

In the opinion of Fulbright & Jaworski L.L.P., Los Angeles, California, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Notes is not included in computing the federal alternative minimum tax on the Owners thereof. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Notes. See "TAX MATTERS" herein.

\$150,000,000
LONG BEACH COMMUNITY COLLEGE DISTRICT
(County of Los Angeles, California)
Bond Anticipation Notes, 2010 Series A

Dated: Date of Delivery

Due: January 15, 2013

The Long Beach Community College District (Los Angeles County, California) (the "District") Bond Anticipation Notes, 2010 Series A (the "Notes") are being issued pursuant to the provisions of Article 3 (commencing with Section 15150) of Chapter 1 of Part 10 of Division 1 of Title 1 of the Education Code of the State of California (the "Act"). Proceeds of the Notes will be applied to (a) finance the acquisition, construction and modernization of certain District facilities as permitted in the official project list of the District approved at the Election (as defined herein) and (b) pay costs of issuance of the Notes. See "PLAN OF FINANCE" herein.

The Notes will be issued as current interest notes. The Notes will pay interest on January 7, 2011, January 7, 2012 and at maturity on January 15, 2013 (the "Maturity Date"). The Notes are obligations of the District payable in whole or in part, from the proceeds of a future series of general obligation bonds to be issued by the District pursuant to a duly called election of the registered voters of the District held on February 5, 2008 (the "Election") at which more than 55% of the voters voting on the proposition voted to authorize the issuance and sale of \$440,000,000 aggregate principal amount of general obligation bonds of the District (the "Authorization"). As of the date hereof, \$391,626,018.90 aggregate principal amount of the District's general obligation bonds remain to be issued under the Authorization. The District has covenanted in the Resolution (as defined herein) to issue (a) additional bond anticipation notes (the "Roll-Over Notes") or (b) such other obligations as the District may legally issue for the purpose of paying the principal of, interest and Maturity Value of the Notes in the event that sufficient general obligation bonds will not have been issued prior to the Maturity Date of the Notes or of such Roll-Over Notes as may have been issued. See "SECURITY FOR AND SOURCES OF PAYMENT OF THE NOTES" herein.

Principal Amount	Interest Rate	Priced to Yield	CUSIP No. ⁽¹⁾
\$150,000,000	9.85%	2.75%	542411 ERO

The Notes will be issued in fully registered form without coupons. The Notes will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository of the Notes. Individual purchases of Notes will be made in book-entry form only in the minimum denomination of \$5,000 or any integral multiple thereof. Purchasers of the Notes will not receive certificates representing their ownership of the Notes. The principal of and interest on each Note will be payable when due on behalf of the District by U.S. Bank National Association as paying agent (the "Paying Agent"), to DTC, which in turn will remit such principal and interest to its DTC participants, which in turn will remit such principal and interest to the Indirect Participants or the Beneficial Owners of the Notes, as described herein. See "THE NOTES" herein.

The Notes will not be subject to prepayment prior to their stated maturity date.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT INTENDED TO BE A SUMMARY OF THE SECURITY OR TERMS OF THE ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The Notes are offered in book-entry form when, as and if issued, subject to the approval of their validity by Fulbright & Jaworski L.L.P., Los Angeles, California, Bond Counsel to the District. Fulbright & Jaworski L.L.P., Los Angeles, California, is acting as Disclosure Counsel for the issue. Certain legal matters will be passed upon for the Underwriters by their counsel, Hawkins Delafield & Wood LLP, Los Angeles, California. Certain legal matters for the District will be passed upon by Adorno, Yoss, Alvarado & Smith, Santa Ana, California. The Notes will be available for delivery through the facilities of DTC in New York, New York, on or about January 7, 2010.

RBC CAPITAL MARKETS

DE LA ROSA & CO.

KINSELL, NEWCOMB & DE DIOS

Dated: December 16, 2009

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No dealer, broker, salesperson or other person has been authorized by the District or the Underwriters to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the District or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Notes by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Notes. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts.

The information set forth herein has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Underwriters. The information and expression of opinions herein are subject to change without notice, and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Notes referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the District.

The Notes have not been registered under the Securities Act of 1933, in reliance upon an exemption contained in such Act. The Notes have not been registered under the securities laws of any state.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS INITIAL OFFERING THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NOTES OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE NOTES TO CERTAIN DEALERS AND BANKS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICE MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 27A of the United States Securities Act of 1933, as amended (the "Securities Act"). Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

LONG BEACH COMMUNITY COLLEGE DISTRICT
County of Los Angeles, California

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Rosalinda DelGaudio, Vice President, Human Resources
Dr. Don Low, Interim Vice President, Student Support Services

SPECIAL SERVICES

Underwriters

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Los Angeles, California

E. J. De La Rosa & Co., Inc.
Los Angeles, California

Kinsell, Newcomb & De Dios, Inc.
Carlsbad, California

Bond Counsel and Disclosure Counsel

Fulbright & Jaworski L.L.P.
Los Angeles, California

Paying Agent

U.S. Bank National Association
Los Angeles, California

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OFFICIAL STATEMENT

\$150,000,000

LONG BEACH COMMUNITY COLLEGE DISTRICT Bond Anticipation Notes, 2010 Series A

INTRODUCTION

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

This Official Statement, which includes the cover page and appendices hereto, is provided to furnish information in connection with the sale of \$150,000,000 aggregate principal amount of the Long Beach Community College District's Bond Anticipation Notes, 2010 Series A (the "Notes").

The District

The Long Beach Community College District (the "District"), a community college district of the State, was founded in 1927. The District is comprised of an area of approximately 128.6 square miles located in Los Angeles County and operates two separate college campuses: the Liberal Arts Campus located at 4901 E. Carson Street, Long Beach, California (the "Liberal Arts Campus") and the Pacific Coast Campus located at 1305 East Pacific Coast Highway, Long Beach, California (the "Pacific Coast Campus"). The District's boundaries include the Cities of Long Beach, Signal Hill, Avalon and most of Lakewood.

The District is governed by a five-member Board of Trustee, each member is elected to a four-year term. Elections for positions to the Board are held on even-numbered years, alternating between two and three available positions.

During the 2009-10 fiscal year, the District expects to employ approximately 976 full-time and part-time certificated professionals as well as 603 full-time and part-time classified employees. See "APPENDIX A – The Long Beach Community College District." Excerpts from the District's audited financial report for the fiscal year ended June 30, 2009, is attached hereto as APPENDIX C.

Authority for Issuance

The Notes are being issued under the authority of Article 3 (commencing with Section 15150) of Chapter I of Part 10 of Division 1 of Title 1 of the Education Code of the State of California (the "Act"), and pursuant to a resolution adopted by the Board of Trustees of the District (the "Board") on November 10, 2009 (the "Resolution").

Purpose of Issue

Issuance of the Notes will provide funds to finance the acquisition, construction, equipment, furnishing and improvement of certain District facilities authorized in the bond proposition approved by more than 55% of the voters (the "Authorization") at an election within the District on February 5, 2008

(the "Election"), in anticipation of the issuance of a future series of general obligation bonds under the Authorization, which will pay or prepay the Notes in whole, or in part.

Security for the Notes

The Notes are general obligations of the District and are payable in whole or in part, from: (a) proceeds of a future sale of general obligation bonds authorized at the Election, (b) proceeds of any renewal notes (the "Roll-Over Notes"), (c) such other obligations as the District may legally issue, or (d) other funds of the District lawfully available for the repayment of the Notes that are available for the payment thereof. Security for the Notes is described under "SECURITY FOR AND SOURCES OF PAYMENT OF THE NOTES."

Continuing Disclosure

The District will covenant for the benefit of the holders and beneficial owners of the Notes to provide notices of the occurrence of certain enumerated events, if material. The notices of material events will be filed by the District with the Municipal Securities Rulemaking Board. The specific nature of the notices of material events is contained in "APPENDIX D – Proposed Form of Continuing Disclosure Certificate." These covenants are being made in order to assist the Underwriters in complying with S.E.C. Rule 15c2-12. The District has filed annual reports for the last five years in compliance with its previous undertakings.

Brief descriptions of the Notes, the security and sources of payment for the Notes and the District and its financial status follow. Such descriptions do not purport to be comprehensive or definitive. All references herein to various documents are qualified in their entirety by reference to the forms thereof, all of which are available for inspection at the office of the Superintendent of the District.

THE NOTES

Description of the Notes

The District will issue the Notes in the aggregate principal amount of \$150,000,000. The Notes will be dated the date of issuance thereof and will mature on January 15, 2013 (the "Maturity Date"). The Notes will be issued in registered form without coupons, and will be issued in the form of current interest notes. The Notes will be issued in denominations of \$5,000 or any integral multiple thereof, and will mature on the date and in the amount and will bear interest at the rate per annum, all as set forth on the cover page of this Official Statement. Interest on the Notes will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Interest due on each Note shall be payable to the person in whose name such Note is registered on the registration books of the District, maintained by U.S. Bank National Association (the "Paying Agent"), as of the close of business on the fifteenth day of the month preceding the maturity date (the "Record Date"), such interest to be paid by check mailed to such registered owner. The principal of and interest payable at maturity on the Notes shall be payable in lawful money of the United States of America, only to the registered owners of the Notes upon surrender thereof at the office of the Paying Agent in Los Angeles, California, upon the maturity thereof. No interest shall be payable on any Note for any period after maturity during which the registered owner thereof fails to properly present such Note for payment.

The District will offer the Notes in registered form, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), with the maturity date and

interest rate shown on the cover page of this Official Statement. The Notes will not be subject to prepayment prior to maturity. As long as the Notes are held by DTC or a successor securities depository, ownership of the Notes will be evidenced by book-entry as described below under “– Book-Entry Only System.”

Principal of and interest on the Notes will be payable when due on behalf of the District by the Paying Agent, to DTC, which will in turn remit such principal and interest to its Participants, which will in return remit such principal and interest to the Indirect Participants or the Beneficial Owners of the Notes.

Estimated Sources and Uses of Funds

The proceeds of the Notes are expected to be applied as follows:

Sources of Funds

Principal Amount of Notes	\$150,000,000.00
Original Issue Premium	<u>30,480,000.00</u>
Total Sources	\$180,480,000.00

Uses of Funds

Deposit to Project Fund	\$150,000,000.00
Deposit to Repayment Account for Capitalized Interest	29,550,000.00
Payment of Costs of Issuance ⁽¹⁾	<u>930,000.00</u>
Total Uses	\$180,480,000.00

(1) Includes payment of Underwriters’ discount, Bond and Disclosure Counsel fees, Paying Agent fees, rating agency fees, Preliminary Official Statement and Official Statement printing and other costs of issuance.

Prepayment

The Notes are not subject to prepayment prior to their stated maturity date.

Book-Entry Only System

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Notes. The Notes will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for the Notes, in the aggregate principal amount of the Notes, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post trade settlement among Direct Participants of sales and other securities

transactions in deposited securities through electronic computerized book entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. *The foregoing internet addresses are included for reference only, and the information on these internet sites is not incorporated by reference herein.*

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

Principal of and interest on the Notes will be paid to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments

by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the District or Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Note certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book entry transfers through DTC (or a successor securities depository). Discontinuance of use of the system of book entry transfers through DTC may require the approval of DTC Participants under DTC's operational arrangements. In that event, certificates representing the Notes will be printed and delivered.

THE DISTRICT AND THE PAYING AGENT SHALL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT, ANY BENEFICIAL OWNER OR ANY OTHER PERSON CLAIMING A BENEFICIAL OWNERSHIP INTEREST IN THE NOTES UNDER OR THROUGH DTC OR ANY DTC PARTICIPANT, OR ANY OTHER PERSON WHICH IS NOT SHOWN ON THE REGISTRATION BOOKS OF THE PAYING AGENT AS BEING AN OWNER, WITH RESPECT TO THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE INTEREST ON THE NOTES; ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO OWNERS UNDER THE RESOLUTION; ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS OWNER; OR ANY OTHER PROCEDURES OR OBLIGATIONS OF DTC UNDER THE BOOK ENTRY SYSTEM.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE NOTES, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE NOTEHOLDERS OR REGISTERED HOLDERS OF THE NOTES SHALL MEAN CEDE & CO., AS AFORESAID, AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE NOTES.

The foregoing description of the procedures and recordkeeping with respect to beneficial ownership interests in the Notes, payment of the interest on, and other payments on the Notes, to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in such Notes and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters, and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

SECURITY FOR AND SOURCES OF PAYMENT OF THE NOTES

Authority for Issuance

The Notes are issued pursuant to the Act and pursuant to the Resolution.

Sources of Payment

The principal of and interest on the Notes are payable from proceeds of the sale of general obligation bonds authorized under the Authorization, \$391,626,018.90 of which remains for issuance, or of any issue of Roll-Over Notes or other funds of the District lawfully available for the repayment of the Notes and that are available for the payment thereof. See "PLAN OF FINANCE."

Any Roll-Over Notes will be payable at a fixed time not more than five years from the date of issuance of the Notes. In the event that the sale of sufficient general obligation bonds to pay the Notes in full does not occur prior to maturity of the Notes, the District will issue sufficient Roll-Over Notes to pay the remaining principal of and interest on the Notes. The total principal of the Notes and any Roll-Over Notes may not exceed the remaining principal amount of general obligation bonds to be issued under the Authorization as of the date of issuance thereof and the principal amount of the Notes is subject to a maximum of \$150,000,000 under the Resolution. See "PLAN OF FINANCE" below.

Covenants of the District

Punctual Payment Pursuant to the Resolution, the District has covenanted to punctually pay, or cause to be paid, the principal of and interest on the Notes in strict conformity with the terms of the Notes. The District has also pledged to deposit into the Repayment Account, on the Maturity Date, an amount sufficient to pay the interest then coming due on the Notes and, on or before the Maturity Date, proceeds of general obligation bonds as shall be necessary to pay in full the principal of and interest on the Notes; provided, however, if sufficient general obligation bonds shall not have been issued then the District shall either (a) issue roll-over notes in an amount sufficient to provide for the foregoing payment or (b) set aside an amount sufficient to pay the principal of and interest then coming due on the Notes.

Issuance of Obligations. By resolution of the Board, the District has covenanted that it will issue and sell, or cause to be issued and sold, (i) general obligation bonds or (ii) bond anticipation notes in renewal of the Notes pursuant to the Act at a time and in a principal amount sufficient, together with any other lawfully available moneys, to pay the principal of and interest on the Notes due and payable on the maturity date thereof, provided, however, that if the District is unable to, or precluded from, issuing and selling or causing to be issued and sold, general obligation bonds or bond anticipation notes, the District has covenanted to issue and sell such other obligations as the District may legally issue and sell for such purpose at such times and in such amounts so as to be sufficient, together with any other lawfully available moneys therefor, to pay the principal of and interest on the Notes due and payable on the maturity date thereof.

No Additional General Obligation Bonds. By resolution of the Board, the District has covenanted not to issue, or cause to be issued, so long as the Notes are outstanding, any general obligation bonds; provided, however, the District may issue, or cause to be issued, general obligation bonds if, upon the issuance of such general obligation bonds, all of the Notes will have been paid or deemed paid or the proceeds of which will be used to pay the principal of and/or interest on the Notes.

No Additional Bond Anticipation Notes. By resolution of the Board, the District has covenanted not to issue, so long as the Notes are outstanding, any bond anticipation notes the repayment of which is secured by general obligation bonds issued under the Authorization that have a maturity date on or before the Maturity Date of the Notes.

PLAN OF FINANCE

General

The net proceeds from the sale of the Notes will be deposited to the credit of the Long Beach Community College District Building Fund held by the County. The proceeds will be disbursed solely for the purposes for which the Notes were issued which includes the projects specified in the District's official Project List approved at the Election.

The following description includes all elements of the Project List applicable to the bonds issued under the Election: repair, renovate and/or expand nursing and medical career job training classrooms and labs; repair, renovate and/or expand Science Building including science classrooms, labs, technology, instrumentation, furniture and equipment; upgrade all campus facilities to improve access for students with disabilities and to meet Americans with Disabilities Act requirements; upgrade classroom technology and computer labs throughout campus; repair, renovate, replace, upgrade, expand, furnish and/or equip existing classrooms; construct, furnish and equip new academic classrooms; replace aging portables with permanent academic and job training classrooms and faculty offices; complete Library/Learning Resource Center improvements including building, technology, furniture and equipment upgrades; repair or replace aging roofs; improve outdated cable, fiber-optics, hardware, technology and telecommunications infrastructure; repair or replace deteriorated electrical, plumbing, water/sewer, mechanical, heating, cooling, ventilation and utility systems; improve energy efficiency to save energy and money; upgrade fire safety, security, and emergency communications systems; improve indoor/outdoor lighting, signage, fencing and security systems for improved safety/security; renovate faculty workrooms and offices throughout campus; provide safety, ergonomic, instructional and lab equipment for classrooms, labs and faculty offices; construct additional parking space to accommodate student/faculty/staff demand and relieve overcrowding on neighborhood streets adjacent to campus; relocate student bookstore and renovate space to accommodate improved access; renovate the College's historic 975-seat auditorium originally constructed in 1956; renovate Administration and Student Services space and College Center to improve one-stop access for student support services; repair and renovate the Foundation Building; repair or replace deteriorating campus athletic fields and the College's 55-year old swimming pool and infrastructure; rehabilitate 60-year old physical education instructional classrooms and faculty offices; repair, renovate, and/or expand 59-year old Veterans Stadium Building; landscape and sprinkler open areas at and between buildings and at physical education facilities; replace and consolidate deteriorated warehouse and maintenance and operations facilities and portables; upgrade walkways, internal roadways and parking lots for improved safety; provide seismic and structural building improvements for earthquake safety; fund acquisition of land for new academic, job training or parking facilities; remove hazardous materials (e.g., asbestos, lead, mold, mildew, etc.) where necessary; demolition of existing buildings to be replaced with new construction; necessary site preparation/restoration in connection with new construction, renovation or remodeling, including ingress and egress, removing, replacing, or installing irrigation, utility lines, trees and landscaping, relocating fire access roads, and acquiring any necessary easements, licenses, or rights of way to property; provide temporary (interim) classrooms and other educational facilities as needed to accommodate students and campus functions displaced during construction; purchase/install new telecommunication infrastructure and/or enterprise-wide computer system; pay or pre-pay certain existing long term debt obligations of the District; and reimburse the District for qualified land/property acquisition expenses.

The District anticipates being able to issue general obligation bonds in an amount sufficient to pay the entire maturing principal of and interest on the Notes on their maturity date. However, the District retains the power to issue Roll-Over Notes to mature no later than January 7, 2015. It is the District's expectation, even based on no future assessed valuation growth, that it will be able to issue

general obligation bonds to pay the entire maturing principal of and interest on all outstanding Notes and Roll-Over Notes (the "Outstanding Notes") by January 7, 2015.

RISK FACTORS

There are certain risks to investors inherent in the purchase of the Notes. The following factors, along with the other information provided in this Official Statement, should be considered by potential investors in evaluating a purchase of Notes. However, the following do not purport to be an exhaustive listing of risks and other considerations that may be relevant to an investment in the Notes. The following factors are not presented in a priority reflective of their importance or significance to investors.

Tax Rate Levy Limitations under Proposition 39. Proposition 39, including the "Strict Accountability in Local School Construction Bonds Act of 2000," set forth at Section 15264 *et seq.* of the Education Code, sets forth strict limits on the ability of school districts to access their general obligation bond authorization. For the District, Proposition 39 provides it may not issue general obligation bonds unless the combined tax rate for all general obligation bonds issued under the same Authorization does not exceed \$25 per \$100,000 of assessed valuation. The District anticipates being able to issue general obligation bonds in an amount sufficient to pay the entire maturing principal of and interest on the Notes on their maturity date. It is the District's expectation, even based on no future assessed valuation growth, that it will be able to issue general obligation bonds to pay the entire maturing principal of and interest on all Outstanding Notes by January 7, 2015; however, circumstances may change, such that compliance with the tax rate maximum established by Proposition 39 would prevent such issuance. See "—Slow Growth or Reduction in Assessed Valuation" below. A delay in the ability of the District to access the Authorization would require the District to identify other sources of money to pay the maturing Notes, as described under "—Sources of Repayment; Limitation as to Term" below.

Sources of Repayment; Limitation as to Term. The Notes are being issued pursuant to the Act which prescribes the sources of repayment thereof and the maximum term of the Notes, taking into consideration the term of any Roll-Over Notes. Under the Act, the Notes may have a maximum term of 5 years from the date of issuance. If the Notes are issued with a term of less than 5 years from the date of issuance, then the combined term of the Notes and any Roll-Over Notes may not exceed 5 years from the date of issuance of the Notes. Upon maturity, and pursuant to the Resolution, the District has covenanted to deliver general obligation bonds under the Authorization and other lawfully available funds in an amount sufficient to pay the principal of and interest on maturing Notes, or Roll-Over Notes or other District obligations in such amount. At the fifth anniversary of the date of delivery of the Notes, it will not be permissible for the District to issue Roll-Over Notes for this purpose.

Debt Limitation. Pursuant to Section 15270(b) of the Education Code, the District may issue bonds in an amount up to 2.50% of the assessed valuation of taxable property within its boundaries. Based on the District's fiscal year 2009-10 assessed valuation of \$50,337,292,641, its gross bonding capacity (also commonly referred to as the "bonding limit" or "debt limit") is estimated at \$1,258,432,316.02 and its net bonding capacity is approximately \$1,052,343,449.57 (taking into account current outstanding bonded indebtedness of \$206,088,866.45 as of October 1, 2009). The District anticipates that, even assuming no growth in assessed valuation, it will have sufficient bonding capacity resulting from the maturing principal of certain of its outstanding bonds to issue general obligation bonds under the Authorization in an amount sufficient to pay the entire principal of and interest on all Outstanding Notes by January 7, 2015; however, changes in assessed valuation may impact the District's ability to issue general obligation bonds. See "—Slow Growth or Reductions in Assessed Valuation" below.

Slow Growth or Reductions in Assessed Valuation. Based on its current projections, in connection with other funds of the District lawfully available therefor, the District anticipates being able to issue general obligation bonds under the Authorization in an amount sufficient to pay the maturing Notes within the five years established by the Act. However, such expectations are based on facts and circumstances not known to the District and economic factors beyond the control of the District, such as successful appeals by property owners for reductions in assessed valuation of their properties, destruction of or damage to real property caused by natural forces, including fire, flood and earthquake, and other factors could cause continued slow growth or even a significant reduction in the assessed valuation within the District as a whole. Those circumstances could prevent the District from issuing general obligation bonds under applicable provisions of the California Constitution.

Reduction in Allowed Inflationary Rate; Initiatives Affecting Assessed Valuation. Article XIII A of the California Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given calendar year, or may be reduced to reflect a reduction in the consumer price index or comparable local data.

Said Article XIII A was adopted pursuant to the constitutional initiative process in the State. From time to time, other initiative measures are adopted by the voters in California, and it may be possible that one such initiative might alter the taxable value, reduce the permitted property tax rate or broaden property tax exemptions, further eroding the ability of the District to access the Authorization prior to the final maturity of the Notes. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" herein.

FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA

Major Revenues

General. In 2005-06, California community college districts received, on average, approximately 54.5% of their funds from the State, 41.6% from local sources, and 3.9% from federal sources. State funds include general apportionment, categorical funds, the State lottery (which is less than 3 percent of a district's annual operating budget), and mandated cost reimbursements. Local funds include property taxes, student fees and interest earnings.

For fiscal years up to and including fiscal year 2005-06, a community college district determined its revenue allocation using a program-based model. The model used different factors to establish support levels for five different expenditure categories at the community college district: (1) Instruction and Instructional Administration; (2) Instructional Services; (3) Student Services; (4) Operation and Maintenance of Plants; and (5) Institutional Support. Different standards were used in each category to determine fund requirements. The target allocation was obtained by calculating the exact cost of funding the specific standards in each category on a district by district basis. The aggregate total of the financial needs of the five categories established the amount of funding a district received. State general fund moneys, local property taxes and certain other local revenues, were allocated to the community college districts based on annual State apportionments of basic and equalization aid to community college districts for general purposes computed up to a revenue limit per unit of full time equivalent students ("FTES"). Such apportionments, generally speaking, amounted to the difference between a district's revenue limit and its local property tax allocation and student enrollment fees. Revenue limit calculations were adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among all community college districts in the State.

SB 361. On September 29, 2006, the Governor signed into law Senate Bill No. 361 ("SB 361") which reformed the formulas for allocating general-purpose apportionments to California community college districts beginning fiscal year 2006-07. SB 361 required the Board of Governors of the California Community Colleges (the "Board of Governors") to develop criteria and standards in accordance with prescribed Statewide minimum requirements. SB 361 provides a more comprehensive form of equalization that recognizes the fixed costs of operating individual colleges and centers, improves the calculation of district-specific enrollment growth caps and funds selected noncredit courses (examples of such non-credit courses for career development and college preparation include basic skills, high school equivalency, short-term occupational training and English-as-a-second language ("ESL")). The bill specified that, commencing with the 2006-07 fiscal year, the marginal amount of credit revenue allocated per credit FTES would not be less than \$4,367, noncredit instruction would be funded at a uniform rate of \$2,626 per FTES and career development and college preparation would be funded at a rate of \$3,092 per FTES, each adjusted for the change in COLA provided in the annual Budget Act for subsequent years.

The major local revenue source is local property taxes that are collected from within district boundaries. Student enrollment fees from the local community college district generally account for the remainder of local revenues for the district. Property taxes and student enrollment fees are applied towards fulfilling the district's financial needs. State aid is subject to the appropriation of funds in the State's annual budget. Decreases in State revenues may affect appropriations made by the Legislature to the districts. The sum of the property taxes, student enrollment fees, and State aid generally comprise the district's revenue limit.

A small part of each community college district's budget is from local sources other than property taxes and student enrollment fees, such as interest income, donations and sales of property. Every community college district receives the same amount of lottery funds per pupil from the State. The initiative authorizing the lottery requires a portion of the funds to be used for instructional materials, and prohibits their use for capital purposes.

Budget Procedures. On or before September 15 of each year, the respective board of trustees for each community college district is required under Section 58305 of the California Code of Regulations, Title 5, to adopt a final budget. Each September, every State agency, including the Chancellor's Office of the California Community Colleges, submits to the Department of Finance ("DOF") proposals for changes in the State budget. These proposals are submitted in the form of Budget Change Proposals ("BCPs"), involving analyses of needs, proposed solutions and expected outcomes. Thereafter, the DOF makes recommendations to the Governor, and by January 10 a proposed State budget is presented by the Governor to the Legislature. The Governor's Budget is then analyzed and discussed in legislative committees, and hearings begin in the State Assembly and Senate. In May, based on the debate, analysis and changes in the economic forecasts, the Governor issues a revised budget with changes he or she supports. The law requires the Legislature to submit its budget bill by June 15, and by June 30 the Governor should announce his or her line item reductions and sign the State budget.

In response to growing concern for accountability the statewide governing board of the California community colleges (the "Board of Governors") and the Chancellor's Office have, through enabling legislation (AB 2910, Chapter 1486, Statutes of 1986), established expectations for sound district fiscal management and a process for monitoring and evaluating the financial condition to ensure the financial health of California's community college districts. In accordance with statutory and regulatory provisions, the Chancellor has been given the responsibility to identify districts at risk and, when necessary, the authority to intervene to bring about improvement in their financial condition. To stabilize a district's financial condition, the Chancellor may, as a last resort, seek an appropriation for an emergency apportionment. Since the enactment of such enabling legislation, only one community college district in the State has sought an appropriation for an emergency apportionment.

The monitoring and evaluation process is designed to provide early detection and amelioration that will stabilize the financial condition of the district before an emergency apportionment is necessary. This is accomplished by (1) assessing the financial condition of districts through the use of various information sources, and (2) taking appropriate and timely follow-up action to bring about improvement in a district's financial condition, as needed. A variety of instruments and sources of information are used to provide a composite of each district's financial condition, including quarterly financial status reports, annual financial and budget reports, attendance reports, annual district audit reports, district input and other financial records. In assessing each district's financial condition, the Chancellor will pay special attention to each district's general fund balance, spending pattern, and FTES patterns. Those districts with greater financial difficulty will receive follow-up visits from the Chancellor's Office where financial solutions to the district's problems will be addressed and implemented.

Ad Valorem Property Taxes

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1. However, upon a change in ownership of property or completion of new construction, State law permits an accelerated recognition and taxation of increases in real property assessed valuation (known as a "floating lien date"). For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed property secured by a lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

The County levies a 1% property tax on behalf of all taxing agencies in the County. The taxes collected are allocated on the basis of a formula established by State law enacted in 1979. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of "situated" growth in assessed value (new construction, change of ownership, inflation) prorated among the jurisdictions, which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county-wide or less than city-wide special and school districts. In addition, the County levies and collects additional approved property taxes and assessments on behalf of any taxing agency within the County.

Property taxes on the secured roll are due in two installments, on November 1st and February 1st. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a ten percent penalty attaches to any delinquent payment. In addition, property on the secured roll secured by the assessee's fee ownership of land with respect to which taxes are delinquent is declared tax-defaulted on or about June 30th. Those properties on the secured roll that become tax-defaulted on June 30th of the fiscal year that are not secured by the assessee's fee ownership of land are transferred to the unsecured roll and are then subject to the Treasurer's enforcement procedures (i.e., seizures of money and property, liens and judgments). Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus costs and redemption penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted property is subject to sale by the Treasurer.

Property taxes on the unsecured roll are currently due as of the January 1st lien date prior to the commencement of a fiscal year and become delinquent, if unpaid, on August 31st. A ten percent penalty attaches to delinquent taxes on property on the unsecured roll and an additional penalty of one and one-half percent per month begins to accrue on November 1st. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for recordation in the County Recorder's

office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements, bank accounts or possessory interests belonging or assessed to the taxpayer.

The County levies and collects all property taxes for property falling within its taxing boundaries.

Certain counties in the State operate under a statutory program entitled Alternate Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"). Under the Teeter Plan local taxing entities receive 100% of their tax levies net of delinquencies, but do not receive interest or penalties on delinquent taxes collected by the county. **The County of Los Angeles has not adopted the Teeter Plan, and consequently the Teeter Plan is not available to local taxing entities within the County, such as the District. The District's receipt of property taxes is therefore subject to delinquencies.** See the table entitled "Secured Tax Charges and Delinquencies" under the heading "DISTRICT FINANCIAL INFORMATION" herein.

The District is a member of the California Statewide Delinquent Tax Finance Authority ("CSDTFA"). CSDTFA is a joint exercise of powers agency formed for the purpose of purchasing delinquent *ad valorem* property taxes of its members in accordance with Section 6516.6 of the Government Code of the State of California. The District anticipates that CSDTFA will from time to time purchase delinquent *ad valorem* tax receivables from the District at a purchase price equal to 108% of such receivables. Any penalty charges collected with respect to such delinquencies will be retained by CSDTFA. For the fiscal year 2007-08, the District refunded \$411,474 from local revenue to CSDTFA for corrections in tax calculations.

Proposition 98

General. In 1988, California voters approved Proposition 98, an initiative that amended Article XVI of the State Constitution and provided specific procedures to determine a minimum guarantee for annual grade kindergarten to 14 ("K-14") funding. The constitutional provision links the K-14 funding formulas to growth factors that are also used to compute the State appropriations limit. Proposition 111 (Senate Constitutional Amendment 1), adopted in June 1990, among other things, revised certain funding provisions of Proposition 98 relating to the treatment of revenues in excess of the State spending limit and added a third funding "test" to calculate the annual funding guarantee. This third calculation is operative in years in which general fund tax revenue growth is weak. The amendment also specified that under Test 2 (see below), the annual cost of living adjustment ("COLA") for the minimum guarantee would be the change in California's per-capita personal income, which is the same COLA used to make annual adjustments to the State appropriations limit (Article XIII B).

Calculating Minimum Funding Guarantee. There are currently three tests which determine the minimum level of K-14 funding. Test 1 guarantees that K-14 education will receive at least the same funding share of the State general fund budget it received in 1986-87. Initially, that share was just over 40 percent.

Under implementing legislation (AB 198 and SB 98 of 1989), each of the three segments of public education (K-12 districts, community college districts, and direct elementary and secondary level instructional services provided by the State of California) has separately calculated amounts under the Proposition 98 tests. The base year for the separate calculations is 1989-90. Each year, each segment is entitled to the greater of the amounts separately computed for each under Test 1 or 2. Should the calculated amount Proposition 98 guarantee (K-14 aggregated) be less than the sum of the separate calculations, then the Proposition 98 guarantee amount shall be prorated to the three segments in proportion to the amount calculated for each one. This statutory split has been suspended in every year

beginning with 1992-93. In those years, community colleges received less than was required from the statutory split.

Test 2 provides that K-14 education will receive as a minimum its prior-year total funding (including State general fund and local revenues) adjusted for enrollment growth ("FTES") and per-capita personal income COLA.

A third formula, established pursuant to Proposition 111 as "Test 3," provides an alternative calculation of the funding base in years in which State per-capita General Fund revenues grow more slowly than per-capita personal income. When this condition exists, K-14 minimum funding is determined based on the prior-year funding level, adjusted for changes in enrollment and COLA where the COLA is measured by the annual increase in per-capita general fund revenues, instead of the higher per-capita personal income factor. The total allocation, however, is increased by an amount equal to one-half of one percent of the prior-year funding level as a funding supplement.

In order to make up for the lower funding level under Test 3, in subsequent years K-14 education receives a maintenance allowance equal to the difference between what should have been provided if the revenue conditions had not been weak and what was actually received under the Test 3 formula. This maintenance allowance is paid in subsequent years when the growth in per-capita State tax revenue outpaces the growth in per-capita personal income.

The enabling legislation to Proposition 111, Chapter 60, Statutes of 1990 (SB 88, Garamendi), further provides that K-14 education shall receive a supplemental appropriation in a Test 3 year if the annual growth rate in non-Proposition 98 per-capita appropriations exceeds the annual growth rate in per-pupil total spending.

State Assistance

The principal funding formulas and revenue sources for school and community college districts are derived from the budget of the State of California. **The following information concerning the State of California's budgets has been obtained from publicly available information which the District believes to be reliable; however, the State has not entered into any contractual commitment with the District, the Underwriters, Bond Counsel nor the owners of the Notes to provide State budget information to the District or the owners of the Notes. Although they believe the State sources of information listed above are reliable, neither the District, Bond Counsel nor the Underwriters assume any responsibility for the accuracy of the State budget information set forth or referred to herein or incorporated by reference herein. Additional information regarding State budgets is available at various State-maintained websites including www.dof.ca.gov. This website is not incorporated herein by reference and neither the District nor the Underwriters makes any representation as to the accuracy of the information provided therein.**

Budget Reform and 2009 Budget Act. On November 6, 2008, the Governor called a special session of the State Legislature and announced a plan to address a projected revenue shortfall for fiscal year 2008-09, estimated as of December 10, 2008 to be approximately \$14.8 billion, as well as substantial shortfalls in future fiscal years. This legislative special session ended without a resolution. Coinciding with the swearing-in of the new Legislature on December 1, 2008, the Governor declared a fiscal emergency for the State, allowing him to call several Proposition 58 legislative special sessions to address the shortfall.

On February 19, 2009, the State Legislature passed a budget-balancing reform signed by Governor Schwarzenegger on February 20, 2009 (the "2009 Budget Act"), intended to close the State's

projected \$41.6 billion deficit through June of 2010. The 2009 Budget Act enacted nearly five months ahead of the constitutional deadline, along with a number of accompanying measures, was designed to reduce the deficit forecasts and to achieve budget solutions for both the 2008-09 and 2009-10 fiscal years. The Department of Finance reported that California's chronic and cyclic budget crises are largely attributable to the use of higher than normal revenues to create permanent, ongoing spending commitments and tax cuts. The 2009 Budget Act and accompanying legislation are designed to end this cycle by preventing government from spending revenue above the long-term trend line and by creating a substantial Rainy Day fund of up to 12.5 percent of General Fund revenue for use only during times when revenue is insufficient to fund a moderate, population-and-inflation-based growth in spending. Certain of these reforms, to be effective, required voter approval at the May 19, 2009 special election. See "May Revision to 2009 Budget Act" below.

Features of the 2009 Budget Act and accompanying legislation as they pertain to education funding and programs include the following:

- **Proposition 98 Reduction.** An expenditure reduction of \$8.4 billion in Proposition 98 funding included in the 2009 Budget Act reflects the reduction in the Proposition 98 minimum guarantee that results from the severe decline in General Fund revenues. In order to protect classroom funding during the financial downturn, the 2009 Budget Act includes \$3.24 billion of deferrals from the 2008-09 fiscal year to July of the 2009-10 fiscal year from school district revenue limits, K-3 class size reduction and community college apportionment payments.
- **Allocation of Proposition 98 Funding.** The 2009 Budget Act contains reductions and changes in the way the total Proposition 98 funding is allocated to various programs: (a) eliminating the \$286.9 million cost-of-living adjustment (COLA) included in the 2008 Budget Act; (b) reducing \$943.8 million to school district and county office of education revenue limits in 2008-09, and makes an additional reduction to revenue limits of \$267.5 million in 2009-10; and (c) reducing \$1,211.3 million from most all K-12 categorical programs, which consists of a reduction of \$943.8 million in 2008-09, and an additional reduction of \$267.5 million in 2009-10. In order to increase school districts' flexibility to accommodate these reductions, the 2009 Budget Act provides 100-percent flexibility for 42 of the 61 categorical programs.
- **Long-term Funding for Education.** The severe decline in the State's General Fund revenues has impacted K-14 funding by dramatically reducing the Proposition 98 guarantee. In the long term, given the manner in which Proposition 98 is tied to General Fund revenues, the guarantee would return to historical levels. The 2009 Budget Act recognizes the need to plan for this transition over a number of years by scheduling increases in K-14 funding as part of the budget reform package. This mechanism uses one-half of the annual 3-percent General Fund transfer into the "Rainy Day" fund to provide education over a period of several years.
- **Educational Categorical Flexibility.** To assist school districts manage their budgets during these economic times, the 2009 Budget Act and accompanying legislation provides relief in connection with 42 categorical programs. This flexibility will be provided through fiscal year 2012-13, allowing school districts to shift funds to meet their highest priority needs. In addition, 2009 Budget Act and accompanying legislation proposes to significantly reduce the penalties associated with K-3 Class Size Reduction through 2011-12, allowing districts to retain up to 70 percent of funding if pupil-to-teacher ratios increase more than 25 to 1, which will provide greater local flexibility.

This proposal will not include programs that are protected under federal law or that were approved through a voter initiative. The most notable programs in this category include Special Education, Child Nutrition, Child Care and the After School Education and Safety Program.

- **Higher Education.** The \$793.8 million reduction in higher education funding reflects (a) an ongoing reduction beginning in the current year to achieve the 10-percent reduction initially proposed in the Governor's Proposed 2008-09 Budget (\$132.2 million in both years), (b) elimination of the Higher Education Compact-related increases scheduled for the budget year (\$427.6 million), (c) elimination of the anticipated budget year increase to restart state contributions to University of California's retirement system (\$95.7 million) including legislative elimination of the proposed \$20 million partial year start-up proposed by the Administration, and (d) legislative elimination of proposed new cohorts of nursing and medical enrollments for the budget year (\$6.1 million). The 2009 Budget Act includes unallocated reductions, through a veto, of \$255 million each from the University of California and California State University. The additional reductions will be offset by funding intended for restoration from the State Fiscal Stabilization Fund under the Recovery Act.
- **Federal Stimulus Funds.** On April 19, 2009, \$3.1 billion in federal economic stimulus funds were released by the Federal Government for California education purposes, including more than \$0.5 billion for California community colleges and universities, and \$2.6 billion slated for K-12 education.

Additional reductions featured in the 2009 Budget Act and accompanying legislation in other programs include reductions in Medi-Cal and Supplemental Security Income/State Supplementary Payment spending, California Work Opportunities and Responsibility to Kids programs, certain other mental health and health and human services programs, as well as reductions in State employee compensation. Legislation accompanying the 2009 Budget Act includes measures designed to help stimulate the State's economy through changes in the manner in which corporate taxes are calculated, a temporary new job creation credit for small businesses under personal income and corporate tax laws, a trailer bill creating a home buyers' credit against personal income tax liability, and measures to authorize state and local transportation agencies to seek private sector financing to build transportation projects in addition to those financed with public funds.

LAO Overview of 2009 Budget Act. The LAO's Overview of the 2009 Budget Act (the "2009 LAO Overview") is being included in a series of reports as part of the LAO's 2009-10 Budget Analysis Series, a portion of which was released on March 13, 2009. The 2009 LAO Overview confirms that the 2009 Budget Act includes spending reductions, temporary tax increases, the use of federal stimulus funds, and borrowing from future lottery profits, almost \$6 billion of which depended on voter approval at the May 19, 2009 special election. It also recognizes that the State's economic outlook has continued to deteriorate. Consequently, the LAO projects that the State Legislature and the Governor will need to agree to additional budgetary solutions to rebalance the 2009-10 budget. The 2009 LAO Overview highlights the major components of the 2009 Budget Act, then lays out the LAO's new long-term forecast of the State's revenues and spending, and includes considerations for the Legislature as it moves forward. A complete copy of the LAO Overview is posted by the Office of the Legislative Analyst at www.lao.ca.gov. This website is not incorporated herein by reference and neither the District nor the Underwriter makes any representation as to the accuracy of the information provided therein.

As it relates to California Community Colleges ("CCC"), the 2009 LAO Overview reports that the 2009 Budget Act allocates approximately \$6.4 billion to CCC funding and notes that the 2009 Budget

Act does not include any increase in fees for CCC students. CCCs would receive an augmentation specifically for enrollment growth in 2009-10, raising its funded enrollment based upon a specified level of full-time equivalent students, however, preliminary estimates suggest that CCCs have already achieved this level of enrollment in the current fiscal year. The LAO recommends, in particular, that the State commence raising CCC fees in light of recent changes to federal tax credits which would allow the State to tap hundreds of millions of new federal dollars without a significant financial effect on students.

May Revision to the 2009 Budget Act. On May 14, 2009, the office of the Governor released its May Revision to the 2009 Budget Act (the "May Revision"). The May Revision proposes additional solutions to address growing revenue losses and expenditure increases experienced by the State since the passage of the 2009 Budget Act. The May Revision projects that, absent corrective action, State expenditures will exceed revenues by approximately \$15.4 billion through the current fiscal year and fiscal year 2009-10. To address this projected deficit, the May Revision proposes \$2 billion in expenditure reductions and revenue increases for fiscal year 2008-09 and \$12.5 billion of such solutions for fiscal year 2009-10, coupled with a \$889 million reduction to the \$2.1 billion reserve approved as part of the 2009 Budget Act. With respect to K-12 education funding, the proposed solutions include reductions in Proposition 98 funding of \$1 billion fiscal year 2008-09 and \$2 billion in fiscal year 2009-10. The May Revision also acknowledges that the 2009 Budget Act included approximately \$6 billion of solutions subject to voter approval at the May 19, 2009 special election, including the sale of future State Lottery revenues and diversion of tax revenues to general fund purposes that were previously dedicated by voter initiative to childhood development and mental health services. However, on May 19, 2009, five of the six proposed Statewide ballot measures failed to pass. Failure to secure voter approval for these measures, increases the projected deficit by the amount of approximately \$6 billion. Accordingly, in response to worsening revenue projections and the May 19, 2009 special election results, the May Revision proposes the following budgetary measures, among numerous others:

Revenues: the acceleration of state income tax withholding (\$1.7 billion) and personal and corporation estimated tax payments (\$610 million) and sale of a portion of the State Compensation Insurance Fund (\$1.0 billion).

Expenditures: a cut and deferral of K-14 education funding (Proposition 98) by \$1.6 billion in 2008-09 and by \$4.6 billion in 2009-10 and a reduction of \$1.02 billion from 2008-09 California State University and University of California funding.

Borrowing: diversion of \$1.98 billion in local property tax revenues to the State, to be repaid within three years under Proposition 1A of 2004.

Additional changes include spending cuts, revenue enhancements, and shifting revenues and expenditures between programs. For further details regarding the May Revision, please see the summary thereof published by the California State Department of Finance (the "May Revision Report"). The May Revision Report may be found at www.dof.ca.gov. This website is not incorporated herein by reference and neither the District nor the Underwriter makes any representation as to the accuracy of the information provided therein.

LAO Overview of May Revision. The LAO points out that the May Revision proposals include major spending reductions and efforts for long-term State efficiencies and savings and that by acting promptly, rejecting the Governor's revenue anticipation warrants proposal, and reducing reliance on certain of the Governor's proposals, the State Legislature can return the budget to balance, prevent another State cash crunch, and preserve core funding for what it deems to be the State's long-term priorities. To accomplish these goals, the LAO believes that the State Legislature must cut lower-priority programs substantially or eliminate them and, to address significant budget deficits forecast in future

years, the State Legislature also needs to begin work on measures that further improve the efficiency of State services in future fiscal years. With regard to K-14 education, the following features are included in the May Revision:

Minimum Guarantee for K-14 Education. From levels assumed in February, the administration estimates that the Proposition 98 minimum guarantee has fallen by \$1.6 billion in 2008-09 and \$3.8 billion in 2009-10. The Governor's May Revision reduces Proposition 98 funding in both years to these lower levels.

Additional Cuts to K-14 Education. The largest current-year proposal in the May Revision is a \$1.3 billion decrease in general purpose funding for K-12 school districts, a revenue limit reduction of 3.7 percent (for a total cut of 6.4 percent when combined with earlier 2008-09 reductions). The May Revision provides for revenue limits to be reduced an additional \$387 million in 2009-10 (for a total cut of 8.1 percent when combined with earlier reductions). For CCC, the May Revision reduces support for categorical programs by \$85 million in 2008-09 and an additional \$249 million in 2009-10, equating to a cumulative reduction of almost 50 percent. In addition, for 2009-10, the administration proposes to reduce enrollment growth from 3 percent to 1 percent (\$127 million savings) and lower the funding rate for recreational courses (\$120 million savings).

Additional Deferrals. The May Revision includes two additional K-14 deferrals. Under the administration's plan, \$115 million in 2008-09 community college apportionment payments would be deferred until 2009-10 and \$1.7 billion in 2009-10 K-12 revenue limits payments would be deferred until 2010-11. These deferrals represent approximately one-third of the administration's proposed May Revision K-14 solutions.

Additional Flexibility. To assist school districts and CCCs respond to the 2009 Budget Act, the May Revision includes two major new flexibility proposals. For K-12 school districts, the administration proposes changing state law to provide school districts with the option of reducing instructional time the equivalent of up to 7.5 days a year for the next three years. For CCCs, the administration proposes to consolidate the vast majority of the existing 22 CCC categorical programs into a block grant (similar to the "flex item" created for K-12 school districts in the February 2009 package). Under the block grant approach, community colleges no longer would need to adhere to underlying program requirements. They would have discretion to shift funding among existing categorical programs or away from these programs to other priorities.

Federal Stimulus Funding. The May Revision reduces K-12 education by \$2.8 billion and CCC by \$820 million over the 2008-09 and 2009-10 period. These program reductions would be mitigated by the federal economic stimulus funding available to the State. For K-12 education, the State will receive approximately \$6.3 billion in federal stimulus funding over this period. As a result, compared to the February funding level, K-12 funding, on average, would increase by about \$600 per pupil. Compared to the earlier September 2008-09 Budget Act level, however, per pupil K-12 funding would fall by about \$250, or roughly 3 percent. The impact on a particular district would depend on the amount of federal stimulus funding it receives. As some stimulus funding (such as Title I funding) is not distributed to every district, programmatic effects will vary across districts. Under the May Revision, CCCs would also receive a small amount of federal stimulus funding to partially mitigate proposed cuts.

Community College Fees. The LAO notes that the Federal government recently expanded the tax credits available to CCC students and that by increasing CCC fees, the State could take advantage of this federal aid and mitigate hundreds of millions of dollars of the Governor's proposed reductions without substantially affecting most students and their families.

LAO Recommendations. In connection with the Proposition 98 proposal set forth in the May Revision, the LAO recommends the State Legislature achieve the same level of General Fund savings as the May Revision by reducing spending to the minimum guarantee. Yet, to achieve these savings, the LAO recommends making more targeted reductions based on the merits of individual programs and avoiding additional deferrals. In addition, the LAO recommends the State Legislature work with the administration to explore additional flexibility options. The LAO believes the May Revision misses several opportunities to eliminate existing programs that are duplicative, inefficient, ineffective, or over-budgeted, and that approximately ten existing categorical programs fall into this category (as well as many education mandates). For example, the LAO recommends the State Legislature eliminate a childcare extended day and the California Technology Assistance Project, among others. The LAO points out that the May Revision includes \$1.8 billion in new K-14 deferrals which, together with already existing K-14 deferrals, provides that the State would be deferring \$6.3 billion in K-14 payments from 2009-10 into 2010-11. Accordingly, the LAO suggests that the administration is expecting school districts to run a program in 2009-10 that the State cannot afford and that another sizeable deferral could make many districts, especially small districts with small cash cushions, more susceptible to becoming insolvent. Moreover, the LAO advises against planning for deferrals even before a fiscal year has begun.

While the LAO believes that the Governor's estimate of the budget problem that now needs to be addressed, namely \$21.3 billion, is reasonable, the LAO's updated estimates of General Fund revenues and expenditures differ somewhat from the administration's, indicating that the problem may be larger by about \$3 billion. In March 2009, the LAO projected that the State faced huge operating shortfalls in future years even after the adoption of the 2009 Budget Act. The LAO now estimates that the May Revision proposals would leave the General Fund with an imbalance between resources and expenditures of greater than \$15 billion in 2010-11, with the annual shortfall rising even more in the subsequent three fiscal years. A complete copy of the LAO overview of the May Revision is posted by the Office of the Legislative Analyst at www.lao.ca.gov. This website is not incorporated herein by reference and neither the District nor the Underwriters make any representation as to the accuracy of the information provided therein.

Revised 2009-10 Budget. On July 29, 2009, Governor Schwarzenegger signed a package of bills (the "Revised 2009-10 Budget") that revised the 2009 Budget Act. The 2009 Budget Act included \$36 billion in budgetary measures at a time when the General Fund budget gap was estimated to be \$42 billion. The Revised 2009-10 Budget includes an additional \$24 billion to address the further deterioration of the State's fiscal situation as identified in the May Revision. The \$60 billion Revised 2009-10 Budget addresses the largest budget gap faced by the State, both in dollar amount and in the percent of General Fund revenues it represents. The largest contributor to the budget gap is the reduction in the baseline revenue forecast for fiscal years 2008-09 and 2009-10. This reduction is due in large part to the economic recession. In May 2008, the Department of Finance forecasted the output of the State's economy (as measured by personal income) to be \$1.589 trillion in 2008, \$1.655 trillion in 2009 and \$1.739 trillion in 2010.

The Revised 2009-10 Budget imposes deep cuts to CCCs that will reduce CCC spending by over \$680 million from the amount approved in February, and is expected to reduce enrollment by approximately 250,000 students. General funding for CCCs, which is allocated on a per-student basis, will be reduced by a total of \$233,600,000. Of this, \$120 million is a specific reduction approved by the State Legislature and the other \$115.6 million is due to anticipated shortfalls in general revenue (apportionment-\$41 million), and overestimates in property taxes (\$21.2 million) and student fees (\$53.4 million). The reduction in general funding will lead to a "workload reduction" that will match funded enrollment with available funding, an adjustment expected to reduce funded enrollment in districts by 3.39%. This is designed to keep per-student funding in line with the statutorily prescribed funding levels

and avoid a permanent erosion of quality. Major components of the Revised 2009-10 Budget affecting CCCs include the following:

Proposition 98 Impacts. Two significant revenue sources for CCCs sunset in January 2011: (i) the personal income tax increase and (ii) suspension of the dependent credit. As a consequence of these reductions, Proposition 98 funding is expected to be based on Test 3, or a combination of the change in K-12 average daily attendance (a largely flat number) and the change in per capita General Fund (expected to drop barring an extension of the tax increases). With the sunset of the Federal stimulus funds and a decline in the State's minimum funding guarantee, it is expected that during fiscal year 2010-11, CCCs will face additional cuts.

Student Enrollment Fees. Effective Fall 2009, CCC student enrollment fees will be \$26 per credit unit and CCCs will be required to collect fees for students that have already registered. Any revenue not collected will be subtracted from the CCC system's apportionment.

Categorical Funding. The Revised 2009-10 Budget provides deep reductions to categorical programs, and provides local districts significant latitude to accommodate the cuts. Categorical programs fall into two separate groups--protected and unprotected. The following programs have been cut 32%, with the possibility of up to one-half of the cut being restored with federal funds: Basic Skills Initiative; Disabled Students Programs and Services; Extended Opportunity Programs and Services; Cooperative Agencies Resources for Education; Foster Care Education (25% cut); Nursing Support; and Telecommunications and Technology programs. The following "unprotected" categorical programs were mostly cut by 62%, with the possibility of up to one half of the cut being restored with federal funds: Apprenticeship Programs; Campus Childcare Tax Bailout; Career-Technical Education (36% cut); Economic Development; Equal Employment Opportunity; Matriculation; Part-time Faculty Compensation; Part-time Faculty Health Insurance; Physical Plant and Instructional Support (100% cut); and Transfer Education and Articulation. Following a public hearing and a vote of the governing board of a CCC, the funding for these "unprotected" programs can be transferred to any other categorical purpose listed in either the protected or unprotected items (but not general fund). After such a vote, all statutory and regulatory mandates are waived. Funds for these programs will be distributed based on the proportion of the statewide allocations for these items in fiscal year 2008-09.

Federal Stabilization Funds. The Revised 2009-10 Budget officially relies on \$130 million in funds received under the Recovery Act. However, the actual amount that CCCs will receive is based on the proportion of cuts received by CCCs relative to UC, CSU and K-12 schools, and the total amount of money provided by the federal government. Many analysts believe CCC will receive between \$60-90 million in federal stabilization funds. To the extent these one-time revenues are not provided to CCCs, the offset to the categorical cuts will not be provided.

LAO Overview of Revised 2009-10 Budget and LAO Five-Year Forecast. The LAO issued its overview of the Revised 2009-10 Budget on October 6, 2009. After considering both the February and July 2009 budget packages (including the Governor's line-item vetoes), the LAO noted that the 2009-10 State spending plan included total State budget expenditures of \$110 billion from the General Fund and special funds and that spending from these funds in fiscal year 2009-10 is projected to be \$20 billion, 15 percent less than in fiscal year 2007-08. In addition, the LAO pointed out that the Revised 2009-10 Budget assumed spending from bond funds of nearly \$10 billion as the State continues to allocate moneys from the \$43 billion bond package approved at the November 2006 election and that while State expenditures decline in fiscal year 2009-10, Federal funds spending will increase dramatically (the Federal stimulus funding provided by the American Recovery and Reinvestment Act ("ARRA") being largely responsible for the increase in spending from Federal funds from \$56 billion in fiscal year 2007-08 to \$77 billion in fiscal year 2008-09 and an estimated fiscal year \$94 billion in fiscal year 2009-10).

On November 18, 2009, the LAO released its five-year fiscal forecast for California which suggests that the State's budget problems will outlast the current recession and projects that the State faces a \$21 billion eighteen-month budget deficit, a shortfall mostly attributable to optimistic revenue projections in the 2009 Budget Act, failed budget solutions, such as selling the State Comp Insurance Fund, higher than expected prison costs, expiration of temporary tax increases and implementation of new tax cuts, an increase in the Proposition 98 funding guarantee by \$1 billion in fiscal year 2009-10 and 'sunsetting' of State fiscal stabilization funds from the Federal government. The LAO projects that fiscal year 2010-11 will be a "flat" revenue year for the State, although \$5 billion in temporary taxes will sunset, and while fiscal year 2011-12 should see an organic increase in revenues of \$5.5 billion, \$9 billion in temporary taxes will expire, causing a net reduction in State revenues. This reduction in revenues, combined with required repayments to local governments and workload increases, creates a sustained budget problem for the State that reduces any hope that the State will recover without very significant further cuts or increased taxes.

With regard to K-14 education, for fiscal year 2009-10, the LAO projects an increase in the Proposition 98 minimum guarantee of approximately \$1 billion above the July 2009 budget appropriation. In fiscal years 2010-11 and 2011-12, the LAO projects consecutive years of decline in the Proposition 98 funding requirement and recommends options for the State to address the increase in fiscal year 2009-10 Minimum Guarantee, including suspension of the Proposition 98 minimum guarantee and maintaining the existing funding level which would achieve \$1 billion in fiscal year 2009-10 budget savings. Assuming the State fully funds the Proposition 98 minimum guarantee in fiscal year 2009-10, the LAO projects a small decrease in the funding requirement in fiscal year 2010-11, with a larger drop in fiscal year 2011-12, largely a result of projected declines in State revenues due to the phase-out of the temporary tax increases adopted as part of the February, 2009, budget agreement. The LAO points out that reductions to education spending in fiscal years 2008-09 and 2009-10 were tempered by the flow of \$6 billion in federal funding from the ARRA, which helped prevent additional reductions to school district budgets. The LAO believes that if the State funds K-14 education at the minimum level in fiscal years 2010-11 and 2011-12 and does not "backfill" these ARRA funds, K-14 districts will face even more difficulty as they experience decreases in Federal funding.

A complete copy of the Revised 2009-10 Budget is posted at www.ebudget.ca.gov. This website is not incorporated herein by reference and neither the District nor the Underwriter makes any representation as to the accuracy of the information provided therein. In addition, it is impossible for the District to predict what further actions might be taken by the State Legislature and the Governor to address the State's very severe budget challenges or to determine the exact impact the current budget or any such actions will have on the District or on State revenues available for the District's purposes.

Final State Budgets

Under State law, the State Legislature is required to adopt its budget by June 15 of each year for the upcoming fiscal year, with approval by the Governor to occur on June 30. The State Legislature failed to pass a State budget for fiscal year 2008-09 until September 23, 2008. Accordingly, many State payments were held until the 2008-09 State Budget was adopted, including those scheduled to be made to school and community college districts under Proposition 98 and receipt of State categorical funds by the District was delayed until the State budget was adopted for the 2008-09 fiscal year. As described herein, the State Legislature failed to pass amendments to the adopted State Budget for 2009-10 in a timely manner, which was necessary to correct a projected shortfall of approximately \$24 billion. The events leading to the inability of the State Legislature to pass a budget in a timely fashion are not unique, and the District cannot predict what circumstances may cause a similar failure in future years. In each year where the State budget lags adoption of the District's budget, it will be necessary for the District's staff to

review the consequences of the changes, if any, at the State level from the proposals in the May Revision for that year, and determine whether the District's budget will have to be revised.

The State has in past years experienced budgetary difficulties and has balanced its budget by requiring local political subdivisions to fund certain costs theretofore borne by the State. No prediction can be made as to whether the State will take further measures to resolve its current projected budget deficit for the 2009-10 fiscal year which would, in turn, adversely affect the District. Further State actions taken to address its budgetary difficulties could have the effect of reducing the District's support indirectly, and the District is unable to predict the nature, extent or effect of such reductions.

A complete copy of the Revised 2009-10 Budget is posted at www.ebudget.ca.gov. This website is not incorporated herein by reference and neither the District nor the Underwriters makes any representation as to the accuracy of the information provided therein. In addition, it is impossible for the District to predict what further actions might be taken by the State Legislature and the Governor to address the State's very severe budget challenges or to determine the exact impact the current budget or any such actions will have on the District or on State revenues available for the District's purposes.

Supplemental Information Concerning Litigation Against the State of California

In June 1998, a complaint was filed in Los Angeles County Superior Court challenging the authority of the State Controller to make payments in the absence of a final, approved State Budget. The Superior Court judge issued a preliminary injunction preventing the State Controller from making payments including those made pursuant to continuing appropriations prior to the enactment of the State's annual budget. As permitted by the State Constitution, the Legislature immediately enacted and the Governor signed an emergency appropriations bill that allowed continued payment of various State obligations, including debt service, and the injunction was stayed by the California Court of Appeal, pending its decision.

On May 29, 2003, the California Court of Appeal for the Second District decided the case of *Steven White, et al. v. Gray Davis (as Governor of the State of California), et al.* The Court of Appeal concluded that, absent an emergency appropriation, the State Controller may authorize the payment of state funds during a budget impasse only when payment is either (i) authorized by a "continuing appropriation" enacted by the Legislature, (ii) authorized by a self-executing provision of the California Constitution, or (iii) mandated by federal law. The Court of Appeal specifically concluded that the provisions of Article XVI, Section 8 of the California Constitution - the provision establishing minimum funding of K-14 education enacted as part of Proposition 98 - did not constitute a self-executing authorization to disburse funds, stating that such provisions merely provide formulas for determining the minimum funding to be appropriated every budget year but do not appropriate funds. The State Controller has concluded that the provisions of the Education Code establishing K-12 and county office revenue limit funding do constitute continuing appropriations enacted by the Legislature and, therefore, the State Controller has indicated that State payments of such amounts would continue during a budget impasse. However, no similar continuing appropriation has been cited with respect to K-12 categorical programs and revenue limit funding for community college districts, such as the District, and the State Controller has concluded that such payments are not authorized pursuant to a continuing appropriation enacted by the Legislature and, therefore, cannot be paid during a budget impasse. The California Supreme Court granted the State Controller's Petition for Review on a procedural issue unrelated to continuous appropriations and on the substantive question as to whether the State Controller is authorized to pay State employees their full and regular salaries during a budget impasse. No other aspect of the Court of Appeal's decision was addressed by the State Supreme Court.

On May 1, 2003, with respect to the substantive question, the California Supreme Court concluded that the State Controller is required, notwithstanding a budget impasse and the limitations imposed by State law, to timely pay those state employees who are subject to the minimum wage and overtime compensation provisions of the federal Fair Labor Standards Act. The Supreme Court also remanded the preliminary injunction issue to the Court of Appeal with instructions to set aside the preliminary injunction in its entirety.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIII A of the California Constitution

Article XIII A of the California Constitution limits the amount of any *ad valorem* tax on real property, to one percent of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and on bonded indebtedness for the acquisition or improvement of real property, which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness. Article XIII A defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment." The full cash value may be increased at a rate not to exceed two percent per year to account for inflation.

Article XIII A has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster and in other minor or technical ways.

Legislation Implementing Article XIII A

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The one percent property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the two percent annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

All taxable property is shown at full market value on the tax rolls, with tax rates expressed as \$1 per \$100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of market value (unless noted differently) and all general tax rates reflect the \$1 per \$100 of taxable value.

Article XIII B of the California Constitution

Under Article XIII B of the California State Constitution state and local government entities have an annual "appropriations limit" and are not permitted to spend certain moneys which are called "appropriations subject to limitation" (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the "appropriations limit." Article XIII B does not affect the