

Monterey County Board of Supervisors
c/o Charles McKee,
County Counsel
c/o Leslie J. Girard, Assistant County Counsel
168 West Alisal Street, 3rd Floor
Salinas, California 93901

December 20, 2012

Mary Zeeb,
Treasurer/Tax Collector
168 W. Alisal St., 1st Floor
Salinas, California 93901

Dr. Nancy Kotowski,
County Superintendent of Schools
Office of Education
901 Blanco Circle
Salinas, California 93901

Re: California School Cash Reserve 2012-2013 Mid-Year TRAN Program;
Action Requested By February 8, 2013

Dear Mr. McKee, Ms. Zeeb and Dr. Kotowski:

Pursuant to the provisions of California Government Code Section 53853, we are writing to you on behalf of the districts listed on Schedule I attached hereto (as used hereinafter, the "Districts") that do not have fiscal accountability status.

As discussed below, due to critical timing issues, we are respectfully requesting, on behalf of the Districts, that the County Board of Supervisors (i) exercise its option to notify the Districts that it will not authorize the issuance of tax and revenue anticipation notes ("TRANS") of the Districts within 45 calendar days following the receipt of this letter, and (ii) provide notice to that effect to the Districts by signing and returning the enclosed form of notice to Orrick, Herrington & Sutcliffe LLP in the enclosed letter-sized self-addressed, stamped envelope by February 8, 2013.

The State of California (the "State") has deferred a substantial amount of funding for county boards of education, school districts and community college districts from fiscal year 2012-2013 to fiscal year 2013-2014 (the "Deferred Revenues"). This has complicated the cash flow management activities of those agencies. As a result, the Districts are expected to participate in a mid-year cash flow borrowing program (the "Program") sponsored by the California School Boards Association Finance Corporation to provide operating liquidity until the State disburses the Deferred Revenues in fiscal year 2013-2014.

The Program is structured to provide participating county boards of education, school districts and community college districts with economies of scale by reducing the staff time and issuance costs incurred in TRAN borrowings. The TRANs are expected to be issued and pooled with some or all of the other participating Districts in the Program to secure the issuance of Bonds to be issued by the California School Cash Reserve Program Authority in one or more series (a single series of Bonds corresponding to each pool of TRANs if there are more than one), the principal of and interest on which will be paid from principal and interest payments on the TRANs in the corresponding pool. Enclosed is an Executive Summary of the Program prepared by Orrick, Herrington & Sutcliffe LLP, bond counsel, which provides an overview of how the Program is structured.

California Government Code Section 53853 provides that the County Board of Supervisors is to issue TRANs on behalf of county boards of education, school districts and community college districts that have not been accorded fiscal accountability status. However, an exception applies to TRANs issued in conjunction with other TRANs. Under this exception, if the County Board of Supervisors fails to authorize, by resolution, the issuance of a TRAN in the name of a requesting county board of education, school district or community college district within 45 calendar days following its receipt of the resolution requesting that issuance, or if the County Board of Supervisors notifies the county board of education, school district or community college district that it will not authorize that issuance within that 45-day period, then such TRAN may be issued by the requesting county board of education, school district or community college district in its name.

As indicated above, due to the critical timing of the mid-year TRAN Program, we are respectfully requesting, on behalf of the Districts, that the County Board of Supervisors (i) exercise its option to notify the Districts that it will not authorize the issuance of the TRANs of the Districts within the 45-day period, and (ii) provide notice to that effect to the Districts by signing and returning the enclosed form of notice to Orrick, Herrington & Sutcliffe LLP in the enclosed letter-sized self-addressed, stamped envelope by January 18, 2013. The County's cooperation is greatly appreciated.

Pursuant to California Government Code Section 53853, we are enclosing a CD-Rom containing the resolution (and, in some cases, supplements thereto) adopted by each District's Governing Board approving the borrowing and, as required by California Government Code Section 53853, officially requesting the County Board of Supervisors to adopt a resolution authorizing the issuance of the TRANs on their behalf. However, we would like to emphasize again that we are respectfully requesting, on behalf of the Districts, that the County Board of Supervisors exercise its option to notify the Districts that it will not authorize the issuance of the TRANs of the Districts within the 45-day period so that the Districts may issue the TRANs in their own names under the Program as soon as possible. For your convenience, we are also enclosing the forms of the Indenture and the Purchase Agreement (also found in the enclosed CD-Rom) which will be used in connection with the Program. These documents are referenced

in the resolutions. If you require an original or hard copy of any of the documents, please contact Pam Hammer at the number below.

If the County Board of Supervisors finds it necessary to issue the TRANs on behalf of the Districts, **please contact Laura Gao at the number below and we will send you the resolutions of the Board of Supervisors approving the issuance of the TRANs for each District. A resolution will need to be adopted for each District. It will be critical to schedule the adoption of these resolutions as soon as possible in order to provide the Districts operating liquidity until the State disburses the Deferred Revenues in fiscal year 2013-2014.**

Should you have any questions regarding the enclosed materials, please call the following individuals at Orrick, Herrington & Sutcliffe LLP:

- (1) Laura Gao, Project Manager (213) 612-2131;
- (2) Donald S. Field, Esq. (949) 852-7727;

or the following individuals at Piper Jaffray & Co.:

- (1) Mark Farrell, Managing Director (800) 876-1854;
- (2) Pam Hammer, Investment Banking Assistant (800) 876-1854.

On behalf of the Districts, we thank you for your cooperation in effecting a successful financing.

Very truly yours,

PIPER JAFFRAY & CO.

cc: Monterey County participating districts
Scott Beck, Kutak Rock

2012-13 Cross-Fiscal Year TRAN

Monterey County

Schedule I

King City Union Elementary School District
Monterey Peninsula Unified School District
Salinas City Elementary School District
Soledad Unified School District