

In the opinion of Greenberg Traurig, LLP, Santa Monica, California, Special Counsel, subject, however, to certain qualifications described herein, under existing law, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants set forth in the documents and instruments pertaining to the Certificates and requirements of the Internal Revenue Code of 1986, as amended (the “Code”), as described herein, the portion of Lease Payment designated as and comprising interest and received by the owners of the Certificates is excluded from gross income for federal income tax and purposes and is not an item of tax preference for purposes of federal alternative minimum tax imposed on individuals and corporations; it should be noted, however that, for the purpose of computing the alternative minimum tax imposed on certain corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. In the further opinion of Special Counsel, such interest is exempt from personal income taxes imposed by the State of California. See “TAX MATTERS” herein.

\$70,200,000
VARIABLE RATE DEMAND OBLIGATIONS CERTIFICATES OF PARTICIPATION
(2008 Refunding Project)
Evidencing Direct, Undivided Fractional Interests of the Owners Thereof
In Lease Payments to be Made by the
WEST HILLS COMMUNITY COLLEGE DISTRICT
As the Rental for Certain Property Pursuant to a Lease Agreement with the
WEST HILLS COMMUNITY COLLEGE DISTRICT FINANCING CORPORATION

Dated: Date of Delivery**Price: 100%****Due: July 1, 2033**

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY AND IS NOT A SUMMARY OF THIS ISSUE. INVESTORS ARE ADVISED TO READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING AN INFORMED INVESTMENT DECISION. THIS OFFICIAL STATEMENT IS NOT INTENDED TO DESCRIBE ANY SERIES OF CERTIFICATES AFTER A CONVERSION TO AN INTEREST RATE MODE OTHER THAN A DAILY RATE OR WEEKLY RATE.

The above-captioned West Hills Community College District (the “District”) Variable Rate demand Obligations Certificates of Participation (the “Certificates”) are being executed and delivered to enable the District (i) to finance the prepayment of the 2002 and 2003 Lease Payments and to thereby cause the defeasance of all outstanding 2002 and 2003 Certificates, (ii) provide funds relating to the acquisition renovation, modernization, furnishing and equipping of certain public facilities (collectively, the “2008 Improvements”), (iii) to fund capitalized interest, and (iv) to pay the costs incurred in connection with the execution, delivery and sale of the Certificates. See “THE FINANCING PLAN” herein.

The Certificates represent direct, undivided fractional interests of the owners thereof in the lease payments (the “Lease Payments”) to be made by the District to the West Hills Community College District Financing Corporation (the “Corporation”) for the use and occupancy of the Site and Facilities as described in the Lease Agreement, dated as of June 1, 2008, by and between the Corporation and the District (the “Lease Agreement”). Pursuant to the Lease Agreement, the Corporation will then lease the Site and Facilities to the District, as more particularly set forth in the Lease Agreement. The Certificates will be executed and delivered under the provisions of a Trust Agreement dated as of June 1, 2008 (the “Trust Agreement”), by and among the District, the Corporation and Deutsche Bank National Trust Company, San Francisco, California, as trustee (the “Trustee”).

THE OBLIGATION OF THE DISTRICT TO PAY LEASE PAYMENTS DOES NOT CONSTITUTE AN OBLIGATION OF THE DISTRICT FOR WHICH THE DISTRICT IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE DISTRICT HAS LEVIED OR PLEDGED ANY FORM OF TAXATION OR OTHER FAITH AND CREDIT OF THE DISTRICT. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE DISTRICT TO PAY LEASE PAYMENTS CONSTITUTES A DEBT OF THE DISTRICT, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OF CALIFORNIA OR OTHERWISE.

The Certificates will be delivered in fully registered book-entry form only in denominations of \$100,000 and \$5,000 multiples in excess thereof and, when executed and delivered, will be registered in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository of the Certificates. While Cede & Co. is the registered owner of the Certificates, the Trustee will pay such principal, redemption price, if any, and interest with respect to the Certificates to DTC, which will remit such principal, redemption price, if any, and interest with respect to the Certificates, as described herein. See “BOOK-ENTRY ONLY SYSTEM” herein.

Certificates may evidence interest at a Daily Rate, a Weekly Rate, a Monthly Rate (each, a “Variable Rate”) or a Rate. Initially, all Certificates will be in the Weekly Rate Mode. While in the Weekly Rate Mode interest evidenced by the Certificates will be payable on the first Business Day of each calendar month, commencing July 1, 2008. The District may elect from time to time to convert all or a portion of the Certificates from one Variable Rate Mode to another Variable Rate Mode, or to convert all or a portion of the Certificates permanently to the Rate Mode, in accordance with the Trust Agreement. Each Dailey Rate, Weekly Rate, Monthly Rate and Rate will be determined by E.J. De La Rosa & Co. Inc., as remarketing agent (the “Remarketing Agent”). The Certificates will be subject to mandatory tender for purchase on the effective date (the “Conversion Date”) of each new Mode (other than conversion between Weekly Rates and Daily Rates), as described in the Trust Agreement. During any period in which the Certificates are in the Variable Rate Mode, such Certificates will be subject to purchase at the option of the owner upon terms and conditions set forth in the Trust Agreement.

This Official Statement is not intended to provide certain information with respect to the Certificates (including the terms of such Certificates) after conversion from a Daily Rate or Weekly Rate Mode. Owners and prospective purchasers of the Certificates should not rely on this Official Statement for information concerning the Certificates in connection with any conversion of the Certificates, but should look solely to the offering document to be used in connection with any such conversion.

The Certificates are subject to optional, mandatory and extraordinary prepayment prior to maturity as described herein. The Certificates are also subject to mandatory and optional tender for purchase prior to maturity as described herein. See “PREPAYMENT PROVISIONS” herein.

The District is, subject to abatement as described herein, legally required under the Lease Agreement to make Lease Payments in an amount sufficient to pay, when due, the principal and interest with respect to Certificates in each year in consideration of the use and occupancy of the Sites and Facilities from any source of legally available funds. See “RISK FACTORS” herein.

Payment of the principal of and interest on, and purchase price of, the Certificates will initially have the benefit of an irrevocable direct-pay letter of credit (the “Letter of Credit” or “Credit Facility”) to be issued by Union Bank of California, N.A. (the “Bank”) as the initial Credit Facility pursuant to the Trust Agreement. The initial expiration date of the Letter of Credit is June 18, 2011, as extended or earlier terminated prior thereto as described herein. The Letter of Credit and any Alternate Credit Facility is defined under the Trust Agreement as the “Credit Facility.” See “THE BANK” and “THE LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT” herein.



PROSPECTIVE INVESTORS SHOULD NOT EXPECT THE DISTRICT TO BE ABLE TO PAY DIRECTLY THE PRINCIPAL OF OR THE PREPAYMENT OR PURCHASE PRICE OF THE CERTIFICATES OR THE INTEREST ON THE CERTIFICATES AS SUCH PAYMENTS BECOME DUE. ACCORDINGLY, ANY INVESTMENT DECISION TO PURCHASE THE CERTIFICATES SHOULD BE MADE SOLELY ON THE BASIS OF THE CREDITWORTHINESS OF THE BANK.

The Certificates are offered, when, as and if executed, delivered to and received by the Underwriter, subject to approval of legality by Greenberg Traurig LLP, Santa Monica, California, Special Counsel. Certain legal matters will be passed upon for the District and the Corporation by their general counsel, respectively. Certain legal matters will be passed upon for the Underwriter by its counsel, The Weist Law Firm, Scotts Valley, California. It is anticipated that the Certificates in book-entry form, will be available for delivery in New York, New York on or about June 19, 2008 for deposit with DTC.



In making an investment decision investors must rely on their own examination of the terms of the offering, including the merits and risks involved. These securities have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, neither the foregoing authorities nor Special Counsel or Underwriter's Counsel have confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense.

This Official Statement does not constitute an offer to sell the Certificates or the solicitation of an offer to buy, nor shall there be any sale of the Certificates by any person in any state or other jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale in such state or jurisdiction. No dealer, broker, salesman or any other person has been authorized by the West Hills Community College District (the "District") or Underwriter to give any information or to make any representation other than those contained herein in connection with the offering of the Certificates and, if given or made, such information or representation must not be relied upon as having been authorized by the District or Underwriter.

The Execution and delivery of the Certificates has not been registered under the Securities Act of 1933 in reliance upon an exemption thereunder. This Official Statement is not to be construed as a contract with the purchasers of the Certificates. Statements contained in this Official Statement which involve estimates, projections, forecasts or matters of opinion, whether or not expressly so described herein are intended solely as such and are not to be construed as representations of fact.

The information set forth herein relating to book-entry and to the Depository Trust Company ("DTC"), New York, New York has been obtained from DTC and the information herein relating to the Bank and to the Credit Facility has been obtained from the Bank. Such information is believed to be reliable, but it is not guaranteed as to accuracy or completeness and is not to be construed as representation by the District, the Corporation or respective counsel. All other information set forth herein has been furnished by the District and other sources believed to be reliable. Such information is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriter, its counsel or Special Counsel.

When used in this Official Statement and in any continuing disclosure by the District in any press release and in any oral statement made with the approval of an authorized officer of the District or any other entity described or referenced in this Official Statement, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "expect," "intend," and similar expressions identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of the Certificates made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District, or DTC since the date hereof. Further, all summaries contained herein of the Trust Agreement, the Lease Agreement and other related documents are expressly made subject to the provisions of such documents and instruments and do not purport to be complete, comprehensive or definitive summaries of any or all of such provisions.

This Official Statement is submitted in connection with the sale of the Certificates and may not be reproduced or used, in whole or in part, for any other purpose.

IN CONNECTION WITH THE OFFERING OF THE CERTIFICATES, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE CERTIFICATES OFFERED HEREBY AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE CERTIFICATES TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE THEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

WEST HILLS COMMUNITY COLLEGE DISTRICT

BOARD OF TRUSTEES

Mark McKean, *President*
Bill Henry, *Vice President*
Nina Oxborrow, *Clerk*
J.L. Levinson, *Member*
Jack Minnite, *Member*
Edna Ivans, *Member*
Steve Cantu, *Member*

DISTRICT ADMINISTRATION

Dr. Frank P. Gornick, *Chancellor*
Ken Stoppenbrink, *Vice Chancellor*
Don Warkentin, *President of Lemoore Campus*
Dr. Willard Lewallen, *President of Coalinga Campus*

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San Francisco, California

Special Counsel

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Santa Monica, California

Underwriter's Counsel

The Weist Law Firm
Scotts Valley, California

Remarketing Agent

E.J. De La Rosa & Co. Inc.
San Francisco, California

Trustee

Deutsche Bank National Trust Company
San Francisco, California

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OFFICIAL STATEMENT

\$70,200,000

VARIABLE RATE DEMAND OBLIGATIONS CERTIFICATES OF PARTICIPATION (2008 Refunding Project)

Evidencing Direct, Undivided Fractional Interests of the Owners Thereof

In Lease Payments to be Made by the

WEST HILLS COMMUNITY COLLEGE DISTRICT

As the Rental for Certain Property Pursuant to a Lease Agreement with the

WEST HILLS COMMUNITY COLLEGE DISTRICT FINANCING CORPORATION

INTRODUCTORY STATEMENT

The summaries or references to the Trust Agreement, the Lease Agreement, the Site Lease, the Agency Agreement, the Letter of Credit, the Reimbursement Agreement, the Remarketing Agreement, the Escrow Agreements and other documents, agreements and statutes referred to herein (the “Principal Legal Documents”), and the description of the Certificates included in this Official Statement, do not purport to be comprehensive or definitive, and such summaries, references and descriptions are qualified in their entirety by reference to each such document or statute. All capitalized terms used in this Official Statement (unless otherwise defined herein) shall have the meanings set forth in the Principal Legal Documents, some of which are summarized in “APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – Certain Definitions.”

THIS OFFICIAL STATEMENT DESCRIBES THE CERTIFICATES ONLY DURING THE PERIOD THE CERTIFICATES BEAR INTEREST AT THE DAILY RATE OR WEEKLY RATE AND ARE SECURED BY THE LETTER OF CREDIT. INVESTORS SHOULD NOT RELY ON THIS OFFICIAL STATEMENT IF THE INTEREST RATE PERIOD ON THE CERTIFICATES IS ADJUSTED TO ANOTHER INTEREST RATE MODE.

This Official Statement, which includes the cover page and the appendices hereto (the “Official Statement”), has been prepared under the direction of the West Hills Community College District (the “District”) and provides certain information concerning the execution and delivery of \$70,200,000 West Hills Community College District, Variable Rate Demand Obligations Certificates of Participation (2008 Refunding Project) (the “Certificates”). Certain information regarding the Certificates has been provided directly by the District and is believed to be reliable, but it is not guaranteed as to accuracy or completeness and is not to be construed as representation by the District, the Corporation or respective counsel. All other information set forth herein has been furnished by other sources believed by the District to be reliable; however, such information is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriter, its counsel or Special Counsel.

The following Introduction does not purport to be complete, but rather is intended only as a brief summary of certain terms of the Certificates being offered and a brief description of the Official Statement. All statements contained in this Introduction are qualified in their entirety 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 sale and delivery of the Certificates to potential investors is made only by means of the entire Official Statement.

INTRODUCTION

THE CERTIFICATES

The Certificates are being executed and delivered in book-entry only form pursuant to a Trust Agreement, dated as of June 1, 2008 (the "Trust Agreement"), by and among the District, the Corporation and Deutsche Bank National Trust Company, San Francisco, California, as trustee (the "Trustee") and authorized by District Resolution, adopted on March 10, 2008. See "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – The Trust Agreement," herein.

PURPOSE

The proceeds of the Certificates are being used to (i) finance the prepayment of the 2002 and 2003 Lease Payments and to thereby cause the defeasance of all outstanding 2002 and 2003 Certificates (collectively, the "Prior Certificates"), which were issued for the construction and acquisition of capital improvements to the District (the "Original Improvements"), (ii) provide funds relating to the acquisition, construction, and equipping of certain District facilities (the "2008 Improvements," and together with the Original Improvements, the "Improvements"), (iii) fund capitalized interest, and (iv) pay the costs incurred in connection with the execution, delivery and sale of the Certificates. See "THE PROJECT" and "THE FINANCING PLAN," herein.

SECURITY

Each Certificate represents the direct, undivided fractional interests of the Owners in the Lease Payments to be made by the District under the Lease Agreement. The Corporation, pursuant to the Assignment Agreement, will assign substantially all of its rights under the Lease Agreement, including its right to receive Lease Payments from the District as well as its right to enforce the Lease Agreement, to the Trustee for the benefit of the registered owners of the Certificates.

The District is required under the Lease Agreement, subject to abatement as described in the Lease Agreement, to make Lease Payments in each year in consideration for the use and occupancy of the Project from any source of legally available funds in an amount sufficient to pay, when due, the annual principal, prepayment price (expressed as a percentage of the principal amount of the Certificates to be prepaid), if any, and interest with respect to the Certificates. See "RISK FACTORS – Abatement" herein.

THE PROJECT

Each Certificate represents the direct, undivided fractional interest of the registered owner thereof (each an "Owner" or "Holder" and collectively the "Owners" or "Holders") in Lease Payments (the "Lease Payments") to be made by the District, as rental for (i) the use and occupancy of certain District real property (the "Site") described in the Site Lease (the "Site Lease"), dated as of June 1, 2008, by and between the District and the Corporation, (ii) the use and occupancy of a certain facilities presently existing on the Site (the "Existing Facilities"), and (iii) the use and occupancy of the portion of the Improvements to be located on the Site (together with the Existing Facilities, the "Facilities"), as described in the Lease Agreement, dated as of June 1, 2008 (the "Lease Agreement"), by and between the District and the Corporation (collectively, the Site and the Facilities are referred to herein as the "Project"). See "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS" herein.

FORM OF CERTIFICATES AND DENOMINATION

The Certificates will be executed and delivered in fully registered book-entry form, without coupons. While bearing interest at a Variable Rate, the Certificates will be delivered in the minimum denomination of \$100,000 and \$5,000 multiples in excess thereof, and after Conversion to the Long Term Rate, in minimum denominations of \$5,000 each or any integral multiple thereof.

REGISTRATION, TRANSFERS AND EXCHANGES

The Certificates will be executed and delivered as fully registered bonds, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), or such other name as may be requested by an authorized representative of DTC and will be available to actual purchasers of the Certificates (the “Beneficial Owners”) in the denominations set forth above, under the Book-Entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Certificates. In the event that the Book-Entry Only system described herein is no longer used with respect to the Certificates, the Certificates will be registered and transferred in accordance with the Trust Agreement. See “BOOK-ENTRY ONLY SYSTEM” herein.

PAYMENTS

Principal, premium, if any, and interest evidenced by the Certificates are payable by the Trustee to DTC. Disbursement of such payments to DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of DTC Participants. In the event that the Book-Entry Only system is no longer used with respect to the Certificates, the Beneficial Owners will become the registered owners of the Certificates and will be paid principal, premium, if any, and interest by the Trustee, all as described herein. See “BOOK-ENTRY ONLY SYSTEM” herein.

CREDIT FACILITY

The Certificates will be initially supported by an irrevocable direct-pay letter of credit (the “Letter of Credit” or “Credit Facility”) issued by Union Bank of California, N.A. (the “Bank”). The Letter of Credit will be issued pursuant to a Reimbursement Agreement, dated as of June 1, 2008 (the “Reimbursement Agreement”), between the District and the Bank. The Letter of Credit will initially expire on June 18, 2011, unless extended or earlier terminated prior thereto in accordance with its terms. The Letter of Credit constitutes the Initial Credit Facility under the Trust Agreement. The Trust Agreement provides that, upon compliance with certain conditions, the Corporation may substitute an Alternate Credit Facility or Alternate Liquidity Facility for the Letter of Credit. In such event, the Certificates shall be subject to mandatory prepayment or mandatory tender as described under “PREPAYMENT PROVISIONS” herein.

PROSPECTIVE INVESTORS SHOULD NOT EXPECT THE DISTRICT TO BE ABLE TO PAY DIRECTLY THE PRINCIPAL OF OR THE PREPAYMENT OR PURCHASE PRICE OF THE CERTIFICATES OR THE INTEREST ON THE CERTIFICATES AS SUCH PAYMENTS BECOME DUE. ACCORDINGLY, ANY INVESTMENT DECISION TO PURCHASE THE CERTIFICATES SHOULD BE MADE SOLELY ON THE BASIS OF THE CREDITWORTHINESS OF THE BANK.

So long as the Letter of Credit is in effect, the Bank, or any provider of an Alternate Credit Facility under the Trust Agreement may control the exercise of the rights and remedies of the Holders of the Certificates in the event of a default. Additionally, an event of default under the Reimbursement Agreement will permit the Bank to notify the Trustee of such default, and to direct the prepayment of the Certificates or call for mandatory tender of the Certificates. The Bank has additional rights to initiate remedial actions, receive various notices, to give or withhold consent to various actions of the District and Corporation, and to waive various requirements of the Trust Agreement and the Remarketing Agreement. See “THE BANK,” “THE LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT,” “RISK FACTORS,” and “APPENDIX E – FORM OF REIMBURSEMENT AGREEMENT AND LETTER OF CREDIT” herein.

DESCRIPTION OF THE CERTIFICATES

The Certificates are being delivered as adjustable rate obligations. Initially, all Certificates will be in the Weekly Rate Mode until all or a portion of such Certificates are converted to another Mode as provided in the Trust Agreement or until becoming Bank Certificates (at which time they will evidence interest at the lesser of the Bank Rate or the Maximum Rate until such time as they are no longer Bank Certificates). While in the Weekly Rate Mode (as defined below) interest evidenced by the Certificates will be payable on the first Business Day of each calendar month, commencing July 1, 2008.

The District may elect from time to time to have all or a portion of the Certificates evidence interest at: (1) a Long Term Rate through the stated Principal Payment Date of such Certificates (the “Long Term Rate Mode”), (2) a Daily Rate (the “Daily Rate Mode”), (3) a Weekly Rate (the “Weekly Rate Mode”), or a Monthly Rate (the “Monthly Rate Mode”). Each Daily Rate, Weekly Rate and Monthly Rate will be determined by E.J. De La Rosa & Co. Inc. (the “Remarketing Agent”), or its successor as Remarketing Agent in accordance with the Trust Agreement and a Remarketing Agreement, dated as of June 1, 2008 (the “Remarketing Agreement”). Each Certificate will be subject to mandatory tender for purchase on the effective date (each a “Conversion Date”) of each new Mode elected by the District, except no mandatory tender is applicable between Daily Rate and Weekly Rate Modes. During any period in which the Certificates are in the Daily Rate, Weekly Rate or the Monthly Rate Mode, such Certificates will be subject to tender for purchase at the option of the Owner thereof. See “THE CERTIFICATES” herein.

PREPAYMENT

The Certificates will be subject to optional, mandatory and extraordinary prepayment, in whole or in part, prior to their stated maturity as set forth herein under the section entitled “PREPAYMENT PROVISIONS.” The Certificates are also subject to mandatory and optional tender for purchase prior to maturity as set forth herein under the section entitled “PREPAYMENT PROVISIONS – Optional and Mandatory Tender and Purchase of Certificates” herein.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of the Owners and beneficial owners of the Certificates to provide, or cause to be provided, certain financial information and operating data relating to the District by not later than nine (9) months (i.e., no later than March, 31st) following the end of the District’s fiscal year (which fiscal year currently ends on June 30), commencing with the report for the 2007-08 Fiscal Year (the “Annual Report”), and to provide notices of the occurrence of certain enumerated events, if material.

The District will file, or cause to be filed, the Annual Report with each nationally recognized municipal securities information repository for purposes of Securities and Exchange Commission Rule 15c2-12(b)(5), and with the appropriate State information depository, if any. The District will file, or cause to be filed, the notices of material events with the Municipal Securities Rulemaking Board (and with the appropriate State information depository, if any). The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth in “APPENDIX D – FORM OF CONTINUING DISCLOSURE AGREEMENT.” These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). The District has never failed to comply, in all material respects, with an undertaking pursuant to said Rule. See “CONTINUING DISCLOSURE” herein.

LIMITED OBLIGATIONS OF THE DISTRICT

THE OBLIGATION OF THE DISTRICT TO MAKE LEASE PAYMENTS UNDER THE LEASE AGREEMENT IS AS SET FORTH THEREIN AND DOES NOT CONSTITUTE AN OBLIGATION OF THE DISTRICT FOR WHICH THE DISTRICT IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION. THE OBLIGATION OF THE DISTRICT TO PAY LEASE PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE DISTRICT, THE STATE OF CALIFORNIA, OR ANY OF ITS POLITICAL SUBDIVISIONS, AND DOES NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

PURSUANT TO THE TERMS OF THE LEASE AGREEMENT, THE COVENANT OF THE DISTRICT TO BUDGET FOR AND MAKE NECESSARY APPROPRIATIONS FOR THE PAYMENT OF THE LEASE PAYMENTS SHALL BE DEEMED A MINISTERIAL DUTY IMPOSED BY LAW.

NEITHER THE DISTRICT OFFICERS, EMPLOYEES AND AGENTS NOR ANY PERSONS EXECUTING THE LEASE AGREEMENT SHALL BE LIABLE PERSONALLY ON THE LEASE AGREEMENT OR SUBJECT TO ANY PERSONAL LIABILITY OR ACCOUNTABILITY BY REASON OF THE AUTHORIZATION, EXECUTION OR DELIVERY THEREOF.

THE OBLIGATION OF THE DISTRICT TO MAKE LEASE PAYMENTS IS NOT SECURED BY A MORTGAGE ON THE EXISTING FACILITIES, THE FACILITIES OR ANY OTHER PROPERTY, REAL OR PERSONAL, OF THE DISTRICT.

OFFERING AND DELIVERY OF THE CERTIFICATES

The Certificates are issued when, as and if executed and delivered to and received by the Underwriter, subject to the approval of legality by Greenberg Traurig, LLP, Santa Monica, California, Special Counsel. Certain legal matters will be passed upon for the District and the Corporation by its counsel, and for the Bank by its counsel, White & Case, Los Angeles, California. Certain legal matters will be passed upon for the Nollenberger Capital Partners Inc. by its counsel, The Weist Law Firm, Scotts Valley, California. It is anticipated that the Certificates will be available for delivery in New York, New York on or about June 19, 2008.

THE DISTRICT

The West Hills Community College District was formed in 1961 but was operational thirty (30) years earlier in the form of a Coalinga Extension Center of what was then called Fresno State College. Originally, the District encompassed the same area as the Coalinga High School District. Thereafter annexation elections expanded the District's geographical boundaries, making the District today into one of the largest community college districts in the State. The District serves an area of approximately 3,600 square miles, encompassing portions of the following five counties: Fresno, Kings, San Benito, Monterey and Madera. See "THE DISTRICT" herein.

The District operates two separate college campuses and an off-campus educational center: the Coalinga Campus situated at 300 Cherry Lane, Coalinga, California (the "Coalinga Campus"), the City of Lemoore campus situated at 555 College Avenue, Lemoore, California (the "Lemoore Campus") and the City of Firebaugh Educational Center located at 1511 Ninth Street, Firebaugh, California (the "Firebaugh Center"). As of June 30, 2007, the District maintains a 4,950 Full-time Equivalent Student (FTES) enrollment. See "THE DISTRICT" herein.

The District is governed by a seven (7) member Board of Trustees, each of whom are elected to four year terms in alternate slates of three and four. The District employs approximately 94 certificated full-time professionals, approximately 217 certificated part-time professionals, approximately 213 classified full-time employees and approximately 128 classified part-time employees.

THE CORPORATION

The West Hills Community College District Financing Corporation (the "Corporation") was incorporated on June 27, 2002 as a nonprofit public benefit corporation organized and existing under laws of the State of California. It is governed by a Board of Directors consisting of all the members of the Board of Trustees of the District. The Corporation was formed solely for the purpose of assisting the District with financing capital improvements and facilities of the District. The lien represented by the Lease Agreement on the Project, as defined in this Official Statement, does not create a legal or equitable pledge, charge, lien or encumbrance upon any of the Corporation's property or upon its income, receipts or revenue, except the Lease Payments, as defined herein and in the Lease Agreement. See "THE CORPORATION" herein.

AGENCY AGREEMENT

Pursuant to an Agency Agreement, dated as of June 1, 2008 (the "Agency Agreement"), by and between the District and the Corporation, the Corporation will appoint the District as its agent to implement the development and completion of the 2008 Improvements.

ASSIGNMENT AGREEMENT

Pursuant to an Assignment Agreement, dated as of June 1, 2008 (the "Assignment Agreement"), by and between the Corporation and the Trustee, the Corporation will assign to the Trustee, for the benefit of the Owners, certain of its rights under the Lease Agreement, including (i) its right to receive amounts payable by the District under the Lease Agreement, and (ii) its rights to enforce amounts payable under the Lease Agreement upon default.

LEASE PAYMENTS

In general, the District is required under the Lease Agreement to make aggregate Lease Payments each year in consideration of the use and occupancy of the Project, from any legally available funds of the District or otherwise, in an amount designed to be sufficient to pay, when due, the annual principal and interest due with respect to the outstanding Certificates delivered pursuant to the Trust Agreement, subject to abatement of such payments resulting from damage, destruction or condemnation of all or a portion of the Project. The District has covenanted under the Lease Agreement that as long as the Project is available for the District's use and occupancy, it will take such action as may be necessary to include all Lease Payments in its annual budgets and to make the necessary appropriations therefor. See "RISK FACTORS" and "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS" herein.

The Lease Agreement is, in the opinion of Special Counsel, a valid and binding obligation of the District enforceable against the District in accordance with its terms, except to the extent enforceability thereof may be limited by bankruptcy, insolvency, moratorium and other similar laws affecting creditors' rights heretofore or hereinafter enacted and may be subject to the exercise of judicial discretion in accordance with general principles of equity or otherwise in appropriate cases. See "RISK FACTORS – Limited Recourse on Default" herein.

THE OBLIGATION OF THE DISTRICT TO PAY LEASE PAYMENTS DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE DISTRICT IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE DISTRICT HAS PLEDGED ANY FORM OF TAXATION. THE OBLIGATION OF THE DISTRICT TO PAY LEASE PAYMENTS DOES NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

CAPITALIZED INTEREST

There will be an initial deposit by the District to the Capitalized Interest Account of the Lease Payment Fund from proceeds of the Certificates. The amount deposited has been calculated to be sufficient to make interest payments with respect to the Certificates for one year from the date of delivery, assuming an interest rate of 12%, when it is expected that the District will commence making Lease Payments from other funds available to the District in an amount sufficient to pay the principal and interest component of the Lease Payments.

THE 2008 IMPROVEMENTS

A portion of the proceeds of the Certificates will be used to finance certain costs associated with the acquisition, development, repair, upgrade, renovation and scheduled maintenance of the District's new gymnasium and facilities. See "THE FINANCING PLAN – The 2008 Improvements" herein.

PUBLIC LIABILITY AND DAMAGE INSURANCE

The Lease Agreement requires the District to maintain a standard comprehensive general insurance policy or policies in protection of the Corporation, the District, the Bank, the Trustee and their respective members, officers, agents and employees. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried by the District, and may be maintained

through a joint exercise of powers authority created for such purpose or, with the prior written consent of the Bank, in the form of self-insurance by the District. Said policy or policies shall provide for indemnification of said parties against direct or consequential loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Facility. Said policy or policies shall provide coverage in the minimum liability limits of \$1,000,000 for personal injury or death of each person and \$3,000,000 for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of \$500,000 for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of \$3,000,000 covering all such risks. Deductibles, if any, shall be subject to the written consent of the Bank. The proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the proceeds of such insurance shall have been paid.

FIRE AND EXTENDED COVERAGE INSURANCE

The Lease Agreement requires the District to procure and maintain, throughout the term of the Lease Agreement, insurance against loss or damage to any structures constituting any part of the Facility (as defined in the Lease Agreement) by fire and lightning, with extended coverage and vandalism and malicious mischief insurance. Such insurance may be maintained as part of or in conjunction with any other fire and extended coverage insurance carried by the District and, with the prior written consent of the Bank, may be maintained in whole or in part through a joint exercise of powers authority created for such purpose.

Deductibles, if any, shall be subject to the written consent of the Bank. Said extended coverage insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance must be in an amount equal to the greater of one hundred percent (100%) of the replacement cost of the Facility and the amount available to be funded by the Bank under the Credit Facility. The Net Proceeds of such insurance shall be applied as provided in the Lease Agreement.

RENTAL INTERRUPTION INSURANCE

The District must procure, for the benefit of the Corporation, the Trustee and the Bank, and maintain, or cause to be maintained, throughout the term of the Lease Agreement rental interruption insurance to cover loss of rental income to the Corporation resulting from rental abatement arising out of the District's inability to use any part of the Facility during the term of the Lease Agreement as a result of any of the hazards covered in the insurance required by the Lease Agreement, in an amount at least equal to the maximum amount of Lease Payments payable in any two (2) year period, assuming the applicable interest rate is the Maximum Interest Rate. The Net Proceeds of such insurance must be paid to the Trustee and deposited in the Lease Payment Fund and credited towards the payment of the Lease Payments in the order in which such Lease Payments come due and payable.

FINANCIAL INFORMATION

For certain financial information with respect to the District, see "THE DISTRICT" and "APPENDIX A – AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2006-2007" herein. For a discussion of certain amendments to the Constitution of the State and recent initiatives, and their impact on the District, see the heading "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" and "RISK FACTORS" herein.

THE FINANCING PLAN

THE PRIOR CERTIFICATES

The District, as lessor, and the Corporation, as lessee, entered into a certain Lease Agreement dated as of August 1, 2002 (the “2002 Lease Agreement”) for the purpose of financing certain capital improvement projects of the District (the “2002 Projects”) and causing the execution and delivery of the \$27,950,000 Certificates of Participation (the “2002 Certificates”) pursuant to a certain Trust Agreement (the “2002 Trust Agreement”) dated August 1, 2002 among the District, the Corporation and BNY Western Trust Company, as predecessor to BNY/Mellon Trust Company (the “2002 Trustee”).

The District, as lessor, and the Corporation, as lessee, entered into a certain Lease Agreement dated as of July 1, 2003 (the “2003 Lease Agreement”) for the purpose of financing certain capital improvement projects of the District (the “2003 Projects”) and causing the execution and delivery of the \$37,200,000 Certificates of Participation (the “2003 Certificates”) pursuant to that certain Trust Agreement (the “2003 Trust Agreement”) dated July 1, 2003 among the District, the Corporation and BNY Western Trust Company, as predecessor to BNY/Mellon Trust Company (the “2003 Trustee”).

THE REFUNDING

The District has determined to prepay or make arrangements for prepayment and otherwise refinance, refund and defease the 2002 Certificates and the 2003 Certificates (collectively, the “Prior Certificates”) through the current refunding of the Prior Certificates and delivery of the Certificates in the manner described herein.

Pursuant to an escrow deposit and trust agreement relating to the 2002 Certificates, dated as of June 1, 2008 (the “2002 Escrow Agreement”), between the District and Deutsche Bank National Trust Company, San Francisco, California, as escrow bank (the “Escrow Bank”), a portion of the proceeds of the Certificates, together with certain moneys held by the trustee with respect to the 2002 Certificates, will be deposited in an escrow fund which will be applied by the Escrow Bank to the purchase of certain Federal Securities. The Escrow Bank will apply the maturing principal of the Federal Securities and the receipt of interest thereon at such times and in such amounts that sufficient moneys shall be available to prepay the entire 2002 Certificates in full, at the prepayment price equal to the remaining principal amount thereof, plus accrued interest, but without premium.

Pursuant to an escrow deposit and trust agreement relating to the 2003 Certificates, dated as of June 1, 2008 (the “2003 Escrow Agreement”), between the District and Deutsche Bank National Trust Company, San Francisco, California, as escrow bank (the “Escrow Bank”), a portion of the proceeds of the Certificates, together with certain moneys held by the trustee with respect to the 2003 Certificates, will be deposited in an escrow fund which will be applied by the Escrow Bank to the purchase of certain Federal Securities. The Escrow Bank will apply the maturing principal of the Federal Securities and the receipt of interest thereon at such times and in such amounts that sufficient moneys shall be available to prepay the entire 2003 Certificates in full, at the prepayment price equal to the remaining principal amount thereof, plus accrued interest, but without premium.

THE 2008 IMPROVEMENTS

Proceeds of the Certificates will be used to finance certain costs associated with the acquisition and construction of certain parking and vehicle circulation improvements, special events seating, folding events stage, and equipment relating to the District's new multipurpose gymnasium and fitness center (the "2008 Improvements"). The District may modify the list of Improvements in the manner provided in the Trust Agreement.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds to be received from the sale and delivery of the Certificates are projected to be applied as summarized in the following Table:

Table 1
WEST HILLS COMMUNITY COLLEGE DISTRICT
(2008 REFUNDING PROJECT)

ESTIMATED SOURCES AND USES OF PROCEEDS	
SOURCES	
<u>Sources of Funds:</u>	
Principal Amount of Certificates	\$70,200,000.00
Funds Related to the Prior Certificates	<u>5,818,993.13</u>
Total Sources of Funds	<u>\$78,018,993.13</u>
USES	
<u>Uses of Funds:</u>	
Project Fund	\$1,697,009.38
2002 Escrow Fund	28,080,433.33
2003 Escrow Fund	37,796,858.50
Costs of Issuance ⁽¹⁾	2,020,691.92
Capitalized Interest Account ⁽²⁾	<u>8,424,000.00</u>
Total Uses of Funds	<u>\$78,018,993.13</u>

(1) Includes fees and expenses of Special Counsel, Underwriter's Counsel, Bank Counsel, Trustee and Remarketing Agent, Underwriter's Discount, Bank fees, rating agency fees, title insurance, printing costs of the Official Statement, contingency, and certain other miscellaneous expenses.

(2) Represents capitalized interest, which amount is projected to satisfy Lease Payments through June 1, 2009 at an assumed interest rate of twelve percent (12%).

THE PROJECT

IN GENERAL

Pursuant to the Site Lease, the District will lease the Site and Existing Facilities to the Corporation, and pursuant to the Lease Agreement, the Corporation will, in turn, lease the Site and Existing Facilities back to the District in return for the Lease Payments. Pursuant to the Agency Agreement, the Corporation will appoint the District as its agent to implement the development of the 2008 Improvements. Pursuant to the Assignment Agreement, the Corporation is assigning to the Trustee, for the benefit of the Owners, certain of its rights under the Lease Agreement, including (i) its right to receive amounts payable by the District under the Lease Agreement, and (ii) its rights to enforce amounts payable under the Lease Agreement upon default.

THE SITE

The Site presently consists of (i) the approximately 40 acre Coalinga Campus, and (ii) the approximately 50.79 acre Lemoore Campus (collectively, the “Site”). The District estimates the total value of the Coalinga Campus to be approximately \$61,162,536, and estimates the total value of the Lemoore Campus to be approximately \$39,760,036. The District has owned the Coalinga Campus Site since 1932, and has owned the Lemoore Campus Site since November 1998. The Site is comprised mainly of administrative, educational and technological buildings.

SUBSTITUTION OF SITE OR FACILITIES

The District shall have the option at any time and from time to time during the Term of the Lease Agreement to substitute other land as set forth in the Lease Agreement. See “RISK FACTORS – Substitution or Release of Property” herein.

RELEASE OF SITE

The District will have the option at any time and from time to time during the Term of the Lease Agreement to release any portion of the Site as set forth in the Lease Agreement. See “RISK FACTORS – Substitution or Release of Property” herein.

PURPOSE OF PROJECT

The Project is being undertaken by the District for the purpose of issuing the Certificates, the proceeds of which are being used to (i) finance the prepayment of the Lease Payments relating to the Prior Certificates and to thereby cause the defeasance of all outstanding Prior Certificates, (ii) provide funds relating to the 2008 Improvements, (iii) to fund capitalized interest, and (iv) to pay the costs incurred in connection with the execution, delivery and sale of the Certificates. See “THE FINANCING PLAN” herein.

THE CERTIFICATES

General

The Certificates will be dated the Date of Delivery and will be executed and delivered in principal amounts of (1) \$100,000 and whole multiples thereof, except that one Certificate may be in the amount of \$100,000 and a whole multiple of \$5,000 in excess thereof, while in the Daily Rate Mode, Weekly Rate Mode or Monthly Rate Mode, and (2) \$5,000 and whole multiples thereof while in the Long Term Rate Mode.

While in a Variable Rate Mode interest evidenced by the Certificates will be payable on the first Business Day of each calendar month, commencing July 1, 2008. Interest evidenced by each Certificate in the Daily Rate Mode or Weekly Rate Mode will be computed on the basis of the actual days elapsed and a 365 or 366 day year, as appropriate, and interest evidenced by the Certificates in the Long Term Rate Mode will be computed on the basis of a 360 day year consisting of twelve 30 day months. Interest on Bank Certificates shall be computed on the basis set forth in the Credit Facility.

Each Daily Rate, Weekly Rate, Monthly Rate and Long Term Rate will be determined by the Remarketing Agent, or its successor as Remarketing Agent. See “THE CERTIFICATES – Interest Rate Modes” below.

The District may elect from time to time to have all or a portion of the Certificates converted to the Daily Rate Mode, Weekly Rate Mode, Monthly Rate Mode or Long Term Rate Mode. Each Certificate will be subject to mandatory tender for purchase at Purchase Price on each Conversion Date (other than conversion between Daily Rates and Weekly Rates), as described in the Trust Agreement. Certificates in the Daily Rate Mode, Weekly Rate Mode and Monthly Rate Mode will be subject to purchase at par at the option of the Owner as specified in the Trust Agreement. See “PREPAYMENT PROVISIONS – Optional and Mandatory Tender and Purchase of Certificates” below.

Interest Rate Modes

Initially, all Certificates will be in the Weekly Rate Mode until all or a portion of the Certificates are converted to another Mode as provided in the Trust Agreement or until becoming Bank Certificates (at which time they will evidence interest at the lesser of the Bank Rate or the Maximum Rate until such time as they are no longer Bank Certificates). All or a portion of the Certificates may be converted to another Mode to evidence interest at a Daily Rate, Weekly Rate, Monthly Rate or a Long Term Rate, as described and determined pursuant in the Trust Agreement.

Variable Rate Modes. Variable Rate Modes consist of the Daily Rate Mode, Weekly Rate Mode and Monthly Rate Mode, and the Variable Rates consist of the Daily Rate, Weekly Rate and Monthly Rate. The Remarketing Agent will, in accordance with the provisions of the Trust Agreement, determine the preliminary Variable Rate, which will be the lowest rate of interest which, in the judgment of the Remarketing Agent, would cause such Certificates to produce as nearly as practicable a bid equal to the principal evidenced thereby, plus accrued interest evidenced thereby, under prevailing market conditions as of the date of determination of such preliminary Variable Rate. In no event shall any Variable Rate exceed the Maximum Rate.

Daily Rate Periods will commence on each Business Day, the first such Business Day being the Closing date or Conversion Date, as applicable to the Daily Rate Mode, and shall extend to, but not include, the next succeeding Business Day. The interest rate for each Daily Rate Period will be effective from and including the commencement date thereof and will remain in effect to, but not including, the next succeeding Business Day. Each such interest rate will be determined by the Remarketing Agent in accordance with the Trust Agreement.

Weekly Rate Periods will be from Tuesday of each week to but excluding Wednesday of the following week, except that in the case of the initial Weekly Rate Period such period will be from the Closing Date to July 1, 2008.

Notice of Variable Rates will be given by the Remarketing Agent to the Trustee by telephone (followed by notice in writing) not later than 5:00 p.m. on the date of determination. The Trustee will inform the Owners of the Certificates and the Bank of each Daily Rate, Weekly Rate, or Monthly rate, as applicable, upon request.

The determination of Variable Rates by the Remarketing Agent pursuant to the Trust Agreement will be conclusive and binding upon the Corporation, the District, the Trustee, the Bank and the Owners of the Certificates. The Corporation, the District, the Trustee, the Bank and the Remarketing Agent will not be liable to the Owner of any Certificate for failure to give any notice required or for failure of the Owner of any Certificate to receive such notice.

Optional Conversion between Variable Rate Modes. At the option of the District and upon satisfaction of the conditions set forth in the Trust Agreement, all of the Certificates of a series may be converted from the then current Variable Rate Mode to another Variable Rate Mode; provided, however, that the aggregate amount of principal evidenced by such Certificates to be so converted must be an Authorized Denomination for the Variable Rate Mode into which such Certificates are being converted.

At the direction of the District, the Remarketing Agent will give written notice of any conversion to the Trustee and the Bank specifying (1) the proposed Conversion Date, (2) the Mode to which the conversion will be made, and (3) the aggregate principal amount of Certificates to be converted. Not less than 21 days prior to any such Conversion Date, the Trustee will mail a written notice of conversion to all of the Owners of Certificates to be converted to the new Variable Rate Mode stating the information set forth above plus (i) the Interest Payment Dates for the new Mode, and (ii) the Variable Rate of the Variable Rate Period commencing on the Conversion Date, (4) that the Certificates will be subject to mandatory tender for purchase on the Conversion Date, and the time at which Certificates are to be tendered for purchase, and (5) the date and time by which any notice of an election to retain Certificates must be received and the matters required to be stated in such notice.

Notwithstanding the delivery of notice of the conversion to the Trustee and the Bank, the conversion to a new Variable Rate Mode will not take effect if: (1) the Remarketing Agent fails to determine an Variable Rate for the new Variable Rate Mode to which the conversion is to be made, (2) any notice required to be given pursuant to the Trust Agreement is not given when required, (3) there is not delivered to the District and the Trustee an Opinion of Counsel to the effect that such conversion will not, in and of itself, adversely affect the exclusion from gross income of interest evidenced by the Certificates for federal income tax purposes, or (4) such notice of conversion is rescinded by the District by written notice to the Trustee, the Bank and the Remarketing Agent delivered prior to the applicable Conversion Date.

If the Trustee receives such notice of rescission prior to the time the Trustee has given notice of conversion to the Owners of the Certificates to be converted to the new Variable Rate Mode, then such notice of conversion will be of no force and effect. If the Trustee receives such notice of rescission after the Trustee has given notice of conversion to the Owners of such Certificates, then such Certificates will automatically convert to the Weekly Rate Mode. Any purchases of Certificates scheduled or required to take place on the proposed Conversion Date will take place on such date. Any election to retain Certificates which are subject to mandatory tender will be of no force and effect, and the Trustee will immediately give written notice thereof to such Owners. No opinion of Counsel will be required in connection with any automatic conversion to the Weekly Rate Mode as described in the foregoing.

Except if notice of conversion is rescinded by the District, if any of the other events described in the immediately preceding paragraph should occur, the Certificates which were to be converted will automatically be converted to the Weekly Rate Mode on the date such conversion was to be made, provided that any mandatory or optional tender for purchase on the Conversion Date will nevertheless be carried out. Cancellation of a conversion pursuant to the paragraph above does not constitute an event of default under the Trust Agreement.

Conversion to a Long Term Rate Mode. All of the Certificates of a series may be converted from the then current Variable Rate Mode to the Long Term Rate Mode at the option of the District; provided, however, that the aggregate amount of principal of such Certificates to be so converted must be an Authorized Denomination for the Long Term Rate Mode.

Not less than 30 days (or such shorter period approved by the parties to receive the same) prior to the Conversion Date, the District will give written notice to the Trustee, the Remarketing Agent and the Bank setting forth (1) the election to convert Certificates to the Long Term Rate Mode, (2) the proposed Conversion Date, (3) the date on which the Long Term Rate will be determined by the Remarketing Agent, which date shall be at least five (5) days before the Conversion Date, and (4) the aggregate principal amount of Certificates to be converted to the Long Term Rate Mode.

The Trustee will mail notice of the proposed conversion to all of the Owners of the Certificates to be converted to the Long Term Rate Mode not less than 21 days prior to the proposed Conversion Date stating (1) the proposed Conversion Date, (2) that such Certificates to be converted are subject to mandatory tender for purchase (without the right to retain) on the Conversion Date at a Purchase Price equal to the principal evidenced thereby plus accrued interest evidenced thereby, and (3) that such Certificates will be deemed purchased on the Conversion Date, and thereafter the Owner will have no further rights except to receive the Purchase Price. A copy of such notice will be sent to the District and the Bank.

The Remarketing Agent will make a preliminary determination of the Long Term Rate for the Certificates to be converted on a Business Day which is at least 25 days prior to the Conversion Date and provide notice of such determination to the Trustee. The Remarketing Agent will determine the Long Term Rate for the Certificates by not later than 3:30 p.m. New York Time on the last Business Day that is at least five days prior to the Conversion Date. The Long Term Rate for such Certificates will be the lowest rate (not in excess of the Maximum Rate) which, in the judgment of the Remarketing Agent as of the date of determination and under prevailing market conditions, would cause such Certificates to produce as nearly as practicable a bid equal to the principal thereof, plus accrued interest thereon. The Remarketing Agent will give the Trustee notice of the Long Term Rate applicable to each Certificate to be converted not later than

3:00 p.m. New York time on the date of determination, in the manner provided in the Trust Agreement. Such determinations will be conclusive and binding upon the District, the Corporation, the Trustee and the Bank and the Owners of the Certificates.

Notwithstanding the delivery of notice of the conversion to the Trustee and the Bank, the conversion to the Long Term Rate Mode will not take effect if: (1) the District withdraws such notice of conversion not later than the Business Day preceding the date on which the Long Term Rates are to be determined, (2) the Remarketing Agent fails to determine the Long Term Rates, (3) any notice required to be given pursuant to the Trust Agreement is not given when required, (4) there is not delivered to the District and the Trustee an Opinion of Counsel to the effect that such conversion will not, in and of itself, adversely affect the exclusion from gross income of interest on the Certificates for federal income tax purposes, and (5) upon the conversion, Certificates in the Long Term Rate Mode would be Bank Certificates, unless the Bank consents.

In any of such events, the Certificates which were to be converted will automatically convert to the Weekly Rate Mode, which will commence on the date such conversion was to be made, provided that the mandatory tender for purchase required under the Trust Agreement in connection with such a conversion will nevertheless be carried out if notice of the conversion to the Long Term Rate Mode has been given to the Owners of the Certificates. Cancellation of a conversion to the Long Term Rate Mode does not constitute an event of default under the Trust Agreement.

Once the District has effectively exercised its option to convert a Certificate to the Long Term Rate Mode, the District will have no further option to convert such Certificate to any other Mode, and such Certificate will no longer be subject to tender for purchase.

REMARKETING AGENT

The Trustee will enter into a Remarketing Agreement with E.J. De La Rosa & Co. Inc., as remarketing agent (the "Remarketing Agent"). The Remarketing Agreement sets forth the duties and responsibilities of the Remarketing Agent so long as the Certificates bear interest at a Variable Rate. The Trustee or the Remarketing Agent may terminate the Remarketing Agreement under the circumstances and in the manner described in the Remarketing Agreement. Upon termination of the Remarketing Agreement, the Trustee will appoint a replacement Remarketing Agent in accordance with the Trust Agreement.

SOURCES OF PAYMENT FOR THE CERTIFICATES

Each Certificate represents the direct, undivided fractional interests of the Owners in the Lease Payments to be made by the District under the Lease Agreement. The Corporation, pursuant to the Assignment Agreement, will assign substantially all of its rights under the Lease Agreement, including its right to receive Lease Payments from the District as well as its right to enforce the Lease Agreement, to the Trustee for the benefit of the registered owners of the Certificates.

The District is required under the Lease Agreement, subject to abatement as described in the Lease Agreement, to make Lease Payments in each year in consideration for the use and occupancy of the Project from any source of legally available funds in an amount sufficient to pay, when due, the annual principal, prepayment price (expressed as a percentage of the principal amount of the Certificates to be prepaid), if any, and interest with respect to the Certificates. See "RISK FACTORS – Abatement" herein.

The District has covenanted under the Lease Agreement to take such action as may be necessary to include all Lease Payments in its annual budget, and to make the necessary annual appropriations therefore. The Lease Payments are equivalent to the annual principal and interest represented by the Certificates. The obligation of the District to make Lease Payments under the Lease Agreement is as set forth herein and does not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation. The obligation of the District to pay Lease Payments does not constitute a debt of the District, the State of California, or any of its political subdivisions, and does not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. Pursuant to the terms of the Lease Agreement, the covenant of the District to budget for and make necessary appropriations for the payment of the Lease Payments will be deemed a ministerial duty imposed by law.

ASSIGNMENT OF RIGHTS IN LEASE AGREEMENT

The Corporation has, pursuant to the Assignment Agreement, transferred, assigned and set over to the Trustee for the benefit of the Owners and the Bank, certain of its rights in the Lease Agreement, including, but not limited to, all of the Corporation's rights to receive and collect all of the Lease Payments and all other amounts required to be deposited in the Lease Payment Fund pursuant to the Lease Agreement and the Trust Agreement.

All Lease Payments and such other amounts to which the Corporation may at any time be entitled shall be paid directly to the Trustee, and all of the Lease Payments collected or received by the Corporation will be deemed to be held and to have been collected or received by the Corporation as the agent of the Trustee, and if received by the Corporation at any time will be deposited with the Trustee on the same day, if practicable but in no event later than one (1) Business Day after the receipt thereof, and all such Lease Payments and such other amounts will be forthwith deposited by the Trustee upon the receipt thereof in the Lease Payment Fund.

BUDGET AND APPROPRIATION OF LEASE PAYMENTS

During the term of the Lease Agreement, so long as the Project, or a component thereof, is available for the District's use, the District is required under the terms of the Lease Agreement to make Lease Payments for the Project or a component thereof from any source of legally available funds of the District. The District has covenanted in the Lease Agreement to take such action as may be necessary to include (from all lawfully available money of the District) all Lease Payments due under the Lease Agreement as a separate line item in each of its annual budgets during the term of the Lease Agreement and to make the necessary annual appropriations for the actual amount of all such Lease Payments due and any other payments due under the Lease Agreement at an assumed interest rate equal to twelve percent (12%) per annum. The covenants of the District will be deemed to be duties imposed by law, and it will be the duty of each and every public official of the District to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the District to carry out and perform such covenants. See "RISK FACTORS" herein.

The Trustee has no obligation or liability to the Owners of the Certificates for the obligation of the District to make Lease Payments or for the payment of the principal or interest or prepayment premiums, if any, represented by the Certificates; but rather, the Trustee's sole obligations are to administer, for the

benefit of the District, the Corporation and the Owners of the Certificates, the various funds and accounts established under the Trust Agreement and to receive and apply money which it receives for credit to such funds, as provided in the Trust Agreement, including the application of moneys received for the payment of principal and interest due with respect to the Certificates.

TRUSTEE, CERTIFICATE REGISTRAR

Deutsche Bank National Trust Company, located in San Francisco, California, will act as the Trustee. As long as DTC's book-entry method is used for the Certificates, the Trustee will send any notice of prepayment or other notices to owners only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the prepayment of the Certificates called for prepayment of any other action premised on such notice.

The Trustee, the District, the Corporation, and the Underwriter of the Certificates have no responsibility or liability for any aspects of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership, of interest in the Certificates.

DEFEASANCE

If all or a specified portion of Certificates shall be paid and discharged in any one or more of the following ways:

- (i) by paying or causing to be paid the principal and interest and prepayment premiums (if any) with respect to all outstanding Certificates, as and when the same become due and payable; or
- (ii) by irrevocably depositing with the Trustee, or an escrow holder selected by the District, in trust for the payment of Lease Payments as they become due,

then, notwithstanding that any Certificates will not have been surrendered for payment, all obligations of the District, the Trustee and the District with respect to all Outstanding Certificates will cease and terminate, except only the obligation of the Trustee to pay or cause to be paid to the owners of the Certificates all sums due and the obligation of the District to pay the Trustee the amounts owing to the Trustee pursuant to the Trust Agreement.

SUBSTITUTION OF SITE, EXISTING IMPROVEMENTS OR IMPROVEMENTS

The District will have the option at any time and from time to time during the Term of the Lease Agreement to substitute other land (a "Substitute Site") and/or a substitute facility or substitute facilities (a "Substitute Facility") for the Site (the "Former Site"), or a portion thereof, and/or the Existing Improvements or Improvements (collectively, the "Former Facility"), or a portion thereof, provided that the District shall satisfy all of the following requirements which are conditions precedent to such substitution:

1. The District files with the Corporation, the Bank and the Trustee an amended Exhibit A to the Site and Facility Lease which adds thereto a description of such Substitute Site and deletes therefrom the description of the Former Site;

2. The District files with the Corporation, the Bank and the Trustee an amended Exhibit A to the Lease Agreement which adds thereto a description of such Substitute Site and deletes therefrom the description of the Former Site;
3. The District files with the Corporation, the Bank and the Trustee an amended Exhibit B to the Site and Facility Lease which adds thereto a description of such Substitute Facility and deletes therefrom the description of the Former Facility;
4. The District files with the Corporation, the Bank and the Trustee an amended Exhibit B to the Lease Agreement which adds thereto a description of such Substitute Facility and deletes therefrom the description of the Former Facility;
5. The District certifies in writing to the Corporation, the Bank and the Trustee that such Substitute Site and/or Substitute Facility serves the purposes of the District, constitutes property that is unencumbered, subject to Permitted Encumbrances, constitutes property that has a useful life not shorter than the Former Facility and/or Former Site, and constitutes property which the District is permitted to lease under the laws of the State;
6. The District delivers to the Trustee, the Bank and the Corporation written evidence that the Substitute Site and/or Substitute Facility is or are, as applicable, of equal or greater value than the Former Site and Former Facility, as determined by an MAI appraisal;
7. The Substitute Site and/or Substitute Facility does not cause the District to violate any of its covenants, representations and warranties made in the Lease Agreement, in the Trust Agreement or in any other Transaction Document;
8. The District (a) obtains an amendment to the title insurance policy required pursuant to the Lease Agreement which adds thereto a description of the Substitute Site and/or Substitute Facility and deletes therefrom the description of the Former Site and/or Former Facility and (b) furnishes the Corporation, the Trustee and the Bank written evidence that such title insurance policy remains in full force and effect;
9. The District certifies in writing to the Corporation, the Bank and the Trustee that the Substitute Site and/or Substitute Facility is of the same or greater essentiality to the District as was the Former Site and/or the Former Facility;
10. The District obtains the prior written consent of the Bank so long as the Letter of Credit is in effect and the Bank is not in default of its obligations thereunder of such substitution and written notice of such consent shall be given by the District to any rating agency then rating the Certificates; and
11. The District furnishes the Corporation, the Bank and the Trustee with a written Opinion of Counsel that is nationally recognized bond counsel stating that such substitution does not cause the interest components of the Lease Payment to become subject to federal income taxes or State personal income taxes.

RELEASE OF SITE

The District will have the option at any time and from time to time during the Term of the Lease Agreement to release any portion of the Site, provided that the District shall satisfy all of the following requirements which are conditions precedent to such release:

1. The District files with the Corporation, the Bank (so long as the Letter of Credit is in effect) and the Trustee a description of the Site as an amended Exhibit A to the Site Lease, as revised by such release;
2. The District files with the Corporation, the Bank (so long as the Letter of Credit is in effect) and the Trustee a description of the Site as an amended Exhibit A to this Lease Agreement, as revised by such release;
3. The District delivers to the Trustee, the Bank (so long as the Letter of Credit is in effect) and the Corporation written evidence that the Site, as revised by such release, is of a value at least equal to the value of the Site as of the Closing Date, as determined by a MAI appraisal or 110% of the Outstanding amount of Certificates and that the release will not cause the Lease Payment to be less than the amount necessary to pay principal and interest due with respect to the Certificates;
4. The District provides written notice of such release to any Rating Agency then rating the Certificates;
5. Such release does not cause the District to violate any of its covenants, representations and warranties made in the Lease Agreement, in the Trust Agreement or in any other Transaction Document;
6. The District will have received the prior written consent of the Bank;
7. The District (a) obtains an amendment to the title insurance policy required pursuant to the Lease Agreement which describes the Site, as revised by such release and (b) furnishes the Corporation, the Trustee and the Bank written evidence that such title insurance policy remains in full force and effect;
8. The District certifies in writing to the Corporation, the Bank and the Trustee that the Site, as revised by such release, serves the purposes of the District, constitutes property that is unencumbered, subject to Permitted Encumbrances, constitutes property that has a useful life not shorter than the Site, and constitutes property which the District is permitted to lease under the laws of the State;
9. The District certifies in writing to the Corporation, Bank and the Trustee that the Site, as revised by such release, is of the same or greater essentiality to the District as was the Site prior to such release; and
10. The District furnishes the Corporation, the Bank and the Trustee with a written Opinion of Counsel that is nationally recognized bond counsel stating that such release does not cause the interest components of the Lease Payment to become subject to federal income taxes or State personal income taxes.

TRANSFER AND EXCHANGE OF CERTIFICATES

The Trustee will keep or cause to be kept a Certificate Register, which shall at all times upon responsible notice be open to inspection by the District and the Corporation; and, upon presentation for such purpose, the Trustee will, register or transfer or cause to be registered or transferred, on the Certificate Register, Certificates as provided by the Trust Agreement.

In the event that the book-entry system as described above is no longer used with respect to the Certificates, the following provision will govern the registration, transfer, and exchange of the Certificates.

Any Certificate may be transferred upon the Registration Books by the person in whose name it is registered upon surrender of such Certificate for cancellation at the Principal Office of the Trustee, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. Whenever a Certificate is surrendered for registration of transfer, or exchange, the Trustee will execute and deliver a new Certificate or Certificates for like aggregate principal amount in authorized denominations. The Trustee may require the payment by the Certificate Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer. The District will pay the cost of printing Certificates and any services rendered or expenses incurred by the Trustee in connection with any transfer. The Trustee will not be required to transfer or exchange any Certificates during the period between the date fifteen (15) days prior to the date of selection of Certificates for prepayment and such date of selection; or any Certificates selected for prepayment.

Certificates may be exchanged, upon surrender thereof, at the Principal Office of the Trustee for a like aggregate principal amount of Certificates of other authorized denominations of the same maturity.

MUTILATED, LOST, DESTROYED, OR STOLEN CERTIFICATES

In the event that the book-entry system as described herein under the section entitled “BOOK-ENTRY ONLY SYSTEM” is no longer used with respect to the Certificates, the following provision will govern the registration, transfer, and exchange of the Certificates.

If any Certificate shall become mutilated, the Trustee, at the expense of the owner of said Certificate, shall execute and deliver a new Certificate of like tenor, maturity and amount in exchange and substitution for the Certificate so mutilated, but only upon surrender to the Trustee of the Certificate so mutilated. Every mutilated Certificate so surrendered to the Trustee shall be canceled by it and destroyed in accordance with its retention policy then in effect, with a certificate of destruction furnished to the District. If any Certificate are lost, destroyed or stolen, evidence of such loss, destruction or theft must be submitted to the Trustee, and, if such evidence is satisfactory to the Trustee and such Owner provides an indemnity to the Trustee satisfactory to the Trustee, the Trustee, at the expense of the Certificate Owner, will execute and deliver a new Certificate of like tenor, maturity and amount and numbered as the Trustee shall determine in lieu of and in substitution for the Certificate so lost, destroyed or stolen. The Trustee may require payment of the expenses by the Owner that may be incurred by the Trustee, the District or the Corporation in connection with the issuance of a new Certificate. Any Certificate executed and delivered in lieu of any Certificate alleged to be lost, destroyed or stolen will be equally and fractionally entitled to the benefits of the Trust Agreement with all other Certificates secured by the Trust Agreement. The Trustee will not be required to treat both the original Certificate and any replacement Certificate as being Outstanding for the purpose of determining the principal amount of Certificates which may be executed and delivered or for the

purpose of determining any percentage of Certificates Outstanding, but both the original and replacement Certificate will be treated as one and the same. In lieu of executing and of delivering a new Certificate in exchange for a Certificate which has been mutilated, lost, destroyed or stolen, and which has matured or has been called for prepayment, the Trustee may make payment with respect to such Certificate upon receipt of the aforementioned indemnity.

FIRE AND EXTENDED COVERAGE INSURANCE

The Lease Agreement requires the District to procure and maintain, throughout the term of the Lease Agreement, insurance against loss or damage to any structures constituting any part of the Facility (as defined in the Lease Agreement) by fire and lightning, with extended coverage and vandalism and malicious mischief insurance. Such insurance may be maintained as part of or in conjunction with any other fire and extended coverage insurance carried by the District and, with the prior written consent of the Insurer, may be maintained in whole or in part through a joint exercise of powers authority created for such purpose. Deductibles, if any, shall be subject to the written consent of the Insurer. Said extended coverage insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance must be in an amount equal to the greater of one hundred percent (100%) of the replacement cost of the Facility. The Net Proceeds of such insurance shall be applied as provided in the Lease Agreement.

The Lease Agreement requires the District to maintain a standard comprehensive general insurance policy or policies in protection of the Corporation, the District, the Trustee and their respective members, officers, agents and employees. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried by the District, and may be maintained through a joint exercise of powers authority created for such purpose or, with the prior written consent of the Insurer, in the form of self-insurance by the District. Said policy or policies shall provide for indemnification of said parties against direct or consequential loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Facility. Said policy or policies shall provide coverage in the minimum liability limits of \$1,000,000 for personal injury or death of each person and \$3,000,000 for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of \$500,000 for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of \$3,000,000 covering all such risks. Deductibles, if any, shall be subject to the written consent of the Insurer. The proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the proceeds of such insurance shall have been paid.

RENTAL INTERRUPTION INSURANCE

The District must procure, for the benefit of the Corporation, the Trustee and the Bank, and maintain, or cause to be maintained, throughout the term of the Lease Agreement rental interruption insurance to cover loss of rental income to the Corporation resulting from rental abatement arising out of the District's inability to use any part of the Facility during the term of the Lease Agreement as a result of any of the hazards covered in the insurance required by the Lease Agreement, in an amount at least equal to the maximum amount of Lease Payments payable in any two (2) year period, assuming the applicable interest rate is the Maximum Interest Rate. The Net Proceeds of such insurance must be paid to the Trustee and deposited in the Lease Payment Fund and credited towards the payment of the Lease Payments in the order in which such Lease Payments come due and payable.

EMINENT DOMAIN PROCEEDS

If all or any part of the Facility shall be taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain) the Net Proceeds therefrom shall be deposited with the Trustee in the Insurance and Condemnation Fund pursuant to the Lease Agreement and shall be applied and disbursed by the Trustee as set forth in the Lease Agreement and the Trust Agreement.

REENTERING AND RELETTING

If the District defaults in the performance of its obligations under the Lease Agreement, the Trustee, as assignee of the Corporation, may re-enter and relet the Project and may enforce the Lease Agreement and hold the District liable for all Lease Payments on an annual basis while re-entering and reletting the Project. Such re-entry and reletting shall not effect a surrender of the Lease Agreement. The District has agreed to pay all costs, loss or damage howsoever occurring.

DISCLOSURE CONCERNING SALES OF VARIABLE RATE OBLIGATIONS BY REMARKETING AGENT

The Remarketing Agent is Paid by the District. The Remarketing Agent's responsibilities include determining the interest rate from time to time and remarketing Certificates that are optionally or mandatorily tendered by the Owners thereof (subject, in each case, to the terms of the Remarketing Agreement), all as further described in this Official Statement. The Remarketing Agent is appointed by the District and is paid by the District for its services. As a result, the interests of the Remarketing Agent may differ from those of existing holders and potential purchasers of Certificates.

The Remarketing Agent Routinely Purchases Certificates for its Own Account. The Remarketing Agent acts as remarketing agent for a variety of variable rate demand obligations and, in its sole discretion, routinely purchases such obligations for its own account. The Remarketing Agent is permitted, but not obligated, to purchase tendered Certificates for its own account and, in its sole discretion, routinely acquires such tendered Certificates in order to achieve a successful remarketing of the Certificates (i.e., because there otherwise are not enough buyers to purchase the Certificates) or for other reasons. However, the Remarketing Agent is not obligated to purchase Certificates, and may cease doing so at any time without notice. The Remarketing Agent may also make a market in the Certificates by routinely purchasing and selling Certificates other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agent is not required to make a market in the Certificates. The Remarketing Agent may also sell any Certificates it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Certificates. The purchase of Certificates by the Remarketing Agent may cause the interest rate to be lower than it would be if the Remarketing Agent did not purchase Certificates and may create the appearance that there is greater third party demand for the Certificates in the market than is actually the case. The practices described above also may result in fewer Certificates being tendered in a remarketing.

Certificates May be Offered at Different Prices on any Date. Pursuant to the Remarketing Agreement, the Remarketing Agent is required to determine the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the Certificates bearing interest at the applicable interest rate at par plus accrued interest, if any, on and as of the applicable rate determination date. The

interest rate will reflect, among other factors, the level of market demand for the Certificates (including whether the Remarketing Agent is willing to purchase Certificates for its own account). The purchase of the Certificates by the Remarketing Agent may cause the interest rate to be lower than it would be if the Remarketing Agent did not purchase Certificates. There may or may not be Certificates tendered and remarketed on a rate determination date, the Remarketing Agent may or may not be able to remarket any Certificates tendered for purchase on such date at par and the Remarketing Agent may sell Certificates at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for all of the Certificates at the remarketing price. The Remarketing Agent, in its sole discretion, may offer Certificates on any date, including the rate determination date, at a discount to par to some investors.

The Ability to Sell the Certificates other than through Tender Process May Be Limited. The Remarketing Agent may buy and sell Certificates other than through the tender process. However, it is not obligated to do so and may cease doing so at any time without notice and may require holders that wish to tender their Certificates to do so through the Tender Agent with appropriate notice. Thus, investors who purchase the Certificates, whether in a remarketing or otherwise, should not assume that they will be able to sell their Certificates other than by tendering the Certificates in accordance with the tender process.

Under Certain Circumstances, the Remarketing Agent May Be Removed, Resign or Cease Remarketing the Certificates, Without a Successor Being Named. Under certain circumstances the Remarketing Agent may be removed or have the ability to resign or cease its remarketing efforts, without a successor having been named, subject to the terms of the Remarketing Agreement. In the event there is no Remarketing Agent, the Trustee is required to apply to a court of competent jurisdiction for appointment of a successor Remarketing Agent.

No Market after Default. Anything in the Trust Agreement to the contrary notwithstanding, the Remarketing Agent will not remarket Certificates as set forth above if there shall have occurred and be continuing an Event of Default or if any event shall have occurred which with notice or the lapse of time would constitute an Event of Default.

PREPAYMENT PROVISIONS

OPTIONAL REDEMPTION DURING VARIABLE RATE MODES

The Certificates are subject to redemption prior to their stated Principal Payment Dates at the option of the District as follows:

(1) Certificates in the Daily Rate Mode, Weekly Rate Mode or Monthly Rate Mode are subject to redemption on any Interest Payment Date prior their stated Principal Payment Dates, as a whole or in part in Authorized Denominations, from and to the extent of Lease Payments prepaid pursuant to the Lease Agreement, at a redemption price equal to the principal evidenced thereby, plus accrued interest evidenced thereby to the date fixed for redemption, without premium.

OPTIONAL REDEMPTION DURING LONG TERM RATE MODE

Certificates in the Long Term Rate Mode are subject to redemption prior to maturity in whole or in part from any source of available funds on any date during the periods indicated below from and to the extent the District exercises its option pursuant to the Lease Agreement to prepay the principal component of the Lease Payments, at the following redemption prices (expressed as a percentage of the principal component to be prepaid), plus accrued interest to the date fixed for redemption:

<u>Original Length of Long Term Rate Period</u>	<u>Commencement of Redemption Period</u>	<u>Redemption Price as a Percentage of Principal</u>
More than 10 Years	8th anniversary of commencement of Fixed Rate Period	102% declining by 1% on each succeeding anniversary of the first day of the redemption period until reaching 100% and thereafter 100%
More than 8 years but not more than 10 years	6th anniversary of commencement of Long Term Rate Period	101% until the first anniversary of the first day of the redemption period and 100% from said first anniversary and thereafter
More than 5 years but not more than 8 years	4th anniversary of commencement of Long Term Rate Period	100%
5 years or less	No redemption	Not applicable

EXTRAORDINARY PREPAYMENT

The Certificates may be prepaid, in whole or in part, in any integral multiple of an Authorized Denomination, on any Interest Payment Date, from a draw on the Letter of Credit, so long as the Letter of Credit is in effect and otherwise from prepayments of Lease Payments in an amount equal to any prepayments of the Lease Payments made under the Lease Agreement from Net Proceeds received by the District of insurance, or condemnation awards with respect to the Project, which Net Proceeds are deposited in the Lease Payment Fund and credited towards the prepayment of the Lease Payments made by the District pursuant to the Lease Agreement, together with any other lawfully available funds of the District permitted to be used for such purpose under the Trust Agreement, at a prepayment price equal to the principal amount of the Certificates to be prepaid, together with accrued interest to the date fixed for prepayment, without premium.

MANDATORY SINKING FUND PREPAYMENT

The Certificates are subject to mandatory sinking fund prepayment, in part as set forth below on July 1 in the years set forth below to the extent of the principal components of scheduled Lease Payments required to be paid by the District pursuant to the Lease Agreement with respect to each such prepayment date, at a prepayment price equal to the principal amount thereof, together with accrued interest thereon to the date of prepayment, without premium, as follows:

MANDATORY SINKING FUND PREPAYMENT SCHEDULE			
Sinking Fund Prepayment Date (July 1)	Principal Amount of Certificates to be Prepaid	Sinking Fund Prepayment Date (July 1)	Principal Amount of Certificates to be Prepaid
2016	2,200,000	2025	3,900,000
2017	2,300,000	2026	4,100,000
2018	2,500,000	2027	4,400,000
2019	2,700,000	2028	4,600,000
2020	2,900,000	2029	4,900,000
2021	3,000,000	2030	5,200,000
2022	3,200,000	2031	5,400,000
2023	3,500,000	2032	5,700,000
2024	3,700,000	2033†	6,000,000

† Maturity

In the event that the Trustee shall prepay Certificates in part but not in whole, the amount of the Certificates to be prepaid in each subsequent year will be reduced proportionately to correspond to the principal components of the Lease Payments remaining following such prepayment, determined as set forth in the Lease Agreement such that approximately equal Lease Payments prevail following each such prepayment.

PARTIAL PREPAYMENT; SELECTION

Whenever provision is made in this Trust Agreement for the prepayment of less than all of the Certificates, the Trustee shall select for prepayment such Certificates from all Certificates or such given portion thereof not previously called for prepayment by lot in any manner which the Trustee in its sole discretion shall deem appropriate and fair; provided, however, that Certificates shall be redeemed in the following order of priority (and by lot within each priority): first, any Bank Certificates; second, any Certificates which have been tendered to the Tender Agent on the date fixed for prepayment; and third, any other Certificates.

Upon surrender of any Certificate for prepayment in part, the Trustee will execute and deliver to the Owner thereof, at the expense of the District, a new Certificate or Certificates of Authorized Denominations of the same type and maturity and in an aggregate principal amount equal to the unprepaid portion of the Certificate so surrendered.

SELECTION OF CERTIFICATES FOR REDEMPTION

In the event that part, but not all, of the Certificates are to be redeemed (except for mandatory sinking fund redemption), the Certificates to be redeemed will be selected by the Trustee among maturities as designated in writing by the District and by lot within a maturity; provided, however, that, as shall be set forth in a Written Request of the District, the Certificates may be redeemed by any maturity or maturities selected by the District to correspond with Lease Payments prepaid by the District, and by lot within a maturity. Notwithstanding the foregoing, all Bank Certificates with a particular stated Principal Payment Date shall be redeemed prior to the redemption of any other Certificates with the same stated Principal Payment Date. The Trustee will promptly notify the District in writing of the numbers of the Certificates so selected for redemption on such date. For purposes of such selection, any Certificate may be redeemed in part in Authorized Denominations. In the event of a redemption for which the Trustee does not have monies available to redeem the entire amount scheduled for redemption, the Trustee will redeem Certificates of the applicable maturity or maturities by lot up to a principal amount equal to the available monies.

NOTICE OF REDEMPTION

When redemption of the Certificates is authorized pursuant to the Trust Agreement, the Trustee will give notice, at the expense of the District, of the redemption of the Certificates.

While the Certificates are subject to DTC's Book-Entry system, the Trustee will be required to give notice of redemption only to DTC as provided in the letter agreement between the District and DTC, and the Trustee will not be required to give any such notice of redemption to any other person or entity other than certain securities depositories and information repositories as identified in the Trust Agreement. DTC and the Participants will have sole responsibility for providing any such notice of redemption to the beneficial owners of the Certificates to be prepaid. Any failure of DTC to notify any Participant, or any failure of Participants to notify the Beneficial Owner of any Certificates to be prepaid, of a notice of redemption or its content or effect will not affect the validity of the notice of redemption, or alter the effect of redemption described below under "Effect of Redemption."

During any period in which the Certificates are not subject to the Book-Entry system, notice of redemption of any Certificates to be prepaid will be given to the respective Owners of Certificates designated for redemption by first-class mail, postage prepaid, at their addresses appearing on the registration books of the Trustee, at least 30 calendar days (seven (7) calendar days if the Interest Rate Mode for such Certificates is a Variable Rate Mode) but not more than 60 calendar days prior to the redemption date. Such notice must also be given to each of certain specified securities depositories and to certain other specified services.

EFFECT OF REDEMPTION

If notice of redemption has been duly given as provided in the Trust Agreement and moneys for the payment of the redemption price of the Certificates to be prepaid are held by the Trustee, then on the redemption date designated in such notice, the Certificates so called for redemption will become payable at the redemption price specified in such notice; and from and after the date so designated, interest evidenced by the Certificates so called for redemption will cease to accrue, such Certificates will cease to be entitled to any benefit or security under the Trust Agreement and the Owners of such Certificates will have no rights in respect thereof except to receive payment of the redemption price thereof, and such moneys will be pledged to such redemption.

All Certificates prepaid pursuant to the provisions of the Trust Agreement will be canceled by the Trustee and will not be redelivered.

OPTIONAL AND MANDATORY TENDER AND PURCHASE OF CERTIFICATES

Mandatory Purchase on Conversion Date. The Certificates shall be subject to mandatory purchase at a purchase price equal to the principal amount thereof plus accrued interest, if any, on each Conversion Date other than a Conversion Date converting the Interest Rate Mode from a Daily Rate to a Weekly Rate or from a Weekly Rate to a Daily Rate.

Mandatory Purchase Upon Delivery of Alternate Credit Facility. The Certificates shall be subject to mandatory purchase on the effective date of an Alternate Credit Facility.

Mandatory Tender Upon Failure to Renew Credit Facility. The Certificates shall be purchased on the fifth Business Day preceding the date of expiration of the Credit Facility if a notice of renewal of the Credit Facility is not delivered by the Bank to the Trustee at least 25 days prior to the scheduled expiration of the Credit Facility.

Mandatory Tender Upon Termination of Credit Facility. The Certificates shall be purchased on the Business Day preceding the date of termination of the Credit Facility.

Mandatory Tender Upon Default Under Reimbursement Agreement. The Certificates secured by a Credit Facility shall be purchased on a Business Day within 7 days after receipt by the Trustee of written notification from the Bank that an event of default under the Reimbursement Agreement has occurred and is continuing and instructing the Trustee to call for a mandatory tender of the Certificates.

Notice of Mandatory Tender of Purchase. Each Mandatory Tender Notice shall be given by the Trustee by first class mail, postage prepaid, to the District, the Remarketing Agent, the Tender Agent, the LOC Bank and to the Owners of all Certificates. Mandatory Tender Notice shall be deposited in the mail by the Trustee not less than twenty-five (25) calendar days before each Mandatory Tender Date (except Upon Default Under Reimbursement Agreement, which requires notice of not less than ten (10) calendar days before each Mandatory Tender Date). Each Mandatory Tender Notice shall specify the Mandatory Tender Date and shall state that:

(i) the Owner may elect not to tender or sell its Certificate or Certificates on such Mandatory Tender Date by delivering a Non-Tender Notice to the Tender Agent at its Office as provided in the Trust Agreement, which Mandatory Tender Notice shall advise the Certificate Owners of the form of and information required to be set forth in and the timing and place of delivery of the Non-Tender Notice,

(ii) all Certificates to which such Mandatory Tender Date applies and as to which no Non-Tender Notice is received shall be purchased on the Mandatory Tender Date,

(iii) all Certificates to which such Mandatory Tender Date applies and as to which no Non-Tender Notice has been properly received must be tendered for purchase at or before 1:00 p.m., New York time, on the Mandatory Tender Date, together with an appropriate instrument of transfer executed in blank,

(iv) interest represented by any Certificate to which such Mandatory Tender Date applies which is not so tendered but for which there has been irrevocably deposited with the Trustee an amount sufficient to pay the purchase price thereof and accrued interest represented thereby, shall cease to accrue on the Mandatory Tender Date and such Certificate shall no longer be deemed Outstanding hereunder, and

(v) that after the Mandatory Tender Date, the rating on the Certificates from S&P and/or Moody's may be reduced or withdrawn (or, if either S&P or Moody's has assigned to the Certificates a rating effective on and after the Mandatory Tender Date, identifying such rating).

Purchase of Certificates. Any Certificates tendered to the Trustee for purchase will be held in trust for the benefit of the respective Owners of such Certificates until moneys representing the Purchase Price of such Certificates have been delivered to such Owners. The term "Purchase Price" of any Purchased Certificate means the principal amount thereof plus accrued interest to, but not including, the Purchase Date; provided, however, that if the Purchase Date for any Purchased Certificate is an Interest Payment Date, the Purchase Price thereof will be the principal amount thereof, and interest with respect to such Certificate will be paid to the Owner of such Certificate pursuant to the Trust Agreement.

The Purchase Price of Purchased Certificates will be paid by the Trustee or Tender Agent at or before 4:00 p.m. (New York City time) on the Purchase Date from the proceeds of the sale of such Certificates received from the Remarketing Agent and, to the extent sufficient remarketing proceeds to pay the Purchase Price are not received, from draws on the Credit Facility. The Trustee will draw on the Credit Facility pursuant to the terms thereof or of the respective Reimbursement Agreement (or, if at any time there is an Alternate Credit Facility, then pursuant to the requirements of such Alternate Credit Facility) on the Purchase Date in the amount necessary, when added to the proceeds of the remarketing of the Certificates delivered to the Trustee from the Remarketing Agent to provide to the Trustee or the Tender Agent the balance of the funds needed to purchase tendered Certificates on the Purchase Date. Such moneys will be used only to pay the Purchase Price as provided in the Trust Agreement, and if not so used will be promptly returned to the Bank. If the Certificates are not Book-Entry Certificates, all amounts received from a draw under the Credit Facility will be transferred immediately by the Trustee to the Tender Agent to purchase tendered Certificates on the Purchase Date. Until applied to pay the Purchase Price or returned to the Bank, all such amounts will be deposited in the Credit Facility Account established under the Trust Agreement and until so applied will be held uninvested in trust for the benefit of the Owners tendering such Certificates for purchase.

Remarketing. E.J. De La Rosa & Co., Inc. will serve as the initial Remarketing Agent for the Certificates. Under the Remarketing Agreement, the Remarketing Agent has agreed to: (i) determine the interest rates applicable to such Certificates and give notice to the Trustee of such rates and periods in accordance with the Trust Agreement; (ii) keep such books and records as shall be consistent with prudent industry practice; and (iii) use its best efforts to remarket Certificates in accordance with the Trust Agreement. The Remarketing Agent shall hold all amounts received by it in accordance with any remarketing of Certificates pursuant to the Trust Agreement in trust only for the benefit of the Owners of tendered Certificates and shall not commingle such amounts with any other moneys.

Unclaimed Moneys. Any moneys held by the Trustee in the Purchase Fund remaining unclaimed by the Owners of the Purchased Certificates which were to have been purchased for two years after the respective Purchase Date for such Purchased Certificates shall be paid, upon the written request of the District to the District, against written receipt therefor. The Owners of Purchased Certificates who have not

yet claimed money in respect of such Certificates shall thereafter be entitled to look only to the Trustee, to the extent it shall hold moneys on deposit in the Purchase Fund or the District to the extent moneys have been transferred in accordance with the Trust Agreement.

No Remarketing Under Certain Conditions. Notwithstanding anything in the Trust Agreement to the contrary, there will be no remarketing of Certificates under the Trust Agreement: (1) upon the occurrence of and the continuing of certain Events of Default, (2) upon receipt by the Trustee of written notification from the Bank that an event of default under the Reimbursement Agreement has occurred and is continuing and instructing the Trustee to call for a mandatory tender of the Certificates, or (3) for the period during which the Trustee has notice that the amount available to be drawn under the Credit Facility will not or has not been reinstated, or (4) at any time when no Credit Facility is in effect.

Book-Entry Tenders. WHILE THE CERTIFICATES ARE SUBJECT TO DTC'S BOOK-ENTRY SYSTEM, ALL TENDERS FOR PURCHASE WILL BE SUBJECT TO THE TERMS AND CONDITIONS SET FORTH IN THE LETTER AGREEMENT BETWEEN THE DISTRICT AND DTC AND ANY NOTICES AND REGULATIONS PROMULGATED BY DTC. THE CERTIFICATES MAY BE TENDERED BY MEANS OF A BOOK-ENTRY CREDIT OF SUCH CERTIFICATES TO THE ACCOUNT OF THE REMARKETING AGENT; PROVIDED, HOWEVER, THAT UNDER CERTAIN CIRCUMSTANCES NOTICE OF TENDER WILL BE GIVEN BY A DIRECT PARTICIPANT (AS DEFINED BELOW) ON BEHALF OF THE BENEFICIAL OWNER OF SUCH CERTIFICATES.

CONSTRUCTION COMPLETION FUND AND DELIVERY COSTS FUND

CONSTRUCTION COMPLETION FUND

The Trustee will establish a special fund designated as the "Construction Completion Fund," will keep such fund separate and apart from all other funds and moneys held by it, and will administer such fund as provided in the Trust Agreement. There will be deposited in the Construction Completion Fund from the proceeds of sale of the Certificates the amount of \$1,697,009.38, together with any other amounts from time-to-time deposited with the Trustee for such purpose as may be identified in writing to the Trustee. Interest earnings with respect to the Construction Completion Fund will be retained in the Construction Completion Fund until such fund is closed.

The Trustee has been directed that all unexpended moneys remaining in the Construction Completion Fund after three years and not identified in writing by a District Representative to be required for payment of Construction Completion Costs will, upon receipt of written notice of the Completion Date from the District, be transferred to the Prepayment Fund and applied to prepay Certificates (as the District will direct the Trustee in writing), and thereafter, the Construction Completion Fund will be closed.

DELIVERY COSTS FUND

The Trustee will establish a special fund designated as the "Delivery Costs Fund," will keep such fund separate and apart from all other funds and moneys held by it. The moneys in the Delivery Costs Fund will be disbursed by the Trustee to pay the Delivery Costs. Upon written notice from a District Representative that all Delivery Costs have been paid, the Trustee shall transfer any moneys then remaining in the Delivery Costs Fund to the Construction Completion Fund and thereupon the Delivery Costs Fund shall be closed and the Trustee shall no longer be obligated to make payments for Delivery Costs.

LEASE PAYMENT FUND

THE LEASE PAYMENT FUND

The Trustee will establish a fund designated as the “Lease Payment Fund” as a fund separate and apart from all other funds and accounts held by the Trustee. All moneys at any time deposited by the Trustee in the Lease Payment Fund will be held by the Trustee in trust for the benefit of the Owners of the Certificates and the Bank. So long as any Certificates are Outstanding, neither the District nor the Corporation shall have any beneficial right or interest in the Lease Payment Fund or the moneys deposited therein, except only as provided in the Trust Agreement, and such moneys will be used and applied by the Trustee as set forth in the Trust Agreement. Interest earnings accruing with respect to the Lease Payment Fund will be applied to the Construction Completion Fund until such fund shall be closed and thereafter, such interest earnings will remain in the Lease Payment Fund for application to principal and interest with respect to Lease Payments.

Within the Lease Payment Fund the Trustee will establish an account designated as the “Capitalized Interest Account” as an account separate and apart from all other funds and accounts held by the Trustee. The funds in the Capitalized Interest Account will be applied to satisfy interest with respect to the Lease Payments as provided in the Lease Agreement, and to satisfy the Trustee’s, and Remarketing Agent’s fees and costs incurred in connection with the Certificates to the extent funds within the Delivery Costs Fund are insufficient.

There will be deposited in the Lease Payment Fund all Lease Payments received by the Trustee, including any moneys received by the Trustee for deposit therein pursuant to the Lease Agreement or pursuant to the Trust Agreement. There shall be deposited in the Capitalized Interest Account of the Lease Payment Fund the proceeds of sale of the Certificates required to be deposited therein pursuant to the Trust Agreement representing the interest component coming due on the first Interest Payment Date.

APPLICATION OF MONEYS

The Trustee will, on each Payment Date, draw from the Lease Payment Fund, an amount equal to the aggregate principal, prepayment price (but not premium) and interest due with respect to the Certificates on such Payment Date. The Trustee will make all payments on account of principal, prepayment price and interest with respect to the Certificates from funds derived from the Lease Payment Fund. The Trustee will make all payments on account of principal, prepayment price and interest with respect to the Certificates directly to the Owners thereof.

Amounts on hand in the Lease Payment Fund will be applied to the payment of the principal and interest with respect to the Certificates to Certificate Owners. When amounts on deposit in the Capitalized Interest Account of the Lease Payment Fund are depleted, the Trustee will close such account and all payments shall be made through the use of the Lease Payment Fund.

Any surplus remaining in the Lease Payment Fund after prepayment or payment in full of (i) all Certificates, including premiums and accrued interest (if any), and (ii) any applicable fees and expenses to the Trustee and any amounts due to the Bank, will be withdrawn by the Trustee and remitted to the District.

BOOK-ENTRY ONLY SYSTEM

GENERAL

The following description of the procedures and record-keeping with respect to the beneficial ownership interests in the Certificates, payment of principal, interest and other payments with respect to the Certificates to Owners, confirmation and transfer of beneficial ownership interests in such Certificates and other related transactions by and between the Depository Trust Company (“DTC”), New York, New York, and the Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and the Owners should not rely on the following information with respect to such matters, but, instead should confirm the same with DTC or the Owners, as the case may be.

DTC will act as the initial depository for the Certificates. Cede & Co., will be the initial Nominee of DTC. The Certificates will be initially executed and delivered in the form of a single, fully registered Certificate for each maturity (which may be typewritten). Upon initial execution and delivery, the ownership of such Certificate(s) will be registered in the Certificate Register in the name of the Nominee identified below as the nominee of DTC.

LIMITED PURPOSE TRUST COMPANY

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 2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument from over 85 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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.

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC’s records. The ownership interest of each actual purchaser of each Certificate (“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 Certificates 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 Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates 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 Certificates with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates 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. Beneficial Owners of Certificates may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners, in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Certificates within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Certificates unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to District 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 the Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Certificates will be made 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 District or Trustee 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), Trustee, or District, subject to any statutory or regulatory requirements as may be in effect from

time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of District or Trustee, 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.

A Beneficial Owner shall give notice to elect to have its Certificates purchased or tendered, through its Participant, to the Tender Agent and Remarketing Agent, and shall effect delivery of such Certificates by causing the Direct Participant to transfer the Participant's interest in the Certificates, on DTC's records, to the Tender Agent and Remarketing Agent. The requirement for physical delivery of Certificates in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Certificates are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Certificates to the appropriate DTC account.

AS LONG AS CEDE & CO., OR ITS SUCCESSOR AS A NOMINEE OF DTC, IS THE OWNER OF THE CERTIFICATES, REFERENCES HEREIN TO THE OWNERS OF THE CERTIFICATES SHALL MEAN CEDE & CO., AS AFORESAID, AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE CERTIFICATES. THE BENEFICIAL OWNERS WILL NOT RECEIVE CERTIFICATES REPRESENTING THEIR BENEFICIAL OWNERSHIP INTERESTS IN THE CERTIFICATES. IT IS ANTICIPATED THAT EACH BENEFICIAL OWNER WILL RECEIVE A WRITTEN CONFIRMATION OF THE OWNERSHIP INTEREST ACQUIRED BY SUCH BENEFICIAL OWNER IN THE CERTIFICATES FROM THE PERSON OR ENTITY FROM WHOM SUCH OWNERSHIP INTEREST IS ACQUIRED.

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

District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that District believes to be reliable, but District takes no responsibility for the accuracy thereof.

THE BANK

The following information has been furnished by The Bank for use in the Official Statement. This information has not been independently confirmed or verified by the District or the Underwriter. No representation is made by the District or the Underwriter as to the accuracy or adequacy of this information or that the information contained and incorporated by reference is correct.

THE FOLLOWING REPRESENTS ONLY A SUMMARY OF THE INFORMATION REFERRED TO HEREIN. EXCEPT TO THE LIMITED EXTENT DESCRIBED HEREIN, THIS DOCUMENT DOES NOT ATTEMPT TO DESCRIBE THE BUSINESS OR ANALYZE THE CONDITION, FINANCIAL OR OTHERWISE, OF THE BANK OR OTHERWISE DESCRIBE ANY RISKS ASSOCIATED WITH THE BANK. EACH BONDHOLDER MUST RELY ON THAT HOLDER'S OWN KNOWLEDGE, INVESTIGATION AND EXAMINATION OF THE BANK AND THE BANK'S CREDITWORTHINESS.

Union Bank of California, N.A. (“UBOC” or the “Bank”) is the primary banking subsidiary of Union BanCal Corporation, a bank-holding company based in San Francisco with assets of \$57.9 billion as of March 31, 2008. UBOC is the fourth largest bank in California and among the 25 largest commercial banks in the United States, with 330 full service domestic branches, as well as 2 international facilities.

As of December, 2007, UnionBanCal Corporation had loans totaling \$41.2 billion, and total deposits of \$42.7 billion. For the twelve months ending December, 31, 2007, net income was \$608.1 million, compared to \$753.0 million for the same period last year. For the first three months ending March 31, 2008, net income was \$108.6MM compared with \$149.6MM for the same period last year. Copies of the latest annual report and the most recent quarterly report may be obtained at www.uboc.com or at UBOC’s Los Angeles office, located at 445 Figueroa Street, Los Angeles, California 90071.

THE LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT

The following are brief outlines of certain provisions contained in the Letter of Credit established by the Bank in favor of the Trustee and the Reimbursement Agreement and are not to be considered a full statement pertaining thereto. Reference is made to the Letter of Credit and the Reimbursement Agreement on file with the Trustee for the complete texts thereof. Capitalized terms used in this section and not otherwise defined shall have the meanings given such terms in the Reimbursement Agreement. See “APPENDIX E – FORM OF REIMBURSEMENT AGREEMENT AND LETTER OF CREDIT” herein.

The Letter of Credit

The purchase price of, and principal and interest evidenced by the Certificates (other than the Bank Certificates or Certificates owned by the District) will be payable from amounts available to be drawn by the Trustee under an irrevocable, transferable direct-pay Letter of Credit issued by the Bank.

Ratings on the Certificates will therefore be based primarily on the credit of the Bank rather than the credit of the District. See “THE BANK” herein for a description of the Bank. Concurrently with the execution and delivery of the Certificates, the Bank will deliver the Letter of Credit to the Trustee. The Trustee will be permitted to draw an aggregate amount not to exceed the principal amount of the Certificates plus interest calculated at an assumed rate of 12% for 53 days, based upon a 360-day year, subject to reductions and reinstatements as provided in the Letter of Credit.

The Letter of Credit provides that the Trustee may draw upon the Letter of Credit up to the Available Amount (subject to reduction as provided in the Letter of Credit) for any of the following purposes:

(a) “Payment Drawing” in the form of (i) an “Interest Drawing” representing the payment of interest due with respect to the Certificates; (ii) a “Partial Prepayment Drawing” representing the payment of principal plus accrued and unpaid interest upon redemption or prepayment of less than all of the Certificates Outstanding (as defined in the Trust Agreement) and (iii) a “Final Drawing” representing the payment of the unpaid principal and interest on Certificates either at a stated maturity, upon acceleration, or as a result of prepayment, redemption, or mandatory tender of the Certificates (other than Certificates presently held of record by the District or by the Trustee for the account of the District) which Certificates are not to be remarketed again with the support of the Letter of Credit; and

(b) “Tender Drawing” representing the payment of unpaid principal and interest due with respect to all or less than all of the Certificates Outstanding upon tender to the Trustee for purchase pursuant to the Trust Agreement (other than Certificates presently held of record by the District or by the Trustee for the account of the District).

The Letter of Credit shall terminate (the “Stated Termination Date”) upon the earliest to occur of: (i) the date on which the Bank receives written notice from the Trustee that there are no longer any Certificates Outstanding (as defined in the Trust Agreement); (ii) the date on which the Bank receives written notice from the Trustee that its Letter of Credit has been replaced with an Alternate Credit Facility with respect to all of the Certificates; (iii) the date on which the Bank honors a “Final Drawing” with respect to all of the Certificates; (iv) the date on which all of the Certificates earn interest at the Long Term Rate as described in written notice to the Bank from the Trustee; and (v) the close of banking business at the Bank’s Los Angeles, California office on June 18, 2011 (the “Maturity Date”). The Maturity Date may be extended from time to time by amendment to the Letter of Credit at the sole discretion of the Bank.

THE REIMBURSEMENT AGREEMENT

The Reimbursement Agreement, among other things, sets the terms and conditions whereby the District is required to repay to the Bank any amounts drawn by the Trustee under the Letter of Credit. The Bank has certain rights and the District has certain obligations under the Reimbursement Agreement. These rights of the Bank do not extend to the owners of the Certificates. In addition, the District’s compliance with its obligations under the Reimbursement Agreement can be waived solely at the behest of the Bank. The Reimbursement Agreement provides for, among other things, repayment by the District of amounts drawn under the Letter of Credit. Although certain aspects of the Reimbursement Agreement are summarized herein, this summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Reimbursement Agreement.

The occurrence of any of the following events shall be an “Event of Default” under the Reimbursement Agreement:

(a) The District shall fail to pay any amount payable under the Reimbursement Agreement when due; or

(b) Any representation or warranty made, or deemed made, by or on behalf of the District (or any of its officials) in connection with the Reimbursement Agreement or any of the Related Documents shall prove to have been incorrect in any material respect when made or deemed made; or

(c) The District shall fail to perform or observe any term, covenant or agreement contained in Article V of the Reimbursement Agreement on its part to be performed or observed; or

(d) The District shall fail to perform or observe any other term, covenant or agreement contained in any other section of the Reimbursement Agreement on its part to be performed or observed and any such failure shall remain unremedied for ten (10) days after written notice thereof shall have been given to the District by the Bank; or

(e) The District shall default in the payment of any Debt (other than Debt arising under the Reimbursement Agreement and Debt which is secured by or payable from sources other than the District’s

general fund and as to which the District has no legal obligation to pay from its general fund), whether such Debt now exists or shall hereafter be created, and any period of grace with respect thereto shall have expired, or an event of default as defined in any mortgage, indenture or instrument, under which there may be issued, or by which there may be secured or evidenced, any Debt, whether such Debt now exists or may be hereafter created, shall occur, which default in payment or event of default shall result in such Debt becoming or being declared due and payable prior to the date on which it would otherwise become due and payable; or

(f) An order for relief shall have been entered against the District under the Bankruptcy Code or any other similar applicable Federal or State law, and such decree or order shall have continued undischarged and unstayed for a period of 90 days; or a decree or order of a court having jurisdiction in the premises for the appointment of a receiver, trustee, liquidator or custodian of the District of its property, or for the winding up or liquidation of its affairs, shall have been entered, and such decree or order shall have remained in force undischarged and unstayed for a period of 90 days; or

(g) The District shall institute a voluntary case, or shall consent to the institution of an involuntary case against it, or shall file a petition or answer or consent seeking reorganization or arrangement under the Bankruptcy Code or any other similar applicable Federal or State law, or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver, trustee, liquidator or custodian of it or of its property, or shall make an assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due, or corporate action shall be taken by the District in furtherance of any of the aforesaid purposes; or

(h) Any provision of the Reimbursement Agreement or any of the Related Documents to which the District is a party shall at any time for any reason cease to be valid and binding on the District, or shall be declared to be null and void, or the validity or enforceability thereof shall be contested by the District, or the District shall deny that it has any or further liability or obligation under the Reimbursement Agreement; or

(i) Any “Event of Default” under and as defined respectively in the Trust Agreement, the Lease Agreement, the Site Lease, the Assignment Agreement or any other Related Document shall have occurred and be continuing; or

(j) Any event which materially and adversely affects the financial condition of the District or the ability of the District to observe and perform the terms of the Reimbursement Agreement shall have occurred and be continuing.

If any Event of Default shall have occurred and be continuing, the Bank may (but shall not be obligated to) by notice to the District, declare the obligation of the Bank to issue the Letter of Credit to be terminated, whereupon the same shall forthwith terminate, or, if the Letter of Credit shall have been issued, (i) give notice to the Trustee pursuant to the Trust Agreement requesting the Trustee to declare a mandatory tender of all Certificates then outstanding and all interest accrued and unpaid thereon to be due and payable, (ii) take such action as may be necessary to cure such Event of Default on behalf and for the account of the District, (iii) require immediate payment in full by the District of any payment or amount owed or to be owed to the Bank under the Reimbursement Agreement, (iv) exercise any and all of the rights available to it under the Trust Agreement or any Related Documents, and (v) exercise any other rights and remedies available to it at law or in equity or under any other agreement.

It is understood that, upon the occurrence of an Event of Default, the Bank may exercise its rights with respect to remedies available to it under the Trust Agreement or any of the other Related Documents, all without limiting or restricting the Bank's ability, at a later date, to exercise its rights with respect to any remaining revenues for payment of any remaining indebtedness of the District to the Bank.

In the Reimbursement Agreement, "Related Document" is defined as the Letter of Credit, the Certificates, the Trust Agreement, the Lease Agreement, the Site Lease, the Assignment Agreement, the Custody Agreement, the Remarketing Agreement, the 2002 Escrow Agreement, the 2003 Escrow Agreement, or any other agreement or instrument relating thereto.

RISK FACTORS

The purchase of the Certificates involves certain investment risks that are discussed throughout this Official Statement. Accordingly, the following factors, along with the other information in the Official Statement, should be considered by potential investors in making an independent evaluation regarding the prudence of purchasing any Certificates. However, such listed factors do not purport to be an exhausting listing of risks and other considerations that may be relevant to an investment in the Certificates. In addition, the order in which the following factors are presented is not intended to reflect the relative importance of any such risks.

FINANCIAL CONDITION OF THE DISTRICT

With respect to the financial condition of the District as of June 30, 2007, see "APPENDIX A – AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2006-2007" herein.

SECURITY FOR THE CERTIFICATES – LIMITED OBLIGATION OF THE DISTRICT

THE OBLIGATION OF THE DISTRICT TO BUDGET FOR AND TO PAY THE LEASE PAYMENTS UNDER THE LEASE AGREEMENT DOES NOT CONSTITUTE AN OBLIGATION OF THE DISTRICT OR THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMIT OR RESTRICTION, AND DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE DISTRICT OR THE STATE OF CALIFORNIA IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE DISTRICT OR THE STATE OF CALIFORNIA HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE DISTRICT TO MAKE LEASE PAYMENTS UNDER THE LEASE AGREEMENT CONSTITUTES A DEBT OF THE DISTRICT, THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION OF THE STATE OF CALIFORNIA OR A PLEDGE OF THE FULL FAITH AND CREDIT OF SUCH PARTIES. THE DISTRICT HAS NO TAXING POWER.

The Certificates are being offered solely on the basis of the Letter of Credit and the financial strength of the Bank and not the operations, financial strength or condition of the District or any other security. The rating assigned to the Certificates is based primarily on the creditworthiness of the Bank. Prospective purchasers of the Certificates that wish to make a full evaluation of the financial status of the Bank are advised to obtain financial statements of the Bank.

Except as noted herein, although the Lease Agreement does not create a pledge, lien or encumbrance upon the funds of the District. The District is obligated under the Lease Agreement to pay the Lease Payments from any source of legally available funds and the District has covenanted in the Lease

Agreement that it will take such action as may be necessary to include all Lease Payments due under the Lease Agreement in its annual budgets and to make necessary annual appropriations for all such rental payments. The District is currently liable and may become liable on other obligations payable from general revenues, some of which may have a priority over the Lease Payments.

However, the District may incur obligations payable from general revenues which have a priority over the Lease Payments, and the Lease Agreement does not prohibit the District from incurring additional obligations payable from general revenues on a parity with the Lease Payments. In the event the District's revenue sources are less than its total obligations, the District could choose to fund other municipal services before making Lease Payments and other payments due under the Lease Agreement, except from amounts on deposit in the Lease Payment Fund. The District's ability to collect, budget and appropriate various revenues is subject to current and future State laws and constitutional provisions, and it is possible that the interpretation and application of these provisions could result in an inability of the District to pay Lease Payments when.

EXPIRATION OF THE LETTER OF CREDIT

The initial scheduled expiration date of the Letter of Credit is June 18, 2011, subject to extension or earlier termination in certain circumstances as described therein. If the Letter of Credit is not extended or an Alternate Credit Facility is not obtained by the District, the Certificates will be subject to mandatory tender. There can be no assurance that the District will be able to obtain an extension of the Letter of Credit or an Alternate Credit Facility. The Bank is under no obligation to extend the Letter of Credit beyond the scheduled expiration thereof.

BANK'S OBLIGATIONS UNSECURED

The ability of the Bank to honor draws upon the Letter of Credit is based solely upon the Bank's general credit and is not collateralized or otherwise guaranteed by the United States of America or any agency or instrumentality thereof. No provision has been made for replacement of or substitution for the Letter of Credit in the event of any deterioration in the financial condition of the Bank. Neither the District nor the Bank assumes any liability to any purchaser of the Certificates as a result of any deterioration of the financial condition of the Bank. Upon any insolvency of the Bank, any claim by the Trustee against the Bank would be subject to bank receivership proceedings.

GENERAL FACTORS AFFECTING THE BANK

The Bank is subject to regulation and supervision by various regulatory bodies. New regulations could impose restrictions upon the Bank which would restrict its ability to respond to competitive pressures. Various legislative or regulatory changes could dramatically impact the banking industry as a whole and the Bank specifically. The banking industry is highly competitive in many of the markets in which the Bank operates. Such competition directly impacts the financial performance of the Bank. Any significant increase in such competition could adversely impact the Bank.

Prospective purchasers of the Certificates should evaluate the financial strength of the Bank based upon the information contained and referred to herein under the caption "THE BANK," and other information available upon request from the Bank and should not rely upon any governmental supervision by any regulatory entity.

NO LIMITATION ON INCURRING ADDITIONAL OBLIGATIONS

The District has the capacity to enter into other obligations which may constitute additional charges against its general revenues. To the extent that additional obligations are incurred by the District, the funds available to make Lease Payments may be decreased. In the event the District's revenue sources are less than its total obligations, the District could choose to fund other activities before making Lease Payments and other payments due under the Lease Agreement. No assurance is given that the District would not fund any such other activities.

ABATEMENT

In the event of substantial interference with the District's right to use and occupy any portion of the Project by reason of damage to, or destruction or condemnation of the Project, or any defects on title to the Project which causes the District not to have the use and possession of all or a substantial use of the Project, the District's obligation to make Lease Payments will be subject to abatement. See "THE CERTIFICATES – Budget and Appropriation of Lease Payments," herein. In the event that such portion of the Project, if damaged or destroyed by an insured casualty, could not be replaced during the period of time in which proceeds of the District's rental interruption insurance will be available in lieu of Lease Payments, plus the period for which funds are available from the funds and accounts established under the Trust Agreement, or in the event that casualty insurance proceeds are insufficient to provide for complete repair or replacement of such portion of the Project or prepayment of the Certificates, there could be insufficient funds to make payments with respect to the Certificates and therefore to pay Owners in full.

Notwithstanding the foregoing, there shall be no abatement of Lease Payments under the Lease Agreement by reason of damage, destruction, noncompletion or unavailability of all or a portion of the Project to the extent that: (i) the fair rental value of the portions of the Project not damaged, destroyed, or otherwise unavailable for use and occupancy by the District is equal to or greater than the unpaid principal component of the Lease Payments; or (ii) (A) the proceeds of rental interruption insurance or (B) amounts in the Insurance and Condemnation Fund and/or the Lease Payment fund are available to pay Lease Payments which would otherwise be abated.

LIMITED RECOURSE ON DEFAULT

If the District defaults on its obligations to make Lease Payments, the Bank assumes the risk of nonpayment. However, should the Bank fail to honor its obligations under the Letter of Credit, then the Trustee, as assignee of the Corporation, may exercise its remedies under the Lease Agreement and hold the District liable for all Lease Payments on an annual basis and will have the right to re-enter and re-let the Project. In the event such re-letting occurs, the District would be liable for any resulting deficiency in Lease Payments. Alternatively, the Trustee may terminate the Lease Agreement and proceed against the District to recover damages pursuant to the Lease Agreement.

No assurances can be given that the Trustee would be able to re-let the Project so as to provide rental income sufficient to make principal and interest payments with respect to the Certificates in a timely manner, and the Trustee is not empowered to sell the fee interest in the Project for the benefit of the Owners of the Certificates. Due to the essential government function of the property it is not certain whether a court would permit the exercise of the remedies of repossession and re-letting of the Project. Any suit for money

damages would be subject to limitations on legal remedies against cities in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. Moreover, there can be no assurance that such re-letting will not adversely affect the exclusion of any interest component of Lease Payments from federal or state income taxation.

IN THE EVENT OF A DEFAULT UNDER THE LEASE AGREEMENT, THERE IS NO AVAILABLE REMEDY OF ACCELERATION OF THE TOTAL LEASE PAYMENTS DUE OVER THE TERM OF THE LEASE AGREEMENT. THE DISTRICT WILL ONLY BE LIABLE FOR LEASE PAYMENTS ON AN ANNUAL BASIS AS THEY COME DUE, AND THE TRUSTEE WOULD BE REQUIRED TO SEEK SEPARATE JUDGMENTS FOR THE LEASE PAYMENTS AS THEY COME DUE. IN ADDITION, ANY SUCH SUIT FOR MONEY DAMAGES COULD BE SUBJECT TO LIMITATIONS ON LEGAL REMEDIES AGAINST PUBLIC AGENCIES IN CALIFORNIA, INCLUDING A LIMITATION ON ENFORCEMENT OF JUDGMENTS AGAINST FUNDS NEEDED TO SERVE THE PUBLIC WELFARE AND INTEREST AND A LIMITATION ON ENFORCEMENT OF JUDGMENTS AGAINST FUNDS OF A FISCAL YEAR OTHER THAN THE FISCAL YEAR IN WHICH THE LEASE PAYMENTS WERE DUE.

GEOLOGIC, TOPOGRAPHIC AND CLIMATE CONDITIONS

The value of the Project, along with all other capital improvements of the District, can be adversely affected by a variety of natural events and conditions. These include, without limitations:

- geologic conditions such as seismic activity and earthquakes;
- topographic conditions such as earth movements, subsidence, avalanches and floods; and
- climatic conditions such as droughts.

The District, like much of California, is subject to storms, floods, earth movements and seismic activity that could negatively affect the value of the Project, as well as other assets of the District. The possibility of the occurrence of some of these conditions and events has not been taken into account in the design of the Project and has not been taken into account in the designs of other public improvements which may be acquired or constructed by the District or other public agencies.

The District expects that one or more of these conditions will occur from time to time, and, even if design criteria have been implemented to mitigate certain geologic events, such conditions may nevertheless result in damage to the Project.

HAZARDOUS SUBSTANCES

In general, the District as the owners and operators of the Project Improvements may be required by law to remedy conditions of the Project Improvements relating to released or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" is the most well known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner or operator of a property is obligated to remedy a hazardous substance condition whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect therefore, should any of the Project or the Improvements be affected by a hazardous substance, is to reduce the marketability and value of the parcel by the costs of remedying the condition, and therefore could impair the District's ability to make Lease Payments.

The District is not aware that any of the Project has such a current liability. However, it is possible that such liabilities do currently exist and that the District is not aware of them. Further, it is possible that liabilities may arise in the future with respect to any of the Project resulting from the current existence on the parcel of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence on the parcel of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the value of the Project.

SUBSTITUTION OR RELEASE OF PROPERTY

The Lease Agreement provides that upon the satisfaction of the other conditions specified therein, the District may substitute other public facilities or real property for all or any portion of the Project. No substitution for all or any portion of the Project will be permitted under the Lease Agreement unless a certified real estate appraiser selected by the District certifies that the substituted real property (i) has a fair market rental value greater than or equal to the fair market rental value of the property to be released so that the Lease Payments secured by the Project to be released being payable by the District pursuant to the Lease Agreement will not be reduced and (ii) has an equivalent or greater useful life as the Project to be released and that the useful life of the substituted Project exceeds the remaining term of the Lease Payments. In addition, the Lease provides that upon the satisfaction of certain conditions specified therein, the District may release a portion of the Project from the Site Lease and the Lease Agreement. Such replacement or release could have an adverse impact on the security for the Certificates, particularly if an event requiring abatement of Lease Payments were to occur subsequent to such substitution.

CALIFORNIA ECONOMY

Like all California school districts, the District receives a significant portion of its funding from appropriations by the State of California. As a result of the ongoing State budget crisis, the decreases in the revenues presently being experienced by the State could affect appropriations made by the State to the District and other school districts within California. The continued deterioration of California's economy could result in declining appropriations to the District to such an extent that the District may not have sufficient funds available to make its regularly scheduled payments of principle and interest on the Certificates. See "FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA – State Assistance" herein.

LOSS OF TAX EXEMPTION

As discussed under the heading "TAX MATTERS," the interest represented by the Certificates could become includable in gross income for purposes of federal income taxation retroactive to the date of delivery of the Certificates, as a result of acts or omissions of the District in violation of its representations or covenants in the Trust Agreement, the Lease Agreement or other Principal Legal Documents. Should such an event of taxability occur, the Certificates would not be subject to a special prepayment and would remain Outstanding until maturity or until prepaid under the prepayment provisions contained in the Trust Agreement. See "PREPAYMENT PROVISIONS – Mandatory Tender of Certificates," herein.

PROPOSED TAX LEGISLATION

Wide variations of bills are being proposed in Congress and at the State level to change the Internal Revenue Code's treatment of taxing personal, corporate and other income which may reduce tax exempt benefits available to such taxpayers from their purchase of municipal debt obligations. The District cannot and does not know the effect of the many possible financial effects on such parties that could result from enactment of any such bills or other regulatory actions proposing to change the Internal Revenue Code. Potential Owners should consult with their investment advisors in evaluating the impact of such potential changes.

INSURANCE

The District is obligated to obtain and keep in force various forms of insurance or, subject to the Lease Agreement, self insurance, subject to deductibles, for repair or replacement of the Project in the event of damage or destruction of the Project. The District makes no representation to the ability of any insurer to fulfill its obligations under any insurance policy and no assurance can be given as to the adequacy of such insurance to fund necessary repair or replacement of the Project.

DTC-BENEFICIAL OWNERS

Beneficial Owners of the Certificates may experience some delay in the receipt of distributions of principal and interest represented by the Certificates since such distributions will be forwarded by the Trustee to DTC and DTC will credit such distributions to the accounts of the Participants which will there after credit them to the accounts of the Beneficial Owner either directly or indirectly through indirect Participants. Neither the District nor the Trustee will have any responsibility or obligation to assure that any such notice or payment is forwarded by DTC to any Participants or by any Participant to any Beneficial Owner.

In addition, since transactions regarding the Certificates can be effected only through DTC Participants, indirect participants and certain banks, the ability of a Beneficial Owner to pledge the Certificates to persons or entities that do not participate in the DTC system, or otherwise to take actions with respect to such Certificates, may be limited due to lack of a physical certificate. Beneficial owners will be permitted to exercise the rights of registered Owners only indirectly through DTC and the Participants. See "THE CERTIFICATES – Book-Entry Only System," herein.

LIMITATIONS OF REMEDIES

In addition to the limitations on remedies contained on the Lease Agreement, the enforceability of the rights and remedies of the owners of the Certificates and the obligations of the District may become subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equitable principles which may limit the specific enforcement under state law of certain remedies: the exercise by the United States of America of the powers delegated to it by the federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of servicing a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the owners of the

Certificates to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

In the event of a bankruptcy of the District, any provision of the Lease Agreement which makes the bankruptcy of the District an event of default may be invalidated and the enforceability of the pledge pursuant to the Lease Agreement is limited in accordance with the provisions of Chapter 9 of the United States Bankruptcy Code.

PREPAYMENT PROVISION

The Certificates are subject to extraordinary prepayment (see “PREPAYMENT PROVISIONS” herein) under certain circumstances.

ABSENCE OF SECONDARY MARKET FOR THE CERTIFICATES

There can be no guarantee that there will be a secondary market for the Certificates or, if a secondary market exists, that any Certificates can be sold for any particular price. Prices of bond issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price. No assurance can be given that the market price for the Certificates will not be affected by the introduction or enactment of any future legislation (including without limitation amendments to the Internal Revenue Code), or changes in interpretation of the Internal Revenue Code, or any action of the Internal Revenue Service, including but not limited to the publication of proposed or final regulations, the issuance of rulings, the selection of the Certificates for audit examination, or the course or result of any Internal Revenue Service audit or examination of the Certificates or obligations that present similar tax issues as the Certificates.

On November 5, 2007, the U.S. Supreme Court heard an appeal of *Davis v. Kentucky Dep't of Revenue of the Finance and Admin. Cabinet*, 197 S.W.3d 557 (2006), a decision holding that state statutes providing more favorable state income tax treatment to holders of debt issued by in-state government bodies than for debt issued by out-of-state government bodies violate the U.S. Constitution. If the decision is upheld, the marketability and market price for the Certificates may be affected.

UNCONVENTIONAL MORTGAGE STRUCTURES

From 2002 through the first half of 2006, the California housing market experienced significant price appreciation with accelerating demand. One factor contributing to the recent housing boom in California was the use of unconventional mortgage structures, such as a cross between a fixed and adjustable rate mortgage, having a low initial (or “teaser”) fixed interest rate for several years that converts to an adjustable interest rate determined by an index plus a fixed margin, and interest-only mortgages, where the borrower pays only interest for a set period of time and then pays down the principal plus interest. Homeowners who financed the purchase of their homes with such mortgages can expect their monthly mortgage payments to increase after the initial period. As the initial low-interest or interest-only periods related to such unconventional mortgage have expired, some homeowners have not been able to maintain payments on their existing loans or to obtain refinancing loans for their homes. Foreclosure proceedings in California have also increased dramatically in 2007 and 2008. Recently there has been a general softening of the California housing market, as evidenced by a decrease in home sale prices, increasing inventory of new homes, slowing demand, and the tightening of credit by lenders. The District has not undertaken to

assess the financial condition of the current owners of the residential properties within the District and expresses no view concerning these matters. The District cannot predict and expresses no view whether or how such factors may affect the District's finances and the potential impact on the District's budget.

RISK OF TAX AUDIT

In December 1999, as a part of a larger reorganization of the Internal Revenue Service (the "IRS"), the IRS commenced operation of its Tax Exempt and Government Entities Division (the "TE/GE Division"), as the successor to its Employee Plans and Exempt Organizations division. The TE/GE Division has a subdivision that is specifically devoted to tax-exempt bond compliance. Public statements by IRS officials indicate that the number of tax-exempt bond examinations (which would include securities such as the Certificates) is expected to increase significantly under the TE/GE Division. There is no assurance that if an IRS examination of the Certificates was undertaken that it would not adversely affect the market value of the Certificates. Neither the Corporation nor the District is currently the subject of any ongoing audit nor has either been notified by the IRS regarding the possibility of any such audit.

RELIANCE ON STATE BUDGET

The District's General Fund revenues consist of payments collected by the State and passed-through to community college districts or collected by the County and allocated to community college districts by State law. There can be no assurance that current or future State budget difficulties will not adversely affect the District's revenues or its ability to make payments on the Certificates.

CHANGES IN LAW

There can be no assurance that the electorate of the State will not at some future time adopt additional initiatives or that the Legislature will not enact legislation that will amend the laws or the Constitution of the State resulting in a reduction of the general fund revenues of the District and consequently, having an adverse effect on the security for the Certificates.

LIQUIDITY RISK

No assurance can be given that an active trading market for the Certificates will develop or, if one develops, that it will be maintained, in addition, further adverse developments affecting the Certificate Insurer or other bond insurers, or credit markets generally, could cause trading prices to decline in any market that develops for the Certificates, even if those developments do not affect the District's financial condition or its ability to pay debt service on the Certificates. Consequently, should such further adverse developments arise in the future, Owners of Certificate who wish to sell their Certificates in the secondary market may not be able to do so on the terms or at the times they wish and consequently may lose a portion of their investment.

OTHER RISKS

The remedies available to the Owners of the Certificates upon an event of default under the Trust Agreement, or other documents described herein are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, the remedies set forth in the Trust Agreement and the various documents relating to the Project

may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Certificates will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by the application of equitable principles.

THE CORPORATION

The West Hills Community College District Financing Corporation is a nonprofit public benefit Corporation organized and existing under the laws of the State of California, and entitled, by virtue of its Articles of Incorporation and Bylaws, to purchase personal and real property and to sell or lease such property, to contract for construction and improvement and to execute operating agreements regarding such property. The Corporation was incorporated on June 27, 2002 at the request of the District for the purpose of providing financial assistance to the District by acquiring, constructing and developing certain facilities for the use and benefit of the public. Corporate Directors are appointed by the District. No assets of the Corporation have been pledged, or are available to pay the Certificates. The lien represented by the Lease Agreement on the Project, as defined herein, does not create a legal or equitable pledge, charge, lien or encumbrance upon any of the Corporation's property or upon its income, receipts or revenue, except the Lease Payment, as defined herein.

THE DISTRICT

GENERAL INFORMATION

The West Hills Community College District was formed in 1961 but was operational thirty (30) years earlier in the form of a Coalinga Extension Center of what was then called Fresno State College. Originally, the District encompassed the same area as the Coalinga High School District. Thereafter annexation elections expanded the District's geographical boundaries, making the District today into one of the largest community college districts in the State. The District serves an area of approximately 3,600 square miles, encompassing portions of five counties: Fresno, Kings, San Benito, Monterey and Madera.

The District operates two separate college campuses and an off-campus educational center: the Coalinga Campus situated at 300 Cherry Lane, Coalinga, California (the "Coalinga Campus"), the City of Lemoore campus situated at 555 College Avenue, Lemoore, California (the "Lemoore Campus") and the City of Firebaugh Educational Center located at 1511 Ninth Street, Firebaugh, California (the "Firebaugh Center"). As of June 30, 2007, the District maintains a 4,950 Full-time Equivalent Student (FTES) enrollment.

The West Hills Community College District provides postsecondary education to the students of Coalinga-Huron Unified School District, Lemoore Union High School District, Riverdale Joint Unified School District, Golden Plains Unified School District, Firebaugh-Las Deltas Unified School District, Reef-Sunset Unified School District, and Mendota Unified School District. There were no changes in the boundaries of the District during the fiscal year.

THE BOARD OF TRUSTEES

The District is governed by a seven-member Board of Trustees (the “Board”), each member of which is elected to a four-year term. The Trustees are elected at large from various parts of the District including Coalinga, Firebaugh and Tranquillity (in Fresno County) and Avenal, Lemoore and Riverdale (in Kings County). The terms of the Board are staggered with elections in odd numbered years. Current members of the Board, together with their office and the date their term expires, are listed below:

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Mark McKean	President	2011
Bill Henry	Vice President	2011
Nina Oxborrow	Clerk	2009
J.L. Levinson	Member	2009
Jack Minnite	Member	2009
Edna Ivans	Member	2011
Steve Cantu	Member	2011

ADMINISTRATION

The Chancellor of the District is responsible for administering the affairs of the District in accordance with the policies of the Board and for the supervision of the District’s other key personnel. The District’s Chancellor and certain key administrative personnel are as follows:

Dr. Frank P. Gornick, *Chancellor.* Dr. Gornick joined the District in January, 1994. A graduate of West Hills College Coalinga, Dr. Gornick holds a Ph.D. from St. Louis University. He has led the District from a time when enrollment had declined to 450 students a semester to today’s enrollment of more than 6,000 students a semester. Under his leadership, the District expanded with the opening of West Hills College Lemoore in 2002. It has received national recognition by the MetLife Foundation and Campus Compact. Prior to joining the District, he served as Dean of Students at Bakersfield College.

Mr. Ken Stoppenbrink, *Vice Chancellor Business Services.* Mr. Stoppenbrink joined the District in 1996 as Director of Human Resources. He was named Vice Chancellor of Business Services in 2004. He holds a master’s degree in e-business and has broad knowledge of human resources, business operations and budgeting. Prior to joining the District, Mr. Stoppenbrink was human resources director for Coalinga Regional Medical Center and Dameron Hospital Association in Stockton.

Mr. Don Warkentin, *President of West Hills College Lemoore.* Mr. Warkentin joined the District in 1986 and was named president of WHCL in 2005. He has also served as Dean of Students and Associate Dean supervising the Lemoore center (before it achieved college status), North District Center in Firebaugh. Mr. Warkentin also serves as an elected member of the Lemoore Elementary School District board of trustees.

Dr. Willard Lewallen, *President of West Hills College Coalinga.* Dr. Lewallen joined the District in July, 2007 and is now in his 28th year in higher education. He was previously vice president of student services; dean of counseling and enrollment management and counselor/articulation office at Victor Valley Community College District in Victorville. Dr. Lewallen holds a doctorate in education from UCLA and a master’s degree from Purdue University.

STATE FUNDING OF EDUCATION

Annual State apportionments to community college districts for general purposes are allocated through a program based funding formula per unit of full-time equivalent student (“FTES”). Such apportionments will, in general, amount to the difference between a district’s program based funding level and its local property tax allocation and student enrollment fees. Program based funding calculations are adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among all California community college districts. In November 1988, California voters approved an amendment to the California Constitution, which guarantees primary and secondary education and the community college system a percentage of the state general fund budget for the 1988-98 budget year and subsequent budget years.

ENROLLMENT

Full-Time Equivalent Students (FTES) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to the District. Table 2 provides information regarding the attendance of students throughout the District, by way of FTES for fiscal years 2000-01 through 2006-07:

Table 2
WEST HILLS COMMUNITY COLLEGE DISTRICT
(2008 REFUNDING PROJECT)

Full Time Equivalent Students (FTES)	
<u>Year</u>	<u>FTES</u>
2000-01	3,350
2001-02	3,884
2002-03	4,062
2003-04	4,166
2004-05	4,703
2005-06	4,805
2006-07	4,950

Source: The District

EMPLOYEE RELATIONS

In the fall of 1974, the California State Legislature enacted a public school employee collective bargaining law known as the Rodda Act. This law provides that employees are to be divided into appropriate bargaining units that are to be represented by an exclusive bargaining agent. The District presently employs approximately 94 full-time and 217 part-time faculty; and approximately 213 full-time and 128 part-time classified employees.

STATE TEACHERS' RETIREMENT SYSTEM (STRS)

Plan Description. All certificated employees and those employees meeting minimum standards adopted by the Board of Governors of the California Community Colleges and employed 50 percent or more of a full-time equivalent position participate in the Defined Benefit Plan (DB Plan). Part-time educators hired under a contract of less than 50 percent or on an hourly or daily basis without contract may elect membership in the Cash Balance Benefit Program (CB Benefit Program). Since January 1, 1999, both of these plans have been part of the State Teachers' Retirement Plan (STRP), a cost-sharing, multiple-employer contributory public employee retirement system. The State Teachers' Retirement Law (Part 13 of the *California Education Code*, Section 22000 et seq.) established benefit provisions for STRS. Copies of the STRS annual financial report may be obtained from the STRS Executive Office, 7667 Folsom Boulevard, Sacramento, California 95851.

The STRP, a defined benefit pension plan, provides retirement, disability, and death benefits, and depending on which component of the STRP the employee is in, post-retirement cost-of-living adjustments may also be offered. Employees in the DB Plan attaining the age of 60 with five years of credited California service (service) are eligible for "normal" retirement and are entitled to a monthly benefit of two percent of their final compensation for each year of service. Final compensation is generally defined as the average salary earnable for the highest three consecutive years of service. The plan permits early retirement options at age 55 or as early as age 50 with at least 30 years of service. While early retirement can reduce the two percent age factor used at age 60, service of 30 or more years will increase the percentage age factor to be applied. Disability benefits are generally the maximum of 50 percent of final compensation for most applicants. Eligible dependent children can increase this benefit up to a maximum of 90 percent of final compensation. After five years of credited service, members become 100 percent vested in retirement benefits earned to date. If a member's employment is terminated, the accumulated member contributions are refundable. The features of the CB Benefit Program include immediate vesting, variable contribution rates that can be bargained, guaranteed interest rates, and flexible retirement options. Participation in the CB benefit plan is optional; however, if the employee selects the CB benefit plan and their basis of employment changes to half time or more, the member will automatically become a member of the DB Plan.

Funding Policy. Active members of the DB Plan are required to contribute eight percent of their salary while the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2006-2007 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The CB Benefit Program is an alternative STRS contribution plan for instructors. Instructors who choose not to sign up for the DB Plan or FICA may participate in the CB Benefit Program. The District contribution rate for the CB Benefit Program is always a minimum of four percent with the sum of the District and employee contribution always being equal or greater than eight percent.

Annual Pension Cost. The District's total contributions to STRS for the fiscal years ended June 30, 2007, 2006, and 2005, were \$897,305, \$738,795, and \$696,869, respectively and equal 100 percent of the required contributions for each year. The State of California may make additional direct payments for retirement benefits to the STRS on behalf of all community colleges in the State. The revenue and expenditures associated with these payments, if any, have not been included in these financial statements.

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CALPERS)

Plan Description. All full-time classified employees participate in the CalPERS, an agent multiple-employer contributory public employee retirement system that act as a common investment and administrative agent for participating public entities within the State of California. The West Hills Community College District is part of a "cost-sharing" pool with CalPERS. Employees are eligible for retirement as early as age 50 with five years of service. At age 55, the employee is entitled to a monthly benefit of 2.0 percent of final compensation for each year of service credit. Retirement compensation is reduced if the plan is coordinated with Social Security. Retirement after age 55 will increase the percentage rate to a maximum of 2.5 percent at age 63 with an increased rate. The plan also provides death and disability benefits. Retirement benefits fully vest after five years of credited service. Upon separation from the Fund, members' accumulated contributions are refundable with interest credited through the date of separation.

The Public Employees' Retirement Law (Part 3 of the California Government Code, Section 20000 et seq.) establishes benefit provisions for CalPERS. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy. Active plan members are required to contribute seven percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The District's contribution rate to CalPERS for fiscal year 2006-2007 was 9.952 percent of annual payroll.

Annual Pension Cost. The District's contributions to CalPERS for fiscal years ending June 30, 2007, 2006, and 2005, were \$794,268, \$674,939, and \$987,930, respectively, and equaled 100 percent of the required contributions for each year. The actuarial assumptions used as part of the June 30, 2001, actuarial valuation (the most recent actuarial information available) included (a) an 8.25 percent investment rate of return (net of administrative expense); (b) an overall growth in payroll of 3.75 percent annually; and (c) an inflation component of 3.5 percent compounded annually that is a component of assumed wage growth, and assumed future post-retirement cost of living increases. The actuarial value of pension fund assets was determined by using a technique to smooth the effect of short-term volatility in the market value of investments.

On Behalf Payments. The State of California makes contributions to STRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to STRS which amounted to \$491,288 (4.517 percent) of salaries subject to STRS. A contribution to CalPERS was not required for the year ended June 30, 2007. These amounts have been reflected in the financial statements as a component of nonoperating revenue and employee benefit expense.

APPLE RETIREMENT SYSTEM

Plan Description. The District contributes to the APPLE plan for employees not covered under the PERS or STRS plans. The plan provides benefits in a lump sum distribution of the employees' vested balance as of their retirement date.

Funding Policy. Active plan members and the District are each required to contribute 3.75 percent of an individual's salary to the plan, for a total of 7.5 percent of an individual's salary. Individuals enrolled in the plan are 100 percent vested in the contributions made to it. The District's contribution to the plan for the fiscal year ending June 30, 2007, was \$79,629.

POST-EMPLOYMENT BENEFITS

The District provides medical, dental, and vision insurance coverage, as prescribed in the various employee union contracts, to retirees meeting plan eligibility requirements. Eligible employees retiring from the District may become eligible for these benefits when the requirements are met. The eligibility requirement for employees participating in CalPERS is a minimum age of 55 and a minimum ten years of continuous service with the District. Additional age and service criteria may be required. The eligibility requirement for employees participating in STRS is a minimum age of 60 with five years of service, or age 50 with 30 years of service. In addition, the District also has minimum continuous service requirements for retirement that range from three years to ten years and varies by employee class. The District recognizes expenditures for these post employment health benefits on a pay-as-you-go-basis as premiums are paid. During the 2006-2007 fiscal year, the District provided insurance premium benefits to 33 retired employees with total expenditures of \$87,568.

The approximate accumulated future liability for these benefits is \$6,276,259. This amount was determined by an actuarial study performed as of March 14, 2007, and includes data for current retirees as well as the District's current employee pool. The District has contributed \$700,000 to the GASB 45 Trust Fund to begin funding the future post employment benefits.

INSURANCE AND JOINT POWERS AUTHORITIES

The District is a member of the Central Valley Schools Health and Welfare Trusts (CVSHWT) and Valley Insurance Program (VIP) Joint Powers Authorities (JPAs). The District pays annual premiums for its property liability, health, and worker's compensation coverage. The relationship between the District and the JPAs is such that it is not a component unit of the District for financial reporting purposes.

The JPAs have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, transactions between the JPAs and the District are included in these statements. Audited financial statements are available from the respective entities.

The District's share of year-end assets, liabilities, or fund equity has not been calculated.

DISTRICT FINANCIAL INFORMATION

DISTRICT FINANCIAL STATEMENTS

Excerpts from the District's audited financial statements for Fiscal Year 2006-2007 are attached hereto as APPENDIX A. The financial statements should be read in their entirety, including all footnotes, opinions and qualifying statements. The information set forth herein does not purport to be a summary of the District's financial statements.

DISTRICT BUDGET

The District is required by State Law to adopt a final budget on or before September 15 in each year. The 2007-08 Final Budget has been adopted by the District. Throughout the fiscal year, all revenues and appropriations are subject to review and since the budget must remain in balance, any shortfall in revenues could require a reduction in appropriations.

Any reductions in State aid and other funding sources would be met by decreasing any reserves or by a reduction in expenditures or a combination of the two. The District does not expect that reductions in income, if any, will have any impact on the District's ability to pay the Certificates described in this official statement. State law requires local government to maintain a balanced budget and the District anticipates that it will comply with this State requirement.

The estimates of amounts and timing of revenues and disbursements in the tables on the following pages are based on present circumstances and currently available information and are believed to be reasonable. The assumption may be affected by numerous factors and there can be no assurances that such estimates will be achieved.

ACCOUNTING PRACTICES

The accounting practices of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California Colleges Budgeting and Accounting Manual. This manual, according to Section 84030 of the California Education Code, is to be followed by all California community college districts.

District accounting is organized on the basis of fund groups, with each group consisting of a separate set of self-balancing accounts containing assets, liabilities, fund balances, revenues and expenditures. The major fund classification is the general fund which accounts for all financial resources not requiring a special fund placement. The District's fiscal year begins on July 1 and ends on June 30.

District expenditures are accrued at the end of the fiscal year to reflect the receipt of goods and services in that year. Revenues generally are recorded on a cash basis, except for items that are susceptible to accrual (measurable and/or available to finance operations). Current taxes are considered susceptible to accrual. Revenues from specific state and federally funded projects are recognized when qualified expenditures have been incurred.

State block grant apportionments are accrued to the extent that they are measurable and predictable. The State Department of Education sends the District updated information from time to time explaining the acceptable accounting treatment of revenue and expenditure categories.

Generally, the basic financial statements and required supplementary information should include (i) Management's Discussion and Analysis; (ii) financial statements prepared using the economic measurement focus and the accrual basis of accounting and (iii) fund financial statements prepared using the current financial resources measurement focus and the modified accrual method of accounting and (iv) required supplementary information.

The outside auditors for the District currently are Vavrinek, Trine, Day & Co., LLP, Certified Public Accountants. Excerpts from the audited financial statement for Fiscal Year ended June 30, 2007 is attached hereto as APPENDIX A.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

SUMMARY OF REVENUES, EXPENDITURES AND FUND BALANCES

The following Table 3 presents the statements of revenues, expenditures and fund balances of the District's General Fund for the past three years.

Table 3
WEST HILLS COMMUNITY COLLEGE DISTRICT
Audited for Fiscal Years 2004-05, 2005-06 and 2006-07

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS			
	Audited 2004-05	Audited 2005-06	Audited 2006-07
OPERATING REVENUES:			
Enrollment, tuition and other fees	\$4,261,690	\$1,993,022	\$2,579,711
Less: scholarship discounts and allowances	(1,573,708)	(184,406)	(122,408)
Net enrollment, tuition and other fees	2,687,982	1,808,616	2,457,303
Federal revenues	11,926,258	10,039,637	10,241,620
State revenues	5,000,951	5,096,618	8,945,935
Local revenues	220,044	613,150	227,361
Bookstore	1,390,971	1,497,895	1,684,181
Cafeteria	548,020	496,532	594,793
Farm	25,452	6,179	13,840
Total Operating Revenues	21,799,678	19,558,627	24,165,033
OPERATING EXPENSES:			
Salaries	17,223,834	18,879,913	23,140,161
Employee Benefits	6,018,245	6,184,815	7,794,864
Supplies, materials and other operating expenses and services	15,476,239	16,336,464	22,460,490
Depreciation	2,471,454	2,471,454	2,527,291
Total Operating Expenses	41,189,772	43,872,647	55,922,806
OPERATING LOSS	(31,757,773)	(24,314,020)	(19,390,094)
NON-OPERATING REVENUES (EXPENSES):			
State apportionments, non-capital	23,524,926	19,659,769	18,083,532
Local property taxes	3,160,326	2,820,178	3,150,947
State taxes and other revenues	3,506,263	1,914,556	933,072
Investment income, net	2,624,390	2,233,954	871,296
Interest expense on capital related debt	(2,873,617)	(1,778,343)	(2,105,520)
Other non-operating revenues	7,248,565	244,618	782,637
Total non-operating revenues (expenses)	37,190,853	25,094,732	21,715,964
INCOME (LOSS) BEFORE OTHER REVENUES AND EXPENSES	5,433,080	780,712	2,325,870
OTHER REVENUES AND EXPENSES:			
State apportionments, capital	791,357	5,725,700	10,021,770
Local revenues, capital	153,666	295,301	4,067,732
Total other revenues and expenses	945,023	6,021,001	14,089,502
INCREASE IN NET ASSETS	6,378,103	6,801,713	16,415,372
NET ASSETS, BEGINNING OF YEAR:	49,582,076	42,780,363	26,364,991
NET ASSETS, END OF YEAR:	\$55,960,179	\$49,582,076	\$42,780,363

Source: The District

The following Table 4 presents the statement of net assets of the District for the past two years.

Table 4
WEST HILLS COMMUNITY COLLEGE DISTRICT
Audited for Fiscal Years 2005-06 and 2006-07

STATEMENT OF NET ASSETS		
	Audited 2005-2006	Audited 2006-2007
ASSETS		
Current Assets:		
Cash and cash equivalents	\$72,934,643	\$79,804,988
Accounts receivable	5,267,226	4,253,166
Student loans receivable	480,323	274,206
Prepaid expenses	7,899	7,531
Stores Inventory	421,965	417,910
Total Current Assets	79,112,056	84,757,801
Noncurrent Assets:		
Nondepreciable capital assets	19,429,919	5,359,448
Depreciable capital assets	62,423,747	78,916,947
Less: Accumulated depreciation	(19,165,315)	(21,692,606)
Total Noncurrent Assets	62,688,351	62,583,789
TOTAL ASSETS	\$141,800,407	\$147,341,590
LIABILITIES		
Current Liabilities:		
Accounts payable	1,769,843	1,964,369
Deferred revenue	1,706,514	2,240,810
Amounts held in trust on behalf of others	24,734	804,411
Long-term liabilities – Current Portion	2,709,363	839,365
Total Current Liabilities	6,210,454	5,848,955
Non-Current Liabilities:		
Compensated absences payable – noncurrent	650,566	722,843
Long-term liabilities – noncurrent	85,357,311	84,809,613
Total Noncurrent Liabilities	86,007,877	85,532,456
TOTAL LIABILITIES	92,218,331	91,381,411
NET ASSETS		
Invested in capital assets, net of related debt	27,176,109	34,034,060
Restricted for:		
Debt service	12,658,390	11,978,835
Capital projects	1,990,952	3,805,236
Other activities	500,490	673,004
Unrestricted	7,256,135	5,469,044
TOTAL NET ASSETS	\$49,582,076	\$55,960,179

Source: The District

REVENUE SOURCES

As is true for all college districts in California, the District's operating income consists primarily of three components: (i) a State portion funded from the State's general fund; (ii) a local portion derived from the District's share of the 1% local ad valorem property tax authorized by the State Constitution; and (iii) revenues generated from District operations. State funds include general apportionment, categorical funds, capital construction, the lottery (which is about two percent) and other minor sources. The federal government provides funding for several District programs, including job training, financial aid and vocational education programs. Most of the federal revenues are restricted.

The State calculates the allocation for each community college district based on both State and local resources. Funds are allocated to the colleges using a program-based model. The model uses different factors to establish support levels for five different programs or functions: (i) Instruction and Instructional Administration, (ii) Instructional Services, (iii) Student Services, (iv) Operation and Maintenance of Plants, and (v) Institutional Support.

FUNDING OF DISTRICT OPERATIONS

General. As stated above, community college districts derive income primarily from State general fund apportionments, local property tax funding and revenues generated from district operations. District operating revenues consist of tuition and fees, certain grants and contracts under which districts receive payments, and revenues from auxiliary enterprise activities of districts. College districts may also be eligible for special categorical funding, including for mandated State and federal programs. State lottery funds also constitute a portion of college district revenues.

Additional Revenues. The balance of the District's general fund revenues in each fiscal year are derived from auxiliary enterprise revenues (such as bookstore, cafeteria and I.T. operations), lottery income, non-resident tuition, special purpose apportionments, interest, and miscellaneous other sources. Lottery funds may not be used for non-instructional purposes, such as the payment of acquisition of real property, the construction of facilities or the financing of research.

The District's restricted general fund revenues come, in part, from State funding earmarked for specific categorical programs. The volume and allocation of categorical funding is subject to the discretion of the State legislature and the District's continued qualification for each such program.

Under California law, a city or county can create a redevelopment agency in territory within one or more college districts. Upon formation of a "project area" of a redevelopment agency, all property tax revenues attributable to the growth in assessed value of taxable property within the project area (known as "tax increment") belong to the redevelopment agency, causing a loss of tax revenues to other local taxing agencies, including college districts, from that time forward. For districts that are not self-supporting, any loss of local property taxes is made up by an increase in State equalization aid, until the base revenue limit is reached. For self-supporting districts, the loss of tax revenues is not reimbursed by the State. In neither case are taxes collected for payment of debt service on school and community college district general obligation bonds affected or diverted.

Certain college districts may enter into “pass-through agreements” with their local redevelopment agencies in order to receive a portion of the tax increment revenue that would otherwise belong to the redevelopment agency (provided such revenue is not pledged and needed to pay debt service on redevelopment agency tax-increment bonds), and in some cases the pass-through is mandated by statute (in which case it cannot be pledged to pay redevelopment agency bonds).

REVENUE LIMITATIONS

Since fiscal year 1973-74, California school and community college districts, including the District, have operated under general purpose revenue limits established by the State Legislature. Funding of the revenue limits is accomplished by a mix of local property tax and State aid. Prior to the passage of Article XIII A of the California Constitution in 1978, local property taxes constituted approximately 63% of revenue limit income. Since then, property taxes received by the District is limited to its share of the one percent ad valorem property tax collected by the County as described below under the heading “DISTRICT FINANCIAL INFORMATION – Ad Valorem Property Taxation”. In addition, for fiscal years 1992-93 through 1995-96, community redevelopment agencies were required to deposit certain amounts into the county-wide Education Revenue Augmentation Fund (“ERAF”) for subsequent distribution to schools and community college district’s within the county. Such amounts will reduce the amounts otherwise to be appropriated by the State. Annual State appropriations to school districts and community college districts for general purposes are computed up to a revenue limit per unit of average daily attendance for school districts, and full-time equivalent students for community college districts. Such apportionments will, generally speaking, amount to the difference between the District’s revenue limit and the District’s local property tax and ERAF allocations. Revenue limit calculations are adjusted annually in accordance with a number of factors.

AD VALOREM PROPERTY TAXATION

Taxes are levied each fiscal year on taxable real and personal property which is situated in the County as of the preceding March 1. For assessment and collections 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 public utilities property and property the taxes on which are a lien on real property sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the “unsecured roll”.

Property taxes on the secured roll are due in two installments, on December 1 and April 1 of each fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a ten percent (10%) penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are not paid after one year is “tax delinquent”. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquent penalty, plus a prepayment penalty of one and one-half percent (1.5%) per month to the time of prepayment. If taxes are unpaid for a period of five years or more, a notice of power to sell is recorded and is then subject to public auction or sale by the County Treasurer/ Tax Collector.

Property taxes on the unsecured roll are due as of the March 1 lien date and become delinquent, if unpaid, on August 31 of each fiscal year. A ten percent (10%) penalty attaches to delinquent taxes on property of the unsecured roll, and an additional penalty of one and one-half percent (1.5%) per month begins to accrue beginning December 1 of the fiscal year.

The taxing authority has four ways of collecting unsecured personal property taxes: (a) a civil action against the taxpayer; (b) 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; (c) filing a certificate of delinquency for record in the County Recorder's Office, in order to obtain a lien on certain property of the taxpayer; and (d) seizure and sale of personal property, improvements or possessory interest belonging or assessed to the assessee.

Assessed valuations include secured and unsecured properties assessed by the County Assessor, and secured utility properties assessed by the State Board of Equalization. Such assessed valuations exclude State reimbursed homeowner's and business inventory exemptions and exclude veterans, religious, charitable, and other such nonrecoverable exemptions. In 1981-82, the assessed valuation became equivalent to the fair market valuation.

ASSESSED VALUATION INFORMATION

The following Table 5 presents an analysis of the District's secured assessed valuation by land use for fiscal year 2007-08.

Table 5
WEST HILLS COMMUNITY COLLEGE DISTRICT
(2008 REFUNDING PROJECT)

SECURED ASSESSED VALUATION AND PARCELS BY LAND USE				
	2007-08 <u>Assessed Valuation</u> ⁽¹⁾	% of <u>Total</u>	No. of <u>Parcels</u>	% of <u>Total</u>
Non-Residential:				
Agricultural	\$2,290,032,236	35.49%	10,152	31.98%
Commercial	574,605,539	8.90	1,005	3.17
Vacant Commercial	14,283,482	0.22	369	1.18
Industrial/Food Processing	1,130,512,082	17.52	1,512	4.76
Vacant Industrial	109,818,892	1.70	651	2.05
Recreational	39,002,671	0.60	119	0.37
Government/Social/Institutional	<u>5,128,674</u>	<u>0.08</u>	<u>368</u>	<u>1.16</u>
Subtotal Non-Residential	\$4,163,383,576	64.51%	14,176	44.65%
Residential:				
Single Family Residence	\$1,554,686,672	24.09%	12,888	40.60%
Condominium/Townhouse	3,001,271	0.05	28	0.09
Mobile Home	22,439,284	0.35	645	2.03
2-4 Residential Units	85,438,362	1.32	350	1.10
5+ Residential Units	204,323,329	3.17	327	1.03
Vacant Residential	<u>334,554,192</u>	<u>5.18</u>	<u>2,918</u>	<u>9.19</u>
Subtotal Residential	\$2,204,443,110	34.16%	17,156	54.04%
Unknown Use	\$85,575,444	1.33%	415	1.31%
Total	\$6,453,402,130	100.00%	31,747	100.00%

(1) Local Secured Assessed Valuation; excluding tax-exempt property.

Source: California Municipal Statistics, Inc.

The following Table 6 shows a jurisdictional summary of the 2007-2008 assessed valuations for the District.

Table 6
WEST HILLS COMMUNITY COLLEGE DISTRICT
(2008 REFUNDING PROJECT)

SUMMARY OF ASSESSED VALUATIONS			
<u>Jurisdiction</u>	<u>Total Secured</u>	<u>Unsecured</u>	<u>Total Before Rdv. Increment</u>
Fresno County Portion	\$3,806,241,027	\$309,666,296	\$4,115,907,323
Kings County Portion	2,494,499,248	109,114,879	2,603,614,127
Madera County Portion	146,324,218	2,165,235	148,489,453
Monterey County Portion	5,450,628	10,130	5,460,758
San Benito County Portion	<u>887,009</u>	<u>0</u>	<u>887,009</u>
Total District	<u>\$6,453,402,130</u>	<u>\$420,956,540</u>	<u>\$6,874,358,670</u>

Source: California Municipal Statistics, Inc.

LARGEST TAXPAYERS

The twenty largest assessed property owner taxpayers in the District for the fiscal year 2007-2008 are shown in Table 7 below.

Table 7
WEST HILLS COMMUNITY COLLEGE DISTRICT
(2008 REFUNDING PROJECT)

LARGEST 2007-08 LOCAL SECURED TAXPAYERS			
<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2007-2008 Assessed Valuation</u>	<u>% of Total⁽¹⁾</u>
1. Leprino Foods Company	Power Generation	290,529,585	4.50%
2. Chevron USA Inc.	Oil and Gas Production	283,675,060	4.40
3. GWF Energy LLC	Power Generation	66,200,000	1.03
4. Fresno Farming LLC	Agricultural	62,738,807	0.97
5. SK Foods LP	Food Processing	60,780,170	0.94
6. Aera Energy LLC	Oil and Gas Production	58,661,782	0.91
7. Hunt-Wesson Inc.	Food Processing	51,199,683	0.79
8. Toma-Tek Inc.	Food Processing	49,384,042	0.77
9. Sandridge Partners	Agricultural	46,442,656	0.72
10. Waste Management Holdings Inc.	Industrial	36,381,247	0.56
11. J.G. Boswell Co.	Agricultural	36,008,708	0.56
12. Britz Fertilizers Inc.	Agricultural	32,232,480	0.50
13. Harris Farms Inc.	Agricultural	31,727,405	0.49
14. Fresno Cogeneration Partners LP	Industrial	31,390,157	0.49
15. Athanasios & Pagona Stefanopoulos	Agricultural	30,739,337	0.48
16. Paramount Land Company LP	Agricultural	29,518,443	0.46
17. Plains Exploration & Production	Oil and Gas Production	19,925,056	0.31
18. Larry A. Shehadey Dairy LP	Agricultural	19,688,937	0.31
19. Holly Sugar Company Inc.	Food Processing	19,190,157	0.30
20. Lemoore Apartments LLC	Apartments	<u>17,585,274</u>	<u>0.27</u>
Totals		<u>\$1,273,998,986</u>	<u>19.74%</u>

(1) 2007-08 Total Secured Assessed Valuation: \$6,453,402,130

Source: California Municipal Statistics, Inc.

DISTRICT DEBT STRUCTURE

Long-Term Debt Summary. In accordance with the District’s most recent Audited Financial Statements, the following Table 8 demonstrates the schedule of long-term debt, and the corresponding changes thereto, for the Fiscal Year ended June 30, 2007:

**Table 8
WEST HILLS COMMUNITY COLLEGE DISTRICT
(2008 REFUNDING PROJECT)**

LONG TERM DISTRICT DEBT				
<u>Description of Debt Instrument</u>	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2007</u>
Certificates of Participation ⁽¹⁾	\$65,150,000	-----	-----	\$65,150,000
Capital Leases	2,937,984	-----	\$(397,506)	\$2,540,478
Day Care Center Loan	668,167	-----	(5,667)	662,500
CDE – Child Care Revolving Loan	-----	338,000	(52,000)	286,000
State Energy Loan	9,957	-----	(9,957)	-----
General Obligation Bonds Payable	<u>17,350,000</u>	-----	<u>(340,000)</u>	<u>17,010,000</u>
Total Long-Term Obligations:	<u>\$86,116,108</u>	<u>\$338,000</u>	<u>\$(805,130)</u>	<u>\$85,648,978</u>
Compensated Absences - Net	<u>\$650,556</u>	<u>\$72,277</u>	-----	<u>\$722,843</u>

(1) The District issuing the Certificates to refund and defease these Certificates of Participation.

FISCAL ACCOUNTABILITY

The statewide governing board of the California Community Colleges (the “Board of Governors”) and the State Chancellor’s Office of the California Community Colleges have 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 State 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.

The monitoring and evaluation process is designed to provide early detection and amelioration that will stabilize the financial condition of a 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 full-time equivalent student 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.

DIRECT AND OVERLAPPING BONDED DEBT

The following statement of the District's direct and overlapping bonded indebtedness, as of April 1, 2008 was prepared by California Municipal Statistics, Inc., San Francisco, California (the "Debt Report"). The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District in whole or in part. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases, long-term obligations issued by public agency are payable only from the general fund or other revenues of such public agency.

The contents of the Debt Report area as follows: (1) the first column indicates the public agencies which have outstanding debt as of the date of the debt report and whose territory overlaps the District in whole or in part; (2) the second column shows the percentage that the District's assessed valuation represents of the total assessed valuation of each public agency identified in column 1; and (3) the third column is an apportionment of the dollar amount of each public agency's outstanding debt to property in the District, as determined by multiplying the total outstanding debt of each agency by the percentage of the District's assessed valuation represented in column 2.

Table 9
WEST HILLS COMMUNITY COLLEGE DISTRICT
(2008 REFUNDING PROJECT)

STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT

2007-08 Assessed Valuation: \$6,874,358,670
 Redevelopment Incremental Valuation: 1,473,217,351
 Adjusted Assessed Valuation: \$5,401,141,319

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 4/1/08</u>
West Hills Community College District	100. %	\$17,905,000
Coalinga/Huron Joint Unified School District	100.	10,650,000
Firebaugh-Las Deltas Joint Unified School District	100.	7,479,299
Mendota Unified School District	100.	5,880,000
Reef Sunset Unified School District	100.	8,436,470
Other Unified School Districts	25.893-100.	4,879,954
Lemoore Union High School District	100.	7,177,751
Westside Union School District	100.	890,000
City of Mendota	100.	70,000
Coalinga Regional Medical Center	100.	4,965,000
Other Special Districts	Various	3,276,361
1915 Act Bonds (Estimate)	100.	<u>4,193,108</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$75,802,943
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Fresno County General Fund and Pension Obligations	6.266%	\$ 38,702,748
Other County General Fund Obligations	Various	4,840,484
 West Hills Community College District General Fund Obligations	 100.	 65,765,000 (1)
Coalinga/Huron Joint Unified School District Certificates of Participation	100.	4,310,000
Mendota Unified School District Certificates of Participation	100.	6,000,000
Other Unified School District Certificates of Participation	100.	2,300,000
Lemoore Union High School District Certificates of Participation	100.	5,330,000
Central Union School District General Fund Obligations	100.	990,000
City of Coalinga General Fund Obligations	100.	1,300,000
City of Lemoore Certificates of Participation	100.	3,235,421
Other City General Fund Obligations	100.	842,902
Coalinga Regional Medical Center General Fund Obligations	100.	5,615,000
Monterey Bay Unified Air Pollution Authority	0.008	<u>241</u>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$139,231,796
 COMBINED TOTAL DEBT		 \$215,034,739 (2)

(1) Excludes issue to be sold.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2007-08 Assessed Valuation:

DIRECT DEBT (\$17,905,000)..... 0.26%
 Direct and Overlapping Tax and Assessment Debt..... 1.10%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$83,670,000) 1.55%
 Combined Total Debt..... 3.98%

Source: California Municipal Statistics, Inc.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

ARTICLE XIII A

On June 6, 1978, California voters approved Proposition 13, which added article XIII A to the California Constitution (“Article XIII A”), Article XIII A of the State Constitution limits the amount of *ad valorem* taxes on real property to 1% of “full cash value” as determined by the county assessor. Article XIII A defines “full cash value” to mean “the county assessor’s valuation of real property as shown on the fiscal year 1975-76 bill under ‘full cash value’ or thereafter, the appraised value of real property when purchased, newly constructed or a change in ownership has occurred after the 1975 assessment,” subject to exemptions in certain circumstances of property transfer or reconstruction. The “full cash value” is subject to annual adjustment to reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors.

Article XIII A requires a vote of two-thirds of the qualified electorate of a city, county, special district or other public agency to impose special taxes, while totally precluding the imposition of any additional *ad valorem*, sales or special transaction tax on real property. Article XIII A exempts from the 1% tax limitations any taxes above that level required to pay debt service (a) on any indebtedness approved by the voters prior to July 1, 1978, and (b) as a result of the amendment approved by California voters on June 3, 1986, on any bonded indebtedness approved by two-thirds of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978. In addition, Article XIII A requires the approval of two-thirds of all members of the State Legislature to change any State taxes for the purpose of increasing tax revenues.

COURT CHALLENGES TO ARTICLE XIII A

The United States Supreme Court in 1989 struck down as a violation of equal protection certain property tax assessment practices in West Virginia which had resulted in vastly different assessments of similar properties. Since Article XIII A provides that property may only be reassessed to reflect increasing value not to exceed 2% per year, except upon change of ownership or new construction, recent purchasers may pay substantially higher property taxes than long-time owners of comparable property in a community. The Supreme Court in West Virginia case expressly declined to comment in any way on the constitutionality of Article XIII A.

Three lawsuits challenging the assessment provisions of Article XIII A were filed in California and dismissed by the Trial Courts. In December of 1990 the State Courts of Appeal upheld Article XIII A in two of these three cases and the third appeal, upholding Proposition 13, was resolved in April of 1991. On February 28, 1991, the California Supreme Court declined to hear the further appeals of the two cases decided by the state Courts of Appeal. The United States Supreme Court accepted for review, *Nordlinger v. Lynch*, a suit which challenged Article XIII A. In June of 1992, the Supreme Court announced its decision upholding the Constitutionality of Proposition 13. The Supreme Court held that the acquisition value property tax system established by Proposition 13 does not violate the Constitution’s equal protection clause.

LEGISLATION IMPLEMENTING ARTICLE XIII

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% 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.

That portion of annual property tax revenues generated by increase in assessed valuations within each tax rate area within a county, subject to redevelopment agency, if any, claims on tax increment and subject to change in organizations, if any, of affected jurisdictions, is allocated to each jurisdiction within the tax rate area in the same proportion that the total property tax revenue from the tax rate area for the prior year was allocated to such jurisdictions.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the annual adjustment not to exceed 2% 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.

Beginning in fiscal year 1981-82, assessors in California no longer record property values on tax rolls at the assessed value of 25% of market value which was expressed as \$4 per \$100 of assessed value. All taxable property is now shown at 100% of assessed value on the tax rolls. Consequently, the tax rate is expressed as \$1 per \$100 of taxable value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

STATE LOTTERY-PROPOSITION 37

In the December 1984 general election, the voters of the State approved Proposition 37, a constitutional amendment establishing a State lottery (the "State Lottery"), the net revenues of which are used to supplement money to public education. The amendment prohibited the use of funds derived from the State Lottery for non-instructional purposes, such as the acquisition of real property, the construction of facilities or the financing of research. State Lottery revenues (gross revenue less prizes and administration expenses) are allocated by computing an amount per total average daily attendance A.D.A. or full time equivalent students ("F.T.E.S."), i.e., by dividing the total net revenues figures by the total A.D.A. for grades K-12 and F.T.E.S. for community colleges, and by the total F.T.E.S. for each University of California System and California State University System. Each entity receives an amount equal to its total A.D.A. or F.T.E.S., as applicable, multiplied by the per A.D.A. or F.T.E.S. figure.

PROPOSITION 62

An initiative ("Proposition 62") was adopted by the voters at the December 4, 1986, general election which (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities such as the District be approved by a two-thirds vote of the governmental entity's legislative body and by a majority vote of the governmental entity voting in an election on the tax, (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax, (c) restricts the use of revenues from a special tax to the purposes or

the service for which the special tax was imposed, (d) prohibits the imposition of *ad valorem* taxes on real property by local governmental entities except as permitted by Article XIII A, (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities, and (f) requires that any tax imposed by a local governmental entity on or after August 1, 1985, be ratified by a majority vote of the voters voting in an election on the tax within two years of the addition of the initiative or be terminated by December 15, 1988.

California Appellate Court cases have been overturned the provisions of Proposition 62 pertaining to the imposition of taxes for general government purposes. However, the California Supreme Court upheld Proposition 62 in its decision on August 28, 1995, in *Santa Clara County Transportation Authority v. Guardino*. This decision reaffirmed the constitutionality of Proposition 62. Certain matters regarding Proposition 62 were not addressed in the Supreme Court's decision, such as what remedies exist for taxpayers subject to the tax not in compliance with Proposition 62, and whether the decision applies to charter cities. The District has not experienced any substantive adverse financial impact as a result of the passage of this initiative.

ARTICLE XIII B

In a special election on December 6, 1979, the voters approved Proposition 4, which added Article XIII B to the California Constitution. Article XIII B became effective July 1, 1979, and provided that state and local government appropriations from certain revenue sources each year could not exceed the appropriations limit related to such revenue beginning in fiscal year 1978-79, with annual adjustments for changes in the cost of living and the change in population. Any surplus revenues were required to be returned to the taxpayers. The measure also provided for emergency situations, revisions of the appropriations limit by a vote of the electorate, nonimpairment of bonds, reorganizations of governmental entities, and other miscellaneous provisions. Article XIII B has been subsequently modified details of which are described below.

AMENDMENTS TO ARTICLE XIII B

Article XIII B of the State Constitution, as subsequently amended by Proposition 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population, and for transfers in the financial responsibility for providing services and for certain declared emergencies.

As amended through voter approval of Proposition 111 in June 1990, for fiscal years beginning on or after July 1, 1990, the appropriations limit of each school or community college district shall be the appropriations limit for the fiscal year 1986-87 adjust annually for changes made from that fiscal year in the cost of living and in population, and adjusted, where applicable, for transfer of financial responsibility of providing services to or from another unit of government. The change in cost of living is, at such entity's option, either (a) the percentage change in California per capita personal income, or (b) the percentage change in the local assessment roll for the jurisdiction due to the addition of nonresidential new construction. The change in population is blended average of overall state and population growth and the change in school attendance at local school and community college district.

Appropriations subject to Article XIII B include generally any authorization to expend during the

fiscal year the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds or taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to any entity of government from (a) regulatory licenses, user charges, and user fees to the extent such proceeds exceed the cost of providing the service or regulation, (b) in investment of tax revenues and (c) certain State subventions received by local governments.

Appropriations subject to limitation pursuant to Article XIII B do not include debt service on indebtedness existing or legally authorized as of January 1, 1979, on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for such purpose, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, and appropriations by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels.

State legislation implementing Proposition 111 provides for the exclusion from the appropriations subject to limitation "an appropriation for a fixed asset (including land and construction) with a useful life of 10 or more years and a value which equals or exceeds one hundred thousand dollars."

Article XIII B permits any government entity to change the appropriations limit by vote of the electorate in conformity with statutory and constitutional voting requirements, but any such voter-approved change can only be effective for a maximum of four (4) years.

Article XIII B includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be approved during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years.

ARTICLE XIII C AND ARTICLE XIII D

On November 5, 1996, the voters of the State of California approved Proposition 218, popularly known as the "right to vote on Taxes Act." Proposition 218 added to the California Constitution Articles XIII C and XIII D, which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges.

According to the "Title and Summary" of Proposition 218 prepared by the California Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIII C established that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIII C further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XII and XII A of the California Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4. Article XIII D deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIII C or XIII D will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

The District has not historically been funded through the imposition of special taxes of general taxes not already subject to 2/3 voter approval. Proposition 218 could restrict the District's ability to raise future revenues and could subject existing sources of revenue to reduction or repeal.

UNITARY PROPERTY

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions ("unitary property"). Under the State Constitution, such property is assessed by the State Board of Equalization ("SBE") as part of a "going concern" rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the counties by SBE taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions according to statutory formulae generally based on the distribution of taxes on the prior year.

Until fiscal year 2000-01, SBE assessment of investor-owned gas and electric companies incumbent local exchange companies, AT&T Corp., and AT&T Communications of California, inc., will be subject to a court-approved agreement dated May 1, 1992 (the "Settlement Agreement"), among those companies, the SBE and all California Counties, the Settlement Agreement arose from litigation against SBE in which the court held that the SBE's valuation approaches had overvalued AT&T's unitary property, and ordered AT&T's statewide assessed value to be reduced from approximately \$1.75 billion to approximately \$1.1 billion, the Settlement Agreement provides that its valuation method is not intended to be precedent for calculation fair market value of unitary property in years following its expiration.

While the settlement Agreement had been in effect, the California electric utility industry has been undergoing significant changes in its structure and in the way in which components of the industry are regulated and owned. Sale of electric generation assets to largely unregulated, non-utility companies may affect how those assets are assessed, and which local agencies are to receive the property tax revenues, or whether legislation maybe proposed or adapted in response to industry restructuring, or whether any future litigation may affect the State's methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the District. The District is unable to predict the impact of these changes on its utility property tax revenues, or whether legislation may be proposed or adopted in response to industry restructuring, or whether any future litigation may affect ownership of utility assets or the State's methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the District.

PROPOSITIONS 98 AND 111

On November 8, 1988, voters approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act"). Certain provisions of the accountability Act have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changes State funding of public education below the university level and the operation of the State's appropriations limit. The Accountability Act guarantees State funding for K – 12 school districts and community college districts (hereinafter referred to collectively as "K – 14 school districts") at a level equal to the greater of (a) the same percentage of General Fund revenues as these percentage appropriated to such districts in 1986-87, and (b) the amount actually appropriated to such districts from the

General Fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the Legislature to suspend this formula for a one-year period.

The Accountability Act also changes how tax revenues in excess of the State appropriations limit are distributed. Any excess State tax revenues up to a specified amount would, instead of being returned to taxpayers, be transferred to K-14 districts. Any such transfer to K-14 districts would be excluded from the appropriations limit for K-14 school districts and the K-14 school district appropriations limit for the next year would increase by the amount of such transfer. These additional moneys would enter the base funding calculation for K-14 school districts for subsequent years, creating further pressure on other portions of the State budget, particularly if revenues decline in a year following an Article XIIB surplus. The maximum amount of excess tax revenues which could be transferred to K-14 school districts is 4% of the minimum State spending for education mandated by the Accountability Act.

Since the Accountability Act is unclear in some details, there can be no assurances that the Legislature or a court might not interpret the accountability Act to require a different percentage of General Fund revenues to be allocated to K – 14 school districts, or to apply the relevant percentage to the State’s budgets in a different way than is proposed in the governor’s Budget. In any event, the governor and other fiscal observers expect the Accountability Act to place increasing pressure on the State’s budget over future years, potentially reducing resources available for other State programs, especially to the extent the Article XIIB spending limit would restrain the State’s ability to fund such other programs by raising taxes.

On July 5, 1990, the voters approved Proposition 111 (Senate Constitutional Amendment No. 1) called the “Traffic Congestion Relief and Spending Limit Act of 1990” (“Proposition 111”) which further modified Article XIIB and Sections 8 and 8.5 of Article XVI of the State Constitution with respect to appropriations limitations and school funding priority and allocation. The most significant provisions of Proposition 111 are summarized as follows:

a. Annual Adjustments to Spending Limit. The annual adjustments to the Article XIIB spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the “change on the cost of living” is now measured by the change in California per capita personal income. The definition of “change in population” specifies that a portion of the State’s spending limit is to be adjusted to reflect changes in school attendance.

b. Treatment of Excess Tax Revenues. “Excess” tax revenues with respect to Article XIIB are now determined base on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools’ minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts’ base expenditures for calculating their entitlement for State aid in the next year, and the State’s appropriations limit is not to be increased by this amount.

c. Exclusions from Spending Limit. Two new exceptions have been added to the calculation of appropriations, which are subject to the Article XIIB spending limit. First, there are excluded all appropriations for “qualified capital outlay projects” as defined by the Legislature. Second, there are

excluded any increase in gasoline taxes above their current nine cents per gallon level, sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the Legislature and the Governor, which expected to raise over \$15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

d. Recalculation of Appropriations Limit. The Article XIII B appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as of Proposition 111 had been in effect.

e. School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues (the "first test") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to per capita personal income) and enrollment (the "second test"). Under Proposition 111, schools will receive the greater of (1) the first test, (2) the second test, or (3) a third test, which will replace the second test in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in California per capita personal income. Under the third test, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita in any year, the difference between the third test and the second test will become a "credit" to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

PROPOSITION 227

Proposition 227 was enacted in the California Primary election held on June 2, 1998, and amends the California Education Code to require that all children in California public schools be taught exclusively in English, and require that all children who do not speak English or whose native language is not English be placed in English language immersion classrooms during a temporary transition period, normally not to exceed one year. Once such students acquire a good working knowledge of English, they are to be transferred to English language mainstream classrooms. The statute mandates penalties associated with not following the law as written.

Proposition 227 will also allocate \$50 million per year for free or subsidized adult English language instruction programs to parents or other members of the community who pledge to provide English language tutoring to California school children with limited English proficiency. The Senate Legislative Analyst's office has concluded that since the level of spending on K-12 programs is based on a formula in the State Constitution, the \$50 million allocated for these adult English classes would probably not cause the level of State spending for K-12 programs to increase. On the contrary, as a result of this provision of Proposition 227, spending on other school programs would likely decrease by a corresponding amount. At the school level, it is possible that funds associated with bilingual programs may be reduced. At the District level, such amounts may be redirected to other programs.

On the day after the June 2nd 1998 election, a coalition of civil rights groups filed a lawsuit in the United States District Court in San Francisco seeking to enjoin implementation of Proposition 227. The District is currently analyzing various methods of compliance with Proposition 227, although many issues remain to be clarified.

PROPOSITION 39

On November 7, 2000, California voters approved an amendment (commonly known as Proposition 39) to the California Constitution. This amendment (i) allows school facilities bond measures to be approved by 55 percent (rather than two-thirds) of the voters in the local elections and permits property taxes to exceed the current 1 percent limit in order to repay the bonds, and (ii) changes existing statutory law regarding charter school facilities. As adopted, the constitutional amendments may be changed only with another Statewide vote of the people. The Statutory provisions could be changed by a majority vote of both houses of the legislature and approval by the Governor, but only to further the purpose of the proposition. The local school jurisdictions affected by this proposition are k-12 school districts, community college districts, including the District, and county offices of education. As noted above, the California Constitution previously limited property taxes to 1 percent of the value of the property. Property taxes may only exceed this limit to pay for (i) any local government debts approved by the voters prior to July 1, 1978, or (ii) bonds to buy or improve real property that receives two-thirds voter approval after July 1, 1978.

The 55 percent vote requirement would apply only if the local bond measure presented to the voter includes (i) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities, (ii) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list, and (iii) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to insure that the bond funds have been used only for the projects listed in the measure. Legislation approved in 2000 places certain limitations on local school boards to be approved by 55 percent of the voters. These provisions require that the tax rate levied as a result of any single election be no more than \$60 (for a unified school district), \$30 (for an elementary school district or high school district), or \$25 (for a community college district), per \$100,000 of taxable property value. These requirements are not part of this proposition and can be changed with a majority vote of both houses of the legislature and approval by the Governor.

PROPOSITION 1A

On November 2, 2004, California voters approved Proposition 1A, which amends the State Constitution to significantly reduce the State's authority over local government revenue sources. Under Proposition 1A, the State could not reduce (i) local sales tax rates or alter the method of allocation, (ii) shift property taxes from local government to schools or community college districts, (iii) make changes in how property tax revenues are shared among local governments without two-thirds approval of both houses of the State legislature, and (iv) decrease Vehicle License Fees revenue without providing local governments with equal replacement funding. Beginning in 2008-09, the State may shift to schools and community college districts a limited amount of local government property tax revenue if (i) that the governor proclaims that the shift is needed due to a severe financial hardship of the State, (ii) the State Legislature approves the shift with a two-thirds vote of both houses, and (iii) certain other conditions are met. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A amends the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to community colleges or to those mandates relating to employee rights.

KINDERGARTEN-UNIVERSITY PUBLIC EDUCATION FACILITIES BOND ACT OF 2006

The Kindergarten-University Public Education Facilities Bond Act of 2006 (“Proposition 1D”) appeared on the November 7, 2006 ballot as Proposition 1D and was approved by California voters. This measure authorizes the sale and issuance of \$10.4 billion in general obligation bonds for construction and renovation of K-12 school facilities (\$7.3 billion) and higher education facilities (\$3.1 billion).

K-12 School Facilities. Proposition 1D makes available \$3.3 billion for reconstruction or modernization of existing K-12 school facilities. K 12 school districts will be required to pay for 40% of these costs with local revenues, unless qualified for hardship funding. Proposition 1D also includes \$1.9 billion for acquisition of land and new construction of K-12 school facilities. K-12 school districts will be required to pay for 50% of such costs with local revenues, unless qualified for hardship funding. Proposition 1D directs a total of \$1.0 billion to K-12 school districts which are considered severely overcrowded, specifically to schools that have large number of pupils relative to the size of the school site. \$29 million will be available to fund joint-use projects.

Higher Education Facilities. Proposition 1D includes approximately \$3.1 billion to construct new buildings and related infrastructure, alter existing buildings and purchase equipment for use in the State’s public higher education systems. The Governor and the Legislature will select the specific projects to be funded by the bond proceeds.

FUTURE INITIATIVES

Article XIII A, Article XIII B, and Propositions 1A, 1D, 37, 39, 62, 98, 111, 218, and 227, were each adopted as measures that qualified for the ballot pursuant to California’s initiative process. From time to time other initiative measures could be adopted, further affecting District revenues or the District’s ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA

MAJOR REVENUES

General. California community college districts (other than Basic aid districts, as described below) receive, on average, approximately 52 percent of their funds from the State, 44 percent from local sources, and 4 percent from federal sources. State funds include general apportionment, categorical funds, capital construction, the lottery (which is less than 3 percent), and other minor sources. Local funds include property taxes, student fees, and miscellaneous sources.

A community college district determines its revenue allocation using a program-based model. The model was instituted in 1991, and replaces an older model based on enrollments. The model uses different factors to establish support levels for five different categories at the community college district: (1) Instruction and Instructional Administration; (2) Instructional Services, (3) Student Services; (4) Operation and Maintaining of Plants, and (5) Institutional support. Different standards are used in each category to determine fund requirements. The target allocation is obtained by calculating the exact cost of finding the specific standards in each category, on a district by district basis. The aggregate total of the financial needs of the five categories establishes the amount of funding a district will receive. State general fund moneys,

local property taxes, and certain other local revenues are 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 base revenue per unit of full time equivalent students (“FTES”). Such apportionment will, generally speaking, amount to the difference between a district’s base revenue and its local property tax allocation and student enrollment fees. Base revenue calculations are 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.

A bill passed the State’s legislature (“SB 361”), and signed by the Governor on September 29, 2006, established a new community college funding system with immediate effect. The new system includes allocation of state general apportionment revenues to community college districts based on criteria developed by the Board of Governors of the California Community Colleges (the “Board of Governors”) in accordance with prescribed statewide minimum requirements. In establishing these minimum requirements, the Board of Governors will be required to acknowledge community college districts’ need to receive an annual allocation based on the number of colleges and comprehensive centers in each respective district, plus funding received based on the number of credit and noncredit FTES in each district.

SB 361 also specifies that, commencing with the 2006-07 fiscal year the minimum funding per FTES will be: (a) not less than \$4,367 per credit FTES (subject to cost of living adjustments funded through the budget act in subsequent fiscal years); (b) at a uniform rate of \$2,626 per noncredit FTES (adjusted for the change in cost of living provided in the budget act in subsequent fiscal years); and (c) set at \$3,092 per FTES (adjusted for the change in cost of living provided in the budget act in subsequent fiscal years) for a new instructional category of “career development and college preparation.” Pursuant to SB 361, the Chancellor of the California Community Colleges (the “Chancellor”) will develop criteria for one-time grants for districts that would have received more funding under the prior system or a proposed rural college access grant, than under the new system and the Budget Act of 2006.

The District’s base revenue per unit of FTES for 2004-05, 2005-06 and 2006-07 were approximately \$4,703, \$4,805 and \$4,950, respectively.

Local revenues are first used to satisfy district expenditures. 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 need. Once these sources are exhausted, State funds are used.

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 District. The sum of the property taxes, student enrollment fees, and State aid generally comprise the District’s revenue limit.

“Basic Aid” community college districts are those districts whose local property tax and student enrollment fee collections exceed the revenue allocation determined by the program-based model. Basic aid districts do not receive any funds from the State. The current law in California allows these districts to keep the excess funds without penalty. The implication for Basic Aid districts is that the legislatively determined annual cost of living adjustment and other politically determined factors are less significant in determining such district’s primary funding sources. Rather, property tax growth and the local economy become the determinant factors.

A small part of a 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; however, these are not categorical funds as they are not for particular programs or students. The initiative authorizing the lottery does require the funds to be used for instructional purposes, and prohibits their use for capital purposes.

BUDGET PROCEDURES

On or before each September 15, the Board of Trustees of the District is required under Section 58305 of the California Code of Regulations, Title V, to adopt a balanced 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's budget is then analyzed and discussed in committees and hearings begins 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 can support. The law requires the legislature to submit its approved budget 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 and with enabling legislation (AB 2910, Chapter 1486, Statutes of 1986), the statewide governing board of the California community colleges (the "Board of Governors") and the Chancellor's Office have 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 (AB 2910, Chapter 1486, Statutes of 1986), no 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 a 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 districts audit reports, district input and other financial records. In assessing each district's financial condition, the Chancellor pay special attention to each district's general fund balance, spending pattern, and full-time visits from the Chancellor's Office where financial solutions to the district's problems will be addressed and implemented.

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 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, changed some earlier school funding provisions of Proposition 98 relating to the treatment of revenues in excess of the State spending limit and added 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 that 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. Because of the major shifts of property tax from local government to community colleges and K – 12 which began in 1992-93 and increased in 1993-94, the percentage dropped to 33.0%.

Under implementing legislation (AB 198 and SB 98 of 1989), each segment 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 of 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. This statutory split had 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 (ADA) 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 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 to 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 98, 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 AND RECENT STATE BUDGETS

California community college districts' principal funding formulas and revenue sources are derived from the budget of the State of California (the "State"), and the State requires that from all State revenues there first shall be set apart the moneys to be applied for support of the public school system and public institutions of higher education. California school districts receive a significant portion of their funding from State appropriations. As a result, decreases in State revenues may significantly affect appropriations made by the legislature to school districts.

The following information concerning the State's budgets for the current and most recent preceding years has been compiled from publicly-available information provided by the State. Neither the District, the County, nor the Underwriter is responsible for the information relating to the State's budgets provided in this section. Further information is available from the Public Finance Division of the State Treasurer's Office.

The Budget Process:

The State's fiscal year begins on July 1 and ends on June 30. The annual budget is proposed by the Governor by January 10 of each year for the next fiscal year (the "Governor's Budget"). Under State law, the annual proposed Governor's Budget cannot provide for projected expenditures in excess of projected revenues and balances available from prior fiscal years. Following the submission of the Governor's Budget, the Legislature takes up the proposal.

Under the State Constitution, money may be drawn from the Treasury only through an appropriation made by law. The primary source of the annual expenditure authorizations is the Budget Act as approved by the Legislature and signed by the Governor. The Budget Act must be approved by a two-thirds majority vote of each House of the Legislature. The Governor may reduce or eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line-item vetoes are subject to override by a two-thirds majority vote of each House of the Legislature.

Appropriations also may be included in legislation other than the Budget Act. Bills containing appropriations (except for K-14 education) must be approved by a two-thirds majority vote in each House of the Legislature and be signed by the Governor. Bills containing K-14 education appropriations only require a simple majority vote. Continuing appropriations, available without regard to fiscal year, may also be provided by statute or the State Constitution. Funds necessary to meet an appropriation need not be in the State Treasury at the time such appropriation is enacted; revenues may be appropriated in anticipation of their receipt.

Recent State Budgets:

Certain information about the State budgeting process and the State Budget is available through several State of California sources. A convenient source of information is the State's website, where recent official statements for State bonds are posted. *The references to internet websites shown below are shown for reference and convenience only, the information contained within the websites may not be current and has not been reviewed by the District and is not incorporated herein by reference.*

(1) The California State Treasurer Internet home page at www.treasurer.ca.gov, under the heading Bond Information, posts various State of California Official Statements, many of which contain a summary of the current State Budget, past State Budgets, and the impact of those budgets on school districts in the State.

(2) The California State Treasurer's Office Internet home page at www.treasurer.ca.gov, under the heading Financial Information, posts the State's audited financial statements. In addition, the Financial Information section includes the State's Rule 15c2-12 filings for State bond issues. The Financial Information section also includes the Overview of the State Economy and Government, State Finances, State Indebtedness, Litigation from the State's most current Official Statement, which discusses the State budget and its impact on school districts.

(3) The California Department of Finance's Internet home page at www.dof.ca.gov, under the heading California Budget, includes the text of proposed and adopted State Budgets.

(4) The State Legislative Analyst's Office prepares analyses of the proposed and adopted State budgets. The analyses are accessible on the Legislative Analyst's Internet home page at www.lao.ca.gov under the heading Products.

Future Budgets:

The District cannot predict what actions will be taken in the future by the State Legislature and the Governor to address changing State revenues and expenditures. The State budget will be affected by national and state economic conditions and other factors over which the District will have no control. To the extent that the State budget process results in reduced revenues to the District, the District will be required to make adjustments to its budget. See "FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA."

APPROVAL OF LEGAL PROCEEDINGS

Delivery of the Certificates is subject to receipt of an opinion of Greenberg Traurig LLP, Santa Monica, California, acting as Special Counsel, as to the legality and enforceability of the Lease Agreement and the Trust Agreement. A copy of such legal opinion will be delivered with each Certificate. Certain matters will be passed upon for the District and the Corporation by its counsel and for the Underwriter by its counsel, The Weist Law Firm, Scotts Valley, California.

Special Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Special Counsel as of the date thereof. Special Counsel assumes no duty to update or supplement its opinions to reflect any changes in law that may thereafter occur or become effective. Moreover, Special Counsel's opinions are not a guarantee of a particular result, and are not binding on the IRS or the courts; rather, such opinions represent Special Counsel's professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinions.

ABSENCE OF MATERIAL LITIGATION

At the time of delivery of and payment for the Certificates, the District and the Corporation will certify that there is no action, suit, litigation, inquiry or investigation before or by any court, governmental agency, public board or body served, or to the best knowledge of the District or the Corporation threatened, against the District or the Corporation or the titles of their officers to their respective offices or seeking to prohibit, restrain or enjoin the sale, execution or delivery of the Certificates or the payment of Lease Payments or challenging, directly or indirectly, the validity or enforceability of the proceedings to lease the Property back from the Corporation, the Trust Agreement, the Lease, the Assignment Agreement, the Agency Agreement or the Site Lease.

Except as otherwise described above, to the best of the knowledge of the District, there is no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency or body pending or threatened against the District to restrain or enjoin the authorization, execution or delivery of the Certificates, or the pledge of the Lease Payments or the collection of payments to be made pursuant to the Trust Agreement, or the ownership and operations of the Project, or in any way contesting or affecting validity of the Certificates, the Trust Agreement, the Lease Agreement or the agreement for the sale of the Certificates or in any way contesting the transactions described in this Official Statement.

ENFORCEABILITY OF REMEDIES

The remedies available to the Trustee or the Owners of the Certificates upon an Event of Default under the Lease Agreement are in many respects dependent upon judicial actions which are often subject to discretion and delay, and such remedies may not be readily available or may be limited. For example, acceleration is not available in such instance.

TAX MATTERS

In the opinion of Greenberg Traurig, LLP, Santa Monica, California, Special Counsel, subject, however, to certain qualifications described herein, under existing law, and assuming compliance after the date of initial delivery of the Certificates of Participation with certain covenants set forth in the documents and instruments pertaining to the Certificates and requirements of the Internal Revenue Code of 1986, as amended (the "Code"), as described herein, the portion of the Lease Payments designated as and comprising interest and received by the owners of the Certificates is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. In the further opinion of Special Counsel, interest payable with respect to the Certificates is exempt from personal income taxes imposed by the State of California.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986 (the "Code") that must be satisfied subsequent to the delivery of the Lease Agreement in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted to comply with each such

requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of delivery of the Lease Agreement.

Owners of the Certificates should also be aware that the ownership or disposition of, or the accrual or receipt of interest with respect to, the Certificates may have federal or state tax consequences other than as described above. Special Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Lease Agreement and the Certificates other than as expressly described above. Furthermore, Special Counsel expresses no opinion with respect to the federal income tax consequences of any payments received with respect to the Certificates following termination of the Lease Agreement as the result of non-appropriation of funds or the occurrence of an event of default thereunder. The proposed form of the opinion of Special Counsel is attached as APPENDIX C.

FINANCIAL REPORT

The District's financial statements for the Fiscal Year ended June 30, 2007 were prepared by Vavrinek, Trine, Day & Co., LLP, Certified Public Accountants, and excerpts from such report are contained in APPENDIX A hereto. The financial report should be read in its entirety. At the time of the execution and delivery of the Certificates, the District will certify that there has been no material adverse change in the District's financial position since June 30, 2007. The information set forth herein does not purport to be a summary of the District's financial report.

RATINGS

Standard & Poor's Credit Market Services (the "Rating Agency") has assigned its short term rating of "A-1" to the Certificates and its long-term rating of "AAA" to the Certificates. Such ratings are based on the Letter of Credit issued for the benefit of the Certificates. See "THE LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT" above.

In addition, the Rating Agency has assigned an underlying bond rating of "A" to the Certificates. This Official Statement applies only while the Certificates are secured by the Letter of Credit, and investors should rely upon the Bank for payment of principal and interest with respect to the Certificates. Such ratings reflect only the view of the Rating Agency assigning such rating, and any explanation of the significance of such ratings should be obtained from the Rating Agency furnishing the same. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of any rating obtained may have an adverse effect on the market price of the Certificates.

The District, the Trustee and the Underwriter have undertaken no responsibility either to bring to the attention of the Owners of the Certificates any proposed change or withdrawal of the rating or to oppose any such proposed revision or withdrawal. Any such downward revision or withdrawal or such rating may have an adverse effect on the market price of the Certificates.

CONTINUING DISCLOSURE

The District has covenanted in a Continuing Disclosure Certificate for the benefit of the Owners and beneficial owners of the Certificates to provide certain financial information and operating data relating to the District by not later than nine months following the end of the District's Fiscal Year (currently, the District's fiscal year ends on June 30) (the "Annual Report"), commencing with the report of Fiscal Year ending June 30, 2007, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report and notices of material events will be filed by the District with each Nationally Recognized Municipal Securities Information Repository. The specific nature of the information to be contained in the Annual Report and the notice of material events is set forth in "APPENDIX D – FORM OF CONTINUING DISCLOSURE CERTIFICATE," hereto. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b) (5) promulgated under the Securities Exchange Act of 1934, as amended. The District has not failed to make any filings in connection with prior obligations under the Rule.

UNDERWRITER

The Certificates are being purchased for reoffering by Nollenberger Capital Partners Inc. (the "Underwriter"). The Underwriter has agreed to purchase the Certificates at the aggregate purchase price of \$69,322,500, which represents the par amount of Certificates being issued less Underwriter's discount. The Contract of Purchase relating to the Certificates provides that the Underwriter will purchase all of the Certificates, if any are purchased. Such obligation is subject to various conditions set forth in the Contract of Purchase.

MISCELLANEOUS

The foregoing and subsequent summaries or descriptions to provisions of the Site and Facility Lease, the Lease, the Trust Agreement, The Agency Agreement and the Assignment Agreement are brief outlines of certain provisions thereof. Such outlines do not purport to be complete. For full and complete statements of such provisions, reference is made to said documents.

Insofar as any statement made in this Official Statement involves matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not a representation of fact. No representation is made that any of such statements made will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the Owners of the Certificates. All information contained in this Official Statement pertaining to the District and the Corporation, has been furnished by the District. The execution and delivery of the Official Statement has been duly approved and authorized by the District.

WEST HILLS COMMUNITY COLLEGE DISTRICT

By: /s/ Dr. Frank P. Gornick
Chancellor

APPENDIX A

AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2006-2007

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**WEST HILLS COMMUNITY
COLLEGE DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2007

WEST HILLS COMMUNITY COLLEGE DISTRICT

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JUNE 30, 2007

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Trustees
West Hills Community College District
Coalinga, California

We have audited the accompanying basic financial statements of the West Hills Community College District (the District) as of and for the years ended June 30, 2007 and 2006, and its discretely presented component unit West Hills Community College District Foundation as listed in the Table of Contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the West Hills Community College District and its discretely presented component units as of June 30, 2007 and 2006, and the respective changes in financial position and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

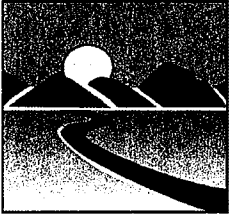
In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2008, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of or testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, as listed in the Table of Contents, is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. This supplementary information is the responsibility of the District's management. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Vankinsek, Orine, Day & Co., LLP

Fresno, California
January 3, 2008



WEST
HILLS
COMMUNITY
COLLEGE
DISTRICT

West Hills College Coalinga

North District Center, Firebaugh

West Hills College Lemoore

Naval Air Station Lemoore

Business Services

In June 1999, the Government Accounting Standards Board (GASB) issued Statement No. 34, "*Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*," which established a new reporting format for annual financial statements of governmental entities. In November 1999, GASB issued Statement No. 35, "*Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*," which applies these new reporting standards to public colleges and universities such as the West Hills Community College District (the District). The following discussion and analysis provides an overview of the District's financial activity. This report presents this information in a comparative format. Responsibility for the completeness and fairness of this information rests with the District.

USING THIS ANNUAL REPORT

As required by accounting principles, the annual report consists of three basic financial statements that provide information on the District's activities as a whole: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

The focus of the Statement of Net Assets is designed to be similar to bottom line results for the District. This statement combines and consolidates current financial resources (net short-term spendable resources) with capital assets and long-term obligations. The Statement of Revenues, Expenses, and Changes in Net Assets focuses on the costs of the District's operational activities, which are supported mainly by property taxes and by State and other revenues. This approach is intended to summarize and simplify the user's analysis of the cost of various District services to students and the public. The Statement of Cash Flows provides an analysis of the sources and uses of cash within the operations of the District.

WEST HILLS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

FINANCIAL HIGHLIGHTS

- The District's primary funding source is "State Apportionment as defined by SB 361" received from the State of California through the State Chancellor's Office. These funds are comprised of State apportionment, local property taxes, and student enrollment fees. The primary basis of this apportionment is the calculation of Full-Time Equivalent Students (FTES). During the 2006-07 fiscal year, the District's actual FTES were comprised of 4,583 credit FTES and 367 non-credit FTES for a total of 4,950 FTES, an increase of 145 FTES (3%) from the 2005-06 fiscal year. These FTES are generated at the District's Coalinga and Lemoore College campuses, as well as various satellite locations.
- The District ended the year with an Unrestricted General Fund balance of \$5.4 million. The State Chancellor's Office recommends reserve levels of five percent of unrestricted General Fund expenditures be set aside for economic uncertainties. The District met this requirement with 5% reserves.
- The primary expenditure of the District is for the salaries and benefits of the Academic, Classified, and Administrative salaries of District employees. These costs increased over the 2005-06 fiscal year by approximately \$11.5 million. In addition to the costs for current employees' insurance coverage, the District provides insurance benefits to retirees meeting plan eligibility requirements.
- The District began several construction and modernization projects throughout the District. These projects will be funded through various financial vehicles, including various maintenance and construction projects funded through the State Chancellor's Office.
- The District provides student financial aid to qualifying students of the District in the amount of approximately \$6.8 million. This aid is provided through grants, and loans from the Federal government, State Chancellor's Office, and local funding.

WEST HILLS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

Condensed financial information is as follows: (in thousands)

NET ASSETS

As of June 30, 2007, 2006 and 2005

	June 30, 2007	June 30, 2006	Change	June 30, 2005	Change
ASSETS					
Current Assets					
Cash and investments	\$ 79,805	\$ 72,935	\$ 6,870	\$ 74,404	\$ (1,469)
Accounts receivable	4,527	5,747	(1,220)	9,028	(3,281)
Inventory	418	422	(4)	247	175
Prepaid	8	9	(1)	11	(2)
Total Current Assets	<u>84,758</u>	<u>79,112</u>	<u>5,646</u>	<u>83,690</u>	<u>(4,575)</u>
Non-Current Assets					
Capital assets, net of depreciation	<u>62,584</u>	<u>62,688</u>	<u>(104)</u>	<u>52,442</u>	<u>10,246</u>
Total Assets	<u>\$ 147,342</u>	<u>\$ 141,800</u>	<u>\$ 5,542</u>	<u>\$ 136,132</u>	<u>\$ 5,671</u>
LIABILITIES					
Current Liabilities					
Accounts payable and accrued liabilities	2,768	4,395	(1,627)	6,362	(1,967)
Deferred revenue	2,241	1,707	534	2,001	(294)
Long-term liabilities - current portion	840	108	732	722	(614)
Total Current Liabilities	<u>5,849</u>	<u>6,210</u>	<u>(361)</u>	<u>9,085</u>	<u>(2,875)</u>
Non-Current Liabilities					
Long-term liabilities	<u>85,533</u>	<u>86,008</u>	<u>(475)</u>	<u>84,267</u>	<u>1,741</u>
Total liabilities	<u>91,382</u>	<u>92,218</u>	<u>(836)</u>	<u>93,352</u>	<u>(1,134)</u>
NET ASSETS					
Invested in capital assets	34,034	27,176	6,858	18,307	8,869
Restricted for expendable purposes	16,457	15,150	1,307	20,129	(4,979)
Unrestricted	5,469	7,256	(1,787)	4,344	2,912
Total Net Assets	<u>55,960</u>	<u>49,582</u>	<u>6,378</u>	<u>42,780</u>	<u>6,802</u>
Total Liabilities and Net Assets	<u>\$ 147,342</u>	<u>\$ 141,800</u>	<u>\$ 5,542</u>	<u>\$ 136,132</u>	<u>\$ 5,668</u>

This schedule has been prepared from the District's Statement of Net Assets (page 10), which is presented on an accrual basis of accounting whereby capital assets are capitalized and depreciated.

Cash and short-term investments consist primarily of funds held in the Fresno County Treasury. The changes in the cash position are explained in the Statement of Cash Flows (pages 12 and 13).

WEST HILLS COMMUNITY COLLEGE DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007**

Operating Results for the Year Ended June 30, 2007, 2006 and 2005

	June 30, 2007	June 30, 2006	Difference	June 30, 2005	Difference
OPERATING REVENUES					
Tuition and fees	\$ 2,457	\$ 1,809	\$ 648	\$ 2,688	\$ (879)
Grants and contracts	19,415	15,749	3,666	17,147	(1,398)
Auxiliary sales and charges	2,293	2,001	292	1,965	36
Total Operating Revenues	<u>24,165</u>	<u>19,559</u>	<u>4,606</u>	<u>21,800</u>	<u>(2,241)</u>
OPERATING EXPENSES					
Salaries and benefits	30,935	25,065	5,870	23,242	1,823
Other expenses	22,460	16,337	6,123	15,477	860
Depreciation	2,528	2,471	57	2,471	-
Total Operating Expenses	<u>55,923</u>	<u>43,873</u>	<u>12,050</u>	<u>41,190</u>	<u>2,683</u>
NET LOSS ON OPERATIONS	<u>(31,758)</u>	<u>(24,314)</u>	<u>(7,444)</u>	<u>(19,390)</u>	<u>(4,924)</u>
NONOPERATING REVENUES AND (EXPENSES)					
State apportionments	23,525	19,660	3,865	18,084	1,576
Property taxes	3,160	2,820	340	3,151	(331)
State revenues	3,540	1,915	1,625	933	982
Interest income	2,624	2,234	390	871	1,363
Interest expense	(2,873)	(1,778)	(1,095)	(2,106)	328
Other non-operating revenues	7,215	244	6,971	783	(539)
Total Nonoperating Revenues	<u>37,191</u>	<u>25,095</u>	<u>12,096</u>	<u>21,716</u>	<u>3,379</u>
OTHER REVENUES					
State revenues, capital	791	5,726	(4,935)	10,022	(4,296)
Local revenues, capital	154	295	(141)	4,067	(3,772)
Total Other Revenues	<u>945</u>	<u>6,021</u>	<u>(5,076)</u>	<u>14,089</u>	<u>(8,068)</u>
NET INCREASE (DECREASE) IN NET ASSETS	<u>\$ 6,378</u>	<u>\$ 6,802</u>	<u>\$ (424)</u>	<u>\$ 16,415</u>	<u>\$ (9,613)</u>

This schedule has been prepared from the Statement of Revenues, Expenses and Changes in Net Assets presented on page 11.

The operating revenue for the District is specifically defined as revenues from users of the colleges' facilities and programs. Excluded from the operating revenues are the components of the primary source of District funding - the State apportionment process. These components include the State apportionment and local property taxes. As these sources of revenue are from the general population of the State of California, and not from the direct users of the educational services, they are considered to be nonoperating. As a result, the operating loss of \$31.8 million is balanced by the other funding sources leading to an overall increase in the District's net assets of \$6.4 million.

WEST HILLS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

Auxiliary revenue consists of bookstore and Food Service revenues. The bookstore is maintained to provide books, supplies, and other items to the students and faculty of the District. The operations are self-supporting through product sales. The Food Service operation provides meals to the students and faculty of the college.

Grant and contract revenues relate to student financial aid, as well as specific Federal and State grants received for programs serving the students of the District. These grant and program revenues are restricted as to the allowable expenses related to the programs.

The interest income is primarily the result of cash held at the Fresno County Treasurer. The interest expense relates to interest payments on the long-term debt which is described in Note 8 of the financial statements.

The District is recording the depreciation expense related to capital assets. The detail of the changes in capital assets for the year is included in the notes to the financial statements as Note 4.

Statement of Cash Flows for the Year Ended June 30, 2007, 2006 and 2005

The Statement of Cash Flows provides information about cash receipts and payments during the year. This statement also assists users in assessing the District's ability to meet its obligations as they come due and its need for external financing.

	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>Difference</u>	<u>June 30, 2005</u>	<u>Difference</u>
CASH PROVIDED BY (USED IN)					
Operating activities	\$ (26,464)	\$ (17,721)	\$ (8,743)	\$ (22,654)	\$ 4,933
Noncapital financing activities	34,607	23,771	10,836	37,644	(13,873)
Capital financing activities	(3,813)	(9,514)	5,701	(12,014)	2,500
Investing activities	2,540	1,995	545	-	1,995
Net Increase in Cash and Cash Equivalents	<u>\$ 6,870</u>	<u>\$ (1,469)</u>	<u>\$ 8,339</u>	<u>\$ 2,976</u>	<u>\$ (4,445)</u>

The primary operating receipts are student tuition and fees and Federal, State, and local grants and contracts. The primary operating expense of the District is the payment of salaries and benefits to instructional and classified support staff, as well as District administrators.

While State apportionment and property taxes are the primary source of non-capital related revenue, the new GASB accounting standards require that this source of revenue is shown as nonoperating revenue as it come from the general resources of the State and not from the primary users of the colleges' programs and services (students). The District depends upon this funding as the primary source of funds to continue the current level of operations.

WEST HILLS COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

ECONOMIC FACTORS AFFECTING THE FUTURE OF WEST HILLS COMMUNITY COLLEGE DISTRICT

The 2007-08 State Budget represents an increase in funding of community colleges of over \$100 million from the previous year. This budget includes a cost of living adjustment (COLA) of 4.53%, growth funding of 2% statewide.

While the State Budget was passed on August 21, 2008, the Governor has blue penciled over \$700 million in expenditures which did not have any significant impact on the community college system.

While funding for the District and Community colleges as a whole has improved significantly for next year, the State of California still faces structural budget deficits over the next three to four years according to the Legislative Analyst's Office (LAO). These annual deficits range from a low of over \$3.5 billion to slightly under \$5 billion for fiscal years 2006-07 thru 2009-10.

There are currently no other known facts, decisions, or conditions that will have a significant effect on the financial position (net assets) or results of operations (revenues, expenses, and changes in net assets) of the District. There is currently a concern that the economy is starting to slow and if this is the case then the District will need to monitor and look at the May revise for changes to the 2008-09 fiscal year.

WEST HILLS COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF NET ASSETS
JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
ASSETS		
Current Assets		
Cash and investments	\$ 79,804,988	\$ 72,934,643
Accounts receivable	4,253,166	5,267,226
Student loans receivable, net	274,206	480,323
Prepaid expenses	7,531	7,899
Stores inventories	417,910	421,965
Total Current Assets	<u>84,757,801</u>	<u>79,112,056</u>
Noncurrent Assets		
Nondepreciable capital assets	5,359,448	19,429,919
Depreciable capital assets	78,916,947	62,423,747
Less: Accumulated depreciation	(21,692,606)	(19,165,315)
Total Noncurrent Assets	<u>62,583,789</u>	<u>62,688,351</u>
TOTAL ASSETS	<u>147,341,590</u>	<u>141,800,407</u>
LIABILITIES		
Current Liabilities		
Accounts payable	1,964,369	1,769,843
Deferred revenue	2,240,810	1,706,514
Amounts held in trust on behalf of others	804,411	24,734
Long-term liabilities - current portion	839,365	2,709,363
Total Current Liabilities	<u>5,848,955</u>	<u>6,210,454</u>
Noncurrent Liabilities		
Compensated absences payable - noncurrent portion	722,843	650,566
Long-term liabilities - noncurrent portion	84,809,613	85,357,311
Total Noncurrent Liabilities	<u>85,532,456</u>	<u>86,007,877</u>
TOTAL LIABILITIES	<u>91,381,411</u>	<u>92,218,331</u>
NET ASSETS		
Invested in capital assets, net of related debt	34,034,060	27,176,109
Restricted for:		
Debt service	11,978,835	12,658,390
Capital projects	3,805,236	1,990,952
Other activities	673,004	500,490
Unrestricted	5,469,044	7,256,135
TOTAL NET ASSETS	<u>\$ 55,960,179</u>	<u>\$ 49,582,076</u>

The accompanying notes are an integral part of these financial statements.

WEST HILLS COMMUNITY COLLEGE DISTRICT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
OPERATING REVENUES		
Tuition and Fees	\$ 2,579,711	\$ 1,993,022
Less: Scholarship discount and allowance	(122,408)	(184,406)
Net tuition and fees	<u>2,457,303</u>	<u>1,808,616</u>
Grants and Contracts, noncapital:		
Federal	10,241,620	10,039,637
State	8,945,935	5,096,618
Local	227,361	613,150
Auxiliary Sales and Charges		
Bookstore	1,684,181	1,497,895
Cafeteria	594,793	496,532
Farm	13,840	6,179
TOTAL OPERATING REVENUES	<u>24,165,033</u>	<u>19,558,627</u>
OPERATING EXPENSES		
Salaries	23,140,161	18,879,913
Employee benefits	7,794,864	6,184,815
Supplies, materials, and other operating expenses and services	22,460,490	16,336,465
Depreciation	2,527,291	2,471,454
TOTAL OPERATING EXPENSES	<u>55,922,806</u>	<u>43,872,647</u>
OPERATING LOSS	<u>(31,757,773)</u>	<u>(24,314,020)</u>
NON-OPERATING REVENUES (EXPENSES)		
State apportionments, noncapital	23,524,926	19,659,769
Local property taxes	3,160,326	2,820,178
State taxes and other revenues	3,506,263	1,914,556
Investment income, net	2,624,390	2,233,954
Interest expense on capital related debt	(2,873,617)	(1,778,343)
Other non-operating revenues	7,248,565	244,618
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>37,190,853</u>	<u>25,094,732</u>
INCOME (LOSS) BEFORE OTHER REVENUES AND EXPENSES	<u>5,433,080</u>	<u>780,712</u>
OTHER REVENUES AND EXPENSES		
State revenues, capital	791,357	5,725,700
Local revenues, capital	153,666	295,301
TOTAL OTHER REVENUES AND EXPENSES	<u>945,023</u>	<u>6,021,001</u>
NET INCREASE IN NET ASSETS	6,378,103	6,801,713
NET ASSETS, BEGINNING OF YEAR	49,582,076	42,780,363
NET ASSETS, END OF YEAR	<u>\$ 55,960,179</u>	<u>\$ 49,582,076</u>

The accompanying notes are an integral part of these financial statements.

WEST HILLS COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF CASH FLOWS – DIRECT METHOD
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 2,446,940	\$ 2,030,457
Federal grants and contracts	10,409,522	9,862,900
State grants and contracts	9,669,409	10,367,366
Local grants and contracts	227,361	1,929,665
Payments to vendors for supplies and services	(13,694,421)	(12,924,702)
Payments to or on behalf of employees	(31,044,470)	(24,934,694)
Payments to students for scholarships and grants	(6,770,659)	(6,052,812)
Auxiliary enterprise sales and charges:		
Bookstore	1,684,181	1,497,895
Cafeteria	594,793	496,532
Farm	13,840	6,179
Net Cash Flows From Operating Activities	<u>(26,463,504)</u>	<u>(17,721,214)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State apportionments	24,509,447	18,899,041
Property taxes	3,102,126	2,820,178
State taxes and other apportionments	3,530,782	1,914,556
Other nonoperating	3,464,244	137,286
Net Cash Flows From Noncapital Financing Activities	<u>34,606,599</u>	<u>23,771,061</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital assets	(2,609,729)	(12,718,067)
Proceeds from sale of capital assets	2,830,194	-
State revenue, capital projects	791,357	3,742,901
Local revenue, capital projects	153,666	2,106,723
Principal paid on capital debt and current loan	(2,105,130)	(867,466)
Interest paid on capital debt	(2,873,617)	(1,778,343)
Net Cash Flows From Capital Financing Activities	<u>(3,813,259)</u>	<u>(9,514,252)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received from investments	2,540,509	1,994,755
Net Cash Flows From Investing Activities	<u>2,540,509</u>	<u>1,994,755</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,870,345	(1,469,650)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	72,934,643	74,404,293
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 79,804,988</u>	<u>\$ 72,934,643</u>

The accompanying notes are an integral part of these financial statements.

WEST HILLS COMMUNITY COLLEGE DISTRICT

**STATEMENTS OF CASH FLOWS – DIRECT METHOD, CONTINUED
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Loss	\$ (31,757,773)	\$ (24,314,020)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation expense	2,527,291	2,471,454
Changes in Assets and Liabilities:		
Receivables, net	1,254,056	3,058,242
Inventories	4,055	(174,953)
Prepaid items	368	3,133
Accounts payable and accrued liabilities	194,526	1,529,066
Deferred revenue	534,296	(294,136)
Funds held for others	779,677	-
Total Adjustments	<u>5,294,269</u>	<u>6,592,806</u>
Net Cash Flows From Operating Activities	<u><u>\$ (26,463,504)</u></u>	<u><u>\$ (17,721,214)</u></u>
	<u>2007</u>	<u>2006</u>
NON CASH TRANSACTIONS		
On behalf payments for benefits	<u><u>\$ 491,288</u></u>	<u><u>\$ 404,501</u></u>

The accompanying notes are an integral part of these financial statements.

WEST HILLS COMMUNITY COLLEGE DISTRICT

DISCRETELY PRESENTED COMPONENT UNIT - WEST HILLS COMMUNITY COLLEGE DISTRICT FOUNDATION STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 693,295	\$ 374,258
Investments	582,861	337,470
Accounts receivable	3,777	5,435
Total Current Assets	<u>1,279,933</u>	<u>717,163</u>
Rodeo stock	22,450	27,290
Property and leasehold improvements - net of accumulated depreciation	192,480	158,791
Total Assets	<u>\$1,494,863</u>	<u>\$ 903,244</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	25,988	21,922
Total Current Liabilities	<u>25,988</u>	<u>21,922</u>
NET ASSETS		
Unrestricted	1,202,937	615,039
Temporarily restricted	265,938	266,283
Total Net Assets	<u>1,468,875</u>	<u>881,322</u>
Total Liabilities and Net Assets	<u>\$1,494,863</u>	<u>\$ 903,244</u>

The accompanying notes are an integral part of these financial statements.

WEST HILLS COMMUNITY COLLEGE DISTRICT

**DISCRETELY PRESENTED COMPONENT UNIT - WEST HILLS
COMMUNITY COLLEGE DISTRICT FOUNDATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
CHANGES IN UNRESTRICTED NET ASSETS		
REVENUES		
Donations and special events	\$ 293,379	\$ 947,214
Federal revenue	677,169	-
Membership fees	19,786	-
Program fees	35,043	85,562
Program contracts	220,558	47,769
Fundraisers	93,501	204,499
Other revenue	49,732	68,894
Total Unrestricted Revenue	<u>1,389,168</u>	<u>1,353,938</u>
NET ASSETS RELEASED FROM RESTRICTIONS		
Satisfaction of donor restrictions	302,924	353,681
Total Net Assets Released From Restrictions	<u>302,924</u>	<u>353,681</u>
Total Unrestricted Revenues	<u>1,692,092</u>	<u>1,707,619</u>
EXPENSES		
Scholarship	117,755	120,193
College Enhancement	291,836	131,411
Athletic Programs	147,182	115,361
Educational Programs	334,965	309,777
General Administrative	73,865	67,742
Fundraisers	104,037	141,437
Membership	34,554	133,323
Total Expenses	<u>1,104,194</u>	<u>1,019,244</u>
Increase/(Decrease) in Unrestricted Net Assets	<u>587,898</u>	<u>688,375</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Donations and special events	200,727	146,921
Fundraisers	101,852	99,059
Other revenue	-	6,039
Net assets released from restrictions	<u>(302,924)</u>	<u>(353,681)</u>
Increase/(Decrease) in Temporarily Restricted Net Assets	<u>(345)</u>	<u>(101,662)</u>
INCREASE/(DECREASE) IN NET ASSETS	<u>587,553</u>	<u>586,713</u>
NET ASSETS, BEGINNING OF YEAR	<u>881,322</u>	<u>294,609</u>
NET ASSETS, END OF YEAR	<u><u>\$1,468,875</u></u>	<u><u>\$ 881,322</u></u>

The accompanying notes are an integral part of these financial statements.

WEST HILLS COMMUNITY COLLEGE DISTRICT

DISCRETELY PRESENTED COMPONENT UNIT - WEST HILLS COMMUNITY COLLEGE DISTRICT FOUNDATION STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 587,553	\$ 586,713
Adjustments to Reconcile Change in Net Assets to Net Cash Used By Operating Activities		
Depreciation and amortization	18,327	9,434
(Increase)/Decrease in accounts receivable	1,658	(1,697)
Increase/(Decrease) in accounts payable	4,066	(404,535)
Net Cash Flows Provided By Operating Activities	<u>611,604</u>	<u>189,915</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) in investments	(245,391)	(158,386)
(Increase)/Decrease in rodeo stock	4,840	(1,697)
(Purchase)/Disposal of fixed assets	(52,016)	79,996
Net Cash Flows Provided By Investing Activities	<u>(292,567)</u>	<u>(80,087)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	319,037	109,828
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>374,258</u>	<u>264,430</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 693,295</u>	<u>\$ 374,258</u>

The accompanying notes are an integral part of these financial statements.

WEST HILLS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 1 - ORGANIZATION

The West Hills Community College District (District) is a political subdivision of the State of California and provides postsecondary education to the students of Coalinga-Huron Unified School District, Lemoore Union High School District, Riverdale Joint Unified School District, Golden Plains Unified School District, Firebaugh-Las Deltas Unified School District, Reef-Sunset Unified School District, and Mendota Unified School District. The District maintains a Coalinga Campus, a Lemoore Campus, and the North District Center in Firebaugh. While the District is a political subdivision of the State, it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14. The District operates under a locally elected seven-member Board of Trustees form of government and provides higher education in the County of Fresno. While the District is a political subdivision of the State of California, it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 39.

A reporting entity is comprised of the primary government, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For West Hills Community College District, this includes general operations, food services, bookstores, and student related activities of the District.

Financial Reporting Entity

The District has adopted GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. This statement amends GASB Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District.

As defined by generally accepted accounting principles established by the GASB, the financial reporting entity consist of the primary government (the District), as well as the following component units.

- **West Hills Community College District Foundation**

The West Hills Community College District Foundation (the Foundation) is a legally separate, tax-exempt component unit of the District. The Foundation acts primarily as a fundraising organization to provide grants and scholarships to students and support to employees, programs, and departments of the District. The ten-member board of the Foundation consists of community members, alumni, and other supporters of the Foundation. Although the District does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the District by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the District, the Foundation is considered a component unit of the District. The Foundation is reported in separate financial statements because of the difference in its reporting model, as further described below.

WEST HILLS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

The Foundation is a not-for-profit organization under Internal Revenue Code (IRS) Section 501(c)(3) that reports its financial results under Financial Accounting Standards Board (FASB) Statements. Most significant to the Foundation's operations and reporting model are FASB Statement No. 116, *Accounting for Contributions Received and Contributions Made*, and FASB Statement No. 117, *Financial Reporting for Not-For-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the District's financial reporting entity for these differences; however, significant note disclosures to the Foundation's financial statements have been incorporated into the District's notes to the financial statements.

Financial statements for the Foundation can be obtained by calling the Foundation at (559) 934-2000.

The following entities do not meet the above criteria for inclusion as component units of the District. Additional information is included in Note 13 to the financial statements.

- **Joint Powers Agencies and Public Entity Risk Pools**

The District is associated with two joint powers agencies (JPAs). These organizations do not meet the criteria for inclusion as component units of the District. The JPAs are the Central Valley Schools Health and Welfare Trusts (CVSHWT) and Valley Insurance Program (VIP).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37 and No. 38. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency and intra-fund transactions have been eliminated.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 90 days of fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, certain grants, entitlements, and donations. Revenue from State apportionments is generally recognized in the fiscal year in which it is apportioned from the State. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements.

WEST HILLS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

The accounting policies of the District conform to accounting principles generally accepted in the United States of America (US GAAP) as applicable to colleges and universities, as well as those prescribed by the California Community Colleges Chancellor's Office. The District reports are based on all applicable GASB pronouncements, as well as applicable FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. When applicable, certain prior year amounts have been reclassified to conform to current year presentation. The budgetary and financial accounts of the District are maintained in accordance with the State Chancellor's Office Budget and Accounting Manual.

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussions and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussions and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37 and No. 38. The Business type activities model followed by the District requires the following components of the District's financial statements:

- Management's Discussion and Analysis
- Basic Financial Statements for the District as a whole including:
 - Statement of Net Assets
 - Statement of Revenues, Expenses, and Changes in Net Assets
 - Statement of Cash Flows
- Notes to the Financial Statements

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of one year or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

Restricted Cash and Cash Equivalents

Cash balances restricted by external sources such as grants and contracts are classified as restricted cash and cash equivalents in the Statement of Net Assets.

Investments

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and for External Investment Pools*, investments are stated at fair value. Fair value is estimated based on published market prices at year-end. Investments for which there are no quoted market prices are not material.

Accounts Receivable

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. This allowance is based upon management's estimates and analysis.

WEST HILLS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

Inventory

Inventory consists primarily of bookstore merchandise and cafeteria food and supplies held for resale to the students and faculty of the colleges. Inventories are stated at cost, utilizing the weighted average method. The cost is recorded as an expense as the inventory is consumed.

Capital Assets and Depreciation

Capital assets are long-lived assets of the District as a whole and include land, construction-in-progress, buildings, leasehold improvements, and equipment. The District maintains an initial unit cost capitalization threshold of \$5,000. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. The District does not possess any infrastructure. Donated capital assets are recorded at estimated fair market value at the date of donation. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Major outlays for capital improvements are capitalized as construction-in-progress as the projects are constructed. Routine repairs and maintenance that do not extend the life of the building or equipment are charged as operating expenses in the year the expense is incurred.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 25 to 50 years; improvements, 25 to 50 years; equipment, 5 to 10 years.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the entity-wide financial statements.

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the entity-wide financial statements. The amounts have been recorded in the fund from which the employees, who have accumulated the leave, are paid. The District also participates in "load-banking" with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period.

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. Sick leave is accumulated as follows:

Administrative/Classified Management/Confidential Staff

- Entitled to twenty-one (21) days of sick leave per year to be posted at the rate of 1.75 days per month.

Certificated

- Members shall accrue twenty (20) days of sick leave with pay for each school year, such leave to be made available on the first day of each school year.

WEST HILLS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

Classified

- Members shall accrue, on a monthly basis, twenty-one (21) days of sick leave with pay for each school year. The amount of days posted will be 1.75 days, or fourteen (14) hours per month for full-time employees and shall be prorated for part-time employees.

Deferred Revenue

Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Deferred revenues include (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year and (2) amounts received from Federal and State grants received before the eligibility requirements are met are recorded as deferred revenue.

Net Assets

GASB Statements No. 34 and No. 35 report equity as "Net Assets." Net assets are classified according to external donor restrictions or availability of assets for satisfaction of District obligations according to the following net asset categories:

Invested in Capital Assets, Net of Related Debt: Capital Assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted - Nonexpendable: Net assets whose use by the District has been externally restricted in perpetuity such as Endowment funds where future investment earnings may be used for the donor stipulated purpose.

Restricted - Expendable: Net assets whose use by the District is subject to externally imposed constraints that can be fulfilled by actions of the District pursuant to those constraints or by the passage of time.

Unrestricted: Net assets that are not subject to externally imposed constraints. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net assets are designated for economic uncertainties.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed.

WEST HILLS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

Operating Revenues and Expenses

Classification of Revenues - The District has classified its revenues as either operating or nonoperating according to the following criteria:

Operating revenues - Operating revenues include activities that have the characteristics of exchange transactions, such as, (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most Federal, State and local grants and contracts, and (4) interest on institutional student loans.

Nonoperating revenues - Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as State appropriations, property taxes, investment income, gifts and contributions, and other revenue sources described in GASB Statement No. 34.

Classification of Expenses - Nearly all the District's expenses are from exchange transactions and are classified as either operating or nonoperating according to the following criteria:

Operating expenses - Operating expenses are necessary costs to provide the services of the District and include employee salaries and benefits, supplies, operating expenses, and student financial aid.

Nonoperating expenses - Nonoperating expenses include interest expense and other expenses not directly related to the services of the District.

State Apportionments

Certain current year apportionments from the State are based on financial and statistical information of the previous year. Any corrections due to the recalculation of the apportionment are made in February of the subsequent year and are recorded in the District's financial records when received.

On Behalf Payments

GASB Statement No. 24 requires direct on behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees for another legally separate entity be recognized as revenues and expenditures by the employer entity. The State of California makes direct on behalf payments to the State Teachers and the Public Employees Retirement Systems (STRS and PERS) on behalf of all community colleges in California. The amounts of on behalf payments were \$491,288 for STRS. No on behalf contributions were made to PERS.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

WEST HILLS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. The County Assessor is responsible for assessment of all taxable real property. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. Various counties bill and collect taxes on behalf of the District. Local property tax revenues are recorded when received.

Scholarship Discounts and Allowances

Student tuition and fee revenue is reported net of scholarship discounts and allowances in the Statement of Revenues, Expenditures, and Changes in Net Assets. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students' behalf. To the extent that fee waivers and discounts have been used to satisfy tuition and fee charges, the District has recorded a scholarship discount and allowance.

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study, and Stafford Loan programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. These programs are audited in accordance with the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget's revised Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the related *Compliance Supplement*.

Interfund Activity

Exchange transactions between funds of the District are reported as revenues and expenses within the Statement of Revenues, Expenses, and Changes in Net Assets. Flows of cash or goods from one fund to another without a requirement for repayment are recognized as interfund transfers within the District's fund financial statements. Amounts owing between funds for both exchange and non-exchange transactions are recorded as interfund receivables and payables within the District's fund financial statements. Interfund transfers and interfund receivables and payables are eliminated during the consolidation process in the entity-wide financial statements.

Reclassification

Certain reclassifications were made to prior years' presentations to conform to current year presentation.

WEST HILLS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

Component Unit

The West Hills Community College District Foundation maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors. Accordingly, net assets and the changes in net assets are classified as follows:

- **Permanently Restricted Net Assets** - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.
- **Temporarily Restricted Net Assets** - Net assets subject to donor-imposed stipulations that will be met by actions of the Foundation and/or the passage of time.
- **Unrestricted Net Assets** - Net assets not subject to donor-imposed restrictions.

Revenues are reported as increases in the unrestricted net assets classification unless use of the related assets is limited by donor-imposed restrictions. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. Contributions for in-kind gifts from outside sources are recorded at their fair market value on the date of the donation.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Investments are reported at fair value based upon quoted market prices.

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and related California Franchise Tax Codes.

New Accounting Pronouncements

- **GASB Statement No. 43:** In April 2004, GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefits Other than Pension Plans*. The standards in this statement apply for trust funds included in the financial reports of plan sponsors or employers, as well as for the stand-alone financial reports of OPEB plans or the public employee retirements systems, or other third parties that administer them. The provisions of this statement are effective for periods beginning after December 15, 2005. The West Hills Community College District is not a plan sponsor of an OPEB Plan.

WEST HILLS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

- **GASB Statement No. 45:** In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. This statement establishes standards for the measurement, recognition and display of OPEB expense, expenditures and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports of State and local governmental employers. This statement generally provides for prospective implementation - that is, that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. The District is in the process of determining the impact the implementation of this statement will have on the government-wide statements of net assets and activities. This statement is effective for periods beginning after December 15, 2006, depending upon the size of the governmental entities' financial activity. The West Hills Community College District will be implementing the requirements of this standard in the 2008-2009 fiscal year.

Comparative Financial Information

Comparative financial information for the prior year has been presented for additional analysis; certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

NOTE 3 - CASH AND INVESTMENTS

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

WEST HILLS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Summary of Deposits and Investments

Deposits and investments as of June 30, 2007 and 2006, are classified in the accompanying financial statements as follows:

	2007	2006
Governmental activities	\$ 79,128,487	\$ 72,534,230
Fiduciary funds	676,501	400,413
Total Deposits and Investments	<u>\$ 79,804,988</u>	<u>\$ 72,934,643</u>

Deposits and investments as of June 30, 2007 and 2006, consist of the following:

Cash on hand and in banks	\$ 2,293,317	\$ 1,648,197
Cash in revolving	393	393
Investments	<u>77,511,278</u>	<u>71,286,053</u>
Total Deposits and Investments	<u>\$ 79,804,988</u>	<u>\$ 72,934,643</u>

WEST HILLS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Pool and purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Segmented Time Distribution

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations as of June 30, 2007 and 2006, are provided by the following schedules that show the distribution of the District's investments by maturity:

June 30, 2007

Investment Type	Fair Value	12 Months or Less	13 - 24 Months	25 - 60 Months	More Than 60 Months
Certificates of Deposits	\$ 2,193,040	\$ 2,193,040	\$ -	\$ -	\$ -
County Pool	10,065,395	10,065,395	-	-	-
Mutual Funds	700,000	700,000	-	-	-
Treasury Obligations	9,503,372	287,355	-	-	9,216,017
Held by Trustee-Investment Contracts	55,049,471	-	-	-	55,049,471
Total	\$77,511,278	\$13,245,790	\$ -	\$ -	\$64,265,488

June 30, 2006

Investment Type	Fair Value	12 Months or Less	13 - 24 Months	25 - 60 Months	More Than 60 Months
County Pool	\$ 5,694,747	\$ 5,694,747	\$ -	\$ -	\$ -
Treasury Obligations	11,377,672	317,217	-	-	11,060,455
Held by Trustee-Investment Contracts	54,213,634	1,300,000	-	-	52,913,634
Total	\$71,286,053	\$ 7,311,964	\$ -	\$ -	\$63,974,089

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

WEST HILLS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

June 30, 2007

Investment Type	Fair Value	Minimum Legal Rating	Rating as of Year End		
			AAA	Aa	Unrated
Certificates of Deposits	\$ 2,193,040	N/A	\$ -	\$ -	\$ 2,193,040
County Pool	10,065,395	N/A	-	-	10,065,395
Mutual Funds	700,000	N/A	-	-	700,000
Treasury Obligations	9,503,372	N/A	-	-	9,503,372
Held by Trustee-Investment Contracts	\$ 55,049,471	N/A	-	-	55,049,471
Total	\$ 77,511,278		\$ -	\$ -	\$ 77,511,278

June 30, 2006

Investment Type	Fair Value	Minimum Legal Rating	Rating as of Year End		
			AAA	Aa	Unrated
County Pool	\$ 5,694,747	N/A	\$ -	\$ -	\$ 5,694,747
Treasury Obligations	11,377,672	N/A	-	-	11,377,672
Held by Trustee-Investment Contracts	54,213,634	N/A	-	-	54,213,634
Total	\$ 71,286,053		\$ -	\$ -	\$ 71,286,053

N/A - Not applicable

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the stipulated by the California Government code. Investments in any one issuer that represent five percent or more of the total investments are as follows:

June 30, 2007

Issuer	Investment Type	Reported Amount
MBIA Inc.	Investment contract	\$ 55,049,471
Bank of New York	Treasury obligations	9,503,372
Total		\$ 64,552,843

June 30, 2006

Issuer	Investment Type	Reported Amount
MBIA Inc.	Investment contract	\$ 52,913,634
Bank of New York	Treasury obligations	11,377,672
Total		\$ 64,291,306

WEST HILLS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. As of June 30, 2007 and 2006, the District's bank balance of \$2,288,366 and \$1,689,567, respectively, was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. For June 30, 2007, of the investment in Investment Contracts of \$55,049,741, the District has a custodial credit risk exposure of \$55,049,741 because the related securities are uninsured, unregistered, and held by the brokerage firm which is also the counterparty for these securities. For June 30, 2006, of the investment in Investment Contracts of \$54,213,634, the District has a custodial credit risk exposure of \$54,213,634 because the related securities are uninsured, unregistered, and held by the brokerage firm which is also the counterparty for these securities. The District does not have a policy limiting the amount of securities that can be held by counterparties.

NOTE 4 - ACCOUNTS RECEIVABLES

Receivables at June 30, 2007 and 2006, consisted of intergovernmental grants, entitlements, interest, and other local sources.

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Federal Government		
Categorical aid	\$ 1,147,605	\$ 1,559,073
State Government		
Apportionment	1,301,004	2,285,525
Categorical aid	384,077	464,963
Other state sources	384,600	379,739
Local Government		
Interest	145,984	62,103
Taxes	127,148	68,948
Other local sources	762,748	446,875
Total	<u>\$ 4,253,166</u>	<u>\$ 5,267,226</u>
Student receivables	<u>\$ 274,206</u>	<u>\$ 480,323</u>

WEST HILLS COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

June 30, 2007	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	\$ 1,888,707	\$ -	\$ 187,000	\$ 1,701,707
Construction in progress	17,541,212	2,170,854	16,054,325	3,657,741
Total Capital Assets Not Being Depreciated	<u>19,429,919</u>	<u>2,170,854</u>	<u>16,241,325</u>	<u>5,359,448</u>
Capital Assets Being Depreciated				
Land improvements	11,857,403	-	-	11,857,403
Buildings and improvements	41,814,483	16,226,100	-	58,040,583
Furniture and equipment	8,751,861	267,100	-	9,018,961
Total Capital Assets Being Depreciated	<u>62,423,747</u>	<u>16,493,200</u>	<u>-</u>	<u>78,916,947</u>
Total Capital Assets	<u>81,853,666</u>	<u>18,664,054</u>	<u>16,241,325</u>	<u>84,276,395</u>
Less Accumulated Depreciation				
Land improvements	2,766,920	479,207	-	3,246,127
Buildings and improvements	9,429,304	1,097,485	-	10,526,789
Furniture and equipment	6,969,091	950,599	-	7,919,690
Total Accumulated Depreciation	<u>19,165,315</u>	<u>2,527,291</u>	<u>-</u>	<u>21,692,606</u>
Net Capital Assests	<u>\$ 62,688,351</u>	<u>\$ 16,136,763</u>	<u>\$ 16,241,325</u>	<u>\$ 62,583,789</u>

Depreciation expense for the year was \$2,527,291.

WEST HILLS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

June 30, 2006	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Balance End of Year</u>
Capital Assets Not Being Depreciated			
Land	\$ 1,888,707	\$ -	\$ 1,888,707
Construction in progress	4,823,145	12,718,067	17,541,212
Total Capital Assets Not Being Depreciated	<u>6,711,852</u>	<u>12,718,067</u>	<u>19,429,919</u>
Capital Assets Being Depreciated			
Land improvements	11,857,403	-	11,857,403
Buildings and improvements	41,814,483	-	41,814,483
Furniture and equipment	8,751,861	-	8,751,861
Total Capital Assets Being Depreciated	<u>62,423,747</u>	<u>-</u>	<u>62,423,747</u>
Total Capital Assets	<u>69,135,599</u>	<u>12,718,067</u>	<u>81,853,666</u>
Less Accumulated Depreciation			
Land improvements	2,287,713	479,207	2,766,920
Buildings and improvements	8,345,042	1,084,262	9,429,304
Furniture and equipment	6,061,106	907,985	6,969,091
Total Accumulated Depreciation	<u>16,693,861</u>	<u>2,471,454</u>	<u>19,165,315</u>
Net Capital Assests	<u>\$ 52,441,738</u>	<u>\$ 10,246,613</u>	<u>\$ 62,688,351</u>

Depreciation expense for the year was \$2,471,454.

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2007 and 2006, consisted of the following:

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Vendor invoices	\$ 439,754	\$ 426,950
Salaries and wages payable	1,524,615	1,342,893
Total	<u>\$ 1,964,369</u>	<u>\$ 1,769,843</u>

WEST HILLS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 7 - DEFERRED REVENUE

Deferred revenue at June 30, 2007 and 2006, consisted of the following:

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Federal financial assistance	\$ 3,183	\$ 47,552
State categorical aid	1,109,407	377,965
Other state	-	4,499
Enrollment fees	1,059,826	1,070,189
Other local	68,394	206,309
Total	<u>\$ 2,240,810</u>	<u>\$ 1,706,514</u>

NOTE 8 - LONG-TERM OBLIGATIONS

Summary for June 30, 2007

The changes in the District's long-term obligations during the year consisted of the following:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>	<u>Current Portion</u>
Bonds and Notes Payable					
General obligation bonds	\$ 17,350,000	\$ -	\$ 340,000	\$ 17,010,000	\$ 360,000
Certificates of participation	65,150,000	-	-	65,150,000	-
State energy loans	9,957	-	9,957	-	-
Capital leases	2,937,984	-	397,506	2,540,478	416,635
Day care center loan	668,167	-	5,667	662,500	10,730
CDE-Child Care Revolving Loan	-	338,000	52,000	286,000	52,000
Total Long-Term Obligations	<u>\$ 86,116,108</u>	<u>\$ 338,000</u>	<u>\$ 805,130</u>	<u>\$ 85,648,978</u>	<u>\$ 839,365</u>
Compensated absences-net	<u>\$ 650,566</u>	<u>\$ 72,277</u>	<u>\$ -</u>	<u>\$ 722,843</u>	

Bonded Debt

On March 3, 1999, the District issued \$4,000,000 in general obligation bonds, Series A. Interest on the \$4,000,000 bonds issued March 3, 1999, accrues from March 3, 1999, and is payable semi-annually on February 1 and August 1 of each year commencing February 1, 2000. The bonds have maturities beginning February 1, 2000 through August 1, 2029, and have yields ranging from 3.0 percent to 5.048 percent.

On January 26, 2000, the District issued \$15,000,000 in general obligation bonds, Series B. Interest on the \$15,000,000 bonds is payable semi-annually, on February 1 and August 1 of each year, commencing February 1, 2001. The bonds have maturities beginning February 1, 2001 through August 1, 2030, and have yields ranging from 4.2 percent to 6.0 percent.

WEST HILLS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

The bonds, Series A and B, were issued to finance the construction of a new campus and for the alterations and additions to existing classrooms and other school facilities.

The District is empowered and obligated to cause to be levied ad valorem taxes, for the payment of interest on, and principal and accreted value of the Series A and B bonds, upon all property subject to taxation by the District (except certain personal property which is taxable at limited rates) without limitation of rate or amount.

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds		Bonds
				Outstanding July 1, 2006	Redeemed	Outstanding June 30, 2007
03/03/99	08/01/29	3.0-5.048%	\$ 4,000,000	\$ 3,540,000	\$ 80,000	\$ 3,460,000
01/26/00	08/01/30	4.2-6.000%	15,000,000	13,810,000	260,000	13,550,000
Total				<u>\$ 17,350,000</u>	<u>\$ 340,000</u>	<u>\$ 17,010,000</u>

Debt Service Requirements to Maturity

General Obligation Bonds - Series A

Fiscal Year	Principal	Interest to Maturity	Total
2008	\$ 85,000	\$ 162,565	\$ 247,565
2009	90,000	159,065	249,065
2010	90,000	155,465	245,465
2011	95,000	151,718	246,718
2012	100,000	147,670	247,670
2013-2017	590,000	665,225	1,255,225
2018-2022	755,000	507,568	1,262,568
2023-2027	955,000	298,518	1,253,518
2028-2030	700,000	53,750	753,750
Total	<u>\$ 3,460,000</u>	<u>\$ 2,301,544</u>	<u>\$ 5,761,544</u>

WEST HILLS COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

General Obligation Bonds - Series B

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2008	\$ 275,000	\$ 784,625	\$ 1,059,625
2009	295,000	765,513	1,060,513
2010	310,000	749,650	1,059,650
2011	325,000	733,694	1,058,694
2012	345,000	716,604	1,061,604
2013-2017	2,005,000	3,280,456	5,285,456
2018-2022	2,680,000	2,612,151	5,292,151
2023-2027	3,580,000	1,682,100	5,262,100
2028-2031	3,735,000	465,151	4,200,151
Total	<u>\$ 13,550,000</u>	<u>\$ 11,789,944</u>	<u>\$ 25,339,944</u>

Certificates of Participation, No. 1

In August 2002, the West Hills Community College District Financing Corporation issued certificates of participation in the amount of \$27,950,000 with varying interest rates. At June 30, 2007, the principal balance outstanding was \$27,950,000. The interest rate as of June 30, 2007, was 3.6 percent.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ -	\$ 489,125	\$ 489,125
2009	-	489,125	489,125
2010	-	489,125	489,125
2011	400,000	485,625	885,625
2012	500,000	477,750	977,750
2013-2017	4,625,000	2,186,406	6,811,406
2018-2022	6,100,000	1,700,563	7,800,563
2023-2027	6,750,000	1,137,500	7,887,500
2028-2032	7,775,000	511,218	8,286,218
2033	1,800,000	15,750	1,815,750
Total	<u>\$ 27,950,000</u>	<u>\$ 7,982,187</u>	<u>\$ 35,932,187</u>

Certificate of Participation, No. 2

In July 2003, the West Hills Community College District Financing Corporation issued certificates of participation in the amount of \$37,200,000 with varying interest rates. At June 30, 2007, the principal balance outstanding was \$37,200,000. The interest rate as of June 30, 2007, was 3.65 percent and is based on the auction rate at the time of sale.

WEST HILLS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

Year Ending June 30,	Principal Amount of Certificates
2012	\$ 1,280,000
2013	1,300,000
2014	1,330,000
2015	1,350,000
2016	1,380,000
2017-2021	7,330,000
2022-2026	8,090,000
2027-2031	8,940,000
2032-2034	6,200,000
Total	<u>\$ 37,200,000</u>

State Energy Loan

The District entered into a loan agreement with the State of California for a loan to be used for improvements which will enhance energy conservation. The loan was paid in full during the current fiscal year.

Capital Leases

The District's liability on lease agreements with options to purchase are summarized below:

Balance, July 1, 2006	\$ 2,937,984
Payments	<u>397,506</u>
Balance, June 30, 2007	<u>\$ 2,540,478</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2008	\$ 573,912
2009	574,018
2010	573,762
2011	428,983
2012	283,842
2013-2015	<u>860,204</u>
Total	3,294,721
Less: Amount Representing Interest	<u>754,243</u>
Present Value of Minimum Lease Payments	<u>\$ 2,540,478</u>

WEST HILLS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

Day Care Center Loan

On December 17, 2004, the District entered into a loan agreement with the Low Income Housing Fund, a California non-profit corporation for a total loan amount of \$677,000. The loan was used to expand and rehabilitate the Child Development Center operated by the District. The current loan agreement is for a five-year period with required debt payments calculated on a 30-year amortization schedule. After the five-year term has expired, an estimated principal balance of \$625,576 will remain for the District to pay-off or refinance. The current loan rate is 5.0 percent and the required annual payments are reflected below with the outstanding loan balance at June 30, 2007, totaling \$662,500.

Required Annual Payments:

Year Ending June 30,	Principal	Interest	Total
2008	\$ 10,730	\$ 32,881	\$ 43,611
2009	11,279	32,332	43,611
2010	11,856	31,755	43,611
2011	3,058	7,845	10,903
Total	<u>\$ 36,923</u>	<u>\$ 104,813</u>	<u>\$ 141,736</u>

Estimated Principal Balance Outstanding:

Year Ending June 30,	Principal
2008	\$ 651,769
2009	640,490
2010	628,634
2011	625,576

WEST HILLS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

CDE Revolving Loan

The District entered into four separate facilities loans with the California Department of Education for child care facilities; two facilities at the Firebaugh campus and two at the Lemoore campus. The loans were each for \$130,000 and are to be repaid over a 10 year period interest free.

The remaining lease payments are as follows:

Year Ending June 30,	Lease Payment
2008	\$ 52,000
2009	52,000
2010	52,000
2011	52,000
2012	52,000
2013-2015	26,000
Total	<u>\$ 286,000</u>

Summary for June 30, 2006

The changes in the District's long-term obligations during the year consisted of the following:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Current Portion
Bonds and Notes Payable					
General obligation bonds	\$ 17,660,000	\$ -	\$ 310,000	\$ 17,350,000	\$ 340,000
Certificates of participation	65,150,000	-	-	65,150,000	-
State energy loans	18,694	-	8,737	9,957	9,957
Capital leases	2,160,125	1,317,755	539,896	2,937,984	403,173
Day care center loan	-	677,000	8,833	668,167	5,667
Total Long-Term Obligations	<u>\$ 84,988,819</u>	<u>\$ 1,994,755</u>	<u>\$ 867,466</u>	<u>\$ 86,116,108</u>	<u>\$ 758,797</u>
 Compensated absences-net	 <u>\$ 520,532</u>	 <u>\$ 130,034</u>	 <u>\$ -</u>	 <u>\$ 650,566</u>	

Bonded Debt

On March 3, 1999, the District issued \$4,000,000 in general obligation bonds, Series A. Interest on the \$4,000,000 bonds issued March 3, 1999, accrues from March 3, 1999, and is payable semi-annually on February 1 and August 1 of each year commencing February 1, 2000. The bonds have maturities beginning February 1, 2000, through August 1, 2029, and have yields ranging from 3.0 percent to 5.048 percent.

WEST HILLS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

On January 26, 2000, the District issued \$15,000,000 in general obligation bonds, Series B. Interest on the \$15,000,000 bonds is payable semi-annually, on February 1 and August 1 of each year, commencing February 1, 2001. The bonds have maturities beginning February 1, 2001, through August 1, 2030, and have yields ranging from 4.2 percent to 6.0 percent.

The bonds, Series A and B, were issued to finance the construction of a new campus and for the alterations and additions to existing classrooms and other school facilities.

The District is empowered and obligated to cause to be levied ad valorem taxes, for the payment of interest on, and principal and accreted value of the Series A and B bonds, upon all property subject to taxation by the District (except certain personal property which is taxable at limited rates) without limitation of rate or amount.

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2005	Redeemed	Bonds Outstanding June 30, 2006
03/03/99	08/01/29	3.0-5.048%	\$ 4,000,000	\$ 3,615,000	\$ 75,000	\$ 3,540,000
01/26/00	08/01/30	4.2-6.000%	15,000,000	14,045,000	235,000	13,810,000
Total				<u>\$ 17,660,000</u>	<u>\$ 310,000</u>	<u>\$ 17,350,000</u>

Debt Service Requirements to Maturity

General Obligation Bonds - Series A

Fiscal Year	Principal	Interest to Maturity	Total
2007	\$ 80,000	\$ 167,065	\$ 247,065
2008	85,000	162,565	247,565
2009	90,000	159,065	249,065
2010	90,000	155,465	245,465
2011	95,000	151,718	246,718
2012-2016	560,000	691,010	1,251,010
2017-2021	720,000	543,015	1,263,015
2022-2026	910,000	344,705	1,254,705
2027-2030	910,000	94,000	1,004,000
Total	<u>\$ 3,540,000</u>	<u>\$ 2,468,608</u>	<u>\$ 6,008,608</u>

WEST HILLS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

General Obligation Bonds - Series B

Fiscal Year	Principal	Interest to Maturity	Total
2007	\$ 260,000	\$ 806,025	\$ 1,066,025
2008	275,000	784,625	1,059,625
2009	295,000	765,513	1,060,513
2010	310,000	749,650	1,059,650
2011	325,000	733,694	1,058,694
2012-2016	1,900,000	3,386,665	5,286,665
2017-2021	2,530,000	2,765,646	5,295,646
2022-2026	3,380,000	1,890,900	5,270,900
2027-2031	4,535,000	713,251	5,248,251
Total	<u>\$ 13,810,000</u>	<u>\$ 12,595,969</u>	<u>\$ 26,405,969</u>

Certificates of Participation, No. 1

In August 2002, the West Hills Community College District Financing Corporation issued certificates of participation in the amount of \$27,950,000 with varying interest rates. At June 30, 2007, the principal balance outstanding was \$27,950,000.

Year Ending June 30,	Principal	Interest	Total
2007	\$ -	\$ 489,125	\$ 489,125
2008	-	489,125	489,125
2009	-	489,125	489,125
2010	-	489,125	489,125
2011	400,000	485,625	885,625
2012-2016	4,000,000	2,261,875	6,261,875
2017-2021	5,950,000	1,806,000	7,756,000
2022-2026	6,625,000	1,254,531	7,879,531
2027-2031	7,450,000	644,437	8,094,437
2032-2033	3,525,000	62,344	3,587,344
Total	<u>\$ 27,950,000</u>	<u>\$ 8,471,312</u>	<u>\$ 36,421,312</u>

WEST HILLS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

Certificate of Participation, No. 2

In July 2003, the West Hills Community College District Financing Corporation issued certificates of participation in the amount of \$37,200,000 with varying interest rates. At June 30, 2006, the principle balance outstanding was \$37,200,000.

Year Ending June 30,	Principal Amount of Certificates
2012	\$ 1,280,000
2013	1,300,000
2014	1,330,000
2015	1,350,000
2016	1,380,000
2017-2021	7,330,000
2022-2026	8,090,000
2027-2031	8,940,000
2032-2034	6,200,000
Total	<u>\$ 37,200,000</u>

State Energy Loan

The District entered into a loan agreement with the State of California for a loan to be used for improvements which will enhance energy conservation. The loan payments are due as follows:

Year Ending June 30,	Total
<u>2007</u>	<u>\$ 9,957</u>

Capital Leases

The District's liability on lease agreements with options to purchase are summarized below:

Balance, July 1, 2005	\$ 2,160,125
Additions	1,317,755
Payments	539,896
Balance, June 30, 2006	<u>\$ 2,937,984</u>

WEST HILLS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2007	\$ 573,443
2008	573,912
2009	574,018
2010	573,762
2011	428,983
2012-2015	1,144,046
Total	<u>3,868,164</u>
Less: Amount Representing Interest	930,180
Present Value of Minimum Lease Payments	<u><u>\$ 2,937,984</u></u>

Day Care Center Loan

On December 17, 2004, the District entered into a loan agreement with the Low Income Housing Fund, a California non-profit corporation for a total loan amount of \$677,000. The loan was used to expand and rehabilitate the Child Development Center operated by the District. The current loan agreement is for a five-year period with required debt payments calculated on a 30-year amortization schedule. After the five-year term has expired, an estimated principal balance of \$625,576 will remain for the District to pay-off or refinance. The current loan rate is 5.0 percent and the required annual payments are reflected below with the outstanding loan balance at June 30, 2007, totaling \$668,167.

Required Annual Payments:

Year Ending June 30,	Principal	Interest	Total
2007	\$ 5,667	\$ 34,310	\$ 39,977
2008	10,730	32,881	43,611
2009	11,279	32,332	43,611
2010	11,856	31,755	43,611
2011	3,058	7,845	10,903
Total	<u><u>\$ 42,590</u></u>	<u><u>\$ 139,123</u></u>	<u><u>\$ 181,713</u></u>

WEST HILLS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

Estimated Principal Balance Outstanding:

Year Ending June 30,	Principal
2007	\$ 662,500
2008	651,769
2009	640,490
2010	628,634
2011	625,576

NOTE 9 - POSTEMPLOYMENT BENEFITS

The District provides medical, dental, and vision insurance coverage, as prescribed in the various employee union contracts, to retirees meeting plan eligibility requirements. Eligible employees retiring from the District may become eligible for these benefits when the requirements are met. The eligibility requirement for employees participating in CalPERS is a minimum age of 55 and a minimum ten years of continuous service with the District. Additional age and service criteria may be required. The eligibility requirement for employees participating in STRS is a minimum age of 60 with five years of service, or age 50 with 30 years of service. In addition, the District also has minimum continuous service requirements for retirement that range from three years to ten years and varies by employee class. The District recognizes expenditures for these postemployment health benefits on a pay-as-you-go-basis as premiums are paid. During the 2006-2007 fiscal year, the District provided insurance premium benefits to 33 retired employees with total expenditures of \$87,568.

The approximate accumulated future liability for these benefits is \$6,276,259. This amount was determined by an actuarial study performed as of March 14, 2007, and includes data for current retirees as well as the District's current employee pool. The District has contributed \$700,000 to the GASB 45 Trust Fund to begin funding the future postemployment benefits.

NOTE 10 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year ending June 30, 2007, the District was a self-insured member of the Valley Insurance Program Joint Powers Authority for property and liability insurance coverage. Settled claims have not exceeded this coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

WEST HILLS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

Workers' Compensation

For fiscal year 2007, the District participated in the Valley Insurance Program Joint Powers Authority (JPA), an insurance purchasing pool. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to community college districts that can meet the JPA's selection criteria.

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

STRS

Plan Description

All certificated employees and those employees meeting minimum standards adopted by the Board of Governors of the California Community Colleges and employed 50 percent or more of a full-time equivalent position participate in the Defined Benefit Plan (DB Plan). Part-time educators hired under a contract of less than 50 percent or on an hourly or daily basis without contract may elect membership in the Cash Balance Benefit Program (CB Benefit Program). Since January 1, 1999, both of these plans have been part of the State Teachers' Retirement Plan (STRP), a cost-sharing, multiple-employer contributory public employee retirement system. The State Teachers' Retirement Law (Part 13 of the *California Education Code*, Section 22000 et seq.) established benefit provisions for STRS. Copies of the STRS annual financial report may be obtained from the STRS Executive Office, 7667 Folsom Boulevard, Sacramento, California 95851.

WEST HILLS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

The STRP, a defined benefit pension plan, provides retirement, disability, and death benefits, and depending on which component of the STRP the employee is in, post-retirement cost-of-living adjustments may also be offered. Employees in the DB Plan attaining the age of 60 with five years of credited California service (service) are eligible for "normal" retirement and are entitled to a monthly benefit of two percent of their final compensation for each year of service. Final compensation is generally defined as the average salary earnable for the highest three consecutive years of service. The plan permits early retirement options at age 55 or as early as age 50 with at least 30 years of service. While early retirement can reduce the two percent age factor used at age 60, service of 30 or more years will increase the percentage age factor to be applied. Disability benefits are generally the maximum of 50 percent of final compensation for most applicants. Eligible dependent children can increase this benefit up to a maximum of 90 percent of final compensation. After five years of credited service, members become 100 percent vested in retirement benefits earned to date. If a member's employment is terminated, the accumulated member contributions are refundable. The features of the CB Benefit Program include immediate vesting, variable contribution rates that can be bargained, guaranteed interest rates, and flexible retirement options. Participation in the CB benefit plan is optional; however, if the employee selects the CB benefit plan and their basis of employment changes to half time or more, the member will automatically become a member of the DB Plan.

Funding Policy

Active members of the DB Plan are required to contribute eight percent of their salary while the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2006-2007 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The CB Benefit Program is an alternative STRS contribution plan for instructors. Instructors who choose not to sign up for the DB Plan or FICA may participate in the CB Benefit Program. The District contribution rate for the CB Benefit Program is always a minimum of four percent with the sum of the District and employee contribution always being equal or greater than eight percent.

Annual Pension Cost

The District's total contributions to STRS for the fiscal years ended June 30, 2007, 2006, and 2005, were \$897,305, \$738,795, and \$696,869, respectively and equal 100 percent of the required contributions for each year. The State of California may make additional direct payments for retirement benefits to the STRS on behalf of all community colleges in the State. The revenue and expenditures associated with these payments, if any, have not been included in these financial statements.

WEST HILLS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

CalPERS

Plan Description

All full-time classified employees participate in the CalPERS, an agent multiple-employer contributory public employee retirement system that act as a common investment and administrative agent for participating public entities within the State of California. The West Hills Community College District is part of a "cost-sharing" pool with CalPERS. Employees are eligible for retirement as early as age 50 with five years of service. At age 55, the employee is entitled to a monthly benefit of 2.0 percent of final compensation for each year of service credit. Retirement compensation is reduced if the plan is coordinated with Social Security. Retirement after age 55 will increase the percentage rate to a maximum of 2.5 percent at age 63 with an increased rate. The plan also provides death and disability benefits. Retirement benefits fully vest after five years of credited service. Upon separation from the Fund, members' accumulated contributions are refundable with interest credited through the date of separation.

The Public Employees' Retirement Law (Part 3 of the *California Government Code*, Section 20000 et seq.) establishes benefit provisions for CalPERS. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

Active plan members are required to contribute seven percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The District's contribution rate to CalPERS for fiscal year 2006-2007 was 9.952 percent of annual payroll.

Annual Pension Cost

The District's contributions to CalPERS for fiscal years ending June 30, 2007, 2006, and 2005, were \$794,268, \$674,939, and \$987,930, respectively, and equaled 100 percent of the required contributions for each year. The actuarial assumptions used as part of the June 30, 2001, actuarial valuation (the most recent actuarial information available) included (a) an 8.25 percent investment rate of return (net of administrative expense); (b) an overall growth in payroll of 3.75 percent annually; and (c) an inflation component of 3.5 percent compounded annually that is a component of assumed wage growth, and assumed future post-retirement cost of living increases. The actuarial value of pension fund assets was determined by using a technique to smooth the effect of short-term volatility in the market value of investments.

On Behalf Payments

The State of California makes contributions to STRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to STRS which amounted to \$491,288 (4.517 percent) of salaries subject to STRS. A contribution to CalPERS was not required for the year ended June 30, 2007. These amounts have been reflected in the financial statements as a component of nonoperating revenue and employee benefit expense.

WEST HILLS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

APPLE

Plan Description

The District contributes to the APPLE plan for employees not covered under the PERS or STRS plans. The plan provides benefits in a lump sum distribution of the employees' vested balance as of their retirement date.

Funding Policy

Active plan members and the District are each required to contribute 3.75 percent of an individual's salary to the plan, for a total of 7.5 percent of an individual's salary. Individuals enrolled in the plan are 100 percent vested in the contributions made to it. The District's contribution to the plan for the fiscal year ending June 30, 2007, was \$79,629.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2007.

Litigation

The District is not currently a party to any legal proceedings.

Operating Leases

The District has entered into a ten-year operating lease for a building in the City of Firebaugh for education and related purposes. The District is obligated to pay \$41,174 per year for a ten-year period or a total of \$411,740. After the ten-year period, the lease would then be renewable on a yearly basis. If the agreement is terminated prior to the ten-year term, then the rent is prorated to the date of termination.

WEST HILLS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

Construction Commitments

As of June 30, 2007, the District had the following commitments with respect to the unfinished capital projects:

<u>Capital Projects</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
WHC CDC HUD Remodel	\$ 89,320	May-08
WHC Wellness Center - PP/WD Phase	500,585	June-10
NDC Parking Lot Development	225,000	June-10
WHC Ag Science Facilities	2,629,623	June-09
WHL Initial Building PH 2B - Landscaping	160,700	June-08
WHL CDC Building - Landscaping	15,260	January-08
WHL Multi Use Facilities - PP/WD Phase	915,228	June-10
WHL Soccer Scoreboard	84,400	March-08
Total	<u>\$ 4,620,116</u>	

NOTE 13 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the Central Valley Schools Health and Welfare Trusts (CVSHWT) and Valley Insurance Program (VIP) Joint Powers Authorities (JPAs). The District pays annual premiums for its property liability, health, and worker's compensation coverage. The relationship between the District and the JPAs is such that it is not a component unit of the District for financial reporting purposes.

The JPAs have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, transactions between the JPAs and the District are included in these statements. Audited financial statements are available from the respective entities.

The District's share of year-end assets, liabilities, or fund equity has not been calculated.

WEST HILLS COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 14 - TAX AND REVENUE ANTICIPATION NOTES

At June 30, 2006, the District had outstanding Tax and Revenue Anticipation Notes in the amount of \$1,300,000, which matured on July 6, 2006. On July 6, 2006, the District issued \$2,270,000 Tax and Revenue Anticipation Notes bearing interest at 3.5 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on July 6, 2007. By June 30, 2007, the District had placed 100 percent of principal and interest in an irrevocable trust for the sole purpose of satisfying the notes. The District was not required to make any additional payments on the notes. As the District has in substance defeased the debt, the tax anticipation notes of \$2,270,000 and related accrued interest and cash held in trust are not included in these financial statements.

	Outstanding Beginning of Year	Additions	Deletions	Outstanding End of Year
2006 3.69% TRANS	\$ 1,300,000	\$ -	\$ 1,300,000	\$ -
2007 3.50% TRANS		2,270,000	-	2,270,000
Total	<u>\$ 1,300,000</u>	<u>\$ 2,270,000</u>	<u>\$ 1,300,000</u>	<u>\$ 2,270,000</u>

NOTE 15 - SUBSEQUENT EVENTS

The District issued \$2,275,000 of Tax and Revenue Anticipation Notes dated July 6, 2007. The notes mature on July 1, 2008, and yield 5.39 percent interest. The notes were sold to supplement cash flow. Repayment requirements are that principal and interest balance be deposited with the Fiscal Agent by July 1, 2008.

SUPPLEMENTARY INFORMATION

WEST HILLS COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION

JUNE 30, 2007

The West Hills Community College District was established in September 1932. The West Hills Community College District provides postsecondary education to the students of Coalinga-Huron Unified School District, Lemoore Union High School District, Riverdale Joint Unified School District, Golden Plains Unified School District, Firebaugh-Las Deltas Unified School District, Reef-Sunset Unified School District, and Mendota Unified School District. The West Hills Community College District maintains a District Office, a Coalinga College, a Lemoore College, the North District Center in Firebaugh, and a center at NAS Lemoore. There were no changes in the boundaries of the District during the fiscal year.

TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Mark McKean	President	November 2007
Bill Henry	Vice President	November 2007
Nina Oxborrow	Clerk	November 2009
Jack Minnite	Member	November 2009
J.L. Levinson	Member	November 2009
Edna Ivans	Member	November 2007
Steve Cantu	Member	November 2007

ADMINISTRATION

Dr. Frank P. Gornick	Chancellor
Mr. Ken Stoppenbrink	Vice Chancellor, Business Services
Mr. Don Warkentin	President, West Hills College Lemoore
Dr. Willard Lewallen	President, West Hills College Coalinga
Ms. Susan Kincade	Dean of Learning Resources
Mr. Dave Bolt	Vice President of Educational Services, West Hills College Lemoore
Ms. Jill Stearns	Dean of Student Learning, West Hills College, Coalinga
Ms. Stephanie Atkinson-Alston	Dean of Educational Services, West Hills College Lemoore
Mr. Carlos Diniz	Dean of Student Learning, West Hills College Coalinga
Mr. Marlon Hall	Associate Dean of Educational Services, West Hills College Lemoore
Ms. Raquel Rodriguez	Associate Dean of Student Learning, West Hills College Coalinga

WEST HILLS COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Program Entitlements Current Year
U.S. DEPARTMENT OF EDUCATION		
Camp	84.149A	\$ 47,340
Academic Competitive Grant	84.375A	7,946
Direct Loans	84.268	147,384
Federal Workstudy	84.033	119,804
Pell Grant	84.063	4,557,827
Title I 1-B-3 Even Start	84.213C	-
Title IV		
One Step Beyond	84.047	285,829
Upward Bound	84.047A	254,729
Upward Bound - Math / Science	84.047M	220,000
Talent Search	84.044A	204,000
TANF 50% Federal/Calworks	84.033	213,734
Supplemental Educational Opportunity Grants (SEOG)	84.007	114,207
Vocational Education Act		
Vatea - Leadership	84.048	100,000
Vatea Tech. Prep.	84.048	134,296
Vatea IB	84.048	266,191
Title V		
Act I	84.031S	427,248
Act II	84.031S	255,578
FSU	84.031S	1,500,000
Program Administration	84.031S	144,545
Subtotal		<u>9,000,658</u>
U.S. DEPARTMENT OF AGRICULTURE		
Telemedicine	10.855	447,752
Culture Arts	10.769	99,000
Summer Food Service Program	10.559	1,805
Ag Sci Co Lab	10.223	199,997
Child Care Food Services	10.558	277,962
Subtotal		<u>1,026,516</u>
U.S. DEPARTMENT OF LABOR		
Community Based JTG	17.269	546,274
Workforce Investment Act	17.255	1,675,551
Year Round Youth Program	17.253	211,996
Subtotal		<u>2,433,821</u>
U.S. DEPARTMENT OF VETERANS AFFAIRS		
Veterans' Education	64.112	1,404
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Hispanic Serving Institution Excessing Community	14.514	-
Total Federal Programs		<u>\$ 12,462,399</u>

See accompanying note to supplementary information.

Program Entitlements		Program Revenues				Total
Prior Year	Total Entitlement	Cash Received	Accounts Receivable	Deferred Revenue	Total Revenue	Program Expenditures
\$ 19,353	\$ 66,693	\$ 66,693	\$ -	\$ -	\$ 66,693	\$ 66,693
-	7,946	7,946	-	-	7,946	7,946
-	147,384	144,109	3,275	-	147,384	147,384
-	119,804	119,804	-	-	119,804	119,804
-	4,557,827	4,533,472	32,777	-	4,566,249	4,566,249
241,500	241,500	3,373	-	-	3,373	3,373
152,831	438,660	342,157	46,865	-	389,022	389,022
-	254,729	263,119	36,012	-	299,131	299,131
-	220,000	193,878	25,636	-	219,514	219,514
-	204,000	173,432	35,222	-	208,654	208,654
-	213,734	108,956	6,596	-	115,552	115,552
-	114,207	112,859	1,348	-	114,207	114,207
-	100,000	22,164	77,836	-	100,000	100,000
14,078	148,374	44,290	104,084	-	148,374	148,374
-	266,191	176,377	88,360	-	264,737	264,737
-	427,248	262,096	69,899	-	331,995	331,995
-	255,578	233,182	81,287	-	314,469	314,469
-	1,500,000	217,070	35,895	-	252,965	252,965
-	144,545	122,542	1,120	-	123,662	123,662
<u>427,762</u>	<u>9,428,420</u>	<u>7,147,519</u>	<u>646,212</u>	<u>-</u>	<u>7,793,731</u>	<u>7,793,731</u>
-	447,752	-	174,363	-	174,363	174,363
-	99,000	15,094	18,688	-	33,782	33,782
-	1,805	1,805	-	-	1,805	1,805
-	199,997	86,229	54,149	-	140,378	140,378
-	277,962	234,062	43,900	-	277,962	277,962
-	<u>1,026,516</u>	<u>337,190</u>	<u>291,100</u>	<u>-</u>	<u>628,290</u>	<u>628,290</u>
-	546,274	4,186	-	-	4,186	4,186
-	1,675,551	988,724	145,212	3,183	1,130,753	1,130,753
-	211,996	157,489	54,417	-	211,906	211,906
-	<u>2,433,821</u>	<u>1,150,399</u>	<u>199,629</u>	<u>3,183</u>	<u>1,346,845</u>	<u>1,346,845</u>
-	1,404	1,404	-	-	1,404	1,404
<u>600,000</u>	<u>600,000</u>	<u>460,686</u>	<u>10,664</u>	<u>-</u>	<u>471,350</u>	<u>471,350</u>
<u>\$1,027,762</u>	<u>\$13,490,161</u>	<u>\$9,097,198</u>	<u>\$1,147,605</u>	<u>\$ 3,183</u>	<u>\$10,241,620</u>	<u>\$10,241,620</u>

WEST HILLS COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2007

Program	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
STATE			
After School-Avenal	\$ 136,571	\$ -	\$ 136,571
After School-Lemoore	347,760	-	347,760
BFAP - Financial Aid Administration	281,115	-	281,115
Basic Skills/ Immigrant Edu. Supplement	330,991	-	330,991
Cal Works	371,364	-	371,364
Cal Works-West Fresno	209,063	-	209,063
Cal Works-Fresno County	177,759	-	177,759
CARE Grant	225,842	-	225,842
Career Development	75,088	-	75,088
Child Care-State Preschool	2,986,577	-	2,986,577
Child Care-Food	18,364	-	18,364
Child Care-Material and Supplies	5,719	-	5,719
Children Services Network	26,704	-	26,704
ECE Consortium Grant	10,000	-	10,000
Extended Opportunity Program and Service	734,267	-	734,267
Handicapped/Disabled Student Program/Services	610,232	-	610,232
Instructional Materials	304,189	-	304,189
Matriculation	395,305	-	395,305
Staff Development	21,736	-	21,736
Staff Diversity	10,860	-	10,860
Scheduled Maintenance and Repair	304,189	-	304,189
Career Tech Education Equipment	172,967	-	172,967
Teacher Prep Pipeline	630,082	-	630,082
Telecommunications Infrastructure	93,916	-	93,916
TTIP carryover	17,000	-	17,000
Transfer Articulation Grant	5,000	-	5,000
Building Maintenance and Repair	251,000	467,082	718,082
Cal Grants	633,407	-	633,407
Middle College High	136,769	-	136,769
Total State Programs	<u>\$ 9,523,836</u>	<u>\$ 467,082</u>	<u>\$ 9,990,918</u>

See accompanying note to supplementary information.

Program Revenues				Total
Cash Received	Accounts Receivable	Deferred Revenue	Total Revenue	Program Expenditures
\$ 113,820	\$ 36,445	\$ -	\$ 150,265	\$ 150,265
183,116	40,433	-	223,549	223,549
281,115	-	-	281,115	281,115
330,991	-	271,017	59,974	59,974
371,364	-	47,725	323,639	323,639
-	3,748	-	3,748	3,748
115,162	62,597	-	177,759	177,759
225,842	-	2,770	223,072	223,072
54,000	-	41,549	12,451	12,451
2,884,648	157,347	401	3,041,594	3,614,689
17,971	393	-	18,364	18,364
5,719	-	-	5,719	5,719
21,910	4,794	-	26,704	26,704
10,000	-	-	10,000	10,000
734,267	-	17,018	717,249	717,249
610,232	-	159,150	451,082	451,082
416,364	-	139,631	276,733	276,733
451,659	-	56,354	395,305	395,305
21,736	-	21,736	-	-
12,047	-	-	12,047	12,047
377,464	-	144,385	233,079	233,079
172,967	39	6,569	166,437	166,437
114,240	-	114,240	-	-
93,916	-	38,428	55,488	55,488
56,670	-	39,670	17,000	17,000
5,000	-	-	5,000	5,000
718,082	-	-	718,082	865,284
642,171	-	8,764	633,407	633,407
54,708	78,281	-	132,989	132,989
<u>\$9,097,181</u>	<u>\$ 384,077</u>	<u>\$1,109,407</u>	<u>\$8,371,851</u>	<u>\$ 9,092,148</u>

WEST HILLS COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR STATE
GENERAL APPORTIONMENT - ANNUAL/ACTUAL ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2007**

CATEGORIES	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Audited Data</u>
A. <u>Credit Full-Time Equivalent Student (FTES)</u>			
1. Summer	597.49	-	597.49
2. Weekly census	2,934.18	-	2,934.18
3. Daily census	1,200.82	-	1,200.82
4. Actual hours of attendance	56.96	-	56.96
5. Independent study/work experience		-	-
Subtotal	<u>4,789.45</u>	<u>-</u>	<u>4,789.45</u>
B. <u>Noncredit FTES</u>			
1. Summer	52.86	-	52.86
2. Actual hours of attendance	315.62	-	315.62
Subtotal	<u>368.48</u>	<u>-</u>	<u>368.48</u>
Total FTES	<u>5,157.93</u>	<u>-</u>	<u>5,157.93</u>
C. <u>Basic Skills Courses</u>			
1. Credit			271.67
2. Non credit			334.52
Total Basic Skills FTES			<u>606.19</u>
D. <u>FTES Generated in Leased Space</u>			
			<u>519.71</u>

See accompanying note to supplementary information.

WEST HILLS COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311)
WITH FUND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

Summarized below are the fund balance reconciliations between the Annual Financial and Budget Report (CCFS-311) and the fund financial statements.

	General Fund	Bond Interest and Redemption Fund	Other Debt Service Fund	Other Capital Outlay Fund	COP Capital Outlay Fund
FUND BALANCE					
Balance, June 30, 2007, (CCFS-311)	\$ 5,570,475	\$ -	\$ 11,377,672	\$ -	\$ -
Adjustment in:					
Cash in county treasury	-	2,332,201	-	-	-
Investment	-	-	(1,731,038)	23,888,462	31,161,009
Accounts receivable	(192,701)	-	-	-	-
Balance, July 1, 2007					
Audited Financial Statement	<u>\$ 5,377,774</u>	<u>\$ 2,332,201</u>	<u>\$ 9,646,634</u>	<u>\$ 23,888,462</u>	<u>\$ 31,161,009</u>

See accompanying note to supplementary information.

WEST HILLS COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEETS TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2007**

**Amounts Reported for Governmental Activities in the Statement
of Net Assets are Different Because:**

Total Fund Balance:

General Funds	\$ 5,377,774	
Special Revenue Funds	639,125	
Capital Project Funds	60,904,485	
Debt Service Funds	11,978,835	
Fiduciary Funds	<u>814,113</u>	
Total Fund Balance - All District Funds		\$ 79,714,332

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

The cost of capital assets is	84,276,395	
Accumulated depreciation is	<u>(21,692,606)</u>	62,583,789

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year end consist of:

Bonds payable	17,010,000	
Certificates of participation	65,150,000	
Day care center loan	662,500	
Capital leases payable	2,540,478	
CDE-Child care revolving loan	286,000	
Compensated absences	<u>722,843</u>	<u>(86,371,821)</u>
Total Net Assets		<u>\$ 55,926,300</u>

See accompanying note to supplementary information.

WEST HILLS COMMUNITY COLLEGE DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION JUNE 30, 2007

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Schedule of Expenditures of State Awards

The accompanying schedule of expenditures of State awards includes the State grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Schedule of Workload Measures for State General Apportionment - Annual/Actual Attendance

Full-Time Equivalent Students (FTES) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to community college districts. This schedule provides information regarding the attendance of students throughout the District.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Form CCFS-311 to the audited financial statements.

Reconciliation of the Governmental Fund Balance Sheets to the Statement of Net Assets

This schedule provides a reconciliation of the adjustments necessary to bring the District's fund financial statements, prepared on a modified accrual basis, to the accrual basis required under GASB Statement No. 35.

INDEPENDENT AUDITORS' REPORTS



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees
West Hills Community College District
Coalinga, California

We have audited the financial statements of West Hills Community College District (the District) and the aggregate discretely presented component units of West Hills Community College District as of and for the years ended June 30, 2007 and 2006, and have issued our report thereon dated January 3, 2008. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered West Hills Community College District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of West Hills Community College District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of West Hills Community College District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Hills Community College District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of West Hills Community College District in a separate letter dated January 3, 2008.

This report is intended solely for the information and use of the Board of Trustees, District Management, the California Community Colleges Chancellor's Office, and the District's Federal and State awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Vaurinak, Urine, Day & Co, LLP

Fresno, California
January 3, 2008



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees
West Hills Community College District
Coalinga, California

Compliance

We have audited the compliance of West Hills Community College District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2007. West Hills Community College District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of West Hills Community College District's management. Our responsibility is to express an opinion on West Hills Community College District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about West Hills Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of West Hills Community College District's compliance with those requirements.

In our opinion, West Hills Community College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of West Hills Community College District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered West Hills Community College District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the West Hills Community College District's internal control over compliance.

A *control deficiency* in a district's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Trustees, District Management, the California Community Colleges Chancellor's Office, and the District's Federal and State awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Urine, Day & Co, LLP

Fresno, California
January 3, 2008



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
West Hills Community College District
Coalinga, California

We have audited the financial statements of the West Hills Community College District (the District) for the years ended June 30, 2007 and 2006, and have issued our report thereon dated January 3, 2008.

Our audit was made in accordance with auditing standards generally accepted in the United States of America and the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the following State laws and regulations in accordance with Section 400 of the Chancellor's Office's *California Community Colleges Contracted Audit Manual (CDAM)*.

General Directive

Section 424: MIS Implementation - State General Apportionment Funding System

Administration

Section 435: Open Enrollment

Section 436: Minimum Conditions - Standards of Scholarship

Section 437: Student Fee - Instructional Materials and Health Fees

Section 423: Apportionment of Instructional Service Agreements/Contracts

Section 425: Residency Determination for Credit Courses

Section 427: Concurrent Enrollment of K-12 Students in Community College Credit Courses

Section 432: Enrollment Fee

Section 421: Salaries of Classroom Instructors (50% Law)

Section 426: Students Actively Enrolled

Section 431: Gann Limit Calculation

Student Services

Section 428: Use of Matriculation Funds

Section 433: CalWORKs - Use of State and Federal TANF Funding

Facilities

Section 434: Scheduled Maintenance Program

Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the West Hills Community College District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2007.

This report is intended solely for the information of the Board of Trustees, District Management, the California Community Colleges Chancellor's Office, the California Department of Finance, and the California Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Urine, Day & Co., LLP

Fresno, California
January 3, 2008

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

WEST HILLS COMMUNITY COLLEGE DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2007**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>No</u>
Identification of major programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.007, 84.033, 84.063, 84.268</u>	<u>Financial Aid Cluster</u>
<u>84.044, 84.047</u>	<u>Title IV Cluster</u>
<u>84.031</u>	<u>Title V Cluster</u>
<u>14.514</u>	<u>Hispanic Serving Institution Excessing Communities</u>
<u>17.255</u>	<u>Workforce Investment Act (WIA)</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 307,249</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for State programs:	<u>Unqualified</u>

WEST HILLS COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2007**

None noted.

WEST HILLS COMMUNITY COLLEGE DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007**

None noted.

WEST HILLS COMMUNITY COLLEGE DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007**

None noted.

WEST HILLS COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2007

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of financial statement findings.

State Award Findings

2006-1 Finding

California Code of Regulations (CCR) specifies that the governing board of each community college district shall adopt by resolution a policy related to open courses as specified in CCR Section 51006. In addition, a statement of this policy shall be published in the official catalog, schedule of classes, and any addenda to the schedule of classes for which full-time equivalent students (FTES) is reported for state apportionment. During our audit we determined that the Open Enrollment Policy is published in the 2005-2006 West Hills College Catalogue on page 57. However, the Open Enrollment Policy is not published in the Schedule of Classes.

Recommendation

The West Hills Community College District should publish The Open Enrollment Policy in the official catalog and schedule of classes for the District.

Current Status

Implemented.

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APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS

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APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS*

The following are brief summaries of certain provisions of the Lease Agreement, the Assignment Agreement, the Site Lease and the Trust Agreement. These summaries are subject to all of the provisions of such documents and the discussions of such documents contained elsewhere in this Official Statement. These summaries do not purport to be a complete statement of said provisions and prospective purchasers of the Certificates are referred to the complete texts of said documents, copies of which are available upon request from the Trustee. Capitalized terms not otherwise defined therein have the meanings specified in the respective documents and in the event of any conflict between any of the summaries and the corresponding documents, the provisions of such documents shall control. Copies of said documents are available from the District and from the Trustee.

DEFINITIONS**

"*Additional Payments*" means the payments so designated and required to be paid by the District pursuant to Article III of the Lease Agreement and such additional costs and expenses incurred by the District, the Trustee, the LOC Bank and the Corporation as described in the Lease Agreement.

"*Affiliate*" means any specified Person which directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, such specified Person. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by," and "under common control with"), as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person.

"*Agency Agreement*" means the Agency Agreement dated as of June 1, 2008, by and between the District and the Corporation providing for the appointment of the District as the agent to carry out the implementation of the improvements comprising the Facility.

"*Assignment Agreement*" means the Assignment Agreement dated as of June 1, 2008, by and between the Trustee and the Corporation, providing for the assignment of the Corporation's interest in the Lease Agreement to the Trustee.

"*Agent Member*" means a member of, or participant in DTC.

"*Authorized Denomination*" means, when payable at the Variable Rate, denominations of \$100,000 or any integral multiple thereof, and after the Conversion Date, denominations of \$5,000 or any integral multiple thereof.

"*Business Day*" means any day other than a Saturday, a Sunday, legal holiday or a day on which the Federal Reserve System or the New York Stock Exchange is closed or banks in the city in which the corporate trust office of the Trustee, Tender Agent or LOC Bank is located which is designated for the presentation of drawings under the Letter of Credit.

*Preliminary, subject to change

**Additional Definitions are included in the Trust Agreement and other documents.

"*Capitalized Interest Account*" means the account by that name created in the Lease Payment Fund pursuant to Section 5.02 of the Trust Agreement.

"*Certificate*" or "*Certificates*" means the \$70,200,000* aggregate principal amount of the Variable Rate Demand Obligations Certificates of Participation (2008 Refunding Project) to be executed and delivered pursuant to the Trust Agreement.

"*LOC Bank*" means Union Bank of California or any successor thereto, or thereof.

"*Certificate Register*" means the books or other records maintained by the Certificate Registrar setting forth the registered Owners from time to time of the Certificates.

"*Certificate Registrar*" means the Trustee acting as such, and any other Certificate Registrar appointed pursuant to the Trust Agreement.

"*Closing Date*" means the date upon which there is a physical delivery of the Certificates in exchange for the amount representing the purchase price of the Certificates by the Underwriter.

"*Code*" means the Internal Revenue Code of 1986, as amended, as in effect on the Closing Date or (except as otherwise referenced in the Lease Agreement or the Trust Agreement) as it may be amended to apply to obligations issued on the Closing Date, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Code. Reference to any particular Code section shall, in the event of such successor Code, be deemed to be reference to the successor to such Code section.

"*Construction Completion Fund*" means the fund by that name established and held by the Trustee pursuant to Article III of the Trust Agreement.

"*Continuing Disclosure Agreement*" means that certain Continuing Disclosure Agreement executed by the District and dated the date of issuance and delivery of the Certificates, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"*Conversion*" means conversion between the Daily, Weekly or Monthly Interest Rate Periods comprising a Variable Rate or from the Variable Rate to the Long Term Rate Period which shall be the day immediately following the final day of a Variable Rate Period, or any Mandatory Tender Date on which interest with respect to the Certificates is converted to a Variable Rate as provided in the Trust Agreement.

"*Conversion Date*" means any date when the Certificates begin to bear interest at a Variable Rate while the Certificates are in the Daily, Weekly or Monthly Interest Rate Period or Long Term Rate when the Certificates bear interest at the Long Term Rate, shall be a Business Day and if such day is not a Business Day, then the next succeeding Business Day.

"*Corporation*" means West Hills Community College District Financing Corporation, a non-profit, public benefit corporation organized and existing under the laws of the State of California, and its successors and assigns.

"*Corporation Representatives*" means the President, Vice President or any other person authorized by resolution of the Board of Directors of the Corporation to act on behalf of the Corporation under or with respect to the Trust Agreement, the Lease Agreement, the Site Lease, the Remarketing Agreement and any of the other Transaction Documents to which the Corporation is a party.

"*Counsel*" means an attorney at law or a firm of attorneys (who may be an employee of or counsel to the District or the Trustee) duly admitted to the practice of law before the highest court of any state of the United States of America or of the District of Columbia.

"*Daily Interest Period*" means that period of time during which the Certificates bear interest at a daily rate beginning on a Variable Rate Adjustment Date which shall be a Business Day and continuing to, and including the next succeeding Business Day.

"*Date of Certificates*" means June 19, 2008.

"*Debt Service*" means the scheduled amount of interest and amortization of principal payable with respect to the Certificates during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

"*Defeasance Obligations*" means (a) cash, (b) non-callable Federal Securities, and (c) debt obligations of the Government National Mortgage Association.

"*Delivery Costs*" means all costs and expenses directly or indirectly payable by or reimbursable to the District and related to the authorization, issuance, execution and delivery of the Certificates including, but not limited to:

- (a) underwriter's discount and fees;
- (b) counsel fees, including Special Counsel, underwriter's counsel, Corporation counsel, District counsel, counsel to the LOC Bank, as well as any other specialized counsel fees incurred in connection with the financing;
- (c) the District's fees and expenses incurred in connection with the issuance of the Certificates, including financial advisor and administrative fees;
- (d) rating agency fees;
- (e) initial fees and expenses of the Trustee, and the Remarketing Agent including related legal fees and charges, fees and disbursements;
- (f) title insurance premiums and recording fees;
- (g) costs of preparation and reproduction of documents, printing expenses;
- (h) consultants and professionals;
- (i) printing costs of the Certificates and of an official statement or other offering documents; and
- (j) any other cost, charge or fee in connection with the original issuance of the Certificates.

"*Delivery Costs Fund*" means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

"*District*" means the West Hills Community College District, a political subdivision organized and existing under and by virtue of the Constitution and laws of the State, and its successors and assigns.

"*District Representative*" means the Chancellor, Chief Financial Officer, or any other person authorized by resolution of the Board of Trustees of the District to act on behalf of the District under or with respect to the Trust Agreement, the Lease Agreement, the Site Lease and any of the other Transaction Documents to which the District is a party.

"*DTC*" or "Depository" means The Depository Trust Company, New York, New York, as Securities Depository for the Certificates pursuant the Trust Agreement.

"*District*" means the West Hills Community College District, a political subdivision organized and existing under and by virtue of the Constitution and laws of the State, and its successors and assigns.

"*District Representative*" means the Interim Chancellor, Assistant Chancellor of Business Services, or any other person authorized by resolution of the Board of Trustees of the District to act on behalf of the District under or with respect to the Trust Agreement, the Lease Agreement, the Site Lease, the Remarketing Agreement and any of the other Transaction Documents to which the District is a party.

"*Escrow Agreement*" or "*Escrow Agreements*" means individually the 2002 Escrow Agreement and the 2003 Escrow Agreement and collectively, both Escrow Agreements providing for the refunding of the 2002 Certificates and the 2003 Certificates, respectively.

"*Event of Default*" means an event of default under the Lease Agreement, as defined in the Lease Agreement and in Article XII, Section 12.02 hereof.

"*Existing Improvements*" means those District facilities and improvements located on the Site as of the Closing Date.

"*2002 Certificates*" means the \$27,950,000 West Hills Community College District Certificates of Participation (2002 Capital Improvements Projects) executed and delivered by the 2002 Trustee pursuant to the 2002 Trust Agreement.

"*2002 Escrow Agreement*" means that certain agreement providing for the prepayment of the 2002 Certificates executed by and between the District and the 2002 Escrow Agent, and its successors and assigns.

"*2002 Trustee*" means BNY/Mellon Trust Company.

"*2002 Trust Agreement*" means the Trust Agreement entered into among the 2002 Trustee, the District and the Corporation, dated as of August 1, 2002.

"*2003 Certificates*" means the \$37,200,000 West Hills Community College District Certificates of Participation (2003 Capital Improvements Projects) executed and delivered by the 2003 Trustee pursuant to the 2003 Trust Agreement.

"*2003 Escrow Agreement*" means that certain agreement providing for the prepayment of the 2003 Certificates executed by and between the District and the 2003 Escrow Agent, and its successors and assigns.

"*2008 Certificates*" or "*Certificates*" means the District's \$70,200,000 Variable Rate Demand Obligations Certificates of Participation (2008 Refunding Project), dated June 19, 2008.

"*Escrow Fund*" is that certain escrow fund established under and pursuant to each of the respective Escrow Agreements in which moneys shall be deposited for the prepayment of the 2002 Certificates and the 2003 Certificates, respectively.

"*Facility*" means the Site, the Existing Improvements and that portion of the Improvements on the Site.

"*Fair Market Value*" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Code) and, otherwise, the term "*Fair Market Value*" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security-State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) the investment is the Local Agency Investment Fund of the State of California but only if at all times during which the investment is held its yield is reasonably expected to be equal to or greater than the yield on a reasonably comparable direct obligation of the United States. The Trustee shall have no duty in connection with the determination of Fair Market Value other than to follow the investment directions of a District Representative in any written directions of a District Representative.

"*Favorable Opinion of Special Counsel*" means an opinion acceptable to the District and the LOC Bank, addressed to the District, the LOC Bank and the Trustee, to the effect that as of such date that the action proposed to be taken is authorized or permitted by the Trust Agreement and will not result in the inclusion of interest on the Certificates in gross income for federal income tax purposes.

"*Federal Securities*" means direct general obligations of (including obligations issued or held in book entry form on the books of the Department of the Treasury) the United States of America, or obligations the payment of principal of and interest on which are guaranteed by, the United States of America.

"*Improvements*" means all improvements on the Site other than the Existing Improvements.

"*Independent Counsel*" means an attorney duly admitted to the practice of law before the highest court of the state in which such attorney maintains an office and who is not an employee of the District, the Trustee or the Corporation and who is acceptable to the LOC Bank.

"*Insurance and Condemnation Fund*" means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

"*Interest Payment Date*" means (i) _____ 1, 2008, and the first Business Day of each calendar month thereafter to and including the Conversion Date, and thereafter (ii) after the Conversion Date, each _____ 1 and _____ 1. In any case, the final Interest Payment Date shall be the maturity date for such Certificate; provided however, that after the Conversion Date, the Interest Payment Date with respect to any outstanding certificates which are LOC Bank Certificates shall be the first Business Day of each calendar month so long as such outstanding certificates remain LOC Bank Certificates.

"*Lease Agreement*" means the Lease Agreement dated as of June 1, 2008 by and between the Corporation as lessor and the District as lessee, and any authorized and executed amendments thereto.

"*Lease Payment Date*" means any date occurring no more than three (3) Business Days prior to any Interest Payment Date or principal payment date.

"*Lease Payment Fund*" means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

"*Lease Payment*" or "*Lease Payments*" means all payments required to be paid by the District pursuant to the Lease Agreement, including any prepayment thereof pursuant to Article X of the Lease Agreement.

"*Letter of Credit*" means the Initial LOC or, in the event of delivery of an Alternative Credit Facility, such Alternative Credit Facility.

"*Letter of Credit Fund*" means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

"*Letter of Representations*" means the DTC Letter of Representations.

"*LOC Agreement*" means the Reimbursement Agreement, dated as of June 1, 2008 between the District and the Initial LOC Bank, as the same may be amended or supplemented from time to time providing for the issuance of the Initial LOC, or any similar agreements provided with respect to any Alternate Credit Facility.

"*LOC Bank*" means (i) initially, Union Bank of California, and (ii) any other financial institution issuing an Alternate Credit Facility then in effect. All references to LOC Bank in the Trust Agreement and in the Lease Agreement shall be of no force and effect whatsoever during any period of time during which (a) the Letter of Credit shall have expired in accordance with its terms, (b) the District shall have paid all of its reimbursement obligations under and as defined in the LOC Agreement and (c) no LOC Bank Certificates shall be outstanding under the Trust Agreement.

"*LOC Bank Certificates*" means Certificates purchased with amounts drawn on the Letter of Credit pursuant to the Trust Agreement and owned by the LOC Bank.

"*Long Term Rate*" or "*Long Term Rates*" means the respective interest rates at which interest represented by the various maturities of the Outstanding Certificates begins to be computed at the respective Long Term Rates applicable to the Principal Amount of the Certificates from and after the Conversion Date until the Maturity in accordance with the Lease Agreement.

"*Mandatory Tender Date*" means a date on which the Certificates are subject to mandatory tender for purchase pursuant to Section 4.05 of the Trust Agreement.

"*Maturity*" means July 1, 2033 or such earlier date when all of the Certificates are fully satisfied.

"*Maximum Rate*" means with respect to Owners other than the LOC Bank, 12% per annum (computed on the basis of a 365 day or 366 day year, as applicable, for the actual number of days elapsed and at any other time, the Default Rate, as such term is defined in the LOC Agreement).

"*Monthly Interest Period*" means before the Conversion Date means that period of time beginning on a Variable Rate Adjustment Date and continuing to, and including thirty (30) days thereafter.

"*Moody's*" means Moody's Investors Service, its successors and assigns, and, if such corporation shall for any reason no longer perform the function of a securities rating agency, "*Moody's*" shall be deemed to refer to any other nationally recognized rating agency designated by the District.

"*Net Proceeds*" means any insurance proceeds or condemnation award, paid with respect to the Facility, to the extent remaining after payment therefrom of all expenses incurred in the collection thereof.

"*Nonpurpose Investment*" means any Investment Property which is acquired with the proceeds of the Certificates and is not acquired to carry out the governmental purpose of the Certificates.

"*Outstanding*," when used with reference to the Certificates and as of any particular date, means all Certificates theretofore executed and delivered except: (a) any Certificate canceled by the Trustee or surrendered for cancellation at or before said date, (b) Certificates for the payment or prepayment of which funds or eligible securities in the necessary amount, including accrued interest thereon, shall have theretofore been deposited with the Trustee (whether upon or prior to the maturity or prepayment date of such Certificates), *provided that*, if such Certificates are to be prepaid prior to maturity, notice shall have been given as provided in the Trust Agreement or provision satisfactory to the Trustee shall have been made for the giving of such notice, and (c) any Certificate in lieu of, in substitution for, or in exchange for which another Certificate shall have been delivered pursuant to the Trust Agreement.

"*Owner*," "*Owners*," "*Certificate Owner*," "*Certificateholder*" or "*Holder*" when used with respect to a Certificate means the person in whose name the ownership of such Certificate shall be registered.

"*Paying Agent*" means the Trustee or any commercial bank with trust powers acting as such, and any other paying agent appointed pursuant to the Trust Agreement.

"*Payment Date*" means any Interest Payment Date or Principal Payment Date.

"*Permitted Encumbrances*" means, as of any particular time:

- (1) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the relevant taxing authority may permit to remain unpaid without penalty;
- (2) the Assignment Agreement;
- (3) the Lease Agreement;
- (4) easements, rights of way, mineral rights, drilling rights and other right, reservations, covenants, conditions or restrictions which exist of record as of the Closing Date;
- (5) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions established following the date of recordation of the Lease Agreement and to which the District and the LOC Bank consent in writing;
- (6) the Site Lease;
- (7) leases made in the ordinary course of business; and
- (8) any other lien or encumbrance incurred in the ordinary course of business provided the same does not materially impair the value of the Facility.

provided the same does not materially impair the value of the Facility.

"Permitted Investments" means any of the following:

1. Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

2. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

- a. Farmers Home Administration (FmHA) Certificates of beneficial ownership.
- b. Federal Housing Administration Debentures (FHA).
- c. General Services Administration Participation Certificates.
- d. Government National Mortgage Association (GNMA or "*Ginnie Mae*")
 - GNMA - guaranteed mortgage-backed bonds.
 - GNMA - guaranteed pass-through obligations (participation certificates).
- e. U.S. Maritime Administration Guaranteed Title XI financing.
- f. U.S. Department of Housing and Urban Development (HUD) Project Notes Local Authority Bonds.
- g. Resolution Funding Corp. (REFCORP). Only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve LOC Bank in book entry form are acceptable.

3. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

- a. Federal Home Loan LOC Bank System Senior Debt Obligations (Consolidated debt obligations).
- b. Federal Home Loan Mortgage Corporation (FHLMC or "*Freddie Mac*") Participation Certificates (Mortgage-backed securities) Senior debt obligations.
- c. Federal National Mortgage Association (FNMA or "*Fannie Mae*") Mortgage-backed securities and senior debt obligations (excluded are stripped mortgage securities which are valued greater than par on the portion of unpaid principal.).
- d. Student Loan Marketing Association (SLMA or "*Sallie Mae*") Senior Debt Obligations.
- e. Farm Credit System - Consolidated systemwide bonds and notes.

4. Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of AAAM-G; AAAM; or AA-m and if rated by Moody's rated Aaa, Aa1 or Aa2 which includes funds for which the Trustee, its affiliates or subsidiaries provides investment advisory or other management services.

5. Certificates of deposit secured at all times by collateral described in (1) and/or (2) above. CD's must have a one-year or less maturity. Such certificates must be issued by commercial banks (including the Trustee and its affiliates or subsidiaries), savings and loan associations or mutual savings banks whose short term obligations are rated "A-1+" or better by S&P and "Prime-I" by Moody's. A third party must hold the collateral and the Holders of the Certificates must have a perfected first security interest in the collateral.

6. Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC including BIF and SAIF.

7. Investment Agreements, including GIC's, acceptable to the LOC Bank (Investment Agreement criteria is available upon request).

8. Commercial paper rated at the time of purchase "Prime – I" by Moody's and "A- 1+" or better by S&P.

9. Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest long-term rating categories assigned by such agencies.

10. Federal funds or bankers acceptances with a maximum term of one year of any bank (including the Trustee and its affiliates) which has an unsecured, uninsured and unguaranteed obligation rating of "Prime - 1" or "A3" or better by Moody's and "A-I+" by S&P.

11. Repurchase agreements ("Repos") that provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the Trustee (buyer/lender), and the transfer of cash from the Trustee to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the Trustee in exchange for the securities at a specified date.

a. Repos must satisfy the following criteria:

(i) Repos must be between the municipal entity and a dealer bank or securities firm.

(A) Primary dealers on the Federal Reserve reporting dealer list which fall under the jurisdiction of the SIPC and which are rated "A" or better by S&P and Moody's, or

(B) LOC Banks rated "A" or above by S&P and Moody's Investor Services.

b. The written Repo contract must include the following:

(i) Securities which are acceptable for transfer are:

(A) Direct U.S. government obligations.

- (B) Federal agencies backed by the full faith and credit of the U.S. government (and FNMA & FHLMC).
- (ii) The term of the Repo may be up to 30 days.
- (iii) The collateral must be delivered to the municipal entity or the Trustee (if the Trustee is not supplying the collateral) or third party acting as agent for the Trustee (if the Trustee is supplying the collateral) before simultaneous with payment (perfection by possession of certificated securities).
- (iv) The Trustee has a perfected first priority security interest in the collateral.
- (v) Collateral is free and clear of third-party liens and in the case of SIPC broker was not acquired pursuant to a Repo or reverse Repo.
- (vi) Failure to maintain the requisite collateral percentage, after a two-day restoration period, will require the trustee to liquidate collateral.
- (vii) Valuation of Collateral
- (viii) The securities must be valued weekly, marked-to-market at current market price plus accrued interest
- (ix) The value of collateral must be equal to 104% of the amount of cash transferred by the municipal entity to the dealer bank or security firm under the Repo plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by municipality, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%.
- (x) Legal opinion which must be delivered to the municipal entity:
- (xi) Repo meets guidelines under state law for legal investment of public funds.

12. Pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by S&P. If, however, the issue is only rated by S&P (i.e., there is no Moody's rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or "AAA" rated pre-refunded municipals to satisfy this condition.

"*Person*" means any individual, association, unincorporated organization, corporation, partnership, joint venture, business trust or a government or an agency or a political subdivision thereof, or any other entity (including any agency or political subdivision thereof).

"*Prime Rate*" means the rate as announced by the LOC Bank from time to time as its prime lending rate for unsecured commercial loans within the United States, any change in the interest rate resulting from a change in the prime lending rate to be effective on the date of each change in the prime lending rate announced by the LOC Bank. The prime lending rate is a reference rate only, and the LOC Bank may make loans from time to time at interest rates above, equal to or below the prime lending rate.

"*Principal Amount*," when used with respect to Lease Payments, means the total principal component of Lease Payments then unpaid.

"*Principal Payment Date*" means any date on which the principal, with respect to the Certificate is due and payable of each year, commencing on the dates as provided in the Lease Agreement.

"*Project*" means those capital improvements, more particularly described in Exhibit C of the Trust Agreement, as the same may be amended from time to time.

"*Purchase Date*" means the date of purchase for any Certificate tendered pursuant to the Trust Agreement.

"*Purchase Fund*" means the fund held by the Trustee pursuant to the Trust Agreement.

"*Purchase Price*" means, for purpose of computation of the Yield on the Lease Payments has the same meaning as the term "issue price" in Section 1273(b) an 1274 of the Code and in general, means the initial offering price to the public (not including bond houses and brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of the Certificates are sold or, if the Certificates are privately placed, the price paid by the original purchaser thereof or the acquisition cost to such original purchaser. The term "Purchase Price," for the purpose of computation of the Yield of Nonpurpose Investments, means the fair market value of the Nonpurpose Investments in the date of use of Gross Proceeds for acquisition thereof, or if later, on the date that Investment Property constituting a Nonpurpose Investment becomes a Nonpurpose Investment.

"*Rating Agency*" means Moody's, if Moody's is then rating the Certificates, and means S&P, if S&P is then rating the Certificates, and such other rating agency as shall then maintain a rating on the Certificates.

"*Registration Books*" means the records maintained by the Trustee pursuant to the Trust Agreement for registration and transfer of ownership of the Certificates.

"*Remarketing Agent*" means a bank (which may be, but is not required to be, the Remarketing Agent) or an investment banking firm which is experienced in the underwriting of tax-exempt obligations and which is acceptable to the LOC Bank, which bank or investment banking firm acquires all Outstanding Certificates on conversion of the Certificates to the Long Term Rate in accordance herewith.

"*Remarketing Agreement*" means the Remarketing Agreement, dated as of June 1, 2008, by and among the Trustee, the Distinct and the Remarketing Agent, as such agreement may from time to time be supplemented, modified or amended and any other similar agreement entered into with any successor Remarketing Agent.

"*Rental Period*" means each twelve-month period during the Term of the Lease Agreement commencing as of June 1 in any year and ending on May 30 in the next succeeding year, except as otherwise provided in the Lease Agreement; and provided further that the first Rental Period during the term of the Lease Agreement will begin on the Closing Date and end on June __, 2009.

"*S&P*" means Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and their assigns, and, if such corporation shall for any reason no longer perform the function of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized rating agency designated by the District with the approval of the LOC Bank.

"*Seasoned Funds*" means any moneys deposited by the District with the Trustee and so designated by the District, (i) which moneys shall have been held by the Trustee for at least one hundred twenty-three (123) days prior to the date notice of tender or prepayment is given and not commingled with any moneys so held for less than said period and during which period no petition in bankruptcy was filed by or against the District or the Corporation under the United States Bankruptcy Code (as evidenced by a certificate of the District and Corporation, upon which the Trustee may conclusively rely upon), unless such petition was dismissed and all applicable appeal periods have expired without an appeal having been filed; provided that the District shall also provide an opinion of counsel to the Trustee that such funds are not subject to a voidable preference under the Certificate Credit Bankruptcy Code, or (ii) other moneys that a national recognized bankruptcy counsel shall have provided an opinion to the Trustee that such funds are not subject to a voidable preference under the Certificate Credit Bankruptcy Code.

"*Securities Depository(ies)*" means The Depository Trust Company, 55 Water Street, 50th Floor, New York, NY, 10041-0099, Attn. Call Notification Department, Fax (212) 855-7232 or such other addresses and/or such other securities depositories as the District may designate in a certificate of the District delivered to the Trustee and the LOC Bank.

"*Site*" means that certain real property more particularly described in the Site Lease and the Lease Agreement.

"*Site Lease*" means the Site Lease, dated as of the date thereof, by and between the District, as lessor, and the Corporation, as lessee, together with any duly authorized and executed amendments thereto.

"*Special Counsel*" means Greenberg Traurig, LLP, or any other attorney or firm of attorneys appointed by and acceptable to the District and the LOC Bank of nationally-recognized experience in the issuance of obligations the interest in which is excludable from gross income for federal income tax purposes under the Code.

"*State*" means the State of California.

"*Tender Agent*" means Deutsche Bank National Trust Company, a national banking association duly organized and existing under the laws of the United States of America, or its successor and assigns under the provisions of the Trust Agreement.

"*Term*" or "*Term of the Lease*" means the time during which the Lease Agreement is in effect, as provided in the Lease Agreement.

"*Transaction Documents*" means the Agency Agreement, the Assignment Agreement, the Lease Agreement, the Site Lease, the Trust Agreement and such other relevant operative document and instruments necessary to delivery of the Certificates.

"*Trust Agreement*" means the Trust Agreement, together with any amendments or supplements hereto permitted to be made under the Trust Agreement.

"*Trustee*" means Deutsche Bank National Trust Company, its affiliates, a State of California national banking association duly organized and existing under the laws of the United States of America, its successors or assigns under the provisions of the Trust Agreement designee or assignee.

"*Underwriter*" means the first purchaser of the Certificates upon their delivery by the Trustee on the Closing Date; initially Nollenberger Capital Partners, Inc.

"*Variable Interest Period*" means, prior to the conversion of the Certificates to a Long Term Rate, each period which may be a Daily Interest Period, Weekly Interest Period or Monthly Interest Period which shall run from, and include, the beginning of the next Period and end on, and include, the day immediately preceding the next succeeding Period; *provided, however*, the first such period shall commence on the Closing Date, and shall end on Tuesday, July 1, 2008. The District has the right to direct the Remarketing Agent to change the periods in the preceding sentence on three Business Days written notice and the Remarketing Agent shall have the right to require the District to require the Owners to tender their Certificates in the event that the Period shall extend beyond seven (7) days (*i.e.*, a Daily or Weekly Interest Period).

"*Variable Rate*" means the rate at which interest components of the Lease Payments are calculated before conversion to the Long Term Rate, determined pursuant to and in accordance with Section 4.7 of the Lease Agreement and Section 2.03 of the Trust Agreement. The interest rate with respect to a (i) Daily Interest Period shall be effective from and including the commencement date thereof and continue to, but not including, the next succeeding Business Day, (ii) Weekly Interest Period shall be effective from and including the commencement date thereof, which shall be a Wednesday and continue to and including the next preceding Tuesday unless such rate would include a Principal Payment Date and in such event, such period shall end on such Principal Payment Date and (iii) Monthly Interest Period shall be effective from and including the commencement date thereof which shall be a Wednesday and continue to and including 30 days thereafter.

Notwithstanding anything to the contrary, in the case of a conversion of the Certificates (i) from a period seven days or less, to a Weekly Interest Period the Conversion Date must be an Interest Payment Date for such Daily Interest Period, (ii) from a Weekly Interest Rate Period to a Daily Interest Rate Period, the Conversion Date must be Interest Payment Date for a Weekly Interest Period and (iii) from a Daily Interest Period or Weekly Interest Period to a Monthly Interest Period, the conversion must be an Interest Payment Date for such Daily or Weekly Interest Rate Period, as the case may be.

"*Variable Rate Adjustment Date*" means (i) the initial period beginning on the Closing Date and continuing to and including Tuesday, July 1, 2008 and (ii) after July 1, 2008, and after any Variable Rate Adjustment, the period from and including Wednesday of each week through and including the following Tuesday unless the Remarketing Agent shall determine a different period is warranted.

"*Weekly Interest Period*" means that period of time beginning on the Closing Date and extending to July 1, 2008, and thereafter before the Conversion to the Long Term Rate means that period of time beginning on a Variable Rate Adjustment Date and continuing to, and including the next succeeding Tuesday.

"*Weekly Rate*" means the per annum interest rate for the Certificates during a Weekly Interest Period determined on a weekly basis as provided in the Trust Agreement.

"*Written Request of the District*" means an instrument in writing signed by the District Representative.

"*Yield*" shall have the meaning set forth in Section 1.148.5 of the Tax Regulations; and of any issue of governmental obligations having the meaning set forth in Section 1.148-4 of the Tax Regulations.

LEASE AGREEMENT

The following is a summary of certain provisions of the Lease Agreement. This summary does not purport to be complete or definitive and reference is made to the Lease Agreement for the complete terms thereof.

The Lease Agreement is entered into between the Corporation, as lessor, and the District, as lessee.

Term

The term of the Lease Agreement shall commence on the earlier of the date of the Lease Agreement or on the date of recordation, and shall end on July 1, 2033, unless such term is extended as provided in the agreement. If on July 1, 2033, any Certificates remain Outstanding under the Trust Agreement, or the Trust Agreement shall not be discharged by its terms, or if the Lease Payment payable thereunder shall have been abated at any time and for any reason, then the Lease Agreement shall remain in full force and effect until all Certificates have been fully paid and the Lease Agreement shall be extended until there has been deposited with the Trustee an amount sufficient to pay all obligations due under the Lease Agreement and the Trust Agreement has been discharged by its terms, but in no event shall the term of the Lease Agreement extend beyond the term of the Site Lease. If prior to July 1, 2033, the Trust Agreement shall be discharged by its terms, the Term of the Lease Agreement shall thereupon, simultaneously terminate.

Deposit of Moneys

On the Closing Date, the Corporation shall cause to be deposited with the Trustee the proceeds of sale of the Certificates, which proceeds the Trustee shall apply in accordance with the provisions of the Trust Agreement.

Lease Payments; Abatement

The District is required under the Lease Agreement to make Lease Payments on each Lease Payment Date for use and possession of the Facility (as defined in the Lease Agreement). The obligation of the District to make Lease Payments (other than to the extent that funds to make Lease Payments are available in the Lease Payment Fund and the Insurance and Condemnation Fund) may be abated in whole or in part if the District does not have full use and possession of the Facility.

The Lease Payments for the Facility for each Rental Period shall constitute the total rental for the Facility for each such Rental Period and shall be paid by the District in each Rental Period for and in consideration of the right of the use and occupancy, and the continued quiet use and enjoyment, of the Facility during each Rental Period. The parties have agreed and determined that the total Lease Payments for the Facility do not exceed the fair rental value of the Facility. In making such determination, consideration has been given to the obligations of the parties under the Lease Agreement, the uses and purposes which may be served by the Facility, the total amounts which have been expended on the Facility, the value of the Site and the Facility and the benefits therefrom which will accrue to the District, its residents and the general public.

Lease Payments shall be payable from any source of available funds of the District. The District has covenanted in the Lease Agreement to take such action as may be necessary to include (from all lawfully available money of the District) all Lease Payments and other payments due under the Lease Agreement as a separate line item in each of its annual budgets during the term of the Lease Agreement and to make the necessary annual appropriations for the actual amount of all such Lease Payments due and any other payments due under the Lease Agreement at an assumed interest rate equal to the

scheduled interest rate assumption on all Outstanding Certificates set forth in the Trust Agreement. The covenants of the District shall be deemed to be, and shall be, duties imposed by law, and it shall be the duty of each and every public official of the District to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the District to carry out and perform such covenants.

Lease Payments will be abated during any period in which, by reason of damage, destruction, non-completion or other event (other than by eminent domain which is provided for under the Lease Agreement), there is substantial interference with the use and occupancy by the District of the Facility or any portion thereof (other than any excluded portions of the Facility described in the Lease) but not any specific portions of the Facility as shall be agreed upon by the District and the Corporation, approved by the LOC Bank such that the resulting Lease Payments represent fair consideration for the use and occupancy of the portions of the Facility not damaged, destroyed, incomplete or otherwise unavailable for use and occupancy by the District. The parties agree that the amounts of the Lease Payments under such circumstances shall not be less than the amounts of the unpaid Lease Payments as are then set forth herein, unless such unpaid amounts are determined to be greater than the fair rental value of the portions of the Facility not damaged or destroyed based upon the written opinion delivered to the LOC Bank and the Trustee of an MAI appraiser with expertise in valuing such properties or other appropriate method of valuation, in which event the Lease Payments shall be abated such that they represent said fair rental value. Such abatement shall continue for the period commencing with such damage, destruction, noncompletion or other event and ending with the substantial completion of the work of repair or reconstruction or of completion of the Facility or of the regained availability of use and occupancy. In the event of any such damage, destruction, non-completion or non-availability, the Lease Agreement shall continue in full force and effect and the District waives any right to terminate the Lease Agreement by virtue of any such damage, destruction, non-completion or unavailability.

Notwithstanding the foregoing, there shall be no abatement of Lease Payments under the Lease Agreement by reason of damage, destruction, non-completion or unavailability of all or a portion of the Facility to the extent that (i) the fair rental value of the portions of the Facility not damaged, destroyed, incomplete or otherwise unavailable for use and occupancy by the District, based upon the written opinion delivered to the LOC Bank and the Trustee of an MAI appraiser with expertise in valuing such properties or other appropriate method of valuation, is equal to or greater than the unpaid principal component of the Lease Payments; or (ii) (A) the proceeds of rental interruption insurance, or (B) amounts in the Seasoned Reserve Fund Account (if any) and/or the Insurance and Condemnation Fund and/or the Lease Payment Fund are available to pay Lease Payments which would otherwise be abated under the Lease Agreement, it being hereby declared that such proceeds and amounts constitute special funds for the payment of the Lease Payments.

Additional Payments

In addition to the Lease Payment, the District shall pay when due all costs and expenses incurred by the District, the Trustee, the LOC Bank and the Corporation in complying with the provisions of the Transaction Documents, or otherwise arising from the financing of the Facility, including without limitation, replenishment of the Certificate Reserve Fund and all Delivery Costs (to the extent not paid from amounts on deposit in the Delivery Costs Fund), compensation, reimbursable expenses and fees due to the Trustee, the Tender Agent, the LOC Bank, and the Remarketing Agent, all costs and expenses of auditors, engineers and accountants and any amounts required to be rebated to the federal government, which payments shall not be subject to abatement.

Property Insurance; Eminent Domain

The District will maintain or cause to be maintained throughout the term of the Lease Agreement, with respect to the Facility the following insurance against risk of physical damage.

Public Liability and Damage Insurance. The District shall maintain or cause to be maintained, throughout the term of the Lease Agreement, a standard comprehensive general liability insurance policy or policies in protection of the Corporation, the District, the LOC Bank, the Trustee and their respective members, officers, agents and employees. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried by the District, and may be maintained through a joint exercise of powers authority created for such purpose or, with the prior written consent of the LOC Bank, in the form of self-insurance by the District. Said policy or policies shall provide for indemnification of said parties against direct or consequential loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Facility. Said policy or policies shall provide coverage in the minimum liability limits of \$1,000,000 for personal injury or death of each person and \$3,000,000 for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of \$500,000 for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of \$3,000,000 covering all such risks. Deductibles, if any, shall be subject to the written consent of the LOC Bank. The proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the proceeds of such insurance shall have been paid.

Fire and Extended Coverage Insurance; Earthquake Insurance. The District shall procure and maintain, or cause to be procured and maintained, throughout the Term of the Lease Agreement, insurance against loss or damage to any structures constituting any part of the Facility by fire and lightning, with extended coverage and vandalism and malicious mischief insurance. Such insurance may be maintained as part of or in conjunction with any other fire and extended coverage insurance carried by the District and, with the prior written consent of the LOC Bank, may be maintained in whole or in part through a joint exercise of powers authority created for such purpose. Deductibles, if any, shall be subject to the written consent of the LOC Bank.

Said extended coverage insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance shall be in an amount equal to the greater of one hundred percent (100%) of the replacement cost of the Facility and the amount available to be funded by the LOC Bank under the Letter of Credit. The Net Proceeds of such insurance shall be applied as provided in the Lease Agreement.

Such insurance may be maintained as part of or in conjunction with any other fire and extended insurance coverage carried by the District, and may be maintained through a joint exercise of powers authority created for such purpose or, with the prior written consent of the LOC Bank, in the form of self-insurance by the District.

The District shall procure and maintain, or cause to be procured and maintained, throughout the term of the Lease Agreement, insurance against earthquake loss or damage to the Facility in such amounts as an independent insurance consultant shall annually determine is necessary to protect the District for such risk. Such insurance may be subject to a deductible clause of not to exceed ten percent (10%) for any one loss. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the District. If the District determines that it cannot purchase such insurance on the open market from reputable insurers at reasonable cost, the District agrees to self-insure for such coverage.

Rental Interruption.

The District shall procure, for the benefit of the Corporation, the Trustee and the LOC Bank, and maintain, or cause to be maintained, throughout the term of the Lease Agreement rental interruption insurance to cover loss of rental income to the Corporation resulting from rental abatement arising out of

the District's inability to use any part of the Facility during the term of the Lease Agreement as a result of any of the hazards covered by the Fire and Extended Coverage Insurance and Earthquake Insurance, in an amount at least equal to the maximum amount of Lease Payment payable in any two (2) year period, assuming the applicable interest rate is the Maximum Interest Rate. Such insurance may be carried in conjunction with, and may be subject to the same provisions as, the insurance required by the Fire and Extended Coverage Insurance and Earthquake Insurance. The District hereby assigns to the Corporation all right of the District, if any, to collect and receive Net Proceeds under any of said policies, which right has been assigned by the Corporation to the Trustee pursuant to the Assignment Agreement. The Net Proceeds of such insurance shall be paid to the Trustee and deposited in the Lease Payment Fund and shall be credited towards the payment of the Lease Payment in the order in which such Lease Payment come due and payable.

Title Insurance. On the Closing Date, the District shall provide, at its own expense, a CLTA title insurance policy covering, and in the amount of not less than the principal component of the Certificates, insuring the District's leasehold estate in the Site, subject only to Permitted Encumbrances. All Net Proceeds of such insurance shall be applied as provided in the Lease Agreement.

Insurance Net Proceeds

Each policy of insurance required by the Lease Agreement shall (i) unless a form of self-insurance is expressly approved by the LOC Bank in writing, be obtained from an insurance provider licensed to do business in the State and rated "A" or better by Best & Company; (ii) name the Trustee and the LOC Bank as loss payees; (iii) name the District, the Corporation and the Trustee as insured's and (iv) provide that all proceeds thereunder shall be payable to the Trustee and applied as provided in the Lease Agreement. The District shall pay or cause to be paid when due the premiums for all insurance policies required by the Lease Agreement. The Trustee shall not be responsible for the sufficiency of any insurance therein required, including any forms of self-insurance and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss. The District shall cause to be delivered annually on or before each January 1 to the LOC Bank and the Trustee a certificate that the District was in compliance with the Lease Agreement and the Trustee may conclusively rely upon such certificates. The District shall have the adequacy of any insurance reserves maintained by the District or by a joint exercise of powers authority, if applicable, for purposes of the insurance required by the Lease Agreement reviewed at least annually, on or before each January 1, by an independent insurance consultant and shall maintain reserves in accordance with the recommendations of such consultant to the extent moneys are available for such purpose and not otherwise appropriated and shall provide a copy of such recommendations to the LOC Bank and the Trustee.

The Lease Agreement provides that, if all or any part of the Facility that render the remainder not useable for public purposes of the District shall be taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain) the Term of the Lease shall end and the Net Proceeds therefrom shall be deposited with the Trustee in the Insurance and Condemnation Fund and the applied as set forth under the Trust Agreement.

Tax Covenants

Private Activity Bond Limitation. The District shall assure that proceeds of the Certificates are not so used as to cause the Certificates or the Lease Agreement to satisfy the private business tests of Section 141(b) of the Code or the private loan financing test of Section 141(c) of the Code.

Federal Guarantee Prohibition. The District shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Certificates or the Lease Agreement to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

Rebate Requirement. The District shall take or cause the taking of any and all actions necessary to assure compliance with Section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Certificates or the Lease Agreement.

No Arbitrage. The District shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Certificates which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date would have caused the Certificates or the Lease Agreement to be “arbitrage bonds” within the meaning of Section 148 of the Code.

Maintenance of Tax Exemption. The District shall take or cause the taking of all actions necessary to assure the exclusion of interest with respect to the Certificates from the gross income of the Owners of the Certificates to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the Closing Date.

Assignment and Subleasing

The Lease Agreement may not be assigned by the District. The District may sublease the Facility or any portion thereof, but only with the written consent of the Corporation and the LOC Bank, subject to all of the following conditions: (i) the Lease Agreement and the obligation of the District to make Lease Payments under the Lease Agreement shall remain obligations of the District; (ii) the District shall, within thirty (30) days after the delivery thereof, furnish or cause to be furnished to the Corporation, the LOC Bank (so long as the Letter of Credit is in effect) and the Trustee a true and complete copy of such sublease; (iii) no such sublease by the District shall cause the Facility to be used for a purpose other than as may be authorized under the provisions of the constitution and laws of the State; and (iv) the District shall furnish the Corporation, the LOC Bank (so long as the Letter of Credit is in effect) and the Trustee with a Favorable Opinion of Special Counsel stating that such sublease does not cause the interest components of the Lease Payments to become subject to federal income taxes.

Amendment of Lease Agreement

Substitution of Site or Facility. The District has the option at any time and from time to time during the Term of the Lease Agreement to substitute other land (a “Substitute Site”) and/or a substitute facility or substitute facilities (a “Substitute Facility”) for the Site (the “Former Site”), or a portion thereof, and/or the Existing Improvements or Improvements (collectively, the “Former Facility”), or a portion thereof, provided that the District shall satisfy all of the following requirements which are declared to be conditions precedent to such substitution: (i) the District shall file with the Corporation, the LOC Bank and the Trustee an amended Exhibit A to the Site and Facility Lease which adds thereto a description of such Substitute Site and deletes therefrom the description of the Former Site; (ii) the District shall file with the Corporation, the LOC Bank and the Trustee an amended Exhibit A to the Lease Agreement which adds thereto a description of such Substitute Site and deletes therefrom the description of the Former Site; (iii) the District shall file with the Corporation, the LOC Bank and the Trustee an amended Exhibit B to the Site and Facility Lease which adds thereto a description of such Substitute Facility and deletes therefrom the description of the Former Facility; (iv) The District shall file with the Corporation, the LOC Bank and the Trustee an amended Exhibit B to the Lease Agreement which adds thereto a description of such Substitute Facility and deletes therefrom the description of the Former Facility; (v) the District shall certify in writing to the Corporation, the LOC Bank and the Trustee that such Substitute Site and/or Substitute Facility serves the purposes of the District, constitutes property that is unencumbered, subject to Permitted Encumbrances, constitutes property that has a useful life not shorter than the Former Facility and/or Former Site, and constitutes property which the District is permitted to lease under the laws of the State; (vi) the District delivers to the Trustee, the LOC Bank and the Corporation written evidence that the Substitute Site and/or Substitute Facility is or are, as applicable, of equal or greater value than the Former

Site and Former Facility, as determined by an MAI appraisal; (vii) the Substitute Site and/or Substitute Facility shall not cause the District to violate any of its covenants, representations and warranties made herein, in the Trust Agreement or in any other Transaction Document; (viii) the District shall (a) obtain an amendment to the title insurance policy required pursuant to the Lease Agreement which adds thereto a description of the Substitute Site and/or Substitute Facility and deletes therefrom the description of the Former Site and/or Former Facility and (b) furnish the Corporation, the Trustee and the LOC Bank written evidence that such title insurance policy remains in full force and effect; (ix) the District shall certify in writing to the Corporation, the LOC Bank and the Trustee that the Substitute Site and/or Substitute Facility is of the same or greater essentiality to the District as was the Former Site and/or the Former Facility; (x) the District shall obtain the prior written consent of the LOC Bank so long as the Letter of Credit is in effect and the LOC Bank is not in default of its obligations thereunder of such substitution and written notice of such consent shall be given by the District to any rating agency then rating the Certificates; and (xi) the District shall furnish the Corporation, the LOC Bank and the Trustee with a written Opinion of Counsel that is nationally recognized bond counsel stating that such substitution does not cause the interest components of the Lease Payment to become subject to federal income taxes or State personal income taxes.

Release of Site. The District has the option at any time and from time to time during the Term of the Lease Agreement to release any portion of the Site, provided that the District shall satisfy all of the following requirements which are declared to be conditions precedent to such release: (i) the District shall file with the Corporation, the LOC Bank (so long as the Letter of Credit is in effect) and the Trustee a description of the Site as an amended *Exhibit A* to the Site Lease, as revised by such release; (ii) the District shall file with the Corporation, the LOC Bank (so long as the Letter of Credit is in effect) and the Trustee a description of the Site as an amended *Exhibit A* to the Lease Agreement, as revised by such release; (iii) the District delivers to the Trustee, the LOC Bank (so long as the Letter of Credit is in effect) and the Corporation written evidence that the Site, as revised by such release, is of a value at least equal to the value of the Site as of the Closing Date, as determined by a MAI appraisal or 110% of the Outstanding amount of Certificates and that the release will not cause the Lease Payment to be less than the amount necessary to pay principal and interest due with respect to the Certificates; (iv) the District shall provide written notice of such release to any Rating Agency then rating the Certificates; (v) Such release shall not cause the District to violate any of its covenants, representations and warranties made in the Lease Agreement, in the Trust Agreement or in any other Transaction Document; (vi) the District shall have received the prior written consent of the LOC Bank; (vii) the District shall (a) obtain an amendment to the title insurance policy required pursuant to the Lease Agreement which describes the Site, as revised by such release and (b) furnish the Corporation, the Trustee and the LOC Bank written evidence that such title insurance policy remains in full force and effect; (viii) the District shall certify in writing to the Corporation, the LOC Bank and the Trustee that the Site, as revised by such release, serves the purposes of the District, constitutes property that is unencumbered, subject to Permitted Encumbrances, constitutes property that has a useful life not shorter than the Site, and constitutes property which the District is permitted to lease under the laws of the State; (ix) the District shall certify in writing to the Corporation, the LOC Bank and the Trustee that the Site, as revised by such release, is of the same or greater essentiality to the District as was the Site prior to such release; and (x) the District shall furnish the Corporation, the LOC Bank and the Trustee with a written Opinion of Counsel that is nationally recognized bond counsel stating that such release does not cause the interest components of the Lease Payment to become subject to federal income taxes or State personal income taxes.

General. Without the prior written consent of the Trustee and the LOC Bank, neither the District nor the Corporation will alter, modify or cancel, or agree or consent to alter, modify or cancel the Lease Agreement except in connection with a substitution or release permitted by the Lease Agreement and as may be permitted by the Trust Agreement.

Default and Remedies

The following constitute "Events of Default" under the Lease Agreement:

(a) Failure by the District to pay any Lease Payment or Additional Payment required to be paid under the Lease Agreement at the time specified therein.

(b) Failure by the District to keep, observe or perform any other term, covenant, condition or agreement on its part to be observed or performed, other than as referred to in clause (i) of Section 9.1 of the Lease Agreement, for a period of thirty (30) days after the earlier of: (a) actual knowledge of such failure by the District or (b) written notice identifying in reasonable detail such failure and requesting that it be remedied has been given to the District by the Corporation, the Trustee, the LOC Bank or the Owners of not less than five percent (5%) in aggregate principal amount of Certificates then outstanding (provided that such request by Owners shall be effective only upon receipt of the written concurrence of the LOC Bank or without such concurrence if the Letter of Credit is no longer in effect), provided, however, if the failure stated in the notice can be corrected, but not within the applicable period, the Corporation, the Trustee, the LOC Bank (so long as the LOC Bank has not defaulted on its obligations under the Letter of Credit and continues to honor draws thereunder) and such Owners shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the District within the applicable period and diligently pursued until the default is corrected.

(c) The filing by the District of a voluntary petition in bankruptcy, or failure by the District promptly to lift any execution, garnishment or attachment, or adjudication of the District as a bankrupt, or assignment by the District for the benefit of creditors, or the entry by the District into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the District in any proceedings instituted under the provisions of the Federal Bankruptcy Code, as amended, or under any similar acts which may hereafter be enacted.

(d) The occurrence of an Event of Default under, and as defined in the Trust Agreement, and notice to the District, the Corporation and the Trustee of such occurrence.

Whenever any event of default shall have occurred, it shall be lawful for the Corporation to exercise any and all remedies available pursuant to law or granted pursuant to the Lease Agreement; *provided, however*, that notwithstanding anything in the Lease Agreement or in the Trust Agreement to the contrary, there shall be no right under any circumstances to accelerate the Lease Payment or otherwise declare any Lease Payment not then in default to be immediately due and payable.

Each and every covenant to be kept and performed by the District is expressly made a condition and upon the breach thereof and with the prior written consent of the LOC Bank, the Corporation may exercise any and all rights of entry and re-entry upon the Facility, and also with or without such entry, may terminate the Lease Agreement provided, that no such termination shall be effected either by operation of law or acts of the parties hereto, except only in the manner expressly provided therein. In the event of such default and notwithstanding any re-entry by the Corporation, the District shall, as expressly provided in the Lease Agreement, continue to remain liable for the payment of the Lease Payment and/or damages for breach of the Lease Agreement and the performance of all conditions contained therein and, in any event such rent and/or damages shall be payable to the Corporation at the time and in the manner as provided in the Lease Agreement.

Security Deposit

Notwithstanding any other provision of the Lease Agreement, upon payment of all amounts due and owing the LOC Bank thereunder and under the other Transaction Documents and payment of all amounts owed to the Trustee, the District may secure the payment of all or a portion of the Lease

Payment remaining due by a deposit with an escrow holder under an escrow deposit and trust agreement, of: (a) in the case of a security deposit relating to all Lease Payment, either (i) an amount which, together with amounts on deposit in the Lease Payment Fund and the Insurance and Condemnation Fund, and at the option of the District, the Seasoned Funds Account, if any, is sufficient to pay all unpaid Lease Payment, including the principal in accordance with the Lease Payment schedule set forth in Exhibit D of the Lease Agreement and interest components thereof or to an earlier date of prepayment, as provided therein, or (ii) Defeasance Obligations derived from Seasoned Funds in such amount as will, in the written Opinion of Counsel acceptable to the LOC Bank and the Trustee of and in the written opinion of an independent certified public accountant acceptable to the LOC Bank and the Trustee confirmed that such Seasoned Funds together with interest to accrue thereon and, if required, all or a portion of moneys or Defeasance Obligations then on deposit and interest earnings thereon in the Lease Payment Fund and the Insurance and Condemnation Fund (all of which shall be Seasoned Funds), are fully sufficient to pay or repay all unpaid Lease Payment including the principal components and interest components on or before their respective Payment Dates, or to an earlier date of prepayment, as provided therein; or (b) in the case of a security deposit relating to a portion of the Lease Payment, a certificate executed by a District Representative and delivered to the Trustee and the LOC Bank designating the portion of the Lease Payment to which the deposit pertains, and either (i) an amount derived from Seasoned Funds which is sufficient to pay the portion of the Lease Payment designated in such District Representative's certificate, including the principal and interest components thereof, or (ii) Defeasance Obligations derived from Seasoned Funds in such amount as will, together with interest to be received thereon, if any, in the written opinion delivered to the LOC Bank and the Trustee of an independent certified public accountant acceptable to the LOC Bank, be fully sufficient to pay the portion of the Lease Payment designated in the aforesaid District Representative's certificate including the principal and interest components thereof.

In the event of a deposit as to all Lease Payment and as to all amounts due and owing the LOC Bank under the Transaction Documents and payment of all amounts owed to the Trustee, all obligations of the District under the Lease Agreement shall cease and terminate, excepting only the obligation of the District to make, or cause to be made, all payments from the deposit made by the District, and title to the Facility shall be affected thereby. Said deposit and interest earnings thereon shall be deemed to be and shall constitute a special fund for the payments and said obligation shall thereafter be deemed to be and shall constitute the installment purchase obligation of the District for the Facility. Upon said deposit, the Corporation will execute or cause to be executed any and all documents as may be necessary to confirm title to the Facility in accordance with the provisions thereof. In addition, the Corporation appointed the District as its agent to prepare, execute and file or record, in appropriate offices, such documents as may be necessary to place record title to the Facility in the District upon such deposit.

Other Provisions

The District has the right, with the prior written consent of the LOC Bank, to remodel the Facility or to make modifications and additions to it, provided such modifications and additions do not damage the Facility, substantially alter its nature, cause it to be used for unauthorized purposes or reduce its value to a value less than that existing prior to such modifications and additions. All such additions and modifications become part of the Facility and subject to the provisions of the Lease Agreement. The District may add or substitute items of equipment or improvements to or for those items of equipment or improvements initially leased from the Corporation if, among other requirements set forth in the Lease Agreement, such items do not require an expenditure of amounts in excess of amounts appropriated for such purpose by the District, and have a useful life and are of a value equal to or greater than the items being leased.

The District is responsible for the improvement, repair, and maintenance of the Facility and shall pay or arrange for payment of the cost of repair and replacement resulting from ordinary wear and tear.

The District shall pay any taxes, assessments and other governmental and utility charges relating to the Facility as due; provided, however, that the Lease Agreement permits any such taxes, assessments and charges to remain unpaid if the District in good faith contests and diligently pursues to conclusion such taxes, assessments or charges and provides the Corporation and the Trustee with an opinion of independent Counsel to the effect that such nonpayment will not materially endanger the Corporation's interest in the Facility or subject any item of the Facility to loss or forfeiture.

The Corporation makes no warranty as to the value, design, condition, merchantability or fitness for the use by the District of the Facility or any part thereof. The District has all rights with respect to the warranties of the contractors regarding the Facility, and the right to enforce such warranties against the contractors.

The Corporation and the LOC Bank have the right at all reasonable times to examine and inspect the Facility and to have reasonable access to the Facility to cause its proper maintenance in the event of failure by the District to perform its obligations.

Termination

As described above, the Lease Agreement terminates (i) upon the payment or prepayment by the District of all Lease Payments due during the term of the Lease Agreement, (ii) upon the occurrence of an Event of Default by the District and the Corporation's or its assignee's election to terminate the Lease Agreement, or (iii) upon taking the Facility in whole pursuant to eminent domain proceedings or in part to such extent that the remaining portion of the Facility is no longer useful for the purposes originally intended.

ASSIGNMENT AGREEMENT

The following is a summary of certain provisions of the Assignment Agreement. This summary does not purport to be complete or definitive and reference is made to the Assignment Agreement for the complete terms thereof.

The Assignment Agreement is entered into between the Corporation and the Trustee, pursuant to which the Corporation assigns and transfers to the Trustee, for the benefit of the Owners of the Certificates, the rights of the Corporation under the Lease Agreement, including, but not limited to, the right to receive Lease Payments under the Lease Agreement, and the rights and remedies of the Corporation under the Lease Agreement to enforce payment of Lease Payments and other amounts or otherwise to protect and enforce the Lease Agreement in the Event of Default by the District. Certain rights of the Corporation to payment of advances, indemnification and attorneys' fees and expenses are not assigned.

SITE LEASE

The following is a summary of certain provisions of the Site Lease. This summary does not purport to be complete or definitive and reference is made to the Site Lease for the complete terms thereof.

The Site Lease is entered into between the District, as lessor, and the Corporation, as lessee. The term of the Site Lease began on the date of commencement of the term of the Lease Agreement and will expire on June 31, 2032, unless such term is extended, or unless such term is terminated early in accordance with the Site Lease.

To facilitate the completion of the Improvements, the District leased the Site and the Existing Improvements to the Corporation in return for payment by the Corporation of an advance rental payment equal to the total principal amount of the Certificates and the Corporation's agreement to, in turn, lease the Site, Existing Improvements and that portion of the Project located on the Site to the District pursuant to the Lease Agreement. The District and the Corporation agreed that by reason of the sale of the Certificates and deposit of proceeds pursuant to the provisions of the Trust Agreement, the advance rental payment referenced in the preceding sentence was deemed to have been paid. The District shall apply such rental payment to, among other items, the payment of amounts necessary to complete the Project.

The Corporation shall use the Site and the Existing Improvements solely for the purpose of securing the construction and installation of the Improvements and purposes incidental thereto; *provided, however*, that in the event of default by the District under the Lease Agreement, the Corporation and its assigns may exercise the remedies provided in the Lease Agreement. Title to all Improvements made on the Site and Existing Improvements shall vest in the District.

TRUST AGREEMENT

The following is a summary of certain provisions of the Trust Agreement. This summary does not purport to be complete or definitive and reference is made to the Trust Agreement for the complete terms thereof.

The Trustee is appointed pursuant to the Trust Agreement to act as a depository of amounts held under the Trust Agreement. The Trust Agreement authorizes the Trustee to prepare, execute and deliver the Certificates. Transfers of the Certificates are to be registered in a Register maintained by the Trustee. The Trust Agreement sets forth the terms of the Certificates, the nature and extent of security, the various rights of the Owners, the rights, duties and immunities of the Trustee and the rights and obligations of the District and Corporation. Certain provisions of the Trust Agreement are summarized below. Other provisions are summarized in this Official Statement under the caption "THE CERTIFICATES."

Funds

The Trust Agreement creates several funds to be maintained by the Trustee for the benefit of the Corporation and the District.

Delivery Costs Fund. A portion of the proceeds from the sale of the Certificates will be deposited with the Trustee in the Delivery Costs Fund and be applied to pay costs of the execution, delivery and sale of the Certificates upon the instructions of a District Representative. Any funds remaining in such fund after all such costs have been paid will be transferred to the Construction Completion Fund.

Construction Completion Fund. A portion of the proceeds from the sale of the Certificates will be deposited with the Trustee in the Construction Completion Fund to be applied, together with certain other funds set forth in the Trust Agreement, to satisfy Project and other costs. Any funds remaining in such fund after all such costs have been paid will be applied to satisfy any unpaid Delivery Costs and upon such satisfaction transferred to the Lease Payment Fund.

Lease Payment Fund. The Trustee will deposit in the Lease Payment Fund all Lease Payments received from the District and any other amounts required by the Lease Agreement or the Trust Agreement. From proceeds of the Certificates and accrued interest, if any, the Trustee will deposit in the Lease Payment Fund amounts to be used for payment of a portion of the interest portion of the Lease Payment obligation.

The Trustee will withdraw from the Lease Payment Fund on each Interest Payment Date an amount equal to the Lease Payments due from the District on the Lease Payment Date preceding such Interest Payment Date for reimbursement of the LOC Bank or, if such reimbursement payment has been made to the LOC Bank, then to the payment to the Owners of the Certificates.

Escrow Fund. On the Closing Date, The Trustee will deposit into the Escrow Funds with respect to the 2002 Certificates and 2003 Certificates, respectively, the amount to be used to purchase the 2002 Certificates and the 2003 Certificates, respectively, pursuant to the respective applicable Escrow Agreement and be transferred to the respective Purchase Fund, if any, to be applied to pay the Purchase Price of Holders of tendered Certificates. Any funds remaining in such funds after all such costs have been paid will be applied to satisfy any unpaid Delivery Costs and upon such satisfaction transferred to the Construction Completion Fund.

Letter of Credit Fund. As set forth in the Trust Agreement, the Trustee will draw on the Letter of Credit from time to time to make payments with respect to the principal and interest components due with respect to the Certificates or for the purpose of paying the purchase price of any Certificates (excluding any Outstanding LOC Bank Certificates) in the case of a tender where such Certificates were not remarketed.

Insurance and Condemnation Fund. In the event the Trustee receives net proceeds of insurance in connection with damage or destruction of the Facility or net proceeds from eminent domain proceedings, such proceeds will be deposited in the Insurance and Condemnation Fund and will be applied by the Trustee as described under the heading "LEASE AGREEMENT – Property Insurance; Eminent Domain" above.

Application of Insurance, Title Insurance and Condemnation Award Proceeds

(a) Any Net Proceeds of insurance against damage to or destruction of any part of the Facility collected by the District in the event of any such damage or destruction shall be paid to the Trustee by the District pursuant to the Lease Agreement and deposited by the Trustee promptly upon receipt thereof in the Insurance and Condemnation Fund.

(b) Within ninety (90) days following the date of such deposit, the District shall determine and notify the Trustee and the LOC Bank in writing of its determination either (i) that the replacement, repair, restoration, modification or improvement of the Facility is not economically feasible or in the best interest of the District, or (ii) that all or a portion of such Net Proceeds are to be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Facility.

(c) In the event the District's determination is as set forth in clause (i) paragraph (b) above, such Net Proceeds shall be promptly transferred by the Trustee to the Lease Payment Fund to reimburse

the LOC Bank for a draw on the Letter of Credit necessary for the prepayment of Lease Payments pursuant to the Lease Agreement, and applied to the prepayment of Certificates; provided, however, that in the event of damage or destruction of the Facility in full, such Net Proceeds may be transferred to the Lease Payment Fund only if sufficient, together with other moneys available therefor, to cause the prepayment of the principal components of all unpaid Lease Payments; provided further, however, that in the event of damage or destruction of the Facility in part, such Net Proceeds may be transferred to the Lease Payment Fund and applied to the Prepayment of Lease Payments only if the resulting Lease Payments represent fair consideration for the remaining portions of the Facility, evidenced by a certificate signed by a District Representative and a Corporation Representative.

(d) In the event the District's determination is as set forth in clause (ii) of paragraph (b) above, Net Proceeds deposited in the Insurance and Condemnation Fund shall be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Facility by the District, and disbursed by the Trustee upon receipt of requisitions signed by a District Representative stating with respect to each payment to be made (i) the requisition number, (ii) the name and address of the person, firm or Corporation to whom payment is due, (iii) the amount to be paid and (iv) that each obligation mentioned therein has been properly incurred, is a proper charge against the Insurance and Condemnation Fund, has not been the basis of any previous withdrawal, and specifying in reasonable detail the nature of the obligation. The Trustee shall not be responsible for the representations made in such requisitions and may conclusively rely thereon. Any balance of the Net Proceeds remaining after such work has been completed shall be paid first, to the LOC Bank, if the District is then owing to the LOC Bank under the LOC Agreement and, second, to the District.

Application of Net Proceeds of Eminent Domain Award. If all or any part of the Facility shall be taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain) the Net Proceeds therefor shall be deposited with the Trustee in the Insurance and Condemnation Fund pursuant to the Lease Agreement and shall be applied and disbursed by the Trustee as follows:

(a) If the District has given written notice to the Trustee, the LOC Bank and the Corporation of its determination that (i) such eminent domain proceedings have not materially affected the operation of the Facility or the ability of the District to meet any of its obligations with respect to the Facility under the Lease Agreement and (ii) such proceeds are not needed for repair or rehabilitation of the Facility, the District shall so certify to the Trustee and the LOC Bank, and the Trustee, at the District's written request, shall transfer such proceeds to the Lease Payment Fund to be credited towards the prepayment of the Lease Payments pursuant to the Lease Agreement and applied to the prepayment of Certificates.

(b) If the District has given written notice to the Trustee, the LOC Bank and the Corporation of its determination that (i) such eminent domain proceedings have not materially affected the operation of the Facility or the ability of the District to meet any of its obligations with respect to the Facility under the Lease Agreement, and (ii) such proceeds are needed for repair, rehabilitation or replacement of the project, the District shall so certify to the Trustee and the LOC Bank, and the Trustee, at the District's written request, shall pay to the District, or to its order, from said proceeds such amounts as the District may expend for such repair or rehabilitation, upon the filing with the Trustee of requisitions of the District Representations.

(c) If (i) less than all of the Facility shall have been taken in such eminent domain proceedings or sold to a government threatening the use of eminent domain powers, and if the District has given written notice to the Trustee and the LOC Bank of its determination that such eminent domain proceedings have materially affected the operation of the Facility or the ability of the District to meet any of its obligations with respect to the project under the Lease Agreement or (ii) all of the Facility shall have been taken in such eminent domain proceedings, then the Trustee shall transfer such proceeds to the Lease Payment Fund to be applied to reimburse the LOC Bank for a draw on the Letter of Credit

necessary for the prepayment of the Lease Payments pursuant to the Lease Agreement and applied to the prepayment of Certificates.

(d) In making any such determination, the District may, but shall not be required to, obtain at its expense, the report of an independent engineer or other independent professional consultant a copy of which shall be filed with the Trustee and the LOC Bank. Any such determination by the District shall be final.

Application of Net Proceeds of Title Insurance Award. The Net Proceeds from a title insurance award shall be deposited with the Trustee in the Insurance and Condemnation Fund pursuant to the Lease Agreement and shall be transferred to the Lease Payment Fund to be credited towards the prepayment of Lease Payments required to be paid pursuant to the Lease Agreement and applied to the prepayment of Certificates.

Investment of Moneys; Allocation of Earnings

Moneys held by the Trustee under the Trust Agreement shall, upon written directions of a District Representative at least two (2) Business Days prior to the making of an investment, be invested and reinvested by the Trustee in solely Permitted Investments. The Trustee may, in its sole discretion, commingle any of the funds held by it pursuant to the Trust Agreement into a separate fund or funds for investment purposes only, *provided, however*, that all funds or accounts held by the Trustee under the Trust Agreement shall be accounted for separately notwithstanding such commingling by the Trustee; *and provided, however*, that the Trustee shall not commingle, remarketing proceeds or moneys representing Available Moneys to be applied as a prepayment premium.

All interest or income received by the Trustee on investment of the Lease Payment Fund shall, as received, be retained in the Lease Payment. Amounts retained in the Lease Payment Fund shall be applied as a credit against the Lease Payment due by the District pursuant to the Lease Agreement on the Lease Payment date following the date of deposit. In the event that the Construction Completion Fund is closed, any excess shall, as received, be transferred to the Lease Payment Fund and shall be applied as a credit against the Lease Payment due by the District pursuant to the Lease Agreement on the Lease Payment date following the date of deposit. All interest or income in the Delivery Costs Fund shall be transferred to the Lease Payment Fund.

Certificates

The Trustee is directed by the Trust Agreement, upon written request from the Corporation, to prepare, execute and deliver to the Original Purchaser, the Certificates in their aggregate principal amount.

The Trust Agreement contains procedures and regulations with respect to exchanges and transfers of Certificates, for conditions of delivery of temporary Certificates, for procedures for Certificates which are mutilated, lost, destroyed or stolen, for evidence of signatures of Certificate Owners and ownership of Certificates and for procedures with respect to payment of Certificates. The Trustee shall not be required to transfer or exchange any Certificate after the mailing of notice calling such Certificate or portion thereof for prepayment, nor during the fifteen days preceding the giving of such notice of prepayment.

The Trustee is appointed as a paying agent for the Certificates. Principal and premium, if any, with respect to the Certificates is payable at the principal office of the Trustee. Interest with respect to the Certificates is payable by check or draft of the Trustee mailed to the owner of record at the address shown on the certificate register required to be maintained by the Trustee as of the fifteenth day of the month preceding the interest payment date (provided, however, that at the option of any Owner of at least

one million dollars in aggregate principal amount, interest will be wired to an account designated by such Owner).

Limitation of Liability

The Trust Agreement contains certain provisions limiting the liability of the parties thereto, including, but not limited to, the following provisions:

(a) Neither the Corporation nor District shall have any obligation or liability to the Owners of the Certificates with respect to the performance by the Trustee of duties imposed upon it by the Trust Agreement.

(b) Except as provided in the Trust Agreement, neither the Corporation nor the Trustee shall have any obligation or liability to the Owners of the Certificates with respect to the payment of the Lease Payments by the District when due, or with respect to the performance by the District of any other covenant made by it in the Lease Agreement; and

(c) The Trustee shall not be responsible for the sufficiency or the validity of the Lease Agreement or for the sufficiency of the Trust Agreement or the Certificates; the assignment made to it of rights to receive moneys pursuant to the Lease agreement; or the value of or title to the Facility. The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it under the terms of and in accordance with the Trust Agreement.

Rights of Owners to Institute Proceedings

No Owner of any Certificate executed and delivered pursuant to the Trust Agreement shall have any right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Trust Agreement, unless (a) such Owner shall have previously given to the Trustee written notice of the Occurrence of an Event of Default; (b) the Owners of at least the majority in aggregate principal amount of all the Certificates then Outstanding shall have made written request upon the Trustee to exercise the powers granted therein or to institute such action, suit or proceeding in its own name; (c) said Owners must have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by and said tender of indemnity shall have been made to the Trustee; and (e) the LOC Bank has given its prior written consent; provided, however, that the Owners shall not have the right to institute any suite, action or proceeding at law or equity.

Such notification, request, tender of indemnity and refusal or omission are, in every case, to be conditions precedent to the exercise by any Owner of Certificates of any remedy; it being understood and intended that no one or more Owners of Certificates shall have any right in any manner whatever by his or their action to enforce any right under the trust Agreement, except in the manner therein provided, and that all proceedings at law or in equity with respect to an Event of Default shall be instituted, had and maintained in the manner therein provided and for the equal benefit of all Owners of the Outstanding Certificates.

The rights of any Owner of any certificate to receive payment of said Owner's fractional interest in the Lease Payments as the same become due, or to institute suit for the enforcement of such payment, shall not be impaired or affected without the consent of such Owner, notwithstanding any provision of the Trust Agreement.

Events of Default; Remedies

The following shall be Events of Default:

(i) Failure by the District to pay any Lease Payment or Additional Payment required to be paid under the Trust Agreement at the time specified therein.

(ii) Failure by the District to keep, observe or perform any other term, covenant, condition or agreement on its part to be observed or performed, other than as referred to in clause (i) of Section 9.1 of the Lease Agreement, for a period of thirty (30) days after the earlier of: (a) actual knowledge of such failure by the District or (b) written notice identifying in reasonable detail such failure and requesting that it be remedied has been given to the District by the Corporation, the Trustee, the LOC Bank or the Owners of not less than five percent (5%) in aggregate principal amount of Certificates then outstanding (provided that such request by Owners shall be effective only upon receipt of the written concurrence of the LOC Bank or without such concurrence if the Letter of Credit is no longer in effect), provided, however, if the failure stated in the notice can be corrected, but not within the applicable period, the Corporation, the Trustee, the LOC Bank (so long as the Letter of Credit is in effect) and such Owners shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the District within the applicable period and diligently pursued until the default is corrected.

(iii) The filing by the District of a voluntary petition in bankruptcy, or failure by the District promptly to lift any execution, garnishment or attachment, or adjudication of the District as a bankrupt, or assignment by the District for the benefit of creditors, or the entry by the District into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the District in any proceedings instituted under the provisions of the Federal Bankruptcy Code, as amended, or under any similar acts which may hereafter be enacted.

(iv) The occurrence of an Event of Default under, and as defined in, the Trust Agreement, and notice to the District, the Corporation and the Trustee of such occurrence.

Remedies. Upon the prior written consent of the LOC Bank (so long as the Letter of Credit is in effect and the LOC Bank is not in default), whenever any event of default under the Lease Agreement shall have occurred, it shall be lawful for the Corporation to exercise any and all remedies available pursuant to law or granted pursuant to the Lease Agreement; *provided, however,* that notwithstanding anything in the Lease Agreement or in the Trust Agreement to the contrary, there shall be no right under any circumstances to accelerate the Lease Payment or otherwise declare any Lease Payment not then in default to be immediately due and payable. Each and every covenant hereof to be kept and performed by the District is expressly made a condition and upon the breach thereof and with the prior written consent of the LOC Bank, the Corporation may exercise any and all rights of entry and re-entry upon the Facility, and also with or without such entry, may terminate the Lease Agreement provided, that no such termination shall be effected either by operation of law or acts of the parties hereto, except only in the manner herein expressly provided. In the event of such default and notwithstanding any re-entry by the Corporation, the District shall, as expressly provided, continue to remain liable for the payment of the Lease Payment and/or damages for breach of the Lease Agreement and the performance of all conditions herein contained and, in any event such rent and/or damages shall be payable to the Corporation at the time and in the manner as herein provided, to wit:

(a) Subject to the rights of the LOC Bank to direct remedies (so long as the Letter of Credit is in effect and the LOC Bank is not in default of its obligations), in the event the Corporation does not elect to terminate the Lease Agreement in the manner herein provided for in subparagraph (b) hereof, the District agrees to and shall remain liable for the payment of all Lease Payment and the performance of all conditions herein contained and shall reimburse the Corporation for any deficiency arising out of the re-leasing of the Facility, or, in the event the Corporation does not re-lease the Facility, then for the full

amount of all Lease Payment to the end of the Term of the Lease Agreement, but said Lease Payment and/or deficiency shall be payable only at the same time and in the same manner as hereinabove provided for the payment of Lease Payment, notwithstanding such entry or re-entry by the Corporation or any suit in unlawful detainer, or otherwise, brought by the Corporation for the purpose of effecting such re-entry or obtaining possession of the Facility or the exercise of any other remedy by the Corporation. The District hereby irrevocably appoints the Corporation as the agent and attorney-in-fact of the District to enter upon and re-lease the Facility in the Event of Default by the District in the performance of any covenants herein contained to be performed by the District and to remove all personal property whatsoever situated upon the Facility to place such property in storage or other suitable place in Kings County, for the account of and at the expense of the District, and the District hereby exempts and agrees to save harmless the Corporation from any costs, loss or damage whatsoever arising or occasioned by any such entry upon and re-leasing of the Facility and the removal and storage of such property by the Corporation or its duly authorized agents in accordance with the provisions herein contained. The District hereby waives any and all claims for damages caused or which may be caused by the Corporation in re-entering and taking possession of the Facility as herein provided and all claims for damages that may result from the destruction of or injury to the Facility and all claims for damages to or loss of any property belonging to the District that may be in or upon the Facility. The District agrees that the terms of the Lease Agreement constitute full and sufficient notice of the right of the Corporation to re-lease the Facility in the event of such re-entry without effecting a surrender of the Lease Agreement, and further agrees that no acts of the Corporation in effecting such re-leasing shall constitute a surrender or termination of the Lease Agreement irrespective of the term for which such re-leasing is made or the terms and conditions of such re-leasing, or otherwise, but that, on the contrary, in the event of such default by the District the right to terminate the Lease Agreement shall vest in the Corporation to be effected in the sole and exclusive manner hereinafter provided for in subparagraph (b) hereof. The District further waives the right to any rental obtained by the Corporation in excess of the Lease Payment and hereby conveys and releases such excess to the Corporation as compensation to the Corporation for its services in re-leasing the Facility.

(b) Subject to the rights of the LOC Bank to direct remedies (so long as the LOC Bank has not defaulted on its obligations under the Letter of Credit and continues to honor draws thereunder), in an Event of Default, the Corporation may terminate the Lease Agreement and release all or any portion of the Facility. In the event of the termination of the Lease Agreement by the Corporation and in the manner hereinafter provided on account of default by the District (and notwithstanding any re-entry upon the Facility by the Corporation in any manner whatsoever or the re-leasing or sale of the Facility), the District nevertheless agrees to pay to the Corporation all costs, loss or damages howsoever arising or occurring payable at the same time and in the same manner as is herein provided in the case of payment of Lease Payment. Any surplus received by the Corporation from such re-leasing shall be the absolute property of the Corporation and the District shall have no right thereto, nor shall the District be entitled to any credit in the event of a deficiency in the rentals received by the Corporation from the Facility. Neither notice to pay rent or to deliver up possession of the premises given pursuant to law nor any proceeding in unlawful detainer taken by the Corporation shall of itself operate to terminate the Lease Agreement, and no termination of the Lease Agreement on account of default by the District shall be or become effective by operation of law, or otherwise, unless and until the Corporation shall have given written notice to the District of the election on the part of the Corporation to terminate the Lease Agreement. The District covenants and agrees that no surrender of the Facility or of the remainder of the Term of the Lease or any termination of the Lease Agreement shall be valid in any manner or for any purpose whatsoever unless stated or accepted by the Corporation by such written notice.

Notwithstanding any other provisions of the Lease Agreement, so long as the District has obligations to the LOC Bank, the LOC Bank shall have the right to direct the remedies to be taken upon any Event of Default, and the LOC Bank's consent shall be required for any remedial action taken by the Trustee or the Corporation.

Limitation on Certificate Owners' Right to Sue. No Owner of any Certificate will have any right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Trust Agreement, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default under the Trust Agreement, (b) the Owners of at least twenty-five percent (25%) in aggregate principal amount of all the Certificates then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee and (e) the LOC Bank has given its prior written consent; *provided, however*, that the Owners shall not have the right to institute any suit, action or proceeding at law or in equity.

Payment Procedure Pursuant to Letter of Credit

(a) The Trustee agrees to comply with the following provisions with respect to the Certificates:

(i) At least one (1) Business Day prior to any Interest Payment Date or Principal Payment Date on the Certificates, the Trustee will determine whether there will be sufficient funds to pay all principal or interest on the Certificates on such Interest Payment Date or Principal Payment Date. If the Trustee determines that there will be insufficient funds, the Trustee shall so notify LOC Bank or its designee. Such notice shall specify the amount of the anticipated deficiency, the Certificates to which such deficiency is applicable and whether such Certificates will be deficient as to principal or interest, or both. If the Trustee has not so notified LOC Bank at least one (1) Business Day prior to an Interest Payment Date or Principal Payment Date, LOC Bank will make payments of principal or interest due on the Certificates on or before the first (1st) Business Day next following the date on which LOC Bank shall have received notice of nonpayment from the Trustee.

(ii) The Trustee shall, after giving notice to LOC Bank as provided in (i) above, make available to LOC Bank and, at LOC Bank's direction, to The Bank of New York, in New York, New York, as insurance trustee for LOC Bank or any successor insurance trustee (the "LOC Bank Paying Agent"), the registration books of the District maintained by the Trustee and all records relating to the funds and accounts maintained under the Trust Agreement.

(iii) The Trustee shall provide LOC Bank and the LOC Bank Paying Agent with a list of registered owners of the Certificates entitled to receive principal or interest payments from LOC Bank under the terms of the Letter of Credit, and shall make arrangements with the LOC Bank Paying Agent (i) to mail checks or drafts to the registered owners of the Certificates entitled to receive full or partial interest payments from LOC Bank and (ii) to pay principal upon Certificates surrendered to the LOC Bank Paying Agent by the Owners entitled to receive full or partial principal payments from LOC Bank.

(iv) The Trustee shall, at the time it provides notice to LOC Bank pursuant to (i) above, notify the Owners entitled to receive the payment of principal or interest thereon from LOC Bank (i) as to the fact of such entitlement, (ii) that LOC Bank will remit to them all or a part of the interest payments next coming due upon proof of Holder entitlement to interest payments and delivery to the LOC Bank Paying Agent, in form satisfactory to the LOC Bank Paying Agent, of an appropriate assignment of the Owner's right to payment, (iii) that should they be entitled to receive full payment of principal from LOC Bank, they must surrender their Certificates (along with an appropriate instrument of assignment in form satisfactory to the LOC Bank Paying Agent to permit ownership of such Certificates to be registered in the name of LOC Bank) for payment to the LOC Bank Paying Agent, and not the Trustee, and (iv) that should they be entitled to receive partial

payment of principal from LOC Bank, they must surrender their Certificates for payment thereon first to the Trustee who shall note on such Certificates the portion of the principal paid by the Trustee and then, along with an appropriate instrument of assignment in form satisfactory to the LOC Bank Paying Agent, to the LOC Bank Paying Agent, which will then pay the unpaid portion of principal.

(v) In the event that the Trustee has notice that any payment of principal of or interest on the Certificates which have become due for payment and which is made to a Holder by or on behalf of the District has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee shall, at the time LOC Bank is notified pursuant to (i) above, notify all the Owners that in the event that any registered owner's payment is so recovered, such Owner will be entitled to payment from LOC Bank to the extent of such recovery if sufficient funds are not otherwise available, and the Trustee shall furnish to LOC Bank its records evidencing the payments of principal of and interest on the Certificates which have been made by the Trustee, and subsequently recovered from the Owners and the dates on which such payments were made.

(vi) In addition to those rights granted LOC Bank under the Trust Agreement, LOC Bank shall, to the extent it makes payment of principal of or interest on the Certificates due, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Letter of Credit, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Trustee shall note LOC Bank's rights as subrogee on the registration books of the District maintained by the Trustee, if any, upon receipt from LOC Bank of proof of the payment of interest thereon to the Owners of the Certificates, and (ii) in the case of subrogation as to claims for past due principal, the Trustee shall note LOC Bank's rights as subrogee on the registration books of the of the District maintained by the Trustee or Paying Agent, if any, upon surrender of the Certificates by the Owners thereof together with proof of the payment of principal thereof.

Amendments or Supplement Permitted

The Trust Agreement and the rights and obligations of the District under the Lease Agreement and the rights and obligations of the parties thereto, may be modified, supplemented or amended at any time by an amendment or a supplemental agreement which shall become effective when the written consent of the LOC Bank or, if the LOC Bank is in default, the majority of Holders shall have been filed with the Trustee. No such modification or amendment shall (i) extend or have the effect of extending the fixed maturity of any Certificate or reducing the interest rate with respect thereto or extending the time of payment of interest, or reducing the amount of principal thereof or reducing any premium payable upon the prepayment thereof, without the express consent of the Owner of such Certificate, or (ii) reduce or have the effect of reducing the percentage of Certificates required for the affirmative vote or written consent to an amendment or modification of the Lease Agreement, or (iii) modify any of the rights or obligations of the Trustee without its written assent thereto.

The Trust Agreement and the rights and obligations of the District, Owners of the Certificates and the Lease Agreement and the rights and obligations of the respective parties thereto, may also be modified or amended at any time by a supplemental agreement, with the consent of the LOC Bank but without the consent of any such Owners, but only to the extent permitted by law and only:

(i) to add to the covenants and agreements of any party, other covenants, to be observed, or to surrender any right or power herein or therein reserved to the District;

(ii) to cure, correct or supplement any ambiguous or defective provision contained herein or therein and which shall not adversely affect the interests of the Owners of the Certificates;

(iii) in regard to questions arising under the Trust Agreement, as the parties hereto or thereto may deem necessary or desirable;

(iv) to make such additions, deletions or modifications as may be necessary or desirable to assure exclusion from gross income for purposes of federal income taxation of interest with respect to the Certificates;

(v) to the extent necessary to obtain a rating with respect to the Certificates from the Rating Agency; or

(vi) to substitute the Improvements in accordance with the Lease Agreement; provided that no such amendment shall, in the opinion of nationally recognized Special Counsel, materially adversely affect the interests of the Owners of the Certificates or shall impair the right of any Owner to receive, in any case, such Owner's fractional share of any Lease Payment in accordance with such Owner's Certificate. Any such supplemental agreement shall become effective upon execution and delivery by the parties hereto or thereto as the case may be.

The Trust Agreement and the Lease Agreement may not be modified or amended at any time by a supplemental agreement which would modify any of the rights and obligations of the Trustee without its written assent thereto.

The Trustee and the LOC Bank may obtain an opinion of Independent Counsel that any amendment entered into under the Trust Agreement complies with the provisions of the Trust Agreement and the Trustee may rely conclusively on such opinion.

End of Summary of Certain Provisions of Legal Documents

APPENDIX C

FORM OF SPECIAL COUNSEL OPINION

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APPENDIX C

FORM OF SPECIAL COUNSEL OPINION*

[DATED THE DATE OF DELIVERY]

Board of Trustees of the
West Hills Community College District
Bakersfield, California

Final Opinion: \$_____ Variable Rate Demand Obligations
Certificates of Participation (2008 Refunding Project)
Evidencing Direct, Undivided Fractional Interests of the
Owners Thereof in Lease Payments to be made by the
West Hills Community College District, California as the
Rental for Certain Property Pursuant to a Lease
Agreement with the West Hills Community College District
Public Financing Corporation.

Members of the Board of Trustees:

We have acted as Special Counsel in connection with the delivery by the West Hills Community College District (the "District"), of its \$_____ Lease Agreement, dated as of June 1, 2008 by and between the West Hills Community College District Public Financing Corporation (the "Corporation") and the District (the "Original Lease") ("Lease Agreement"), pursuant to the California Education Code. The Corporation has, pursuant to the Assignment Agreement, dated as of June 1, 2008 (the "Assignment Agreement"), by and between the Corporation and Deutsche Bank National Trust Company, as trustee (the "Trustee"), assigned certain of its rights under the Original Lease, including its right to receive a portion of the lease payments made by the District thereunder (the "Lease Payments"), to the Trustee. Pursuant to the Trust Agreement, dated as of June 1, 2008, by and among the Trustee, the Corporation and the District (the "Trust Agreement") with respect to the Variable Rate Demand Obligations Certificates of Participation (2008 Refunding Project) (the "Certificates"), the Trustee has executed and delivered certificates of participation (the "Certificates") evidencing direct, undivided fractional interests of the owners thereof in the Lease Payments. We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

Factual Examination

As to questions of fact material to our opinion, we have relied upon representations and certifications of the District including, but not limited to representations and certifications contained in the Lease Agreement and in the certified proceedings and certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

In such connection, we have reviewed the Trust Agreement, the Lease

*Preliminary, subject to change

Agreement and the Tax Certificate dated the date hereof (the "Tax Certificate"), executed by the District, opinions of counsel to the District and the Corporation, the Trustee and the Certificate Insurer, certificates of the District, the Trustee, the Corporation and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The interest rate and certain agreements and requirements contained or referred to in the Trust Agreement, the Lease Agreement, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, defeasance of Certificates) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Certificate or the interest with respect thereto if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District (and, for purposes of the opinion numbered 3 below, the Corporation).

Scope of Inquiry; Certain Qualifications and Assumptions

We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second and third paragraphs hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Trust Agreement, the Lease Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Certificates to be included in gross income for federal income tax purposes. We have assumed that the Assignment Agreement, the Original Trust Agreement and the Original Lease are valid, binding and enforceable in accordance with their terms. We call attention to the fact that the rights and obligations under the Certificates, the Trust Agreement, the Lease Agreement, the Assignment Agreement and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles and to the exercise of judicial

*Preliminary, subject to change

discretion in appropriate cases. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or subject to the lien of the Trust Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Certificates and express no opinion with respect thereto.

Opinion.

Based upon our examination, we are of the opinion, under existing law, as follows:

1. The District is validly existing as a community college district organized and existing under the laws of the State of California with the power to enter into the Amendment to Lease Agreement and the Trust Agreement and to perform the agreements on its part contained therein.

2. The Amendment to Lease Agreement has been duly authorized, executed and delivered by the District and is an obligation of the District valid, binding and enforceable against the District in accordance with its terms.

3. Subject to the terms and provisions of the Lease Agreement, the Lease Payments to be made by the District are payable from general funds of the District lawfully available therefor. By virtue of the Assignment Agreement, the owners of the Certificates are entitled to receive their fractional share of the Lease Payments in accordance with the terms and provisions of the Trust Agreement.

4. The portion of the Lease Payments designated as and comprising interest and received by the owners of the Certificates is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The opinions set forth in the preceding sentences are subject to the condition that the District comply with all requirements of the Code that must be satisfied subsequent to the delivery of the Lease Agreement in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be

*Preliminary, subject to change

retroactive to the date of delivery of the Lease Agreement. We express no opinion regarding other tax consequences arising with respect to the Lease Agreement and the Certificates or to the ownership or disposition of, or the accrual or receipt of interest on, the Certificates. We express no opinion with respect to the federal income tax consequences of any payments received with respect to the Certificates following termination of the Lease Agreement as a result of non-appropriation of funds or the occurrence of an event of default thereunder.

5. The portion of the Lease Payments designated as and comprising interest and received by the owners of the Certificates is exempt from personal income taxation imposed by the State of California.

We express no opinion with respect to laws becoming effective after the date hereof or the effect or applicability of the laws of other jurisdictions. This opinion relates only to matters as of the date hereof, and we express no opinion with respect to any transaction, transfer, conveyance, obligation or performance occurring after the date hereof. We disclaim any obligation to advise you of any events occurring or coming to our attention or any developments in areas covered by this opinion that occur after the date of this opinion.

Respectfully submitted,

LA127536437

*Preliminary, subject to change

Appendix C
Page 4

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

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APPENDIX D

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**VARIABLE RATE DEMAND OBLIGATIONS CERTIFICATES OF PARTICIPATION
(2008 Refunding Project)
Evidencing Direct, Undivided Fractional Interests
of the Owners Thereof in Lease Payments
to be made by the
WEST HILLS COMMUNITY COLLEGE DISTRICT,
As the Rental for Certain Property
Pursuant to a Lease Agreement with the
WEST HILLS COMMUNITY COLLEGE DISTRICT PUBLIC FACILITIES CORPORATION**

CONTINUING DISCLOSURE AGREEMENT*

This CONTINUING DISCLOSURE AGREEMENT (the "Disclosure Certificate") is executed and delivered by the **WEST HILLS COMMUNITY COLLEGE DISTRICT** (the "District") in connection with the execution and delivery of \$** ,*** ,*** West Hills Community College District Variable Rate Demand Obligations Certificates of Participation (2008 Refunding Project) (the "Certificates"). The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of June 1, 2008, by and among **DEUTSCHE BANK NATIONAL TRUST COMPANY**, as Trustee, the District and the West Hills Community College District Financing Corporation (the "Trust Agreement"). The District covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Certificates and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(h)(5).

Section 2. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Dissemination Agent" shall mean Deutsche Bank National Trust Company, or any successor Dissemination Agent designated in writing by the District and which has filed with the District and the Trustee a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule.

"Participating Underwriter" shall mean Nollenberger Capital Partners, Inc., as original underwriter of the Certificates required to comply with the Rule in connection with offering of the Certificates.

"Repository" shall mean each National Repository and each State Repository.

* Preliminary, subject to change.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same shall be amended from time to time.

“State Repository” shall mean any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Certificate, there is no State Repository.

Section 3. Provision of Annual Reports.

(a) The District shall or shall direct the Dissemination Agent to, not later than nine months (November 31) after the end of the District’s Fiscal Year (which fiscal year currently ends on June 30) commencing with the report for the 2006-2007 Fiscal Year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate with a copy to the Trustee. Not later than fifteen (15) Business Days before said date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent and the Trustee to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent and the Trustee may conclusively rely upon such certification of the District and shall have no duty or obligation to review such Annual Report. The Annual Report shall be submitted as a single document or as separate documents comprising a package, and shall include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if not available by that date. If the District’s Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c) hereof.

(b) If the District is unable to provide to the Repositories or to the Dissemination Agent an Annual Report by the date required in subsection (a), the District shall send a notice, or direct the Dissemination Agent to send a notice, to the Municipal Securities Rulemaking Board and each State Repository in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any; and

(ii) if the Dissemination Agent is other than the District and has been directed to file the Annual Report pursuant to Section 3(a) hereof, the Dissemination Agent shall file a report with the District certifying whether the Annual Report has been filed pursuant to this Disclosure Certificate, stating the date it was filed and listing all the Repositories with which it was filed.

Section 4. Content of Annual Reports. The District’s Annual Report shall be in a format suitable for filing with each Repository and shall contain or incorporate by reference the following:

(a) Audited Financial Statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the

Governmental Accounting Standards Board. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a) hereof, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or prior to the annual filing deadline for Annual Reports provided for in Section 3 above, financial information and operating data with respect to the District for preceding Fiscal Year, substantially similar to that provided in the official statement for the Certificates.

Any or all of the items listed above shall be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the District shall provide such further material information, if any, as shall be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events (the "Listed Events") with respect to the Certificates, if material:

- (i) Principal and interest payment delinquencies.
- (ii) Non-payment related defaults.
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (v) Substitution of credit or liquidity providers, or their failure to perform.
- (vi) Adverse tax opinions or events affecting the tax-exempt status of the security.
- (vii) Modifications to rights of security holders.
- (viii) Contingent or unscheduled bond calls.
- (ix) Defeasances.

(x) Release, substitution, or sale of property securing repayment of the securities.

(xi) Rating changes.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, within ten (10) days, determine if such event would be material under applicable Federal securities law. The Trustee or the Dissemination Agent shall have no role or any responsibility for such determination.

(c) If the District determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the District shall promptly file a notice of such occurrence with the Municipal Securities Rulemaking Board and each State Repository with a copy to the Trustee. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(viii) and (ix) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Certificates pursuant to the Trust Agreement.

Section 6. Termination of Reporting Obligation. The District's, the Trustee's and the Dissemination Agent's if different obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Certificates. If such termination occurs before the final maturity of the Certificates, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c) hereof.

Section 7. Dissemination Agent. The District shall, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and shall discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent, if other than the District, shall not be responsible in any manner for the format or content of any notice or Annual Report prepared by the District pursuant to this Disclosure Certificate. Any person succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any papers or any further act. The initial Dissemination Agent shall be Deutsche Bank National Trust Company. The Dissemination Agent shall resign, with or without appointment of a successor Dissemination Agent, upon thirty days prior notice to the District. The Dissemination Agent shall be entitled to reasonable compensation for its services hereunder and reimbursement of its out-of-pocket expenses including, but not limited to, attorneys' fees. The Dissemination Agent shall (i) consult with and rely upon an opinion of counsel as a cost of its performance in connection with any action or in action requested or required by the District with respect to disclosure matters and (ii) conclusively rely upon any certificate or certification presented to it for action by the District.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District shall amend this Disclosure Certificate, and any provision of this Disclosure Certificate shall be waived, if the following conditions are satisfied provided neither the Trustee nor the Dissemination Agent shall be obligated to enter into any amendment expanding the scope of their respective duties and obligations hereunder:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it shall only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Certificates, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Certificates in the manner provided in the Trust Agreement for amendments to the Trust Agreement with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Certificates.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the Repositories in the same manner as for a Listed Event under Section 5(c) hereof.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, the Trustee but only to the extent of payment of its fees and expenses and receipt of satisfactory indemnity as set forth in the Trust Agreement, at the request of any Participating Underwriter or the holders of at least twenty-five (25%) in aggregate principal amount of Outstanding Certificates, shall, or any holder or beneficial owner of the Certificates shall take such actions as shall be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. Article VIII of the Trust Agreement is hereby made applicable to this Disclosure Certificate as if this Disclosure Certificate were (solely for this purpose) contained in the Trust Agreement and the Dissemination Agent and Trustee shall be entitled to the benefits, protections and provisions thereof to the same extent as the Trustee. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it shall incur arising out of or in the exercise or performance of its powers and duties hereunder, including, but not limited to, the costs and expenses (including attorneys fees of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct). Such indemnity shall be separate from and in addition to that provided to the Trustee under the Trust Agreement. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent, payment of the Certificates and termination of this Disclosure Certificate pursuant to Section 6 hereof. The Dissemination Agent shall have no liability for failure to report any event or item of financial information as to which the District has not provided it in an information report in format suitable for filing with the Repositories. The Dissemination Agent shall have no obligation or liability for the accuracy or completeness of any Annual Report or report of materiality under Section 5(b) hereof and shall not be deemed to be acting in any fiduciary capacity hereunder for the District or for any Certificate owner.

Section 12. Fees. The District shall compensate and reimburse the Dissemination Agent within thirty (30) days of receipt of an invoice for such compensation and reimbursement.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Trustee, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Certificates, and shall create no rights in any other person or entity.

Date: _____, 2008

WEST HILLS COMMUNITY COLLEGE DISTRICT

By: _____
Kenneth Stoppenbrink,
Vice Chancellor of Business Services

ACKNOWLEDGED:

DEUTSCHE BANK NATIONAL
TRUST COMPANY,
as Dissemination Agent

By: _____
Authorized Officer

EXHIBIT A

**NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD AND EACH STATE
REPOSITORY OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: West Hills Community College District

Name of Issue: \$ _____ Certificates Of Participation (2008 Conversion of 2004 Variable Rate Certificates) Evidencing Direct, Undivided Fractional Interest Of The Owners Is Lease Payments To Be Made By The West Hills Community College District, As The Rental For Certain Property Pursuant To A Lease Agreement With The West Hills Community College District Public Facilities Corporation

Date of Issuance: June __, 2008

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Certificates as required by Section 3 of the continuing disclosure undertaking entered into by the Issuer on _____, pursuant to Section 10.12 of the Trust Agreement dated as of June 1, 2008, by and among Deutsche Bank National Trust Company, as trustee, the District and the West Hills Community College District Public Financing Corporation. The District anticipates that the Annual Report will be filed by _____.

Dated: _____

WEST HILLS COMMUNITY COLLEGE DISTRICT

By: _____
Kenneth Stoppenbrink,
Vice Chancellor of Business Services

cc: Trustee

LA 127536431

APPENDIX E

FORM OF REIMBURSEMENT AGREEMENT AND LETTER OF CREDIT

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REIMBURSEMENT AGREEMENT

dated as of June 1, 2008

between

WEST HILLS COMMUNITY COLLEGE DISTRICT

and

UNION BANK OF CALIFORNIA, N.A.

relating to

**West Hills Community College District
Variable Rate Demand Obligations Certificates of Participation
(2008 Refunding Project)**

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REIMBURSEMENT AGREEMENT, dated as of June 1, 2008, between the WEST HILLS COMMUNITY COLLEGE DISTRICT, a community college district organized and existing under the Constitution and laws of the State of California (the “District”) and the UNION BANK OF CALIFORNIA, N.A., a national banking association organized and existing under the laws of the United States (“UBOC”).

RECITALS

A. The District has expressly determined that it is in the interest of the District and will accomplish a valid public purpose at this time to refinance and refund the acquisition, construction, improvement and equipping of certain land, buildings, facilities, improvements and equipment to be used for the educational purposes of the District and to finance the acquisition, construction, improvement and equipping of certain new projects within and of benefit to the District (collectively, the “Project”);

B. The District, as lessor, and the West Hills Community College District Financing Corporation (the “Corporation”), as lessee, entered into that certain Site Lease dated as of August 1, 2002 (the “2002 Site Lease”), whereby the District granted to the Corporation a leasehold interest in certain real estate and facilities, and the Corporation, as lessor, and the District, as lessee, entered into a leaseback of such real estate and facilities pursuant to that certain Lease Agreement dated as of August 1, 2002 (the “2002 Lease Agreement”) for the purpose of financing certain capital projects in the District (the “2002 Projects”) and causing the execution and delivery of the \$27,950,000 Certificates of Participation (the “2002 Certificates”) pursuant to that certain Trust Agreement (the “2002 Trust Agreement”) dated August 1, 2002 among the District, the Corporation and BNY Western Trust Company, as predecessor to The Bank of New York (the “2002 Trustee”);

C. The District, as lessor, and the Corporation, as lessee, entered into that certain Site Lease dated as of July 1, 2003 (the “2003 Site Lease”), whereby the District granted to the Corporation a leasehold interest in certain real estate and facilities, and the Corporation, as lessor, and the District, as lessee, entered into a leaseback of such real estate and facilities pursuant to that certain Lease Agreement dated as of July 1, 2003 (the “2003 Lease Agreement”) for the purpose of financing certain capital projects in the District (the “2003 Projects”) and causing the execution and delivery of the \$37,200,000 Certificates of Participation (the “2003 Certificates”) pursuant to that certain Trust Agreement (the “2003 Trust Agreement”) dated July 1, 2003 among the District, the Corporation and BNY Western Trust Company, as predecessor to The Bank of New York (the “2003 Trustee”);

D. The District has determined to prepay or make arrangements for prepayment and otherwise finance, refund and defease the 2002 Certificates and the 2003 Certificates (collectively, the “Prior Certificates”) by taking advantage of costs savings available to the District through the current refunding of the Prior Certificates and delivery of the District’s \$70,200,000 Variable Interest Rate Demand Obligations Certificates of Participation (2008 Refunding Project) (the “Certificates”) in the manner described herein;

E. The District and the Corporation propose to prepay the Prior Certificates by entering into (a) a Site Lease dated as of June 1, 2008 (the “Site Lease”) of certain parcels of real property owned by the District and situated in the County of Kings and County of Fresno, State of California as more particularly described in Exhibit A to the Site Lease (collectively, the “Site”) and the existing facilities located thereon (the “Existing Improvements” and together with the Site, the “Facilities”) all for the purpose of enabling the District has to finance the acquisition, construction, installation, modernization and equipping of certain new improvements

to various District facilities and to refinance and refund the costs of the acquisition, construction, installation, modernization and equipping of capital improvements to various District facilities as more particularly described in Exhibit C to that certain Trust Agreement dated as of June 1, 2008 by and among Deutsche Bank National Trust Company, as Trustee (the “Trustee”), the District and the Corporation (the “Trust Agreement”), and (b) a Lease Agreement dated as of June 1, 2008 (the “Lease Agreement”), whereby the District leases back the Facilities from the Corporation;

F. To provide funds to (i) finance the prepayment of the 2002 Certificates, (ii) finance the prepayment of the 2003 Certificates, (iii) to provide funds relating to the financing of the acquisition, construction, improvement and equipping of certain new projects and other facilities at the District pursuant to the Lease Agreement, (iv) fund capitalized interest, and (v) pay the costs incurred in connection therewith, the Corporation and the District desire to authorize the Trustee to execute and deliver certificates each evidencing a direct, undivided fractional interest in the principal and interest components of the Lease Payments made by the District under the Lease Agreement pursuant to the Trust Agreement;

G. Under the Escrow Agreement relating to the 2002 Certificates (the “2002 Escrow Agreement”), to assure the District that the prepayment of the 2002 Certificates will occur on schedule, the District will deposit with the Trustee, as Escrow Agent, or cause to be deposited with the Trustee, as Escrow Agent, certain moneys;

H. Under the Escrow Agreement relating to the 2003 Certificates (the “2003 Escrow Agreement”), to assure the District that the prepayment of the 2003 Certificates will occur on schedule, the District will deposit with the Trustee, as Escrow Agent, or cause to be deposited with the Trustee, as Escrow Agent, certain moneys;

I. For the purpose of obtaining the moneys required to be deposited by it with the Trustee, the Corporation will assign to the Trustee certain of its right, title and interest in and to the Lease Agreement, and in consideration of such assignment and the execution of the Trust Agreement, the Trustee has agreed to execute and deliver the Certificates and the District will direct the Trustee to execute and deliver to the initial purchasers of the Certificates which will be payable form Lease Payments to be received from the District pursuant to the Lease Agreement;

J. Pursuant to the Trust Agreement, the Certificates each evidence a direct, undivided fractional interest in the principal and interest components of the Lease Payments made by the District under the Lease Agreement; and

K. The District has requested UBOC to issue its irrevocable, transferable, direct draw letter of credit, in substantially the form of Exhibit A (such letter of credit and any successor letter of credit as provided in such letter of credit being the “Letter of Credit”), in the amount of up to \$71,423,211 (the “Commitment”) of which \$70,200,000 shall support the payment of outstanding principal of the Certificates and \$1,223.211 shall support the payment of up to fifty-three (53) days of accrued interest on the Certificates computed at a rate of interest equal to twelve percent (12%) per annum.

AGREEMENTS

NOW, THEREFORE, in consideration of the premises and in order to induce UBOC to issue the Letter of Credit, the parties hereto agree as follows:

ARTICLE I.

DEFINITIONS

SECTION 1.01. Certain Defined Terms. As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

“AAA” has the meaning assigned to that term in Section 7.14.

“Additional Payments” means the payments so designated and required to be paid by the District pursuant to Article III of the Lease Agreement and such additional costs and expenses incurred by the District, the Trustee, UBOC and the Corporation as described in the Lease Agreement.

“Advance” means any Tender Advance. A drawing under the Letter of Credit that does not satisfy the conditions set forth in Section 3.03 does not constitute a Tender Advance and is payable on demand in accordance with Section 2.04.

“Advances” means Tender Advances.

“Alternate Credit Facility” means any letter of credit, committed line of credit, surety bond, insurance policy or other instrument, or any combination thereof, issued by a financial institution, the short-term credit rating of which is in the highest rating category of S&P or Moody’s, under the terms of which the Trustee is authorized to receive payment of an amount sufficient to pay when and as due hereunder (a) the principal represented by the Certificates, (b) the interest represented by the Certificates, and (c) the purchase price of the Certificates, including the principal amount and accrued interest represented thereby to the purchase date to the extent required to be paid hereunder.

“Assignment Agreement” means the Assignment Agreement dated as of June 1, 2008, by and between the Trustee and the Corporation, providing for the assignment of the Corporation’s interest in the Lease Agreement to the Trustee.

“Available Amount” in effect at any time, means the maximum amount available to be drawn at such time under the Letter of Credit, the determination of such maximum amount to assume compliance with all conditions for drawing and no reduction for any amount drawn by an Interest Draft referred to in the Letter of Credit (unless such amount is not reinstated under the Letter of Credit).

“Bank Certificates” means any and all Certificates purchased by the Trustee by means of a Tender Draft or Payment Draft, which Certificates are then, pursuant to the terms of the Trust Agreement, registered in the name of and owned by UBOC. Bank Certificates are sometimes referred to as “LOC Bank Certificates” in the Trust Agreement.

“Bankruptcy Code” means the Bankruptcy Code of the United States, Title 11 of the United States Code.

“Business Day” has the meaning assigned to that term in the Trust Agreement.

“Cash Equivalents” mean cash and other assets readily convertible into cash, such as money market accounts, short-term government bonds, Treasury bills, marketable securities and rated commercial paper.

“Cash Requirement” means the District’s Cash Equivalents in an amount of not less than \$20,000,000.

“Certificate” or “Certificates” means the \$70,200,000 aggregate principal amount of the Variable Rate Demand Obligations Certificates of Participation (2008 Refunding Project) to be executed and delivered pursuant to the Trust Agreement.

“Closing Date” means the date on which the Letter of Credit is issued.

“Code” means the Internal Revenue Code of the United States of America, Title 26 of the United States Code, as amended.

“Commitment” has the meaning assigned to that term in Recital K.

“Commitment Termination Date” has the meaning assigned to that term in Section 2.01.

“Corporation” means West Hills Community College District Financing Corporation, a non-profit, public benefit corporation organized and existing under the laws of the State of California, and its successors and assigns.

“Custody Agreement” means the agreement dated as of June 1, 2008, by and among UBOC and the Tender Agent, in the form of Exhibit B attached hereto.

“Debt” means (i) indebtedness for borrowed money or for the deferred purchase price of property or services, (ii) obligations as lessee under leases which are or should be, in accordance with generally accepted accounting principles, recorded as capital leases, and (iii) obligations under direct or indirect guaranties in respect of, and obligations (contingent or otherwise) to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of, indebtedness or obligations of others of the kinds referred to in clause (i) or (ii) above.

“Debt Service” means the scheduled amount of interest and amortization of principal payable with respect to the Certificates during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

“Dedicated Funds” mean the District’s general fund and any other unencumbered and unrestricted fund designated in writing to UBOC by the District as being eligible to hold Cash Equivalents in sufficient amounts to meet the Cash Requirement.

“Default Rate” means a fluctuating interest rate equal to 3% per annum above the Reference Rate in effect from time to time.

“District” means the West Hills Community College District, a political subdivision organized and existing under and by virtue of the Constitution and laws of the State, and its successors and assigns.

“Draw Date” has the meaning assigned to that term in Section 2.04.

“Draw Rate” means a fluctuating interest rate equal to the Reference Rate in effect from time to time for the first thirty (30) aggregate days and, thereafter, equal to 2% per annum above the Reference Rate in effect from time to time.

“Escrow Agent” means the 2002 Escrow Agent and the 2003 Escrow Agent with respect to the respective Escrow Agreements relating to the 2002 Certificates and the 2003 Certificates, respectively.

“Escrow Agreement” or “Escrow Agreements” means individually the 2002 Escrow Agreement and the 2003 Escrow Agreement and collectively, both Escrow Agreements providing for the refunding of the 2002 Certificates and the 2003 Certificates, respectively.

“Escrow Fund” is that certain escrow fund established under and pursuant to each of the respective Escrow Agreements in which moneys shall be deposited for the prepayment of the 2002 Certificates and the 2003 Certificates, respectively.

“Event of Default” has the meaning assigned to that term in Section 6.01.

“Existing Improvements” has the meaning assigned to that term in the Trust Agreement.

“Facility” means the Site, the Existing Improvements and that portion of the Improvements on the Site.

“Final Draft” has the meaning assigned to that term in the Letter of Credit.

“Fiscal Year” has the meaning assigned to that term in the Trust Agreement.

“Hazardous Substances” means (a) any oil, flammable substance, explosives, radioactive materials, hazardous wastes or substances, toxic wastes or substances or other wastes, materials or pollutants which (i) pose a hazard to the Site or to persons on or about the Site or (ii) cause the Site to be in material violation of any applicable law; (b) asbestos in any form which is or could become friable, urea formaldehyde foam insulation, transformers or other equipment which contain dielectric fluid containing levels of polychlorinated biphenyls, or radon gas; (c) any chemical, material or substance defined as or included in the definition of “waste,” “hazardous substances,” “hazardous wastes,” “hazardous materials,” “extremely hazardous waste,” “restricted hazardous waste,” or “toxic substances” or words of similar import under applicable law including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”), 42 USC §§9601 et seq.; the Resource Conservation and Recovery Act (“RCRA”), 42 USC §§9601 et seq.; the Hazardous Materials Transportation Act, 49 USC §§1801 et seq.; the Federal Water Pollution Control Act, 33 USC §§1251 et seq.; the California Hazardous Waste Control Law (“HWCL”), Cal. Health & Safety §§25100 et seq.; the Hazardous Substance Account Act (“HSAA”), Cal. Health & Safety §§25300 et seq.; the Underground Storage of Hazardous Substances Act, Cal. Health & Safety §§25280 et seq.; the Porter-Cologne Water Quality Control Act (the “Porter-Cologne Act”), Cal

Water Code §§13000 et seq.; the Safe Drinking Water and Toxic Enforcement Act of 1986 (Proposition 65); and Title 22 of the California Code of Regulations, Division 4, Chapter 30; (d) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any governmental Corporation or agency or may or could pose a hazard to the health and safety of the occupants of the Site or the owners and/or occupants of property adjacent to or surrounding the Site, or any other person coming into the Site or adjacent property; and (e) any other chemical, materials or substances which may or could pose a hazard to the environment.

“Improvements” has the meaning assigned to that term in the Trust Agreement.

“Interest Draft” has the meaning assigned to that term in the Letter of Credit.

“Lease Agreement” means the Lease Agreement dated as of June 1, 2008 by and between the Corporation as lessor and the District as lessee, and any authorized and executed amendments thereto.

“Lease Payment” or “Lease Payments” means all payments required to be paid by the District pursuant to the Lease Agreement, including any prepayment thereof pursuant to Article X of the Lease Agreement.

“Lease Payment Fund” means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

“Letter of Credit” has the meaning assigned to that term in Recital K.

“Maturity Date” means June 18, 2011 or such later date as may have been agreed to by the District and UBOC pursuant to Section 2.08 hereof.

“Moody’s” has the meaning assigned to that term in the Trust Agreement.

“Official Statement” means the Official Statement dated June 18, 2008, relating to the Certificates, together with the documents incorporated therein by reference.

“Outstanding” has the meaning assigned to that term in the Trust Agreement.

“Owner,” “Owners,” “Certificate Owner,” “Certificateholder” or “Holder” when used with respect to a Certificate means the person in whose name the ownership of such Certificate shall be registered.

“Partial Prepayment Draft” has the meaning assigned to that term in the Letter of Credit.

“Participant” means a banking or financial institution participating in the Letter of Credit and this Agreement pursuant to Section 7.13 hereof.

“Participation Agreement” means the document by which a Participant participates in the Letter of Credit and this Agreement, as provided in Section 7.13 hereof.

“Payment Draft” has the meaning assigned to that term in the Letter of Credit.

“Permitted Investments” has the meaning assigned to that term in the Trust Agreement.

“Person” means any natural person, corporation, firm, association, government, governmental agency or any other entity, whether acting in an individual, fiduciary or other capacity.

“Prior Certificates” means the District’s \$27,950,000 Certificates of Participation (2002 Capital Improvements Project) dated August 1, 2002 and the District’s \$37,200,000 Certificates of Participation (2003 Capital Improvements Project) dated July 1, 2003.

“Prior Trustee” means BNY Western Trust Company, as predecessor to BNY/Mellon Trust Company, the trustee under the respective trust agreements relating to the Prior Certificates.

“Project” means those capital improvements, more particularly described in Exhibit C of the Trust Agreement, as the same may be amended from time to time.

“Purchase Contract” means that certain Purchase Contract dated June 18, 2008, addressed to the District from the Underwriter.

“Rating Agency” means Moody's, S&P and any other rating agency who, at the time in question, shall be rating the Certificates, and their successors and assigns.

“Reference Rate” means the rate of interest publicly announced from time to time by UBOC as its “reference rate,” which is a rate set by UBOC based upon various factors including UBOC's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above or below such announced rate.

“Related Documents” has the meaning assigned to that term in Section 2.12.

“Remarketing Agent” has the meaning assigned to that term in the Trust Agreement.

“Remarketing Agreement” has the meaning assigned to that term in the Trust Agreement.

“S&P” has the meaning assigned to that term in the Trust Agreement.

“Site” means that certain real property more particularly described in the Site Lease and the Lease Agreement.

“Site Lease” means the Site Lease, dated as of the date thereof, by and between the District, as lessor, and the Corporation, as lessee, together with any duly authorized and executed amendments thereto.

“Stated Termination Date” has the meaning assigned to that term in the Letter of Credit.

“Subject Documents” has the meaning assigned to that term in Section 7.14.

“Tender Advance” has the meaning assigned to that term in Section 2.05.

“Tender Agent” has the meaning assigned to that term in the Trust Agreement.

“Tender Draft” has the meaning assigned to that term in the Letter of Credit.

“Trustee” has the meaning assigned to that term in Recital F.

“2002 Certificates” means the \$27,950,000 West Hills Community College District Certificates of Participation (2002 Capital Improvements Projects) executed and delivered by the 2002 Trustee pursuant to the 2002 Trust Agreement.

“2002 Escrow Agent” means Deutsche Bank National Trust Company.

“2002 Escrow Agreement” means that certain agreement providing for the prepayment of the 2002 Certificates executed by and between the District and the 2002 Escrow Agent, and its successors and assigns.

“2002 Lease Agreement” has the meaning assigned to that term in Recital B.

“2002 Projects” has the meaning assigned to that term in Recital B.

“2002 Site Lease” has the meaning assigned to that term in Recital B.

“2002 Trust Agreement” means the Trust Agreement entered into among the 2002 Trustee, the District and the Corporation, dated as of August 1, 2002.

“2002 Trustee” means BNY/Mellon Trust Company.

“2003 Certificates” means the \$37,200,000 West Hills Community College District Certificates of Participation (2003 Capital Improvements Projects) executed and delivered by the 2003 Trustee pursuant to the 2003 Trust Agreement.

“2003 Escrow Agent” means Deutsche Bank National Trust Company.

“2003 Escrow Agreement” means that certain agreement providing for the prepayment of the 2003 Certificates executed by and between the District and the 2003 Escrow Agent, and its successors and assigns.

“2003 Lease Agreement” has the meaning assigned to that term in Recital C.

“2003 Projects” has the meaning assigned to that term in Recital C.

“2003 Site Lease” has the meaning assigned to that term in Recital C.

“2003 Trust Agreement” means the Trust Agreement entered into among the 2003 Trustee, the District and the Corporation, dated as of July 1, 2003.

“2003 Trustee” means BNY/Mellon Trust Company.

“Underwriter” means Nollenberger Capital Partners, Inc., its successors and assigns.

SECTION 1.02. Computation of Time Periods. In this Agreement, in the computation of a period of time from a specified date to a later specified date, the word “from” means “from and including” and the words “to” and “until” each means “to but excluding.”

SECTION 1.03. Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles and practices consistent with those principles and practices promulgated or adopted by the Financial Accounting Standards Board and the Board of the American Institute of Certified Public Accountants, their respective predecessors and successors.

SECTION 1.04. References to Other Documents. All terms defined herein by reference to another document shall have the meanings ascribed to such terms in such other

documents existing as of the date hereof without regard to subsequent modification or amendment unless the Bank shall have consented otherwise in writing.

ARTICLE II.

AMOUNT AND TERMS OF THE LETTER OF CREDIT

SECTION 2.01. The Letter of Credit. UBOC shall, under the terms and conditions hereinafter set forth, issue the Letter of Credit to the Trustee at any time during the period from the date hereof to and including June 30, 2008 (the “Commitment Termination Date”) in the aggregate amount of the Commitment and expiring on or before the Maturity Date.

SECTION 2.02. Issuing the Letter of Credit. The Letter of Credit shall be issued on at least five Business Days' notice from the District to UBOC specifying the date thereof. On the date specified by the District in such notice and upon fulfillment of the applicable conditions set forth in Article III, UBOC will issue the Letter of Credit to the Trustee. Payments made under the Letter of Credit by UBOC will be made from its own funds.

SECTION 2.03. Commissions.

- (a) Origination Fee: There shall be no origination fee.
- (b) Facility Fee: The District shall pay, or cause to be paid, to UBOC a facility fee based on the Available Amount in effect, from Closing Date until the Stated Termination Date, at a rate of 0.550% per annum. The facility fee shall be payable quarterly in arrears, beginning September 1, 2008, and continuing on the first day of each December, March, June and September thereafter. Once paid, the facility fee shall be deemed earned and shall not be refundable.
- (c) Transfer Fee: The District shall pay, or cause to be paid, to UBOC, upon each transfer of the Letter of Credit in accordance with its terms, a transfer commission equal to

\$2,000. A transfer is deemed to have occurred whenever the Trustee is replaced, substituted or changed as a result of sale, assignment, merger, consolidation, reorganization or an act of law.

(d) Draw Fee: The District shall pay, or cause to be paid, to UBOC upon each draw under the Letter of Credit a sum equal to \$250, payable on the Draw Date.

(e) Default Fee: The District shall pay, or cause to be paid, to UBOC during the period of any Event of Default hereunder, regardless of whether UBOC has exercised any of its remedies as described in Section 6.02 below, a default fee based on the Available Amount in effect, from the date such Event of Default has occurred until the earlier of the date such Event of Default is cured or the Stated Termination Date, at the rate of 3% per annum. The default fee shall be payable monthly, in arrears, on the last day of each month, and on the day the Event of Default is cured or, if earlier, the Stated Termination Date.

SECTION 2.04. Reimbursement On Demand. Subject to the provisions of Sections 2.05 and 2.06, the District shall pay to UBOC on and after each date on which UBOC shall pay any amount under the Letter of Credit pursuant to any Payment Draft (the “Draw Date”), (i) a sum equal to the amount so paid, plus (ii) interest on the unreimbursed amount from the Draw Date until reimbursement is received by UBOC in full. Such interest shall be at the Default Rate in effect from time to time.

SECTION 2.05. Tender Advances. In the event UBOC makes any payment under the Letter of Credit pursuant to a Tender Draft and the conditions set forth in Section 3.03 have been fulfilled, such payment shall constitute an Advance made by UBOC to the District on the date and in the amount of such payment, each such Advance being a “Tender Advance” and collectively the “Tender Advances.” The unpaid principal amount of any Tender Advance and all accrued and unpaid interest thereon shall be repaid in accordance with the terms of Sections

2.06 and 2.07; provided that, in any event, all Tender Advances, plus all accrued and unpaid interest thereon, shall be due and payable on the Stated Termination Date or sooner termination of the Letter of Credit. Upon payment under the Letter of Credit pursuant to a Tender Draft, the Certificates so purchased shall be owned by UBOC and held by the Tender Agent pursuant to the terms of the Custody Agreement. UBOC shall be entitled to all rights and remedies of an Owner so long as any Bank Certificates remain outstanding.

SECTION 2.06. Interest on Tender Advances. The District shall pay interest on the unpaid principal amount of each Tender Advance from the date of such Advance until such principal amount of such Tender Advance becomes due, payable monthly on the last day of each calendar month with respect to the month then ended, at a fluctuating rate of interest per annum equal to the Draw Rate in effect from time to time; provided, however, that in the event such interest is not paid on any outstanding Tender Advance when due and payable, the District shall pay interest on the principal amount of such Tender Advance and the amount of the unpaid interest, if any, on demand, at the Default Rate in effect from time to time, beginning from the original due date of such unpaid interest.

SECTION 2.07. Prepayments; Reinstatement of Letter of Credit Amounts. The District may on any Business Day, upon at least two Business Days' notice to UBOC, prepay the outstanding amount of any Tender Advance, in whole or in part, with accrued interest to the date of such prepayment on the amount prepaid. Such payments when accompanied by a certificate completed and signed by the Trustee (with a copy to the District) in substantially the form of Annex D to the form of Letter of Credit shall be applied by UBOC in reimbursement of such drawings (and as prepayment of Tender Advances resulting from such drawings in the manner

described above); and the District irrevocably authorizes UBOC to rely on such certificate and to reinstate the Letter of Credit in accordance therewith.

(b) Prior to or simultaneously with the remarketing of Bank Certificates acquired by the Tender Agent with the proceeds of one or more Tender Advances, the District shall cause the Trustee on behalf of the District to repay such Tender Advances (in the order in which they were made) by paying to UBOC an amount equal to the sum of (i) the aggregate principal amount of the Bank Certificates being resold or to be resold plus (ii) that aggregate amount of accrued and unpaid interest on such principal amount which was paid by a drawing or drawings under such Tender Draft or Drafts. Such payments when accompanied by a certificate completed and signed by the Trustee in substantially the form of Annex D to the form of Letter of Credit shall be applied by UBOC in reimbursement of such drawings (and as prepayment of Tender Advances resulting from such drawings in the manner described above); and the District irrevocably authorizes UBOC to rely on such certificate and to reinstate the Letter of Credit in accordance therewith.

(c) If any change in any law or regulation or in the interpretation thereof by any court or administrative or governmental Corporation charged with the administration thereof shall either (i) impose, modify or deem applicable any reserve, special deposit or similar requirement against letters of credit issued by, or assets held by, or deposits in or for the account of, UBOC or (ii) impose on UBOC any other condition regarding this Agreement, the Letter of Credit, or the Advances, and the result of any event referred to in clause (i) or (ii) above shall be to (A) increase the cost to UBOC of issuing or maintaining the Letter of Credit or making or maintaining any Advance or holding any Bank Certificates or (B) reduce the amount receivable or to be received with respect to the Letter of Credit or any Advance (which increase in cost or

reduction in amount shall be determined by UBOC's reasonable allocation of the aggregate of such cost increases or such reduced amounts resulting from such event), then, within 15 days after a written demand by UBOC, the District shall pay to UBOC, from time to time as specified by UBOC, additional amounts which shall be sufficient to compensate UBOC for such increased cost or such reduced amount. A certificate setting forth such increased cost incurred by UBOC as a result of any event mentioned in clause (i) or (ii) above and giving a reasonable explanation thereof, submitted by UBOC to the District, shall constitute such demand and shall, in the absence of manifest error, be conclusive and binding for all purposes as to the amount thereof.

(d) In the event that UBOC shall have determined that the adoption after the date hereof of any law, rule or regulation regarding capital adequacy, or any change therein or in the interpretation or application thereof or compliance with any request or directive regarding capital adequacy (whether or not having the force of law) from any central bank or governmental Corporation, does or shall have the effect of reducing the rate of return on UBOC's capital as a consequence of its obligations hereunder to a level below that which UBOC could have achieved but for such adoption, change or compliance (taking into consideration UBOC's policies with respect to capital adequacy) by any amount deemed by UBOC to be material, then from time to time, within 15 days after demand by UBOC, the District shall pay to UBOC such additional amount or amounts as will compensate UBOC for such reduction, and UBOC shall provide the District with a statement in reasonable detail setting forth the calculation of the amount of such compensation. Such statement shall constitute demand for payment of the amount or amounts set forth therein and shall, in the absence of manifest error, be conclusive and binding for all purposes as to the amount or amounts thereof.

SECTION 2.08. Requests for Extension of Maturity Date. At least 90 but not more than 180 days before the third anniversary of the Closing Date, and at least 90 but not more than 180 days before each subsequent anniversary of the Closing Date, if any, the District may request UBOC in writing to extend the Maturity Date for a period of at least one year. If the District shall make such a request, UBOC shall, within 60 days of receipt of such request from the District, notify the District in writing whether or not UBOC consents to such request and, if UBOC does so consent, the conditions of such consent. If UBOC shall not so notify the District, UBOC shall be deemed not to have consented to such request. The District and UBOC agree, and the District understands, that the granting of each such request is completely at the discretion of UBOC, and that the granting of any one or more of such requests does not obligate UBOC to grant any subsequent such request. If UBOC determines to grant any such request, the Maturity Date shall be extended for the applicable period.

SECTION 2.09. Payments and Computations. The District shall make or cause to be made each payment hereunder not later than 1:00 P.M. (Pacific time) on the day when due without deduction or offset in lawful money of the United States of America to UBOC at its address referred to in Section 7.03 in same-day funds or in accordance with the wire instruction in such Section. Computations of the Draw Rate, Default Rate, facility fee, early termination fee and all other commissions and fees established herein (as applicable) shall be made by UBOC on the basis of a year of 360 days for the actual number of days elapsed.

SECTION 2.10. Non-Business Days. Whenever any payment to be made hereunder shall be stated to be due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest or commission, as the case may be.

SECTION 2.11. Evidence of Advances. UBOC shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the District resulting from each drawing under the Letter of Credit and from each Advance made from time to time hereunder and the amounts of principal and interest payable and paid from time to time hereunder. In any legal action or proceeding in respect of this Agreement, the entries made in such account or accounts shall be conclusive evidence of the existence and amounts of the obligations of the District therein recorded; provided, however, that any failure to make entries or any error in doing so shall not limit or otherwise affect the obligations of the District under this Agreement.

SECTION 2.12. Obligations Absolute. The payment obligations of the District under this Agreement shall be unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement under all circumstances, including, without limitation, the following circumstances:

- (i) any lack of validity or enforceability of the Letter of Credit, the Certificates, the Trust Agreement, the Lease Agreement, the Site Lease, the Assignment Agreement, the Custody Agreement, the Remarketing Agreement, the 2002 Escrow Agreement, the 2003 Escrow Agreement, the Purchase Contract or any other agreement or instrument relating thereto (collectively the “Related Documents”);
- (ii) any amendment or waiver of, or any consent to departure from, all or any of the terms of the Related Documents;
- (iii) the existence of any claim, set-off, defense or other right which the District may have at any time against the Trustee or any other beneficiary, or any

transferee, of the Letter of Credit (or any persons or entities for whom the Trustee, any such beneficiary or any such transferee may be acting), UBOC, or any other person or entity, whether in connection with this Agreement, the transactions contemplated by this Agreement or the Related Documents, or any unrelated transaction;

(iv) any statement or any other document presented by or on behalf of the Trustee under the Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(v) payment by UBOC under the Letter of Credit against presentation of a draft or certificate which does not comply with the terms of the Letter of Credit; or

(vi) any non-application or misapplication by the Trustee, the Paying Agent or the Tender Agent or otherwise of the proceeds of any drawing or Advance; or

(vii) the failure by UBOC to honor any drawing under the Letter of Credit or to make any payment demanded under the Letter of Credit on the grounds that the demand for such payment does not conform to the terms and conditions of the Letter of Credit; or

(viii) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing.

SECTION 2.13. Security for Draws. To secure the performance of the District hereunder and the payment of all amounts due or to become due to UBOC, (i) the Corporation,

pursuant to the Assignment Agreement, shall transfer, assign and set over to the Trustee, for the benefit of the Owners and UBOC, certain of its rights under the Lease Agreement including but not limited to all of the Corporation's rights to receive and collect all of the Lease Payments and all other amounts required to be deposited in the Lease Payment Fund, and (ii) pursuant to the terms of the Trust Agreement, the moneys and investments held by the Trustee, including but not limited to moneys deposited in the Lease Payment Fund, shall be held in trust for the benefit of the Owners and UBOC on the terms and conditions provided therein.

ARTICLE III.

CONDITIONS PRECEDENT

SECTION 3.01. Condition Precedent to Issuance of the Letter of Credit. The obligation of UBOC to issue the Letter of Credit is subject to the condition precedent that UBOC shall have received on or before the date of the issuance of the Letter of Credit the following, each appropriately dated, in form, number and substance satisfactory to UBOC:

(a) Originals (or copies certified to be true copies by an appropriate official of the Corporation) of all governmental and regulatory approvals necessary for the Corporation to enter into the Related Documents to which it is a party and to perform its obligations as contemplated hereby and thereby, and of all other documents evidencing any other necessary Corporation action.

(b) To the extent not included in (a) above, copies of the resolutions of District the Corporation authorizing the execution, delivery and performance of the Related Documents to which it is a party, certified by an appropriate official of the Corporation (which certification shall include a statement to the effect that such resolutions are in full force and effect on the date of the issuance of the Letter of Credit).

(c) A certificate of the Corporation certifying the names and true signatures of the officials of the Corporation authorized to sign the Related Documents to which it is a party and the other documents to be delivered by the Corporation thereunder.

(d) Originals (or copies certified to be true copies by an appropriate official of the District) of all governmental and regulatory approvals necessary for the District to enter into this Agreement and the Related Documents to which it is a party and to perform its obligations as contemplated hereby and thereby, and of all other documents evidencing any other necessary District action.

(e) To the extent not included in (a) above, copies of the resolutions of the District authorizing the execution, delivery and performance of this Agreement and the Related Documents to which it is a party, certified by an appropriate official of the District (which certification shall include a statement to the effect that such resolutions are in full force and effect on the date of the issuance of the Letter of Credit).

(f) A certificate of the District certifying the names and true signatures of the officials of the District authorized to sign this Agreement and the Related Documents to which it is a party and the other documents to be delivered by the District hereunder.

(g) A certificate of the Trustee certifying the names and true signatures of the officials of the Trustee authorized to sign the Related Documents to which it is a party and the other documents to be delivered by the Trustee hereunder.

(h) A certificate of the Tender Agent certifying the names and true signatures of the officials of the Tender Agent authorized to sign the Related Documents to which it is a party, including but not limited to the Custody Agreement, and the other documents to be delivered by the Tender Agent hereunder.

(i) An opinion of Jerry M. Behrens, Esq., special counsel to the Corporation, in the form set forth as Exhibit C-1 attached hereto.

(j) An opinion of Jerry M. Behrens, Esq., special counsel to the District, in the form set forth in Exhibit C-2 attached hereto.

(k) A copy of the initially issued opinion of Greenberg Traurig, LLP, special counsel, in form and substance reasonably satisfactory to UBOC.

(l) An opinion of counsel to the Trustee, in form and substance reasonably satisfactory to UBOC including, as part of the documentation on which the opinion is rendered, the Custody Agreement.

(m) An opinion of White & Case LLP, special counsel for UBOC, in substantially the form of Exhibit D hereto.

(n) An executed copy of the Trust Agreement.

(o) An executed copy of the Custody Agreement.

(p) An executed copy of this Agreement.

(q) Executed copies of the Lease Agreement and Site Lease.

(r) An executed copy of the Assignment Agreement.

(s) Copies of the policies of insurance required to be delivered by the District pursuant to Section 5.7 of the Lease Agreement and any applicable approvals of UBOC required under Section 5.01 hereof.

(t) Executed copies of all other Related Documents.

SECTION 3.02. Additional Conditions Precedent to Issuance of the Letter of Credit. The obligation of UBOC to issue the Letter of Credit shall be subject to the further conditions precedent that on the date of the issuance of the Letter of Credit:

(a) the following statements shall be true and UBOC shall have received a certificate signed by a duly authorized official of the District , dated the date of such issuance, stating that:

(i) The representations and warranties contained in Section 4.01 of this Agreement are correct on and as of the date of issuance of the Letter of Credit as though made on and as of such date; and

(ii) No event has occurred and is continuing, or would result from the issuance of the Letter of Credit, which constitutes an Event of Default or would constitute an Event of Default but for the requirement that notice be given or time elapse or both.

(b) UBOC shall have received such other approvals, opinions or documents as UBOC may reasonably request;

(c) the District shall have paid or reimbursed UBOC for its costs and expenses as provided in Section 7.09.

SECTION 3.03. Conditions Precedent to Each Advance. Each payment made by UBOC under the Letter of Credit pursuant to a Tender Draft shall constitute an Advance hereunder (i.e., a drawing not payable on demand) only if on the date of such payment no event has occurred and is continuing, or would result from such payment, which constitutes an Event of Default or would constitute an Event of Default but for the requirement that notice be given or time elapse or both. Unless the District shall have previously advised UBOC in writing that the above statement is no longer true, the District shall be deemed to have represented and warranted, on the date of each payment by UBOC under the Letter of Credit pursuant to a Tender Draft that on the date of such payment the above statement is true. Upon expiration or sooner

termination of the Letter of Credit, any Tender Advances shall be repayable by the District pursuant to Section 2.05.

ARTICLE IV.

REPRESENTATIONS AND WARRANTIES

SECTION 4.01. Representations and Warranties of the District. The District represents and warrants as follows:

(a) The District is a community college district organized and existing under the Constitution and laws of the State of California and is possessed of full powers to lease and purchase real and personal property and to enter into contracts such as this Agreement and each of the Related Documents to which it is a party, which powers have been validly exercised in connection with the transactions effected by this Agreement and the Related Documents.

(b) The execution, delivery and performance by the District of this Agreement and the Related Documents to which it is a party are within the District 's powers, have been duly authorized by all necessary governmental action, and do not and will not contravene or constitute a default under any provision of applicable law or regulation or of any law, determination, award, regulation, judgment, injunction, order, decree, rule or writ applicable to the District, or any Trust Agreement, lease, instrument, agreement or other contractual restriction binding on the District or its property, and do not and will not result in or require the creation or imposition of any lien, security interest or other charge or encumbrance upon or with respect to any of its properties, except as contemplated by such Related Documents; the District is not in violation of or in default under any law, order, rule, regulation, writ, judgment, injunction, decree, determination, award or any Trust Agreement, agreement, lease, instrument or other contractual restriction binding on or affecting the District which violation or default would

adversely impair the ability of the District to perform its obligations hereunder or under the Related Documents to which it is a party.

(c) All authorizations, approvals, legally required orders, consents and other action by, and notice to or filing or registration with, any governmental Corporation, regulatory body or other public boards or bodies have been obtained or will be obtained for the due execution, delivery and performance by the District of this Agreement and the Related Documents to which it is a party, and all of the transactions contemplated thereby.

(d) This Agreement has been duly authorized, executed and delivered by the District and, assuming the due authorization, execution and delivery by the other parties thereto, constitutes the legal, valid and binding obligation of the District, enforceable against the District in accordance with its terms. Each of the Related Documents to which the District is a party has been duly authorized, executed and delivered by the District and, assuming the due authorization, execution and delivery by the other parties thereof, constitutes the legal, valid and binding obligation of the District, enforceable against the District in accordance with its terms.

(e) The annual audited financial statements of the District for the 2006-2007 Fiscal Year, approved by the District fairly present, in conformity with the procedures set forth in generally accepted accounting principles, as the same may from time to time be amended, the financial position of the District as of the date thereof and the results of operations and changes in financial position for the periods indicated and the budget of the District for the 2007-2008 Fiscal Year delivered to UBOC is the budget adopted by the District for that Fiscal Year. Since the date of the most recent financial statements there has been no material adverse change in the condition or operations of the District not disclosed in such information and no event has

occurred which materially adversely affects the ability of the District to perform its obligations under this Agreement or any of the Related Documents to which it is a party.

(f) There are no actions, suits or proceedings, and no proceedings before any governmental commission, board, bureau or other administrative agency, pending, or, to the knowledge of the District, threatened against or affecting the District which will (to the extent not covered by insurance) in the opinion of the District have a material adverse effect on the business, financial condition or results of operations of the District or which in any manner questions the validity of this Agreement or any of the Related Documents.

(g) The District makes the representations and warranties made by it in the Related Documents to and for the benefit of UBOC as if the same were set forth at length in this Agreement.

(h) To the best knowledge of the District, there is no amendment, or proposed amendment certified for placement on a statewide ballot, to the Constitution of the State of California or any published administrative interpretation of the Constitution of the State of California or any State of California law, or any legislation which has passed either house of the State legislature or is under consideration by any conference or similar committee, or any published judicial decision interpreting any of the foregoing, the effect of which is to materially adversely affect the ability of the District to perform its obligations under this Agreement or any of the Related Documents to which it is a party.

(i) The funds and accounts created under the Trust Agreement and the moneys, including, without limitation, the Lease Payments on deposit therein, are held in trust by the Trustee as security for the punctual payment of the interest and principal due with respect to the Certificates and the amounts owing to UBOC. All action necessary to create the trust and to

have such funds and accounts held by the Trustee for such purposes, have been duly and validly taken.

(j) The Lease Agreement and the Lease Payments payable thereunder have been validly assigned, pursuant to the Assignment Agreement, by the Corporation to the Trustee and no further action or approval to cause the Lease Agreement and Lease Payments to be so assigned are required or needed.

(k) Except for the information contained in the Official Statement under the captions “The Letter of Credit and the Reimbursement Agreement” and “The Bank,” as to which no representation is made, the Official Statement is accurate in all materials respects; and except for the information contained in the Official Statement under the previously mentioned captions, as to which no representation is made, the Official Statement does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(l) The District does not enjoy any rights of immunity on the grounds of sovereign immunity in respect of its obligations under this Agreement or any Related Documents subject, however, to legal limitations on remedies against the District.

(m) After due investigation, there is not constructed, stored, deposited, disposed, placed or located on or in the Site any Hazardous Substances, all in accordance with applicable laws. The District has not stored or caused to be stored upon the Site any Hazardous Substances nor, after due investigation and inquiry, have any of the District’s predecessors in interest stored or caused to be stored any Hazardous Substances on or in the Site.

(n) As of June 30, 2007, the District had unrestricted funds on hand in an amount of not less than \$63,000,000.

ARTICLE V.

COVENANTS OF THE DISTRICT

SECTION 5.01. Affirmative Covenants. So long as a drawing is available under the Letter of Credit or UBOC shall have any Commitment hereunder or the District shall have any obligation to pay any amount to UBOC hereunder, the District will, unless UBOC shall otherwise consent in writing:

(a) Maintenance of Insurance. Maintain insurance with responsible and reputable insurance companies or associations in such amounts and covering such risks as are usually carried by community college districts owning or operating concerns like or similar to the District, but in no event, in amounts less than or covering risks other than as set forth in Article V of the Lease Agreement or as otherwise required by UBOC; provided, however, in the event the District elects to purchase insurance which has, as part of its terms, deductibles, the District must first obtain UBOC's approval as to amount and method of funding of such deductibles. The District also agrees that in the event of any failure to comply with such insurance requirements as contained in the Lease Agreement or as required by UBOC, UBOC may purchase such insurance as it shall deem satisfactory, and all premiums, fees, costs, charges and expenses related thereto shall be paid by the District to UBOC upon demand.

(b) Preservation of Existence, Etc. Preserve and maintain its existence, rights (statutory), and franchises as a community college district organized and existing under the Constitution and laws of the State of California.

(c) Compliance with Laws, Etc. Comply with the requirements of all applicable laws, rules, regulations and orders of any governmental Corporation, the non-

compliance with which would materially adversely affect its ability to make Lease Payments as required under the Lease Agreement.

(d) Visitation Rights. At any reasonable time and from time to time, permit UBOC or any agents or representatives thereof to examine and make copies of and abstracts from the records and books of account of the District, as the same relate to the Site and the Project, and to discuss the affairs, finances and accounts of the District, as the same relate to the Site and the Project.

(e) Keeping of Books. Keep proper books of record and account, in which full and correct entries shall be made of all financial transactions and the assets and business of the District, as they relate to the Site and the Project, in accordance with generally accepted accounting principles consistently applied.

(f) Maintenance of District's Business. Maintain and preserve all of its properties which are used or useful in the conduct of the District's business in good working order and condition, making all repairs or replacements as necessary, including but not limited to repairs or replacements necessitated by the occurrence of fire, flood, earthquake or any other event causing damage.

(g) Performance and Compliance with Other Covenants. Perform and comply with each of the terms, covenants and conditions set forth in this Agreement and the Related Documents to which the District is a party.

(h) Reporting Requirements. Furnish to UBOC the following:

(i) as soon as available, and in any event on or before April 1 of each Fiscal Year of the District, the District's audited financial statements for the prior Fiscal Year;

(ii) within 20 days of the final adoption of the annual budget of the District, but in no event later than September 1 of each year, a copy of the District's adopted budget;

(iii) as soon as possible, and in any event within five (5) days after the occurrence of each Event of Default or each event which, with the giving of notice or lapse of time, or both, would constitute an Event of Default, continuing on the date of such statement, a statement of the chief financial officer of the District setting forth details of such Event of Default or event and the action which the District proposes to take with respect thereto;

(iv) at the time the budget is furnished to UBOC pursuant to clause (ii) above, but in no event later than September 1 of each year, (a) a copy of the current investment policy of the District for monies held in all funds and accounts of the District, and (b) a detailed description of the District's investment portfolio;

(v) within fifteen (15) days of incurring or issuing any obligations, including but not limited to loans, bonds and agreements with regard to certificates of participation, payable in whole or in part from the general fund of the District, a copy of any official statement, private placement or offering memorandum prepared in connection with such obligations;

(vi) promptly after the commencement thereof, notice of all actions, suits and proceedings before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, which materially affect the ability of the District to make Lease Payments under the terms of the Lease Agreement;

(vii) Promptly, upon knowledge thereof, notice of (a) any and all claims of Hazardous Substances made against the District or the Site; (b) any remedial action taken by the District in response to any Hazardous Substances on, under or about the Site; (c) District's discovery of any occurrence or condition on the real property adjoining or in the vicinity of the Site that could cause the Site or any part thereof to be classified as "border-zone property" under the provisions of California Health and Safety Code Sections 25220 et seq. or any regulation adopted in accordance therewith or to be otherwise subject to any restrictions on the ownership, occupancy, transferability or use of the Site under any Hazardous Substances laws; and

(viii) such other information respecting the business, properties or the condition or operations, financial or otherwise, of the District or the Site as UBOC may from time to time reasonably request.

All dates referred to above assume that the District will maintain its Fiscal Year end on June 30.

If the Fiscal Year is changed, the dates referred to above will be changed accordingly.

(i) Return of Letter of Credit. Upon a mandatory tender or prepayment of all of the Certificates pursuant to the Trust Agreement where the Certificates are no longer to be remarketed, or upon expiration of replacement of the Letter of Credit, cause the Trustee to surrender forthwith the Letter of Credit to UBOC for cancellation.

(j) Additional Sources. Use its best efforts to seek and utilize additional sources of funds legally available to it in order to reimburse UBOC, in full, for drawings under the Letter of Credit and other amounts owing hereunder.

(k) Net Proceeds. Use or cause to be used the Net Proceeds for the reconstruction and rehabilitation of the Project or, if the Net Proceeds are insufficient for such purpose or the District elects to do so, use Net Proceeds to prepay Certificates then Outstanding.

(l) Maintain Cash and Investments. Maintain Cash Equivalents in Dedicated Funds in an amount not less than the Cash Requirement determined annually, on the close of business on June 30 of each year.

SECTION 5.02. Negative Covenants. So long as a drawing is available under the Letter of Credit or UBOC shall have any Commitment hereunder or the District shall have any obligation to pay any amount to UBOC hereunder, the District will not, without the written consent of UBOC:

(a) Amendment of Any Related Document. Enter into or consent to any amendment or modification of the Trust Agreement, Lease Agreement, the Site Lease, Assignment Agreement or any other Related Document.

(b) Encumbrances. Create or permit any encumbrance which either directly or indirectly creates an adverse effect on the assets and revenues on which UBOC or the Owners have a lien pursuant to this Agreement or the Trust Agreement.

(c) Ranking Obligations. Take any action or actions which would result in the District's obligations to the Trustee and UBOC hereunder not ranking at least pari passu in right of payment with all unsecured obligations of the District to the other creditors.

(d) Debt Limitation. Create, incur, assume or otherwise become or remain obligated in respect of, or permit to be outstanding, or suffer to exist, any Debt unless it is

(i) general obligation debt approved by voters in an election held in accordance with California

law or (ii) tax revenue anticipation notes or similar financing whose repayment is directly related in increases in tax revenues.

(e) Investment Limitations. Directly or indirectly, through mutual or pooled funds or otherwise, invest in instruments whose yield reacts inversely to the market, including but not limited to so-called inverse floaters, or invest in reverse repurchase agreements unless with respect to such reverse repurchase agreements (i) the term of the contract relating thereto is for a period of no more than 120 days and (ii) the monies obtained from investing in a reverse repurchase agreement is reinvested for a period no longer than the maturity of the reverse repurchase agreement from which such monies were obtained.

(f) Leverage Restrictions. Permit or allow its investment portfolio, or the portfolio of any funds or pooled funds in which it invests, to be leveraged by more than 25%.

(g) Liquidity. Encumber its cash position nor schedule the interest payment dates and maturities of its investments in a manner which impedes, hinders or interferes with the availability of funds to meet the District's expected cash needs.

ARTICLE VI.

EVENTS OF DEFAULT

SECTION 6.01. Events of Default. The occurrence of any of the following events shall be an “Event of Default” hereunder:

(a) The District shall fail to pay any amount payable under any provision of Article II when due; or

(b) Any representation or warranty made, or deemed made, by or on behalf of the District (or any of its officials) in connection with this Agreement or any of the Related

Documents shall prove to have been incorrect in any material respect when made or deemed made; or

(c) The District shall fail to perform or observe any term, covenant or agreement contained in Section 5.02 hereof on its part to be performed or observed; or

(d) The District shall fail to perform or observe any other term, covenant or agreement contained in any other section of this Agreement on its part to be performed or observed and any such failure shall remain unremedied for ten (10) days after written notice thereof shall have been given to the District by UBOC; or

(e) The District shall default in the payment of any Debt (other than Debt arising under this Agreement and Debt which is secured by or payable from sources other than the District's general fund and as to which the District has no legal obligation to pay from its general fund), whether such Debt now exists or shall hereafter be created, and any period of grace with respect thereto shall have expired, or an event of default as defined in any mortgage, Trust Agreement or instrument, under which there may be issued, or by which there may be secured or evidenced, any Debt, whether such Debt now exists or may be hereafter created, shall occur, which default in payment or event of default shall result in such Debt becoming or being declared due and payable prior to the date on which it would otherwise become due and payable; or

(f) An order for relief shall have been entered against the District under the Bankruptcy Code or any other similar applicable Federal or State law, and such decree or order shall have continued undischarged and unstayed for a period of 90 days; or a decree or order of a court having jurisdiction in the premises for the appointment of a receiver, trustee, liquidator or custodian of the District of its property, or for the winding up or liquidation of its affairs, shall

have been entered, and such decree or order shall have remained in force undischarged and unstayed for a period of 90 days; or

(g) The District shall institute a voluntary case, or shall consent to the institution of an involuntary case against it, or shall file a petition or answer or consent seeking reorganization or arrangement under the Bankruptcy Code or any other similar applicable Federal or State law, or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver, trustee, liquidator or custodian of it or of its property, or shall make an assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due, or corporate action shall be taken by the District in furtherance of any of the aforesaid purposes; or

(h) Any provision of this Agreement or any of the Related Documents to which the District is a party shall at any time for any reason cease to be valid and binding on the District, or shall be declared to be null and void, or the validity or enforceability thereof shall be contested by the District, or the District shall deny that it has any or further liability or obligation under this Agreement; or

(i) Any “Event of Default” under and as defined respectively in the Trust Agreement, the Lease Agreement, the Site Lease, the Assignment Agreement or any other Related Document shall have occurred and be continuing; or

(j) Any event which materially and adversely affects the financial condition of the District or the ability of the District to observe and perform the terms of this Agreement shall have occurred and be continuing.

SECTION 6.02. Upon an Event of Default. If any Event of Default shall have occurred and be continuing, UBOC may (but shall not be obligated to) by notice to the District,

declare the obligation of UBOC to issue the Letter of Credit to be terminated, whereupon the same shall forthwith terminate, or, if the Letter of Credit shall have been issued, (i) give notice to the Trustee pursuant to Section 4.05(a)(ii) of the Trust Agreement requesting the Trustee to declare a mandatory tender of all Certificates then outstanding and all interest accrued and unpaid thereon to be due and payable, (ii) take such action as may be necessary to cure such Event of Default on behalf and for the account of the District, (iii) require immediate payment in full by the District of any payment or amount owed or to be owed to UBOC hereunder, (iv) exercise any and all of the rights available to it under the Trust Agreement or any Related Documents, and (v) exercise any other rights and remedies available to it at law or in equity or under any other agreement.

It is understood that, upon the occurrence of an Event of Default, UBOC may exercise its rights with respect to remedies available to it under the Trust Agreement or any of the other Related Documents, all without limiting or restricting UBOC's ability, at a later date, to exercise its rights with respect to any remaining revenues for payment of any remaining indebtedness of the District to UBOC.

During the period that an Event of Default has occurred and is continuing, the District shall pay to UBOC the default fee described in Section 2.03(e) hereof.

ARTICLE VII.

MISCELLANEOUS

SECTION 7.01. Acceptance of Net Revenues. Except to the extent that other lawfully available funds may be used for this purpose, UBOC agrees, notwithstanding any provisions herein to the contrary, to accept the Lease Payments under and subject to the terms of the Lease Agreement as its sole source of reimbursement of draws under the Letter of Credit and

that the District's liability hereunder with respect to reimbursement of such draws shall be so limited.

SECTION 7.02. Amendments, Etc. This Agreement may be amended only by a written instrument duly executed by each of the parties hereto. The District may take any action herein prohibited or omit to perform any act herein required to be performed by it, only if the applicable party shall first obtain the written consent of UBOC thereto. No course of dealing between the District and UBOC, nor any delay in exercising any rights hereunder, shall operate as a waiver of any rights of UBOC hereunder. Unless otherwise specified in such waiver or consent, a waiver or consent given hereunder shall be effective only in the specific instance and for the specific purpose for which given.

SECTION 7.03. Notices. All notices, requests and other communications provided for hereunder shall be in electronic, telephonic or written (including bank wire, telegram, telecopier, telex or similar writing) form and shall be given to the party to whom sent, addressed to it, at its address or other address or telephone, telecopier or telex number as such party may hereafter specify for the purpose by notice to the other parties set forth below. Each such notice, request or communication shall be effective (i) if given by telephone, telex, telecopier or other electronic means, when such communication is transmitted to the address specified below and any appropriate answerback is received, (ii) if given by certified or registered mail, return receipt requested, on the date of receipt appearing on the return postal receipt for notices given by certified or registered mail, (iii) if given by hand delivery, when delivered at the address specified below:

- (a) if to the District:

West Hills Community College District
9900 Cody Street

Coalinga, California 93210
Attention: Vice Chancellor of Business
Telephone: (559) 934-2160
Telecopier: (559) 934-2816

(b) if to UBOC:

Union Bank of California, N.A.
Public Finance Unit
445 South Figueroa Street, G08-268
Los Angeles, California 90071
Re: West Hills Community College District
Telephone No.: (213) 236-6434
Telecopier No.: (213) 236-6450

with all reimbursements of Draws on the Letter of Credit wired to:

Union Bank of California, N.A.
ABA No. 1220-00496
Ref: Letter of Credit No. S305815M
Credit to Account No. 30516-196431
Attention: SCAL TSO STANDBY LOC

(c) if to the Trustee:

Deutsche Bank National Trust Company
101 California Street, 46th Floor
San Francisco, California 94111
Attention: Vice President of Trust and Securities Services
Telephone No.: (415) 617-3203
Telecopier No.: (415) 617-4280

or (iv) in any of the foregoing cases, at such other address or telex, bank wire or telephone number as the addressee may hereafter specify for the purpose in a notice to the other party specifically captioned "Notice of Change of Address pursuant to Section 7.03 of the Reimbursement Agreement."

SECTION 7.04. No Waiver. Any waiver, consent or approval by UBOC of any Event of Default or breach of any provision, condition, or covenant of this Agreement or any Related Document must be in writing and shall be effective only to the extent set forth in writing. No waiver of any breach or default shall be deemed a waiver of any later breach or default of the

same or any other provision of this Agreement or any Related Document. No failure or delay on the part of UBOC in exercising any power, right, or privilege under this Agreement or any Related Document shall operate as a waiver thereof, and no single or partial exercise of any such power, right, or privilege shall preclude any further exercise thereof or the exercise of any other power, right or privilege. UBOC has the right at its sole option to continue to accept interest and/or principal payments due under this Agreement or any Related Documents after default, and such acceptance shall not constitute a waiver of said default or an extension of the Maturity Date unless UBOC agrees otherwise in writing.

SECTION 7.05. Rights Cumulative. All rights and remedies existing under this Agreement and the Related Documents are cumulative to, and not exclusive of, any other rights or remedies available under contract or applicable law.

SECTION 7.06. Right of Set-off. Upon the occurrence and during the continuance of any Event of Default, UBOC is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by UBOC to or for the credit or the account of the District against any and all of the obligations of the District now or hereafter existing under this Agreement, irrespective of whether or not UBOC shall have made any demand hereunder and although such obligations may be contingent or unmatured.

(b) UBOC agrees promptly to notify the District after any such setoff and application referred to in subsection (a) above, provided that the failure to give such notice shall not affect the validity of such setoff and application. The rights of UBOC under this Section are

in addition to other rights and remedies (including, without limitation, other rights of setoff) which UBOC may have.

(c) UBOC agrees that any liens and security interests now or hereafter held by UBOC in property of the District securing the District's obligations hereunder shall be held by the Trustee for the pro rata benefit of UBOC and the Owners of the Certificates, provided, however, that UBOC may exercise its rights with respect to such liens or security interests for its own benefit if (i) it is determined by a court of competent jurisdiction that such exercise would not lead to UBOC's being released, prevented or restrained from or delayed in fulfilling its obligations under the Letter of Credit or (ii) the exercise of such rights with respect to such security interests or liens would not constitute a payment to Owners of the Certificates deemed a voidable preference payment under the Bankruptcy Code or (iii) the exercise of such rights with respect to such security interests or liens would not result in the lowering or suspension by the Rating Agencies of their respective ratings of the Certificates.

SECTION 7.07. Indemnification. The District shall indemnify and hold UBOC (which, for purposes of this Section, includes UBOC's employees, officers, directors, shareholders, affiliates, correspondents, agents and representatives) harmless from and against any and all claims, actions, proceedings, damages, losses, liabilities, costs or expenses (including but not limited to attorneys' fees and costs) which UBOC may incur or which may be claimed against UBOC by any Person:

(a) by reason of any inaccuracy or alleged inaccuracy in any material respect, or any untrue statement or alleged untrue statement of any material fact, contained in the Official Statement or any amendments or supplements thereto, or by reason of the omission or alleged omission to state therein a material fact necessary to make such statements, in the light of the

circumstances under which they were made, not misleading (except that this provision shall not apply to the information contained in the Official Statement describing UBOC); or

(b) by reason of or in connection with the execution, delivery or performance of the Certificates, the Trust Agreement, or any transaction contemplated by the Trust Agreement; or

(c) by reason of or in connection with any of the matters contemplated by this Agreement, any Related Document or the Letter of Credit; or

(d) by reason of or in connection with the execution and delivery or transfer of, or payment or failure to make payment under, the Letter of Credit; provided, however, that the District shall not be required to indemnify UBOC, as appropriate, pursuant to this Section 7.07 for any claims, actions, proceedings, damages, losses, liabilities, costs or expenses to the extent caused by UBOC's willful failure to make lawful payment under the Letter of Credit after the presentation to it by the Trustee or a successor trustee under the Trust Agreement of a draft and certificate strictly complying with the terms and conditions of the Letter of Credit. Nothing in this Section 7.07 is intended to limit the District's obligations contained in Article II. Without prejudice to the survival of any other obligation of the District hereunder, the indemnities and obligations of the District contained in this Section 7.07 shall survive the payment in full of amounts payable pursuant to Article II and termination of the Letter of Credit.

SECTION 7.08. Liability of UBOC. The District assumes all risks of the acts or omissions of the Trustee and any other beneficiary or transferee of the Letter of Credit with respect to its use of the Letter of Credit. Neither UBOC nor any of its officers or directors shall be liable or responsible for: (a) the use which may be made of the Letter of Credit or any acts or omissions of the Trustee and any other beneficiary or transferee in connection therewith; (b) the

validity, sufficiency or genuineness of documents, or of any endorsement thereon, even if such documents should prove to be in any or all respects invalid, insufficient, fraudulent or forged; (c) payment by UBOC against presentation of documents which do not comply with the terms of the Letter of Credit, including failure of any documents to bear any reference or adequate reference to such Letter of Credit; or (d) any other circumstances whatsoever in making or failing to make payment under the Letter of Credit, except that the District shall have a claim against UBOC, and UBOC shall be liable to the District to the extent of any direct, as opposed to consequential, damages suffered by the District which such District proves were caused by UBOC's willful failure to make lawful payment under the Letter of Credit after the presentation to it by the Trustee or a transferee to whom the Letter of Credit has been transferred in accordance with its terms of a draft and certificate strictly complying with the terms and conditions of the Letter of Credit. In furtherance and not in limitation of the foregoing, UBOC may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary.

SECTION 7.09. Costs, Expenses and Taxes. In addition to any other amounts payable by the District under this Agreement, the District agrees to pay on the Closing Date all costs and expenses of UBOC including, without limitation, the reasonable fees and expenses of counsel for UBOC in connection with the preparation, issuance, or delivery, as the case may be, of the Letter of Credit, this Agreement, the Related Documents, and any other documents that may be delivered in connection with any of the foregoing. In addition, the District agrees to pay promptly all costs and expenses of UBOC (including reasonable counsel fees and expenses) in connection with (i) the filing, recording, administration, transfer, amendment, maintenance, renewal or cancellation of the Letter of Credit, this Agreement, the Related Documents or any

other document that UBOC or its counsel reasonably determines that it must review or issue in connection with this Agreement, (ii) any payment by UBOC under the Letter of Credit (without duplication of any of the District's obligations under Section 2.03 hereof) or (iii) any and all stamp and other taxes and fees payable or determined to be payable in connection with the execution, delivery, filing and recording of the Letter of Credit, this Agreement or the Related Documents, and any other documents which may be delivered in connection with this Agreement. In addition, the District agrees to pay promptly all costs and expenses, including without limitation reasonable attorneys' fees and disbursements (and fees and disbursements of UBOC's in-house counsel) expended or incurred by UBOC in any arbitration, mediation, judicial reference, legal action or otherwise in connection with (a) the negotiation, preparation, amendment, interpretation and enforcement of this Agreement and any Related Documents, including without limitation during any workout, attempted workout, and/or in connection with the rendering of legal advice as to UBOC's rights, remedies and obligations under the Related Documents, (b) collecting any sum which becomes due UBOC under this Agreement or any Related Documents, (c) any proceeding for declaratory relief, any counterclaim to any proceeding, or appeal, or (d) the protection, preservation or enforcement of any rights of UBOC. For the purposes of this section, attorneys' fees shall include, without limitation, fees incurred in connection with the following: (1) contempt proceedings; (2) discovery; (3) any motion, proceeding or other activity of any kind in connection with a bankruptcy proceeding or case arising out of or relating to any petition under Title 11 of the United States Code, as the same shall be in effect from time to time, or any similar law; (4) garnishment, levy, and debtor and third party examinations; and (5) postjudgment motions and proceedings of any kind, including without limitation any activity taken to collect or enforce any judgment, except as to such

matters directly arising out of the willful misconduct or gross negligence of UBOC. UBOC shall give written notice to the District of any amounts as to which UBOC is entitled to reimbursement or indemnification under this Section 7.09, and the District shall pay such amounts to UBOC.

SECTION 7.10. Security Interest in Funds; Limits of Security. As additional security for payment of its obligations under this Agreement, the District hereby grants a security interest to UBOC in the District's right, title and interest, to the extent thereof, in all funds now or hereafter on deposit in or otherwise a part of any fund held by the Trustee under the Trust Agreement and in the proceeds realized from the investment of any such funds; and the District hereby consents to UBOC's appointment of the Trustee as UBOC's agent to perfect UBOC's security interest in such funds.

SECTION 7.11. Subrogation of UBOC. From and after payment by UBOC of a draw under the Letter of Credit relating to a payment on the Certificates and until UBOC is paid in full, the District agrees that UBOC and the District shall succeed to all of the right, title and interest of the Trustee and the Owners with respect to the Certificates on which payment was made, despite any discharge and satisfaction of the lien of the Trust Agreement pursuant to the terms thereof. Such subrogation of UBOC shall constitute additional security and shall not be deemed a substitution for the performance by the District of its obligations hereunder.

SECTION 7.12. Survival of Representations and Warranties. All statements contained in any Related Document or in any certificate, financial statement or other instrument delivered by or on behalf of the District pursuant to or in connection with this Agreement (including but not limited to any such statement made in or in connection with any amendment hereto or thereto) shall constitute representations and warranties made under this Agreement. All representations and warranties made under this Agreement (i) shall be made and shall be true at

and as of the date of this Agreement, the date the Letter of Credit is issued and the date of each drawing under the Letter of Credit and (ii) shall survive the execution and delivery of this Agreement, regardless of any investigation made by UBOC or on its behalf.

SECTION 7.13. Participations. UBOC may participate to other banking or financial institutions of UBOC's choosing all or any portion of its obligations under the Letter of Credit and this Agreement (to be evidenced by one or more Participation Agreements or similar documents). UBOC has no obligation to disclose the participation of such other institution. In calculating any amounts owing to UBOC under Section 2.03 hereof, the Participants shall be entitled, subject to the terms thereof, to the payments set forth in Sections 2.07(c) and 2.07(d) as if they were UBOC, to the extent such Participants are affected by the provisions of those Sections. The foregoing notwithstanding, no such participation by UBOC shall in any way affect any of the obligations of UBOC under the Letter of Credit, and the District shall have no obligation to deal in any manner with any such Participant.

SECTION 7.14. Dispute Resolution

(a) **Mandatory Arbitration.** Any controversy or claims between or among the parties including but not limited to those arising out of or relating to this Agreement or any Related Document (“Subject Documents”), including any claim based on or arising from an alleged tort, shall be determined by arbitration in accordance with Title 9 of the U.S. Code and Commercial Arbitration Rules of the American Arbitration Association (“AAA”). All statutes of limitations which would otherwise be applicable shall apply to any arbitration proceeding under this subparagraph (a). Judgment upon the award rendered may be entered in any court having jurisdiction. This subparagraph (a) shall apply only if, at the time of the proposed submission to AAA, none of the obligations to UBOC described in or covered by any of the Subject

Documents are secured by real property collateral or, if so secured, all parties consent to such submission.

(b) Jury Waiver/Judicial Reference. If the controversy or claim is not submitted to arbitration as provided and limited in subparagraph (a), but becomes the subject of a judicial action, each party hereby waives its respective right to a trial by jury of the controversy or claim. In addition, any party may elect to have all decisions of fact and law determined by a referee in accordance with applicable state law. If such an election is made, the parties shall designate to the court a referee or referees selected under the auspices of the AAA in the same manner as arbitrators are selected in AAA-sponsored proceedings. The referee, or presiding referee of the panel, shall be an active attorney or retired judge. Judgment upon the award rendered shall be entered in the court in which such proceeding was commenced.

(c) Provisional Remedies, Self Help and Foreclosure. No provision of, or the exercise of any rights under, subparagraph (a), shall limit the right of any party to exercise self help remedies such as setoff, to foreclose against any real or personal property collateral, or to obtain provisional or ancillary remedies such as injunctive relief or the appointment of a receiver from a court having jurisdiction before, during or after the pendency of any arbitration. The institution and maintenance of an action for judicial relief or pursuit of provisional or ancillary remedies or exercise of self help remedies shall not constitute a waiver of the right of any party, including the plaintiff, to submit the controversy or claim to arbitration.

(d) Conflict With Subject Documents. To the extent any provision of this dispute resolution Section differs from the terms of any Subject Document, the terms of this dispute resolution Section shall prevail.

SECTION 7.15. Binding Effect. This Agreement shall become effective when it shall have been executed by the District and UBOC and thereafter shall be binding upon and inure to the benefit of the District and UBOC and their respective successors and assigns, except that the District shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of UBOC.

SECTION 7.16. Severability. Any provision of this Agreement which is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or non-authorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

SECTION 7.17. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of California.

SECTION 7.18. Headings. Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

SECTION 7.19. Execution in Counterparts. It shall not be necessary that all parties execute and deliver the same counterpart of this Agreement. This Agreement shall therefore become effective when each party has executed any counterpart hereof and delivered the same to the other parties. All such counterparts, collectively, shall be deemed a single agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first above written.

WEST HILLS COMMUNITY COLLEGE
DISTRICT

By: _____
Dr. Frank Gornick
Chancellor

ATTEST:

Ken Stoppenbrink
Vice-Chancellor of Business Services

UNION BANK OF CALIFORNIA, N.A

By: _____
Anne Kupfer
Vice President

EXHIBIT A
TO REIMBURSEMENT AGREEMENT

IRREVOCABLE LETTER OF CREDIT

No. S305815M

June 19, 2008

Deutsche Bank National Trust Company
101 California Street, 46th Floor
San Francisco, California 94111

Attention: Vice President of Trust and Securities Services

Dear Sirs:

We hereby establish, at the request and for the account of West Hills Community College District (the "District") in your favor, as Trustee under the Trust Agreement, dated as of June 1, 2008 (the "Trust Agreement") among the West Hills Community College District Financing Corporation (the "Corporation"), the District and you, pursuant to which, \$70,200,000 in aggregate principal amount of the Variable Rate Demand Obligations Certificates of Participation (2008 Refunding Project) (the "Certificates"), are being executed and delivered, our Irrevocable Letter of Credit No. S305815M, in the amount of \$71,423,211, effective immediately and expiring at the close of banking business at our Monterey Park office referred to below on June 18, 2011 or on such later date to which such expiration date may be extended from time to time by amendment of this Letter of Credit (the "Maturity Date"), unless terminated earlier pursuant to the terms hereof.

We hereby irrevocably authorize you to draw on us, in an aggregate amount not to exceed the amount of this Letter of Credit as set forth above and in accordance with the terms and conditions and subject to the reductions in amount as hereinafter set forth,

- (1) in one or more drawings by one or more of your drafts (in the form of Exhibit 1 attached hereto), each drawn on us payable at sight on a Banking Day, and accompanied by your written and completed certificate signed by you in substantially the form of Annex A attached hereto (such draft accompanied by such certificate being your "Payment Draft"); and
- (2) in one or more drawings by one or more of your drafts (in the form of Exhibit 1 attached hereto), each drawn on us payable at sight on a Banking Day, and accompanied by your written and completed certificate signed by you in substantially the form of Annex B attached hereto (any such draft accompanied by such certificate being your "Tender Draft").

The Payment Draft accompanied by a certificate substantially in the form of Annex A attached hereto with the first box in paragraph (2), entitled "Interest Drawing," checked shall be hereinafter referred to as Interest Draft; the Payment Draft accompanied by a certificate substantially in the form of Annex A attached hereto with the second box in paragraph (2), entitled "Partial Prepayment Drawing," checked shall be hereinafter referred to as Partial Prepayment Draft; and the Payment Draft accompanied by a certificate substantially in the form of Annex A attached hereto with the third box in paragraph (2), entitled "Final Drawing," checked shall be hereinafter referred to as Final Draft. The amount of each Interest Draft shall not exceed \$1,223,211, the aggregate amount of Partial Prepayment Drafts shall not exceed \$71,423,211 and the amount of the Final Draft shall not exceed \$71,423,211.

REDUCTIONS AND REINSTATEMENTS

If you shall draw on us by your Interest Draft under clause (1) of the immediately preceding paragraph and you shall not have received from us, by the close of business on the fifth Banking Day following the date of such drawing, a notice to the effect that we have not been reimbursed for such drawing and that accordingly the Interest Portion of this Letter of Credit will not be reinstated for the amount of such drawing, your right to draw on us in a single drawing by your Interest Draft under said clause (1) shall be automatically reinstated along with the amount drawn on us by your Interest Draft and, effective the sixth Banking Day from the date of such drawing, you shall again be authorized to draw on us by your Interest Draft in accordance with said clause (1) and the other terms and conditions referred to or set forth in the immediately preceding paragraph; and this automatic reinstatement of your right to draw on us by your Interest Draft as well as the reinstatement of the amount drawn on us by your Interest Draft shall be applicable to successive drawings by your Interest Drafts under clause (1) of the immediately preceding paragraph so long as this Letter of Credit shall not have terminated as set forth below.

The amount of this Letter of Credit shall be decreased, upon our receipt of your written and completed certificate signed by you in substantially the form of Annex C attached hereto (relating to a redemption or defeasance of less than all the Certificates outstanding), by an amount equal to the amount stated in said certificate, and the amounts available to be drawn by you by any subsequent Payment Draft or Tender Draft shall be decreased, upon our receipt of such certificate, to the amounts stated in such certificate.

Upon our honoring any Tender Draft or Partial Prepayment Draft presented by you hereunder, the amount of this Letter of Credit and the amounts available to be drawn hereunder by you by any subsequent Tender Draft, Partial Prepayment Draft or Final Draft shall be automatically decreased by an amount equal to the amount of such Tender Draft or Partial Prepayment Draft. The amount of this Letter of Credit and the amounts from time to time available to be drawn by you hereunder by any subsequent Tender Draft, Partial Prepayment Draft or Final Draft shall be increased when and to the extent, but only when and to the extent, that we are reimbursed by the District or by you on behalf of the District for any amount drawn hereunder by any Tender Draft. Any amount received by us from or on behalf of the District in reimbursement of amounts drawn hereunder shall, if we also receive your certificate completed and signed by you in substantially the form of Annex D attached hereto, be applied to the extent of the amount indicated therein to reimburse us for amounts drawn hereunder by your Tender Drafts.

PRESENTMENT

Funds under this Letter of Credit are available to you against (1) your Interest Draft referring thereon to the number of this Letter of Credit and accompanied by your written and completed certificate signed by you in substantially the form of Annex A attached hereto with the first box in paragraph (2), entitled "Interest Drawing," checked, (2) your Tender Draft referring thereon to the number of this Letter of Credit and accompanied by your written and completed certificate signed by you in substantially the form of Annex B attached hereto, (3) your Partial Prepayment Draft referring thereon to the number of this Letter of Credit and accompanied by your written and completed certificate signed by you in substantially in the form of Annex A attached hereto with the second box in Paragraph (2), entitled "Partial Prepayment Drawing," checked, and (4) your Final Draft referring thereon to the number of this Letter of Credit and accompanied by your written and completed certificate signed by you in substantially in the form of Annex A attached hereto with the third box in paragraph (2), entitled "Final Drawing," checked. Each such draft and certificate shall be presented at our office (the "Bank's Office") located at 1980 Saturn Street, Monterey Park, California 91755-7417, Attention: SC-TSO, Standby Letters of Credit (or at any other office which may be designated by us by written notice delivered to you) on or before the day (which shall be a Banking Day) of our making funds available to you hereunder, but in no event, later than 9:00 a.m. (Pacific time) on the day of our making funds available to you. If we receive any of your drafts and certificates at such office, all in strict conformity with the terms and conditions of this Letter of Credit, not later than 9:00 a.m. (Pacific time) on a Banking Day up to and including the Stated Termination Date hereof, we will honor the same on the same day (not later than 11:00 a.m. Pacific time). If we receive any of your drafts and certificates at such office, all in strict conformity with the terms and conditions of this Letter of Credit, after 9:00 a.m. (Pacific time) on a Banking Day, but prior to 5:00 p.m. (Pacific time), up to and including the Stated Termination Date hereof, we will honor the same on the next succeeding Banking Day (not later than 10:00 a.m., Pacific time) in accordance with your payment instructions. Your certificate may indicate a later date on which your draft is to be honored in which case, if your drafts and certificates are in strict conformity with the terms and conditions of this Letter of Credit, we will honor the same not later than 10:00 a.m. Pacific time on the date you requested in accordance with your payment instructions, provided that such date is a Banking Day and occurs prior to the Maturity Date.

Drafts to be presented hereunder, including the required Annexes, may be presented by telecommunications through telefax number (323) 720-2773 and the Bank shall be entitled to rely thereon as if such Drafts and Annexes were presented in person, provided such Drafts, including the required Annexes, are in conformance with the requirements for the same as set forth herein, but for the requirement of an original signature, with originally executed Drafts and Annexes to follow immediately thereafter, via overnight mail or courier service. The Bank shall have no duty and will not examine original documents confirming presentation by telecommunications. In the event of presentation by telecommunications, the telecommunication is considered the sole original presentation.

All payments made by us under this Letter of Credit will be made in immediately available funds and will be disbursed from our own funds. If requested by you, payment under this Letter of Credit may be made by wire transfer of Federal Reserve Bank of San Francisco funds to your account in a bank on the Federal Reserve wire system.

EXPIRATION

Upon the earliest of (i) the date on which we receive written notice from you that there are no longer any Certificates “Outstanding” within the meaning of the Trust Agreement, (ii) at the end of business on the date on which we receive written notice from you that an “Alternate Credit Facility” has been issued within the meaning of the Trust Agreement, (iii) the date on which we honor a Final Draft, (iv) the Conversion Date, as described in written notice to us from you, delivered at least five (5) Banking Days prior to such date, and (v) the Maturity Date, this Letter of Credit shall automatically terminate (“Stated Termination Date”).

TRANSFER

This Letter of Credit is transferable in its entirety only to any transferee who you certify to us has succeeded or replaced you as Trustee under the Trust Agreement and, notwithstanding Article 48 of the UCP, defined below, may be successively transferred. Transfer of the available balance under this Letter of Credit to such transferee shall be effected by the presentation to us of this Letter of Credit and any amendments thereto, accompanied by a completed certificate in substantially the form of Annex E attached hereto. Upon such presentation we shall issue a letter of credit to your transferee with provisions therein consistent with this Letter of Credit, excepting only necessary changes as to:

1. Identity and address of your transferee, as beneficiary;
2. The date thereof; and
3. The amount.

GOVERNING LAW

This Letter of Credit is subject to the Uniform Customs and Practice for Documentary Credits (2007 Revision), International Chamber of Commerce, Publication No. 600), except for Articles 32 and 38. For purposes of Article 6(d), the place of presentation for payment shall be the Bank's Office. In addition, the Bank agrees, notwithstanding the second sentence of Article 36, if the Maturity Date occurs upon a Banking Day on which the Bank's Office is closed by virtue of an interruption of the nature described in Article 36, the Maturity Date will be extended to the next Banking Day on which the Bank's Office is open. As to matters not governed thereby, this Letter of Credit shall be governed by the Uniform Commercial Code as in effect in the State of California.

MISCELLANEOUS

This Letter of Credit sets forth in full our undertaking and such undertaking shall not in any way be modified, amended, amplified or limited by reference to any document, instrument or agreement referred to herein (including, without limitation, the Certificates), except only the certificates and the drafts referred to herein; and any such reference shall not be deemed to incorporate herein by reference any document, instrument or agreement except for such certificates and such drafts.

For all purposes of this Letter of Credit, the term “Banking Day” means any day other than a Saturday, Sunday or other day on which banks are authorized or required to be closed in the State of California.

Communications with respect to this Letter of Credit shall be in writing and shall be addressed to us at 1980 Saturn Street, Monterey Park, California 91755-7417, Attention: SC-TSO, Standby Letters of Credit, with a copy to us at 445 South Figueroa Street, G16-450, Los Angeles, California 90071, specifically referring to the number of this Letter of Credit.

Very truly yours,

UNION BANK OF CALIFORNIA, N.A.

By: _____

Exhibit 1

Date: _____

Drawn under Union Bank of California, N.A.
Irrevocable Letter of Credit No. S305815M

Union Bank of California, N.A.
Southern California
International Operations Center
1980 Saturn Street, V01-519
Monterey Park, California 91755-7417
Attn: Standby Letter of Credit Section

This sight draft is presented to you for the amount of \$_____ for the purposes set forth in the accompanying Certificate.

Deutsche Bank National Trust Company, as trustee (the "Trustee") under the Trust Agreement dated as of June 1, 2008 among the Trustee, the Corporation and the District.

By: _____

Title: _____

Annex A

PAYMENT DRAWING

To: Union Bank of California, N.A.
1980 Saturn Street
Monterey Park, California 91755-7417
Attention: SC-TSO, Standby Letters of Credit

Irrevocable Letter of Credit No. S305815M

The undersigned, a duly authorized officer of the undersigned Trustee (the "Trustee"), hereby certifies to Union Bank of California, N.A. (the "Bank"), with reference to Irrevocable Letter of Credit No. S305815M (the "Letter of Credit"), issued by the Bank in favor of the Trustee, as follows:

(1) The Trustee is the Trustee under the Trust Agreement for the holders of the Certificates.

*(2) Interest Drawing.

(i) The Trustee is making a drawing under the Letter of Credit with respect to a payment of interest on the Certificates, which payment is due on the day on which this certificate and the Interest Draft it accompanies are being presented to the Bank, if presented before 9:00 a.m. (Pacific time), or on the next Banking Day after such day unless a later date is specified as follows for payment: _____. None of such Certificates is held of record by the Corporation or the District or by the undersigned for the account of the Corporation or the District.

(ii) [The Interest Draft accompanying this certificate is the first Interest Draft presented by the Trustee under the Letter of Credit.]** [The Interest Draft last presented by the Trustee under the Letter of Credit was honored and paid by the Bank and the Trustee did not, within ten Banking Days, receive a notice from the Bank that the Bank has not been reimbursed.]***

* Please check a box as appropriate.

** To be used in the Draw Certificate relating to the first Interest Draft only.

*** To be used in each Draw Certificate relating to each Interest Draft other than the first Interest Draft.

The amount of the Interest Draft accompanying this certificate is \$_____. It was computed in compliance with the terms and conditions of the Certificates and the Trust Agreement and does not include any amount of interest which is included in any Tender Draft, Partial Prepayment Draft or Final Draft presented on or prior to the date of this certificate.

Partial Prepayment Drawing.

(i) The Trustee is making a drawing under the Letter of Credit with respect to the payment, upon redemption or prepayment of less than all of the Certificates, of the unpaid principal amount of, and up to ___ days' accrued and unpaid interest on, Certificates which are Outstanding within the meaning of the Trust Agreement (other than Certificates presently held of record by the Corporation or the District or by the Trustee for the account of the Corporation or the District), which payment is due on the day on which this certificate and the Partial Prepayment Draft it accompanies are being presented to the Bank, if presented before 9:00 a.m. (Pacific time), or on the next Banking Day after such day unless a later date is specified as follows for payment: _____.

(ii) The amount of the Partial Prepayment Draft accompanying this certificate is equal to the sum of (i) \$_____ being drawn in respect of the payment of unpaid principal of Certificates (other than Certificates presently held of record by the Corporation or the District or by the Trustee for the account of the Corporation or the District) to be redeemed or prepaid and (ii) \$_____ being drawn in respect of the payment of accrued and unpaid interest on such Certificates, and does not include any amount of interest on the Certificates which is included in any Interest Draft or Tender Draft or Partial Prepayment Draft presented on or prior to the date of this certificate.

(iii) The amount of the Partial Prepayment Draft accompanying this certificate was computed in accordance with the terms and conditions of the Certificates and the Trust Agreement and does not exceed the amount available to be drawn under the Letter of Credit.

(iv) The Trustee acknowledges that pursuant to the terms of the Letter of Credit, upon the Bank's honoring the Partial Prepayment Draft accompanying this certificate, the amount of the Letter of Credit and the amounts available to be drawn by the Trustee thereunder by any subsequent Partial Prepayment Draft or Tender Draft or Final Draft are automatically decreased by an amount equal to the amount of such Partial Prepayment Draft.

Final Drawing.

(i) The Trustee is making a drawing under the Letter of Credit with respect to the payment, either at stated maturity, upon acceleration or as a result of a prepayment, redemption or mandatory tender, of the unpaid principal amount of, and up to _____ days' accrued and unpaid interest on, all of the Certificates which

are Outstanding within the meaning of the Trust Agreement (other than Certificates presently held of record by the Corporation or the District or by the Trustee for the account of the Corporation or the District) but which are not to be remarketed again with the support of the Letter of Credit, which payment is due on the day on which this certificate and the Final Draft it accompanies are being presented to the Bank, if presented before 9:00 a.m. (Pacific time), or on the next Banking Day after such day unless a later date is specified as follows for payment: _____.

(ii) The amount of the Final Draft accompanying this certificate is equal to the sum of (i) \$_____ being drawn in respect of the payment of unpaid principal of Certificates (other than Certificates presently held of record by the Corporation or the District or by the Trustee for the account of the Corporation or the District) and (ii) \$_____ being drawn in respect of the payment of accrued and unpaid interest on such Certificates, and does not include any amount of interest on the Certificates which is included in any Interest Draft or Tender Draft or Partial Prepayment Draft presented on or prior to the date of this certificate.

(iii) The amount of the Final Draft accompanying this certificate was computed in compliance with the terms and conditions of the Certificates and the Trust Agreement and does not exceed the amount available to be drawn by the Trustee under the Letter of Credit.

The terms used herein which are not specifically defined herein are defined in the Letter of Credit.

IN WITNESS WHEREOF, the Trustee has executed and delivered this certificate as of the __ day of _____.

as Trustee

By _____
[Name and Title]

cc: Public Finance Unit
445 South Figueroa Street, G08-268
Los Angeles, California 90071
(Failure to deliver this copy will
not invalidate the Draft)

Annex B

TENDER DRAWING

To: Union Bank of California, N.A.
1980 Saturn Street
Monterey Park, California 91755-7417
Attention: SC-TSO, Standby Letters of Credit

Irrevocable Letter of Credit No. S305815M

The undersigned, a duly authorized officer of the Trustee (the "Trustee"), hereby certifies to Union Bank of California, N.A. (the "Bank"), with reference to irrevocable Letter of Credit No. S305815M (the "Letter of Credit"), issued by the Bank in favor of the Trustee, as follows:

(1) The undersigned is the Trustee under the Trust Agreement for the holders of the Certificates.

(2) The undersigned is making a drawing under the Letter of Credit with respect to the payment, upon a tender, of the unpaid principal amount of, and accrued and unpaid interest on, all or less than all of the Certificates which are Outstanding within the meaning of the Trust Agreement and which are to be purchased as a result of such tender (other than certificates presently held of record by the Corporation or the District or by the Trustee for the account of the Corporation or the District), which payment is due on the day on which this certificate and the Tender Draft it accompanies are being presented to the Bank, if presented before 9:00 a.m. (Pacific time), or on the next Banking Day after such day unless a later date is specified as follows for payment: _____.

(3) The amount of the Tender Draft accompanying this certificate is equal to the sum of (i) \$_____ being drawn in respect of the payment of unpaid principal of Certificates (other than Certificates presently held of record by the Corporation or the District or by the Trustee for the account of the Corporation or the District) to be purchased as a result of a tender and (ii) \$_____ being drawn in respect of the payment of accrued and unpaid interest on such Certificates, and does not include any amount of interest which is included in any Interest Draft or Partial Prepayment Draft presented on or prior to the date of this certificate.

(4) The amount of the Tender Draft accompanying this certificate was computed in compliance with the terms and conditions of the Certificates and the Trust Agreement and does not exceed the amount available to be drawn under the Letter of Credit.

The undersigned acknowledges that pursuant to the terms of the Letter of Credit, upon the Bank's honoring of the Tender Draft accompanying this certificate, the amount of the Letter of Credit and the amounts available to be drawn thereunder by any subsequent Tender Draft or Partial Prepayment Draft or Final Draft are automatically decreased by an amount equal to the amount of such Tender Draft.

The terms used herein which are not specifically defined herein are defined in the Letter of Credit.

IN WITNESS WHEREOF, the undersigned has executed and delivered this certificate as of the ____ day of _____.

as Trustee

By _____
[Name and Title]

cc: Public Finance Unit
445 South Figueroa Street, G08-268
Los Angeles, California 90071
(Failure to deliver this copy will
not invalidate the Draft)

Annex C

CERTIFICATE FOR REDUCTION

To: Union Bank of California, N.A.
1980 Saturn Street
Monterey Park, California 91755-7417
Attention: SC-TSO, Standby Letters of Credit

Irrevocable Letter of Credit No. S305815M

The undersigned, a duly authorized officer of the undersigned Trustee (the "Trustee"), hereby certifies to Union Bank of California, N.A. (the "Bank"), with reference to Irrevocable Letter of Credit No. S305815M (the "Letter of Credit"), issued by the Bank in favor of the Trustee, as follows:

- (1) The Trustee is the Trustee under the Trust Agreement for the holders of the Certificates.
- (2) The Trustee hereby notifies you that on or prior to the date hereof \$_____ principal amount of the Certificates has been redeemed and paid or has been defeased pursuant to the Trust Agreement.
- (3) Following the redemption, payment or defeasance referred to in paragraph (2) above, the aggregate principal amount of all of the Certificates which are "Outstanding" within the meaning of the Trust Agreement is \$_____.
- (4) The maximum amount of interest, computed in accordance with the terms and conditions of the Certificates and the Trust Agreement, which could accrue on the Certificates referred to in paragraph (3) above is \$_____.
- (5) The amount available to be drawn by the Trustee under the Letter of Credit by any Interest Draft is reduced to \$_____ (such amount being equal to the amount specified in paragraph (4) above) upon receipt by the Bank of this certificate.
- (6) The amount available to be drawn by the Trustee under the Letter of Credit by any Tender Draft or Partial Prepayment Draft or Final Draft is reduced to \$_____ (such amount being equal to the sum of the amounts specified in paragraphs (3) and (4) above) upon receipt by the Bank of this certificate.
- (7) The amount of the Letter of Credit is reduced to \$_____ (such amount equal to the sum of the amounts specified in paragraph (6)) above upon receipt by the Bank of this certificate.

The terms used herein which are not specifically defined herein are defined in the Letter of Credit.

IN WITNESS WHEREOF, the Trustee has executed and delivered this certificate this ___day of _____.

as Trustee

By _____
[Name and Title]

cc: Public Finance Unit
445 South Figueroa Street, G08-268
Los Angeles, California 90071
(Failure to deliver this copy will
not invalidate the Draft)

Annex D

CERTIFICATE FOR REINSTATEMENT

To: Union Bank of California, N.A.
1980 Saturn Street
Monterey Park, California 91755-7417
Attention: SC-TSO, Standby Letters of Credit

Irrevocable Letter of Credit No. S305815M

The undersigned, a duly authorized officer of the undersigned Trustee (the "Trustee"), hereby certifies to Union Bank of California, N.A. (the "Bank"), with reference to Irrevocable Letter of Credit No. S305815M (the "Letter of Credit"), issued by the Bank in favor of the Trustee, as follows:

- (1) The Trustee is the Trustee under the Trust Agreement for the holders of the Certificates.
- (2) The amount of \$_____ paid to you today by the District or by the Trustee on behalf of the District is a payment made to reimburse you for amounts drawn under the Letter of Credit by Tender Drafts and is the amount by which the Letter of Credit is to be reinstated.
- (3) Of the amount referred to in paragraph (2), \$_____ represents the aggregate principal amount of Certificates resold or to be resold on behalf of the District.
- (4) Of the amount referred to in paragraph (2), \$_____ represents accrued and unpaid interest on Certificates calculated, in accordance with the Trust Agreement.

The terms used herein which are not specifically defined herein are defined in the Letter of Credit.

IN WITNESS WHEREOF, the Trustee has executed and delivered this certificate this ____ day of _____.

as Trustee

By _____
[Name and Title]

cc: Public Finance Unit
445 South Figueroa Street, G08-268
Los Angeles, California 90071
(Failure to deliver this copy
will not invalidate the Draft)

Annex E

INSTRUCTION TO TRANSFER

_____ 20__

Union Bank of California, N.A.
1980 Saturn Street, V01 519
Monterey Park, California 91755-7471

Attention: Public Finance

Re: Irrevocable Letter of Credit No. S305815M

Gentlemen:

For value received, the undersigned beneficiary hereby irrevocably transfers to:

[Name of Transferee]

[Address]

all rights of the undersigned beneficiary to draw under the above-captioned Letter of Credit (the "Letter of Credit"). The transferee has succeeded the undersigned as Trustee under the Trust Agreement (as defined in the Letter of Credit).

By this transfer, all rights of the undersigned beneficiary in the Letter of Credit are transferred to the transferee and the transferee shall hereafter have the sole rights as beneficiary thereof; provided, however, that no rights shall be deemed to have been transferred to the transferee until the transfer fee of \$2000 is paid to you.

The Letter of Credit is returned herewith and in accordance therewith we ask that this transfer be effective and that you issue a new irrevocable letter of credit in favor of the transferee with provisions consistent with the Letter of Credit.

as predecessor Trustee

By _____
[Name and Title]

cc: Union Bank of California, N.A.
445 South Figueroa Street, G08-268
Los Angeles, California 90071
(Failure to deliver this copy
will not invalidate the Draft)

EXHIBIT B
TO REIMBURSEMENT AGREEMENT

CUSTODY AGREEMENT

This CUSTODY AGREEMENT is made as of June 1, 2008 by and among the UNION BANK OF CALIFORNIA, N.A., a national banking association organized and existing under the laws of the United States (the “Bank”), and DEUTSCHE BANK NATIONAL TRUST COMPANY, a national banking association organized and existing under the laws of the United States (the “Custody Agent”).

RECITALS

WHEREAS, pursuant to the terms and conditions set forth in that certain Reimbursement Agreement, dated as of June 1, 2008 (the “Reimbursement Agreement”) by and between the West Hills Community College District (the “District”) and the Bank, the Bank has agreed to issue its irrevocable Letter of Credit (as defined in the Reimbursement Agreement), for the account of the District in connection with the issued \$70,200,000 in Variable Rate Demand Obligations Certificates of Participation (2008 Refunding Project) (the “Certificates”) executed and delivered under that certain Trust Agreement dated as of June 1, 2008 (the “Trust Agreement”) by and among West Hills Community College District Financing Corporation (the “Corporation”), the District and Deutsche Bank National Trust Company, as trustee (the “Trustee”) (all other terms used herein which are defined in the Reimbursement Agreement and not defined herein shall have the same meanings assigned to them in the Reimbursement Agreement, unless the context otherwise requires); and

WHEREAS, pursuant to the terms and conditions set forth in the Reimbursement Agreement, in the event that the Letter of Credit is drawn upon to pay the purchase price of Certificates

tendered in accordance with the Trust Agreement, such Certificates will be delivered to, owned by and registered in the name of the Bank (the “Bank Certificates”), until such time as the Bank Certificates are remarketed or cancelled and the Bank is reimbursed for all amounts due under the Reimbursement Agreement; and

WHEREAS, and the Bank hereby wishes to appoint the Custody Agent as its agent to take possession of and hold the Bank Certificates on behalf of and for the benefit of the Bank, on the terms and under the conditions set forth in this Custody Agreement, and the Custody Agent is willing to do so.

NOW, THEREFORE, in consideration of the mutual covenants recited herein, and for other good and valuable consideration, the receipt of which is hereby acknowledged, it is hereby agreed as follows:

1. The Bank hereby appoints the Custody Agent as its agent and bailee for the purpose of receiving Bank Certificates and holding such Bank Certificates for and on behalf of the Bank. The Custody Agent hereby agrees to hold the Bank Certificates for such purpose, as the Bank's agent and bailee.
2. Except at the written direction of the Bank, the Custody Agent shall not pledge, hypothecate, transfer or release possession of any Bank Certificates held by the Custody Agent on behalf of the Bank to any person or in any manner not in accordance with this Custody Agreement, and the Custody Agent shall not enter into any other agreement regarding the possession of the Bank Certificates without the prior written consent of the Bank. The Custody Agent shall be entitled to release remarketed Bank Certificates in its custody in accordance with and as contemplated by the Trust Agreement; provided that it (a) holds for the account of the Bank (i) the aggregate principal amount of the Certificates resold plus (ii) the aggregate amount

of interest on such principal amount which was paid by the applicable Tender Agent; and (b) the Custody Agent, as trustee, delivers to the Bank a completed and signed certificate substantially in the form of Annex D to the Letter of Credit.

3. This Custody Agreement cannot be amended or modified except in a writing signed by the Custody Agent and the Bank.

4. This Custody Agreement shall inure to the benefit of and shall be binding upon the Custody Agent and the Bank, and their respective successors and assigns.

5. Upon written notice to the Bank, and the release to the Bank or its designee of any Bank Certificates then held by the Custody Agent pursuant to this Custody Agreement, the Custody Agent shall have the right to terminate its obligations under this Custody Agreement as to the Bank.

6. Beyond its duties as to the custody of the Bank Certificates expressly provided herein, the Custody Agent shall not have any duty to the Bank as to any Bank Certificates in the Custody Agent's possession or control, or in the possession or control of any of the Custody Agent's agents or nominees, or as to any income thereon or as to the preservation of rights against prior parties or any other rights pertaining thereto. In performing its duties under this Custody Agreement, the Custody Agent shall not be liable to the Bank except for gross negligence or willful misconduct in the performance of its obligations hereunder.

7. The Bank shall indemnify and hold harmless the Custody Agent against any and all liability arising out of the Custody Agent's performance of its obligations hereunder, except due to gross negligence or willful misconduct of the Custody Agent.

8. The Custody Agent may rely and shall be protected in acting or refraining from acting in good faith upon any written notice, instruction or request furnished to it hereunder and believed by it to be genuine and to have been signed and presented to it by the property party.
9. The Custody Agent agrees to maintain the Custody Agreement without charge to the Bank, so long as it acts as Tender Agent with respect to the Certificates.
10. This Custody Agreement shall be governed by, and construed in accordance with, the laws of the State of California.
11. It shall not be necessary that all parties execute and deliver the same counterpart of this Agreement. This Agreement shall therefore become effective when each party has executed any counterpart hereof and delivered the same to the other parties. All such counterparts, collectively, shall be deemed a single agreement.
12. The Bank acknowledges that the Custody Agent is acting as Trustee under the Trust Agreement. The Bank agrees that nothing contained in this Custody Agreement shall be construed to require the Custody Agent to do any act or omit to do any act contrary to the duties of the Trustee under the Trust Agreement.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands by their authorized representatives, all as of the date above first written.

DEUTSCHE BANK NATIONAL TRUST
COMPANY

By: _____
Sonia N. Flores
Vice President

UNION BANK OF CALIFORNIA, N.A.

By: _____
Anne Kupfer
Vice President

OPINION OF SPECIAL COUNSEL TO THE CORPORATION

June 19, 2008

Union Bank of California, N.A.
445 South Figueroa Street, G08-268
Los Angeles, California 90071

Re: \$70,200,000 Variable Rate Demand Obligations Certificates of Participation
(2008 Refunding Project) Evidencing Direct, Undivided Fractional Interests of the
Owners Thereof in Lease Payments to be Made by the West Hills Community
College District

Ladies and Gentlemen:

I am Legal Counsel to the West Hills Community College District Financing Corporation (the "Corporation") with respect to the captioned Variable Rate Demand Obligations Certificates of Participation (the "Certificates"). I have reviewed and am familiar with the executed Lease Agreement dated as of June 1, 2008, by and between the District and the Corporation (the "Lease Agreement"); the executed Assignment Agreement, dated as of June 1, 2008, by and between the Corporation and Deutsche Bank National Trust Company, as trustee (the "Trustee"); the executed Trust Agreement, dated as of June 1, 2008, by and among the Trustee, the Corporation and the District (the "Trust Agreement") (the foregoing agreements being collectively referred to herein as the "Agreements"); the resolution adopted by the Board of Directors of the Corporation in connection with the Certificates on March 10, 2008 (the "Resolution"); and such other information and documents as I have deemed necessary to render this opinion. I have assumed, for purposes of this letter, that all parties to the Agreements, other than the Corporation, have duly authorized, executed and delivered such Agreements. Capitalized terms used but not defined herein shall have the meanings given in the Trust Agreement.

Based upon the foregoing, I am of the opinion that:

1. The Corporation is a non-profit, public benefit corporation duly organized and validly existing under the laws of the State of California.
2. The Resolution was duly adopted at a meeting of the Board of Directors of the Corporation which were called and held pursuant to the Corporation's organizational documents and at each of which a quorum was present and acting throughout.
3. To the best of my knowledge, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened against

the Corporation, to restrain or enjoin the receipt of the Lease Payments under the Lease Agreement, or in any way contesting or affecting the validity of the Agreements.

4. The execution and delivery of the Agreements to which the Corporation is a party, the adoption of the 2008 Resolution, and compliance by the Corporation with the provisions of the foregoing, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of the Corporation a breach or default under any agreement or other instrument to which the Corporation is a party (and of which I am aware after reasonable investigation) or by which it is bound (and of which I am aware after reasonable investigation) or any existing law, regulation, court order or consent decree to which the Corporation is subject, and will not result in or require the creation of any lien, security interest or other charge or encumbrance (except as provided in or contemplated by the Trust Agreement or the Reimbursement Agreement) upon or with respect to any of its properties.

5. No authorization, approval, consent, or other order of the State of California or any other governmental Corporation or agency within the State of California having jurisdiction over the Corporation is required for the valid authorization, execution, delivery and performance by the Corporation of the Agreements to which the Corporation is a party or for the adoption of the Resolutions which has not been obtained.

6. The Lease Agreement, the Assignment Agreement, the Site Lease and the Trust Agreement have been duly executed and delivered by, and constitute valid and binding obligations of, the Corporation, enforceable in accordance with their respective terms, subject, however, to the effect, if any, of bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against joint powers agencies in the State of California.

7. The Corporation has transferred, assigned and set over to the Trustee, for the benefit of the Owners of the Certificates and the Bank, all of the Corporation's rights under the Lease Agreement (except as expressly set forth in the Assignment Agreement), including without limitation (i) the right to receive and collect all of the Lease Payments from the District under the Lease Agreement, (ii) the right to receive and collect the proceeds of any insurance maintained thereunder and of any condemnation award rendered with respect to the Project, and (iii) the right to exercise such rights and remedies conferred upon the Corporation pursuant to the Lease Agreement as may be necessary or convenient (A) to enforce payment of the Lease Payments and any other amounts required to be deposited in the Lease Payment Fund, or (B) otherwise to protect the Owners and the Bank upon the occurrence and continuation of a Default or an Event of Default by the District under the Lease Agreement.

Very truly yours,

Legal Counsel to the Corporation

By: _____
Jerry M. Behrens

OPINION OF COUNSEL TO THE DISTRICT

June 19, 2008

Union Bank of California, N.A.
445 South Figueroa Street, G08-268
Los Angeles, California 90071

Re: \$70,200,000 Variable Rate Demand Obligations Certificates of Participation (2008 Refunding Project) Evidencing Direct, Undivided Fractional Interests of the Owners Thereof in Lease Payments to be Made by the West Hills Community College District

Ladies and Gentlemen:

I am the Attorney for the West Hills Community College District (the "District"), and have acted as such in connection with that certain Lease Agreement, dated as of June 1, 2008 (the "Lease Agreement"), by and between the West Hills Community College District Financing Corporation (the "Corporation") and the District; the execution and delivery of the above-referenced certificates of participation (the "Certificates"); the Letter of Credit issued by Union Bank of California, N.A. (the "Bank"); and the execution and delivery of a Reimbursement Agreement, dated as of June 1, 2008 (the "Reimbursement Agreement"), between the District and the Bank in connection therewith.

I have reviewed the executed Site Lease dated as of June 1, 2008, by and between the District and the Corporation (the "Site Lease"); the executed Lease Agreement; the executed Trust Agreement, dated as of June 1, 2008, by and among Deutsche Bank National Trust Company, as trustee (the "Trustee"), the Corporation and the District (the "Trust Agreement"); the executed Reimbursement Agreement; the executed Remarketing Agreement, dated as of June 1, 2008, between the District and Underwriter, as remarketing agent (the foregoing agreements being collectively referred to herein as the "Agreements"); the Official Statement, dated June 19, 2008 (the "Official Statement"), relating to the issuing of the Certificates; the resolution authorizing the execution and delivery of the Lease Agreement and other matters, adopted by the District on March 10, 2008 (the "Resolution"); and such other information and documents as I have been deemed necessary to render this opinion. I have assumed, for purposes of this letter, that all parties to the Agreements, other than the District, have duly authorized, executed and delivered such Agreements. Capitalized terms used but not defined herein shall have the meanings given in the Trust Agreement.

Based upon the foregoing, I am of the opinion that:

1. The District is a community college district duly organized and existing under the Constitution and laws of the State of California.

2. The Resolution was duly adopted and the Official Statement and the Agreements were duly authorized at meetings of the District which were called and held pursuant to law and with all public notice required by law and at each of which a quorum was present and acting throughout.

3. To the best of my knowledge, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened against the District, to restrain or enjoin the Lease Payments under the Lease Agreement, or in any way contesting or affecting the validity of the Agreements, or as to which an adverse determination against the District would adversely affect the financial condition or operations of the District.

4. The execution and delivery of the Official Statement and the Agreements to which the District is a party, the adoption of the Resolutions, and compliance by the District with the provisions of the foregoing, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of the District a breach or default under any agreement or other instrument to which the District is a party (and of which I am aware after reasonable investigation) or by which it is bound (and of which I am aware after reasonable investigation) or any existing law, regulation, court order or consent decree to which the District is subject, and will not result in or require the creation of any lien, security interest or other charge or encumbrance (except as provided in or contemplated by the Trust Agreement or the Reimbursement Agreement) upon or with respect to any of its properties.

5. No authorization, approval, consent or other order of the State of California or any other governmental corporation or agency within the State of California having jurisdiction over the District is required for the valid authorization, execution, delivery and the performance, if applicable, by the District of the Official Statement or the Agreements to which the District is a party, or for the adoption of the Resolutions, which has not been obtained.

6. The Agreements have been duly executed and delivered by, and constitute valid and binding obligations of, the District, enforceable in accordance with their respective terms, subject, however, to the effect, if any, of bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against the District under the laws of the State of California.

7. Moneys and investments held by the Trustee under and pursuant to the Trust Agreement, including but not limited to moneys in the Lease Payment Fund are held in trust for the Trust for the Owners and the Bank, except as expressly provided in the Trust Agreement.

Very truly yours,

By: _____
Jerry M. Behrens

EXHIBIT D
TO REIMBURSEMENT AGREEMENT

OPINION OF SPECIAL COUNSEL FOR THE BANK

[Date of issuance of
Letter of Credit]

Union Bank of California, N.A.
445 South Figueroa Street, G08-268
Los Angeles, California 90071

Re: Variable Rate Demand Obligations Certificates of Participation

Gentlemen:

We have acted as your counsel in connection with the preparation, execution and delivery of the Reimbursement Agreement, dated as of June 1, 2008 (the "Reimbursement Agreement"), between the West Hills Community College District (the "District") and you and the issuance today by you of the Letter of Credit referred to in the Reimbursement Agreement. Terms defined in the Reimbursement Agreement are used herein as therein defined.

In this connection we have examined the following documents, each of which, unless otherwise indicated, is dated the date hereof:

1. A counterpart of the Reimbursement Agreement, executed by the parties thereto;
2. The Letter of Credit; and
3. The documents delivered pursuant to Section 3.01 and Section 3.02 of the Reimbursement Agreement, including the opinion of Jerry M. Behrens, Esq., special counsel for the Corporation, delivered pursuant to Section 3.01(i) of the Reimbursement Agreement, the opinion of counsel to the Trustee, delivered pursuant to Section 3.01(l) of the Reimbursement Agreement, the opinion of Jerry M. Behrens, Esq., counsel for the District delivered pursuant to Section 3.01(j) of the Reimbursement Agreement, and a copy of the opinion of Greenberg Traurig, LLP, special counsel, delivered pursuant to Section 3.01(k) of the Reimbursement Agreement.

In our examination of the documents referred to above we have assumed the authentication of all such documents, the genuineness of all signatures and the due Corporation of the parties executing such documents. We have relied, as to factual matters, on the documents we have examined and, as to the matters of law covered by the opinions of counsel referred to above, on such opinions.

Our opinions expressed below are limited to the law of the State of California and the Federal law of the United States, and we do not express any opinions herein concerning any other law.

Based upon and subject to the foregoing and upon such investigation as we have deemed necessary, and while we have not independently considered the matters covered by the opinions of counsel referred to in Item 3 above to the extent necessary to enable us to express the conclusions stated therein, we are of the opinion that (i) such opinions, the Reimbursement Agreement and the Letter of Credit appear to be in substantially acceptable legal form and (ii) the documents referred to in Item 3 above appear substantially responsive to the requirements of the Reimbursement Agreement.

Very truly yours,

