the date fixed for redemption, all as provided in this Resolution, then such Bonds shall no longer be deemed outstanding and shall, as herein previously provided, be surrendered to the Paying Agent for cancellation.

(9) Transfer of Funds to the Paying Agent. Prior to the redemption date selected for optional redemption of Bonds as provided in subsection (b)(1) of this Section 4, the Treasurer

shall not later than the Business Day before such redemption date, transfer from the Debt Service Fund to the Paying Agent the funds required to pay the redemption prices for the Bonds selected for redemption.

(c) Book-Entry System.

(1) Definitions. As used in this subsection (c), the terms set forth below shall have the meanings ascribed to them:

“Nominee” means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to this subsection (c). Initially, “Nominee” means Cede & Co., the nominee of DTC, the initial Depository.

“Participants” means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds book-entry certificates as securities depository.

(2) Election of Book-Entry System. The Assistant Superintendent shall cause the delivery of a separate single fully-registered bond (which may be typewritten) for each maturity date of the Bonds in an authorized denomination (except for any odd denomination Capital Appreciation Bond). The ownership of each such Bond shall be registered in the Bond Register in the name of the Nominee, as nominee of the Depository, and ownership of the Bonds, or any portion thereof, may not thereafter be transferred except as provided in this subsection (c). Each such book-entry Bond shall be delivered to DTC on the date of delivery of the Bonds to the Underwriter.

With respect to book-entry Bonds, the District and the Paying Agent shall have no responsibility or obligation to any Participant or to any person on behalf of which such a Participant holds an interest in such book-entry Bonds. Without limiting the immediately preceding sentence, the District and the Paying Agent shall have no responsibility or obligation with respect to (1) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in book-entry Bonds; (2) the delivery to any Participant or any other person, other than an Owner as shown in the Bond Register, of any notice with respect to book-entry Bonds, including any notice of redemption; (3) the selection by the Depository and its Participants of the beneficial interests in book-entry Bonds to be redeemed in the event the District redeems the Bonds in part; or (4) the payment by the Depository, or any Participant or any other person, of any amount with respect to Principal of, premium, if any, or interest on or Accreted Value of the book-entry Bonds. The District and the Paying Agent may treat and consider the person in whose name each book-entry Bond is registered in the Bond Register as the absolute owner of such book-entry Bond for the purpose of payment of Principal of, premium, if any, and interest on or Accreted Value of such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Paying Agent shall pay all Principal of, premium, if any, and interest on or Accreted Value of the Bonds only to or upon the order of the Owners, as shown in the Bond Register, or an attorney duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the District’s obligations with respect to payment of Principal of, premium, if any, and

interest on or Accreted Value of the Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the Bond Register, shall receive a certificate evidencing the obligation to make payments of Principal of, premium, if any, and interest on or Accreted Value of the Bonds. Upon delivery by the Depository to the District and the Paying Agent of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions of this Resolution with respect to the Record Date, the word "Nominee" shall refer to such nominee of the Depository.

(3) Delivery of Letter of Representations. In order to qualify the book-entry Bonds for the Depository's book-entry system, the District shall execute and deliver to the Depository a Letter of Representations. The execution and delivery of a Letter of Representations shall not in any way impose upon the District or the Paying Agent any obligation whatsoever with respect to persons having interests in such book-entry Bonds other than the Owners thereof, as shown on the Bond Register. By executing a Letter of Representations, the District shall agree to take all action necessary at all times so that the District will be in compliance with all representations of the District in such Letter of Representations. In addition to the execution and delivery of a Letter of Representations, the District shall take such other actions, not inconsistent with this Resolution, as are reasonably necessary to qualify the Bonds for the Depository's book-entry system.

(4) Selection of Depository. In the event (1) the Depository determines not to continue to act as securities depository for book-entry Bonds; or (2) the District determines that continuation of the book-entry system is not in the best interest of the Owners of the Bonds or the District, the District shall discontinue the book-entry system with the Depository. If the District determines to replace the Depository with another qualified securities depository, the District shall prepare or direct the preparation of a new single, separate, fully registered Bond for each Maturity Date of such book-entry Bonds, registered in the name of such successor or substitute qualified securities depository or its Nominee as provided in subsection (vi) below. If the District fails to select another qualified securities depository to replace the Depository, the Bonds shall no longer be restricted to being registered in the Bond Register in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging such Bonds shall designate, in accordance with the provisions of this subsection (c).

(5) Payments to Depository. Notwithstanding any other provision of this Resolution to the contrary, so long as all outstanding Bonds are in book-entry form and registered in the name of the Nominee, all payments with respect to Principal of, premium, if any, and interest on or Accreted Value of the Bonds and all notices with respect to the Bonds shall be made and given to the Nominee, as provided in the Letter of Representations or as otherwise instructed by the Depository and agreed to by the District, notwithstanding any inconsistent provisions of this Resolution.

(6) Transfer of Bonds to Substitute Depository.

(A) The Bonds shall be initially issued and delivered to DTC as described in the Official Statement. Registered ownership of the Bonds, or any portions thereof, may not thereafter be transferred except:

(i) to any successor of DTC or its Nominee, or of any substitute depository designated by the District as provided in this subsection (c) ("Substitute Depository"); provided that any successor of DTC or any Substitute Depository shall be qualified under any applicable laws to provide the services proposed to be provided by it;

(ii) to any Substitute Depository, upon (a) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as Depository, or (b) a determination by the District that DTC or its successor (or any Substitute Depository or its successor) is no longer able to carry out its functions as Depository; provided that any such Substitute Depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(iii) to any person, as provided below, upon (a) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as Depository, or (b) a determination by the District that DTC or its successor (or any Substitute Depository or its successor) is no longer able to carry out its functions as Depository.

(iv) In the case of any transfer pursuant to paragraph (A)(i) or (ii) above, upon receipt of all outstanding Bonds by the Paying Agent, together with a written request of the District to the Paying Agent designating a Substitute Depository, a single new Bond, which the District shall prepare or cause to be prepared, shall be executed and delivered for each maturity of the Bonds then outstanding, registered in the name of such Substitute Depository or its Nominee, as appropriate, all as specified in such written request of the District. In the case of any transfer pursuant to paragraph (A)(iii) above, upon receipt of all outstanding Bonds by the Paying Agent, new Bonds, which the District shall prepare or cause to be prepared, shall be executed and delivered in such denominations and registered in the names of such persons as are requested in such written request of the District, provided that the Paying Agent shall not be required to deliver such new Bonds within a period of less than sixty (60) days from the date of receipt of such written request from the District.

(7) Partial Redemption. In the case of a partial redemption or an advance refunding of any Bonds evidencing a portion of the Principal or Maturity Value of the Bonds maturing in a particular year, DTC or its successor (or any Substitute Depository or its successor) shall make an appropriate notation on such Bonds indicating the date and amounts of such reduction in Principal or Maturity Value, in form acceptable to the Paying Agent, all in accordance with the Letter of Representations. The Paying Agent shall not be liable for the failure of DTC or any Substitute Depository to make such notations or errors in making such notations.

(8) Ownership of Bonds. The District and the Paying Agent shall be entitled to treat the person in whose name any Bond is registered as the Owner thereof for all purposes of this Resolution and any applicable laws, notwithstanding any notice to the contrary received by the

Paying Agent or the District; and the District and the Paying Agent shall not have any responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any beneficial Owners of the Bonds. Neither the District nor the Paying Agent shall have any responsibility or obligation, legal or otherwise, to any such beneficial Owners or to any other party, including DTC or its successor (or any Substitute Depository or its successor), except to the Owners of the Bonds, and the District and the Paying Agent may rely conclusively on the Bond Register as to the identity of the Owners of the Bonds.

Section 5. Execution of Bonds.

The Bonds shall be signed by the President of the Board of Education and countersigned by the Clerk of the Board of Education, in their official capacities, by their manual or facsimile signatures. No Bond shall be valid or obligatory for any purpose or shall be entitled to any security or benefit under this Resolution unless and until the certificate of authentication printed on the Bond is signed by the Paying Agent as authenticating agent. Authentication by the Paying Agent shall be conclusive evidence that the Bond so authenticated has been duly issued, signed and delivered under this Resolution and is entitled to the security and benefit of this Resolution.

Section 6. Bond Registration; Transfer, Exchange and Payment.

(a) Paying Agent.

The Paying Agent shall act as the authentication agent, bond registrar, transfer agent, and paying agent for the Bonds (the "Paying Agent"). The Paying Agent may charge the District reasonable fees for performing the functions of the Paying Agent, and the District shall cause the Treasurer to withdraw funds held in the Debt Service Fund in amounts necessary to pay such fees.

The Paying Agent may at any time resign as authentication agent, bond registrar, transfer agent, and paying agent by giving written notice to the District at least sixty (60) days in advance of the effective date of such resignation. Prior to the effective date of such resignation, as stated in such notice, the District shall select and appoint a successor Paying Agent. Thereafter, written notice of the Paying Agent's resignation and of the appointment of such successor Paying Agent shall be given by first class mail to the Owners of the Bonds.

(b) Transfer and Exchange.

So long as any of the Bonds remains outstanding, the District shall cause the Paying Agent to maintain and keep at its principal office all books and records necessary for the registration, exchange and transfer of the Bonds as provided in this Section. Subject to the provisions of Section 7 hereof, the person in whose name a Bond is registered on the Bond Register shall be regarded as the absolute Owner of that Bond for all purposes of this Resolution. Payment of or on account of the Principal or Accreted Value of and premium, if any, and interest on any Bond shall be made only to or upon the order of such Owner; neither the District nor the Paying Agent shall be affected by any notice to the contrary, but the registration of such Bonds may be changed as provided in this Section. All such payments shall be valid and effectual to

satisfy and discharge the District's liability upon the Bonds, to the extent of the amount or amounts so paid.

Any Bond may be exchanged for Bonds of like series, tenor, maturity and Transfer Amount upon presentation and surrender at the principal office of the Paying Agent, together with a request for exchange signed by the Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred on the Bond Register only upon presentation and surrender of the Bond at the principal office of the Paying Agent together with an assignment executed by the Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent shall complete, authenticate and deliver a new Bond or Bonds of like series, tenor and of any authorized denomination or denominations requested by the Owner equal to the Transfer Amount of the Bond surrendered and bearing or accreting interest at the same rate and maturing on the same date. Capital Appreciation Bonds may not be exchanged for Convertible Capital Appreciation Bonds and Convertible Capital Appreciation Bonds may not be exchanged for Capital Appreciation Bonds.

If any Bond shall become mutilated, the District, at the expense of the Owner of such Bond, shall execute, and the Paying Agent shall thereupon authenticate and deliver, a new Bond of like series, tenor, maturity and Transfer Amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Paying Agent of the Bond so mutilated. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Paying Agent and, if such evidence be satisfactory to the Paying Agent and indemnity for the Paying Agent and the District satisfactory to the Paying Agent shall be given by the Owner of such Bond, the District, at the expense of the Bond Owner, shall execute, and the Paying Agent shall authenticate and deliver, a new Bond of like series, tenor, maturity and Transfer Amount in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured or shall have been called for redemption, instead of issuing a substitute Bond the Paying Agent may pay the same without surrender thereof upon receipt of indemnity satisfactory to the Paying Agent). The Paying Agent may require payment of a reasonable fee for each new Bond delivered pursuant to this paragraph and of the expenses which may be incurred by the District and the Paying Agent.

If manual signatures on behalf of the District are required in connection with an exchange or transfer, the Paying Agent shall undertake the exchange or transfer of Bonds only after the new Bonds are signed by the authorized officers of the District. In all cases of exchanged or transferred Bonds, the District shall execute and the Paying Agent shall authenticate and deliver Bonds in accordance with the provisions of this Resolution. All fees and costs of transfer shall be paid by the requesting party. All Bonds issued upon any exchange or transfer shall be valid obligations of the District, evidencing the same debt, and entitled to the same security and benefit under this Resolution as the Bonds surrendered upon that exchange or transfer.

Any Bond surrendered to the Paying Agent for payment, retirement, exchange, replacement or transfer shall be cancelled by the Paying Agent. The District may at any time deliver to the Paying Agent for cancellation any previously authenticated and delivered Bonds that the District may have acquired in any manner whatsoever, and those Bonds shall be promptly cancelled by the Paying Agent. Written reports of the surrender and cancellation of

Bonds shall be made to the District by the Paying Agent on or before the Bond Payment Date next succeeding such surrender and cancellation. The cancelled Bonds shall be delivered to the District or destroyed by the Paying Agent as directed by the District.

Neither the District nor the Paying Agent will be required (a) to exchange or transfer any Bonds during a period beginning with the opening of business on the sixteenth calendar day next preceding either any Bond Payment Date or any date of selection of Bonds to be redeemed and ending with the close of business on the Bond Payment Date or any day on which the applicable notice of redemption is given, or (b) to transfer any Bonds which have been selected or called for redemption in whole or in part.

Section 7. Payment.

Payment of interest on any Convertible Capital Appreciation Bond on any Bond Payment Date after the Conversion Date shall be made by the Paying Agent to the person appearing on the Bond Register as the Owner thereof as of the Record Date immediately preceding such Bond Payment Date, such interest to be paid by check of the Paying Agent mailed to such Owner on the Bond Payment Date at his or her address as it appears on the Bond Register or at such other address as he or she may have filed with the Paying Agent for that purpose on or before the close of business on the Record Date. An Owner of Convertible Capital Appreciation Bonds in an aggregate Conversion Value of One Million Dollars (\$1,000,000) or more may request in writing to the Paying Agent that such Owner be paid interest by wire transfer to the bank and account in the United States on file with the Paying Agent as of the Record Date. The Conversion Value, and redemption premiums, if any, payable on the Convertible Capital Appreciation Bonds and the Accreted Value and redemption premiums, if any, payable on any Capital Appreciation Bonds shall be payable upon maturity or redemption upon surrender at the principal office of the Paying Agent. The Conversion Value of and premium, if any, and interest on or Accreted Value of the Bonds shall be payable in lawful money of the United States. The Paying Agent is hereby authorized to pay the Bonds when duly presented for payment at maturity, and to cancel all Bonds upon payment thereof. The Bonds are general obligations of the District and do not constitute an obligation of the County. No part of any fund of the County is pledged or obligated to the payment of the Bonds.

Section 8. Form of Bonds.

The Bonds shall be in substantially the forms that are attached hereto as Exhibit "B" (the form of the Capital Appreciation Bonds) and Exhibit "C" (the form of the Convertible Capital Appreciation Bonds), with such changes thereto as may be approved by the Assistant Superintendent to conform the Bonds to this Resolution and the Bond Purchase Agreement.

Section 9. Delivery of Bonds.

The Assistant Superintendent and the other authorized officers of the District shall cause the Bonds to be prepared and, following their sale, shall cause the Bonds to be executed and delivered, together with a complete transcript of the proceedings with respect to the issuance of the Bonds, to the Underwriter upon payment of the purchase price for the Bonds.

Section 10. Deposit of Proceeds of Bonds.

The proceeds from the sale of the Bonds, to the extent of the Principal Amount and Denominational Amount thereof, shall be paid to the Treasurer to the credit of the fund hereby created and established for the District and to be designated as the "Santee School District 2011 General Obligation Bonds , Election of 2006, Series E Building Fund" (the "Building Fund"), shall be kept separate and distinct from all other District and County funds, and shall be used solely for the purposes for which the Bonds are being issued. Neither the Treasurer nor the County shall have any responsibility for assuring the proper use of the Bond proceeds by the District. Except as provided in the following sentence, accrued interest and premium, if any, received by the Treasurer from the sale of the Bonds shall be kept separate and apart in the fund hereby created and established for the District and the Bonds and to be designated as the "Santee School District 2011 General Obligation Bonds , Election of 2006, Series E Debt Service Fund" (the "Debt Service Fund") and shall used only for payment of Conversion Value of, premium, if any, and interest on the Convertible Capital Appreciation Bonds or Accreted Value of the Capital Appreciation Bonds. Interest earnings on moneys held in the Building Fund shall be retained in the Building Fund. Interest earnings on moneys held in the Debt Service Fund shall be retained in the Debt Service Fund. Any excess proceeds of the Bonds not needed for the authorized purposes set forth herein for which the Bonds are being issued shall be transferred to the Debt Service Fund and applied to the payment of the Accreted Value or the Conversion Value of and interest on the Bonds. If, after payment in full of the Bonds, there remain excess amounts in the Debt Service Fund, any such excess amounts shall be transferred to the General Fund of the District.

All funds held by the Treasurer hereunder shall be invested by the Treasurer in the County Investment Pool, the Local Agency Investment Fund, any investment authorized pursuant to Sections 53601 and 53635 of the Government Code of California (the "Government Code"), or in investment agreements, including guaranteed investment contracts, float contracts or other investment products (provided that such agreements comply with the requirements of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), and with the requirements of each rating agency then rating the Bonds necessary in order to maintain the then-current rating on the Bonds). The Treasurer shall assume no responsibility in the reporting, reconciling and monitoring in the investment of proceeds related to the Bonds.

Except as required to satisfy the requirements of Section 148(f) of the Code, as provided in Section 11 hereof, interest earned on the investment of funds held in the Debt Service Fund shall be retained in the Debt Service Fund and used by the Treasurer to pay the Conversion Value of, premium, if any, and interest on or Accreted Value of the Bonds when due.

Section 11. Rebate Fund

(a) The District shall cause the Treasurer to create and establish a special fund designated the "Santee School District 2011 General Obligation Bonds , Election of 2006, Series E Rebate Fund" (the "Rebate Fund"). All amounts at any time on deposit in the Rebate Fund shall be held in trust, to the extent required to satisfy the requirement to make rebate payments to the United States (the "Rebate Requirement") pursuant to Section 148 of the Code, and the Regulations of the United States Department of the Treasury promulgated thereunder (the

“Treasury Regulations”). Such amounts shall be free and clear of any lien under this Resolution and shall be governed by this Section 11 and by the Tax Certificate to be executed and delivered by the District on the date of delivery of the Bonds to the Underwriter. The Treasurer shall be deemed conclusively to have complied with the Rebate Requirement if he follows the written requests of the District, and shall have no independent responsibility to, or liability from, the failure to enforce compliance by the District with the Rebate Requirement.

(b) Within forty-five (45) days of the end of each fifth Bond Year (as such term is defined in the Tax Certificate), (1) the District shall calculate or cause to be calculated with respect to the Bonds the amount that would be considered the “rebate amount” within the meaning of Section 1.148-3 of the Treasury Regulations, using as the “computation date” for that purpose the end of such Bond Year, and (2) the District shall deposit to the Rebate Fund from amounts on deposit in the other funds established pursuant to this Resolution or from other District funds, if and to the extent required, amounts sufficient to cause the balance in the Rebate Fund to be equal to the “rebate amount” so calculated. The District shall not be required to deposit any amount to the Rebate Fund in accordance with the preceding sentence, if the amount on deposit in the Rebate Fund prior to the deposit required to be made under this subsection (b) equals or exceeds the “rebate amount” calculated in accordance with the preceding sentence. Such excess may be withdrawn from the Rebate Fund to the extent permitted under subsection (g) of this Section 11. The District shall not be required to calculate the “rebate amount” and shall not be required to deposit any amount to the Rebate Fund in accordance with this subsection (b) with respect to all or a portion of the proceeds of the Bonds (including amounts treated as proceeds of the Bonds) (1) to the extent such proceeds satisfy the expenditure requirements of Section 148(f)(4)(B) or Section 148(f)(4)(C) of the Code or Section 1.148-7(d) of the Treasury Regulations, whichever is applicable, and otherwise qualify for the exception to the Rebate Requirement pursuant to whichever of said sections is applicable, (2) to the extent such proceeds are subject to an election by the District under Section 148(f)(4)(C)(vii) of the Code to pay a one and one-half percent (1½ %) penalty in lieu of arbitrage rebate in the event any of the percentage expenditure requirements of Section 148(f)(4)(C) are not satisfied, or (3) to the extent such proceeds qualify for the exception to arbitrage rebate under Section 148(f)(4)(A)(ii) of the Code for amounts in a “bona fide debt service fund.” In any such event, and with respect to such amounts, the District shall not be required to deposit any amount to the Rebate Fund in accordance with this subsection (b).

(c) Any funds remaining in the Rebate Fund after redemption of all the Bonds and payment of any amounts described in clause (ii) of subsection (d) of this Section 11, or provision made therefor satisfactory to the District, including accrued interest, shall be remitted to the District.

(d) Subject to the exceptions contained in subsection (b) of this Section 11 to the requirement to calculate the “rebate amount” and make deposits to the Rebate Fund, the District shall pay to the United States, from amounts on deposit in the Rebate Fund:

- (1) not later than sixty (60) days after the end of (1) the fifth Bond Year and
- (2) each fifth Bond Year thereafter, an amount that, together with all previous rebate payments, is equal to at least 90% of the “rebate amount” calculated as of the end of such Bond Year in accordance with Section 1.148-3 of the Treasury Regulations; and

(2) not later than sixty (60) days after the payment of all Bonds, an amount equal to one hundred percent (100%) of the "rebate amount" calculated as of the date of such payment (and any interest income attributable to the "rebate amount" determined to be due and payable) in accordance with Section 1.148-3 of the Treasury Regulations.

(e) In the event that, prior to the time any payment is required to be made from the Rebate Fund, the amount in the Rebate Fund is not sufficient to make such payment when such payment is due, the District shall calculate (or have calculated) the amount of such deficiency and deposit an amount equal to such deficiency to the Rebate Fund prior to the time such payment is due.

(f) Each payment required to be made pursuant to subsection (d) of this Section 11 shall be made to the Internal Revenue Service Center, Philadelphia, Pennsylvania 19255, on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T, such form to be prepared or caused to be prepared by the District.

(g) In the event that immediately following the calculations required by subsection (b) of this Section 11, but prior to any deposit made to the Rebate Fund pursuant to that subsection, the amount on deposit in the Rebate Fund exceeds the "rebate amount" calculated in accordance with that subsection, the excess shall be withdrawn from the Rebate Fund and transferred as directed by the District.

(h) The District shall retain records of all determinations made pursuant to this Section 11 until six years after payment in full and retirement of all of the Bonds.

(i) Notwithstanding anything in this Resolution to the contrary, the Rebate Requirement shall survive the payment in full or defeasance of the Bonds.

Section 12. Security for the Bonds.

So long as the Bonds are outstanding, there shall be levied annually on all the taxable property in the District, in addition to all other taxes, a continuing direct *ad valorem* tax in an amount sufficient to pay the Conversion Value of and interest on or Accreted Value of the Bonds when and as the same become due. The revenues from the annual levies of such *ad valorem* taxes, as received by the Treasurer and deposited in the Debt Service Fund, are pledged to the payment of the Conversion Value of and interest on or Accreted Value of the Bonds.

The moneys in the Debt Service Fund, to the extent necessary to pay the Conversion Value and Accreted Value of and interest on the Bonds as the same become due and payable, shall be transferred by the Treasurer to the Paying Agent which, in turn, shall pay such moneys to DTC to pay the Conversion Value of and Accreted Value of and interest on the Bonds. DTC will thereupon make payments of Conversion Value and Accreted Value and interest on the Bonds to the DTC Participants who will thereupon make payments of Conversion Value and Accreted Value and interest to the beneficial owners of the Bonds. Any moneys remaining in the Debt Service Fund after the Bonds and the interest thereon have been paid, or provision for such payment has been made, shall be transferred to the General Fund of the District, pursuant to the Education Code Section 15234.

Section 13. Tax Covenants.

The Board of Education covenants that:

- (a) the District will not take any action or omit to take any action that would cause any of the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code;
- (b) the District will not take any action or omit to take any action that would result in loss of exclusion from gross income for purposes of federal income taxation, under Section 103(a) of the Code, of interest paid with respect to the Bonds;
- (c) the District will not take any action or omit to take any action that would cause any of the Bonds to be “private activity bonds” within the meaning of Section 141 of the Code;
- (d) the District will comply with the Tax Certificate to be delivered by the District in connection with the issuance of the Bonds as a source of guidance for achieving compliance with the Code and the Treasury Regulations; and
- (e) in order to maintain the exclusion from gross income for purposes of federal income taxation of interest paid with respect to the Bonds, the District will comply with each applicable requirement of Section 103 and Sections 141 through 150 of the Code.

Section 14. Conditions Precedent.

The Board of Education determines that all acts and conditions necessary to be performed by the District or to have been satisfied precedent to and in the issuing of the Bonds in order to make them legal, valid and binding general obligations of the District have been performed and have been satisfied, in regular and proper form as required by law; that the full faith, credit and revenues of the District are pledged for the timely payment of the Principal of and interest on the Bonds; and that no statutory or constitutional limitation of indebtedness or taxation will have been exceeded in the issuance of the Bonds.

The Board further finds and determines that as a result of the issuance of the Bonds under the provisions of the Act, the overall outstanding general obligation bond debt of the District will be amortized in a more level manner.

Section 15. Official Statement.

The Preliminary Official Statement relating to the Bonds, substantially in the form on file with the Clerk of the Board is hereby approved and the Authorized Officers, each alone, are hereby authorized and directed, for and in the name and on behalf of the District, to deliver such Preliminary Official Statement to the Underwriter to be used in connection with the offering and sale of the Bonds. The Authorized Officers, each alone, are hereby authorized and directed, for and in the name and on behalf of the District, to deem the Preliminary Official Statement “final” pursuant to Rule 15c2-12 of the Securities and Exchange Commission, promulgated under the Securities Exchange Act of 1934, as amended, prior to its distribution and to execute and deliver to the Underwriter a final Official Statement, substantially in the form of the Preliminary Official Statement, with such changes therein, deletions therefrom and modifications thereto as the

Authorized Officer executing the same shall approve. The Underwriter is hereby authorized to distribute copies of the Preliminary Official Statement to persons who may be interested in the purchase of the Bonds and is directed to deliver copies of any final Official Statement to the purchasers of the Bonds. Execution of the Official Statement shall conclusively evidence the District's approval of the Official Statement.

Section 16. Insurance.

In the event the District purchases a policy of municipal bond insurance for the Bonds, and to the extent that the Bond Insurer which issues such policy makes payment of the Accreted Value of the Capital Appreciation Bonds and the Convertible Capital Appreciation Bonds prior to the Conversion Date and the Conversion Value and accrued interest on the Convertible Capital Appreciation Bonds following the Conversion Date, it shall become the Owner of such Bonds with the right to payment of Principal of and interest on or Accreted Value of such Bonds, and shall be fully subrogated to all of the rights of the Owners, including the rights of the Owners to payment thereof. To evidence such subrogation (i) in the case of subrogation as to claims regarding payment of past due interest on the Bonds, the Paying Agent shall note the Bond Insurer's rights as subrogee on the Bond Register upon receipt of a copy of the cancelled check issued by the Bond Insurer for the payment of such interest to the Owners of the Bonds, and (ii) in the case of subrogation as to claims regarding payment of past due Principal or Accreted Value, the Paying Agent shall note the Bond Insurer's rights as subrogee on the Bond Register upon surrender of the Bonds by the Owners thereof to the Bond Insurer or the insurance trustee for the Bond Insurer.

Section 17. Defeasance.

All or any portion of the outstanding Bonds may be defeased prior to maturity in the following ways:

(a) Cash: by irrevocably depositing with the Treasurer or with an independent escrow agent selected by the District, with the concurrence of the Treasurer, an amount of money which together with the amount then on deposit in the Debt Service Fund is sufficient to pay all Bonds outstanding and designated for defeasance, including all Principal and interest, Accreted Value, if any, and premium, if any, at or before their Maturity Dates; or

(b) United States Obligations: by irrevocably depositing with the Treasurer or with an independent escrow agent selected by the District, with the concurrence of the Treasurer, noncallable United States Obligations (as defined below) together with cash, if required, in such amount as will, in the opinion of an independent certified public accountant, together with interest to accrue thereon, and the amount then on deposit in the Debt Service Fund, together with the interest to accrue thereon, be fully sufficient to pay and discharge all Bonds outstanding and designated for defeasance, including all Principal, interest, Accreted Value, if any, and premium, if any, at or before their Maturity Dates;

then, notwithstanding that any of such Bonds shall not have been surrendered for payment, all obligations of the District and the Paying Agent with respect to all such designated outstanding Bonds shall cease and terminate, except only the obligation of the District or an independent

escrow agent selected by the District, with the concurrence of the Treasurer, to pay or cause to be paid from funds deposited pursuant to paragraph (a) or (b) above, to the Owners of such designated Bonds not so surrendered and paid all sums due with respect thereto.

For purposes of this Section, United States Obligations shall mean:

Direct and general obligations of the United States or obligations that are unconditionally guaranteed as to principal and interest by the United States, including (in the case of direct and general obligations of the United States) evidences of direct ownership or proportionate interests in future interest or principal payments of such obligations. Investments in such proportionate interests must be limited to circumstances where (a) a bank or trust company acts as custodian and holds the underlying United States Obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States Obligations; (c) the underlying United States Obligations are held in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; and (d) such United States Obligations are rated "AAA" by Standard & Poor's Ratings Services or "Aaa" by Moody's Investor Service.

Section 18. Designation of Bonds as "Qualified Tax-Exempt Obligations."

The District hereby designates the Bonds as a "qualified tax-exempt obligations" for purposes of subparagraph (B) of paragraph (3) of section 265(b) of the Code and covenants that the Bonds do not constitute "private activity bonds" as defined in Section 141 of the Code, and that during the calendar year 2011, not more than \$10,000,000 aggregate principal amount of obligations the interest on which is excludable (under Section 103 (a) of the Code) from gross income for federal income tax purposes (excluding, however, "private activity bonds", as defined in Section 141 of the Code, other than qualified 501(c)(3) bonds as defined in Section 145 of the Code), including the Bonds, have been or shall be issued by the District and all subordinate entities, as that term is used in Section 265 of the Code, of the District

Section 19. Other Actions.

The Superintendent, the Assistant Superintendent and the other officers and staff of the District are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they may deem necessary or advisable in order to proceed with the issuance of the Bonds and otherwise carry out, give effect to and comply with the provisions and intent of this Resolution. Such actions heretofore taken by the Superintendent, the Assistant Superintendent and such officers and staff are hereby ratified, confirmed and approved.

Notwithstanding the provisions of Section 4 hereof, the Superintendent, the Assistant Superintendent and the other officers of the District who are authorized to take action necessary to accomplish the purpose of this Resolution and to provide for the issuance, sale and delivery of

the Bonds are authorized, upon consultation with bond counsel to the District, to issue and deliver the Bonds as Capital Appreciation Bonds, Convertible Capital Appreciation Bonds or such combination thereof as may be provided for in the Official Statement and to modify the terms of the Bonds as may be necessary to conform to and satisfy the requirements of the descriptions of the Bonds and their terms contained in the Bond Purchase Agreement.

The provisions of this Resolution may be amended by the Bond Purchase Agreement and the Official Statement.

Section 20. Continuing Disclosure.

The Board of Education covenants and agrees that the District will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Any Bond Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations pursuant to the Continuing Disclosure Certificate.

Section 21. Supplemental Resolutions.

This Resolution and the rights and obligations of the District and of the Owners of the Bonds may be modified or amended at any time by a supplemental resolution adopted by the Board of Education ("Supplemental Resolution") with the written consent of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then outstanding. No such modification or amendment shall (i) extend the maturity of any Bond or the time for paying interest thereon, or otherwise alter or impair the obligation of the District to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond, or (ii) permit the creation of any pledge of or lien upon the monies on deposit in the Debt Service Fund, superior to or on a parity with the pledge and lien created for the benefit of the Bonds, (iii) reduce the percentage of Bonds required for the amendment of this Resolution, or (iv) reduce the principal amount of or redemption premium on any Bond or reduce the interest rate thereon. Any such amendment may not modify any of the rights or obligations of the Paying Agent without its written consent.

This Resolution and the rights and obligations of the District and the Owners of the Bonds may be modified or amended at any time by a Supplemental Resolution, without the consent of any Owners, only to the extent permitted by law and only for any one or more of the following purposes:

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

(ii) to make modifications not adversely affecting any outstanding Bonds in any material respect;

(iii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provisions of this Resolution, or in regard to questions arising under this Resolution, as the District may deem necessary or

desirable and not inconsistent with this Resolution, and which shall not adversely affect the rights of the Owners of the Bonds; or

(iv) to make such additions, deletions or modifications as may be necessary or desirable to assure compliance by the District with Section 148 of the Code relating to required rebate of monies to the United States or otherwise as may be necessary to assure exclusion from gross income for federal income tax purposes of interest on the Bonds or to conform with the Treasury Regulations.

Any action taken pursuant to a Supplemental Resolution so consented to by the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then outstanding shall be binding on the Owners of all of the Bonds and shall not be deemed to be inconsistent with any of the provisions of this Resolution, whatever the character of such action may be, and such action may be taken and performed as fully and freely as if expressly permitted by this Resolution. After such consent relating to specified matters has been given, no Bond Owner shall have any right or interest to object to any such action or in any manner to question the propriety thereof or to enjoin or restrain the District or the Paying Agent, or any officer or agent of either thereof, from taking any action pursuant to such consent.

Section 22. Payment on Business Day.

In any instance where the date of the payment of interest on or Conversion Value (and premium, if any) or Accreted Value of the Bonds or the date fixed for redemption is other than a Business Day, the payment of interest or Conversion Value or Accreted Value (and premium, if any) need not be made on such date but may be made on the next succeeding day which is a Business Day with the same force and effect as if made on the date required, and no interest shall accrue for the period from and after such date.

Section 23. Unclaimed Monies.

Anything contained in this Resolution to the contrary notwithstanding, any monies held by the Treasurer or the Paying Agent in trust for the payment and discharge of the Conversion Value of, the interest and any premium on, or the Accreted Value of the Bonds which remain unclaimed for two (2) years after the date when the payment of such Conversion Value, interest and premium or Accreted Value have become payable, if such monies were held by the Treasurer or the Paying Agent at such date, shall be deposited by the Treasurer to the account of the District as its absolute property free from any trust, and the Treasurer and the Paying Agent shall thereupon be released and discharged with respect thereto and the Owners of such Bonds shall look only to the District for the payment of the Conversion Value of, interest and any premium on, or Accreted Value of their Bonds.

Section 24. Appointment of Professionals.

The Board of Education appoints Stone & Youngberg, San Francisco, as Underwriter and Best Best & Krieger LLP, San Diego, as bond counsel and disclosure counsel.

Section 25. Request to County to Levy Tax and Treasurer to Serve as Paying Agent.

The Board of Supervisors of the County and officers of the County are obligated by statute to provide for the levy and collection of property taxes in each year sufficient to pay all principal and interest coming due on the Bonds in such year, and to pay from such taxes all amounts due on the Bonds. The District hereby requests the Board of Supervisors to adopt a resolution providing for an annual levy of taxes upon all taxable property in the District sufficient to redeem the Bonds, and to pay the Conversion Value, redemption premium, if any, and interest and Accreted Value thereon as and when the same become due, the maintenance of such taxes upon the tax rolls by the County Auditor-Controller, and the issuance of the Bonds pursuant to the Act and Section 15140 of the Education Code, and directing the Treasurer of the County to serve as Paying Agent with respect to the Bonds.

Section 26. Resolution to Treasurer.

The Secretary to or Clerk of this Board is hereby directed to provide a certified copy of this Resolution to the Treasurer immediately following its adoption.

Section 27. Effective Date.

This Resolution shall take effect immediately upon its adoption.

PASSED AND ADOPTED this 5th day of April, 2011.

President of the Board of Education of the Santee
School District

ATTEST:

Clerk of the Board of Education of the
Santee School District

EXHIBIT "A"

ESTIMATED COSTS OF ISSUANCE

<u>Role</u>	<u>Entity</u>	<u>Amount</u>
Bond counsel	Best Best & Krieger LLP	\$ 30,500
Disclosure counsel	Best Best & Krieger LLP	15,500
Financial advisor	Eric Hall & Associates	22,500
Rating agency	Standard & Poor's	9,000
Cost of Issuance Custodian	Wells Fargo	500
Printer of Official Statement	CLS Printing	6,000
Underwriting	Stone & Youngberg LLC	60,000
Preparation of tables for Official Statement	CalMuni	1,200
Contingency	N/A	1,800
Total		\$147,000

EXHIBIT "B"

[Form of Capital Appreciation Bond]

Number UNITED STATES OF AMERICA Maturity Value
R- STATE OF CALIFORNIA \$
COUNTY OF SAN DIEGO

SANTEE SCHOOL DISTRICT
2011 GENERAL OBLIGATION BONDS, ELECTION OF 2006, SERIES E
(BANK QUALIFIED)

CAPITAL APPRECIATION BOND

Maturity Date Accretion Rate Dated as of CUSIP NO.
%, 2011

Registered Owner: CEDE & CO.

Denominational Amount: DOLLARS

Maturity Value: DOLLARS

The Santee School District (the "District") in San Diego County, California (the "County"), for value received, promises to pay to the Registered Owner named above, or registered assigns, the Maturity Value on the Maturity Date, each as stated above, such Maturity Value comprising the Denominational Amount and interest accreted thereon. This bond will not bear current interest but will accrete interest, compounded on each [February 1 and August 1, April 1 and October 1 or April 15 and October 15], commencing on [1, 201], at the Accretion Rate specified above to the Maturity Date, assuming that in any such semiannual period the sum of such compounded accreted interest and the Denomination Amount (such sum being herein called the "Accreted Value") increases in equal daily amounts on the basis of a 360-day year consisting of twelve 30-day months. Accreted Value and redemption premium, if any, are payable in lawful money of the United States of America, without deduction for the Paying Agent services, to the person in whose name this bond (or, if applicable, one or more predecessor bonds) is registered (the "Registered Owner") on the Register maintained by the Paying Agent, initially the Treasurer-Tax Collector of San Diego County. Accreted Value and redemption premium, if any, are payable upon presentation and surrender of this bond at the principal office of the Paying Agent.

This bond is one of an authorization of \$ of bonds approved for the purpose of raising money for the purpose authorized by voters of the District at the election to pay all necessary legal, financial, engineering and contingent costs in connection therewith under authority of and pursuant to the laws of the State of California, and the requisite 55% vote of the electors of the District cast at an election held on November 7, 2006 (the "Election"), upon the

question of issuing bonds in the amount of \$60,000,000 and the resolution of the Board of Education of the District adopted on April ___, 2011 (the "Bond Resolution"). This bond and the issue of which this bond is one are general obligations of the District, payable as to both principal and interest from the proceeds of the levy of *ad valorem* taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount in accordance with California Education Code Section 15250 and 15252.

The bonds of this issue comprise \$_____ Principal Amount of Convertible Capital Appreciation Bonds (each a "Convertible Capital Appreciation Bond") and Capital Appreciation Bonds, of which this bond is a part, in the Denominational Amount of \$_____ and the Maturity Value of \$_____.

This bond is exchangeable and transferable for bonds of like tenor, maturity and Transfer Amount (as defined in the Bond Resolution) and in authorized denominations at the principal office of the Paying Agent, by the Registered Owner or by a person legally empowered to do so, in a form satisfactory to the Paying Agent, all subject to the terms, limitations and conditions provided in the Bond Resolution. All fees and costs of transfer shall be paid by the transferor. The District and the Paying Agent may deem and treat the Registered Owner as the absolute owner of this bond for the purpose of receiving payment of or on account of Principal or interest and for all other purposes, and neither the District nor the Paying Agent shall be affected by any notice to the contrary.

Neither the District nor the Paying Agent will be required (a) to issue or transfer any bond during a period beginning with the opening of business on the 15th business day next preceding either any Bond Payment Date or any date of selection of bonds to be redeemed and ending with the close of business on the Bond Payment Date or day on which the applicable notice of redemption is given or (b) to transfer any bond which has been selected or called for redemption in whole or in part.

The Capital Appreciation Bonds [are/are not] subject to redemption prior to their stated maturity dates.

THIS BOND WAS DESIGNATED BY THE DISTRICT AS A "QUALIFIED TAX-EXEMPT OBLIGATION" WITHIN THE MEANING OF SECTION 265(B)(3) OF THE INTERNAL REVENUE CODE OF 1986.

Reference is made to the Bond Resolution for a more complete description of the provisions, among others, with respect to the nature and extent of the security for the Capital Appreciation Bonds of this series, the rights, duties and obligations of the District, the Paying Agent and the Registered Owners, and the terms and conditions upon which the bonds are issued and secured. The Registered Owner of this bond assents, by acceptance hereof, to all of the provisions of the Bond Resolution.

It is certified and recited that all acts and conditions required by the Constitution and laws of the State of California to exist, to occur and to be performed or to have been met precedent to and in the issuing of the bonds in order to make them legal, valid and binding general obligations of the District, have been performed and have been met in regular and due form as required by

law; that payment in full for the bonds has been received; that no statutory or constitutional limitation on indebtedness or taxation has been exceeded in issuing the bonds; and that due provision has been made for levying and collecting *ad valorem* property taxes on all of the taxable property within the District in an amount sufficient to pay Principal and interest when due.

This bond shall not be valid or obligatory for any purpose and shall not be entitled to any security or benefit under the Bond Resolution until the Certificate of Authentication below has been signed.

IN WITNESS WHEREOF, the Santee School District, San Diego County, California, has caused this bond to be executed on behalf of the District and in official capacity by the manual or facsimile signature of the President of the Board of Education of the District, and to be countersigned by the manual or facsimile signature of the Secretary to or Clerk of the Board of Education of the District, and has caused the seal of the District to be affixed hereto, all as of the date stated above.

SANTEE SCHOOL DISTRICT

By: _____
President, Board of Education

COUNTERSIGNED:

Clerk, Board of Education

PAYING AGENT'S CERTIFICATE OF AUTHENTICATION
AND REGISTRATION

This is one of the SANTEE SCHOOL DISTRICT 2011 GENERAL OBLIGATION BONDS, ELECTION OF 2006, SERIES E, described in the within-mentioned Resolution and authenticated and registered on _____.

COUNTY OF SAN DIEGO, San Diego, California,
as Paying Agent/Registrar and Transfer Agent

By _____
Authorized Officer

DTC LEGEND

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Issuer or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

ASSIGNMENT

For value received the undersigned do(es) hereby sell, assign and transfer unto _____ the within-mentioned Registered Bond and hereby irrevocably constitute(s) and appoint(s) _____ attorney, to transfer the same on the books of the Paying Agent/Registrar and Transfer Agent with full power of substitution in the premises.

I.D. Number _____

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

Dated: _____

Signature Guarantee: _____

Notice: Signature must be guaranteed by an eligible guarantor institution.

EXHIBIT "C"

[Form of Convertible Capital Appreciation Bond]

Number UNITED STATES OF AMERICA Maturity Value
R- STATE OF CALIFORNIA \$
COUNTY OF SAN DIEGO

SANTEE SCHOOL DISTRICT
2011 GENERAL OBLIGATION BONDS, ELECTION OF 2006, SERIES E
(BANK QUALIFIED)

CONVERTIBLE CAPITAL APPRECIATION BOND

Maturity Date Conversion Date Interest Rate After Accretion Rate Dated as of CUSIP NO.
%, 2011

Registered Owner: CEDE & CO.

Denominational Amount: DOLLARS

Conversion Value: DOLLARS

The Santee School District (the "District") in San Diego County, California (the "County"), for value received, promises to pay to the registered owner identified above or registered assigns, on the maturity date set forth above or upon prior redemption hereof, the accreted value hereof on such date, consisting of the initial principal amount hereof plus interest accreted thereon (in accordance with the Resolution hereinafter defined and as reflected in the Table of Accreted Values hereinafter set forth; provided, that any accreted value determined in accordance with the Resolution shall prevail over any accreted values given in the Table of Accreted Values), commencing on the date hereof, compounded on [February 1 and August 1, April 1 and October 1 or April 15 and October 15] of each year commencing on ____, 20__, assuming in any such semiannual period that such interest accretes in equal daily amounts on the basis of a 360-day year of twelve (12) 30-day months, until the Conversion Date set forth above in lawful money of the United States of America, and from and after the Conversion Date to pay current interest on said accreted value as of the Conversion Date in like lawful money from the interest payment date next preceding the date of authentication of this bond (unless this bond is authenticated as of a date during the period from the Record Date (as defined herein) next preceding any interest payment date to such interest payment date, inclusive, in which event it shall bear interest from such interest payment date, or unless this bond is authenticated on or before the Record Date preceding the first interest payment date following its Conversion Date, in which event it shall bear interest from the Conversion Date) at the interest rate per annum stated above, payable commencing on the

[February 1 or August 1, April 1 or October 1 or April 15 or October 15] following the Conversion Date, and thereafter on [February 1 or August 1, April 1 or October 1 or April 15 or October 15] in each year, until payment of said accreted value.

The Conversion Value is payable to the registered owner hereof upon the surrender hereof at the principal corporate trust office (as defined in the Resolution) of the Treasurer-Tax Collector of the County of San Diego (herein called the "Paying Agent"), the initial paying agent/registrar and transfer agent of the District. The interest hereon is payable to the person whose name appears on the bond registration books of the Paying Agent as the registered owner hereof as of the close of business on the 15th day of the month preceding an interest payment date (the "Record Date"), whether or not such day is a business day, such interest to be paid by check or draft mailed to such registered owner at the owner's address as it appears on such registration books, or at such other address filed with the Paying Agent for that purpose. Upon written request, given no later than the Record Date immediately preceding an interest payment date, of the owner of Convertible Capital Appreciation Bonds (hereinafter defined) aggregating at least \$1,000,000 in accreted value, interest will be paid in immediately available funds (e.g., by wire transfer) to an account maintained in the United States as specified by the owner in such request. So long as Cede & Co. or its registered assigns shall be the registered owner of this bond, payment shall be made in immediately available funds as provided in the Resolution hereinafter described.

This bond is one of an authorization of \$_____ of bonds approved for the purpose of raising money for the purpose authorized by voters of the District at the election to pay all necessary legal, financial, engineering and contingent costs in connection therewith under authority of and pursuant to the laws of the State of California, and the requisite 55% vote of the electors of the District cast at an election held on November 7, 2006 (the "Election"), upon the question of issuing bonds in the amount of \$60,000,000 and the resolution of the Board of Education of the District adopted on April __, 2011 (the "Bond Resolution"). This bond and the issue of which this bond is one are general obligations of the District, payable as to both principal and interest from the proceeds of the levy of *ad valorem* taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount in accordance with California Education Code Section 15250 and 15252.

The bonds of this issue comprise Convertible Capital Appreciation Bonds (each a "Convertible Capital Appreciation Bond") of which this bond is a part, in the Denominational Amount of \$_____ and the Conversion Value of \$_____ and Capital Appreciation Bonds, in the Denominational Amount of \$_____ and the Maturity Value of \$_____.

This bond is exchangeable and transferable for bonds of like tenor, maturity and Transfer Amount (as defined in the Bond Resolution) and in authorized denominations at the principal office of the Paying Agent, by the Registered Owner or by a person legally empowered to do so, in a form satisfactory to the Paying Agent, all subject to the terms, limitations and conditions provided in the Bond Resolution. All fees and costs of transfer shall be paid by the transferor. The District and the Paying Agent may deem and treat the Registered Owner as the absolute owner of this bond for the purpose of receiving payment of or on account of Principal or interest and for all other purposes, and neither the District nor the Paying Agent shall be affected by any notice to the contrary.

Neither the District nor the Paying Agent will be required (a) to issue or transfer any bond during a period beginning with the opening of business on the 15th business day next preceding either any Bond Payment Date or any date of selection of bonds to be redeemed and ending with the close of business on the Bond Payment Date or day on which the applicable notice of redemption is given or (b) to transfer any bond which has been selected or called for redemption in whole or in part.

The Convertible Capital Appreciation Bonds [are/are not] subject to redemption prior to their stated maturity dates.

THIS BOND WAS DESIGNATED BY THE DISTRICT AS A "QUALIFIED TAX-EXEMPT OBLIGATION" WITHIN THE MEANING OF SECTION 265(B)(3) OF THE INTERNAL REVENUE CODE OF 1986.

Reference is made to the Bond Resolution for a more complete description of the provisions, among others, with respect to the nature and extent of the security for the Capital Appreciation Bonds of this series, the rights, duties and obligations of the District, the Paying Agent and the Registered Owners, and the terms and conditions upon which the bonds are issued and secured. The Registered Owner of this bond assents, by acceptance hereof, to all of the provisions of the Bond Resolution.

It is certified and recited that all acts and conditions required by the Constitution and laws of the State of California to exist, to occur and to be performed or to have been met precedent to and in the issuing of the bonds in order to make them legal, valid and binding general obligations of the District, have been performed and have been met in regular and due form as required by law; that payment in full for the bonds has been received; that no statutory or constitutional limitation on indebtedness or taxation has been exceeded in issuing the bonds; and that due provision has been made for levying and collecting *ad valorem* property taxes on all of the taxable property within the District in an amount sufficient to pay Principal and interest when due.

This bond shall not be valid or obligatory for any purpose and shall not be entitled to any security or benefit under the Bond Resolution until the Certificate of Authentication below has been signed.

IN WITNESS WHEREOF, the Santee School District, San Diego County, California, has caused this bond to be executed on behalf of the District and in official capacity by the manual or facsimile signature of the President of the Board of Education of the District, and to be countersigned by the manual or facsimile signature of the Secretary to or Clerk of the Board of Education of the District, and has caused the seal of the District to be affixed hereto, all as of the date stated above.

SANTEE SCHOOL DISTRICT

By: _____
President, Board of Education

COUNTERSIGNED:

Clerk, Board of Education

PAYING AGENT'S CERTIFICATE OF AUTHENTICATION
AND REGISTRATION

This is one of the SANTEE SCHOOL DISTRICT 2011 GENERAL OBLIGATION BONDS, ELECTION OF 2006, SERIES E, described in the within-mentioned Resolution and authenticated and registered on _____.

COUNTY OF SAN DIEGO, San Diego, California,
as Paying Agent/Registrar and Transfer Agent

By _____
Authorized Officer

DTC LEGEND

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Issuer or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

ASSIGNMENT

For value received the undersigned do(es) hereby sell, assign and transfer unto _____ the within-mentioned Registered Bond and hereby irrevocably constitute(s) and appoint(s) _____ attorney, to transfer the same on the books of the Paying Agent/Registrar and Transfer Agent with full power of substitution in the premises.

I.D. Number _____

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

Dated: _____

Signature Guarantee: _____

Notice: Signature must be guaranteed by an eligible guarantor institution.

[TABLE OF ACCRETED VALUES]

The Preliminary Official Statement and the Bond Purchase Agreement (Supplement A) are available for review during the hours of 9:00 a.m. to 4:30 p.m. in the office of Linda Vall, Executive Assistant to the Board of Education, located at 9025 Cuyamaca Street, San Jose, CA 95128.

Copies of the Preliminary Official Statement and the Bond Purchase Agreement (Supplement A) will be available for review during the Board of Education meeting on April 2, 2011 at 7:00 p.m. in the Board Assembly Room located at 9019 Cuyamaca Street, San Jose, CA 95128.

If you are unable to review these documents at the location specified above please contact Linda Vall, Executive Assistant to the Board of Education, at (415) 355-2304 to arrange an alternative location or manner in which you may review these documents.

The **Preliminary Official Statement** and the **Bond Purchase Agreement (Supplement A)** are available for review during the hours of 8:00 a.m. to 4:30 p.m., in the office of Linda Vail, Executive Assistant to the Board of Education, located at 9625 Cuyamaca Street, Santee, CA 92071.

Copies of the **Preliminary Official Statement** and the **Bond Purchase Agreement (Supplement A)** will be available for review during the Board of Education meeting on April 5, 2011 at 7:00 p.m. in the Board Assembly Room located at 9619 Cuyamaca Street, Santee, CA 92071.

If you are unable to review these documents at the location specified above please contact Linda Vail, Executive Assistant to the Board of Education, at (619) 258-2304 to arrange an alternative location or manner in which you may review these documents.

Discussion and/or Action Item F.2.2. Discussion of Long-Term Plan for Woodshop
at Hill Creek School

Prepared by Karl Christensen
April 5, 2011

BACKGROUND:

Currently, woodshop is offered as the elective for 7th grade students at Hill Creek School for 3 periods during the school day. The teacher for this elective then teaches science for the other 3 periods. The woodshop is currently housed in a 1,300 square foot classroom with ample storage space for materials.

Previous discussions regarding designs of the Hill Creek School 10 classroom addition contemplated conversion of a 960 square foot classroom to be used for woodshop and construction of an adjoining 489 square foot fenced in covered patio with roll-up door for the larger woodshop equipment and compliance with fire codes and ventilation requirements. Current estimates indicate the added cost for this design would be approximately \$250,000. Since the latest architectural design documents incorporate the classroom and adjoining patio dedicated to woodshop, this item will be reported separately as a bid additive alternate in order to provide the Board with the actual cost.

Modernization will reduce the number of classrooms available at the school until the 10 classroom addition is completed. Staff has reviewed classroom needs with the Principal and a temporary solution was developed for converting the current boiler room to house some of the woodshop equipment. The cost for this is estimated at \$10,000 to \$15,000 for reconfiguring the boiler room space as well as moving, storing and relocating the heavy equipment used in the woodshop. This would require a smaller scale woodshop as not all of the equipment currently being used for woodshop could continue to be used in the 705 square foot space with limited ventilation.

Given the limited resources available for the Capital Improvement Program, Administration brings this item forward for information and to begin the discussion regarding the long-term plan for woodshop at Hill Creek in light of the significant costs for design in the 10 classroom addition. A final decision will not need to be made until the bid is finalized with the additive alternate for the Hill Creek addition and a Guaranteed Maximum Price is presented the first Board meeting in June. This will allow time to research questions and come back to the Board with answers prior to the final decision being made.

RECOMMENDATION:

This is an information only item. Action, if any, is at the discretion of the Board of Education.

This recommendation supports the following District goal:

- Pursue actively the funding and resources to fulfill our mission and maintain fiscal solvency.
- Provide facilities that optimize the learning environment for all students.

FISCAL IMPACT:

The fiscal impact is \$10,000 to \$250,000 from Capital Improvement Program funds, depending upon Board direction.

STUDENT ACHIEVEMENT IMPACT:

This is a fiscal item. All fiscal resources impact student achievement.

Motion:		Second:		Vote:		Agenda Item F.2.2.
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