

**COMPETITIVE SALE**—The Bonds will be sold pursuant to a competitive sale held at 9:00 a.m. (Pacific Time) on January 12, 2012, as further described in the Notice of Sale attached hereto.

**PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 5, 2012**

**\$21,940,000<sup>(1)</sup>**

**Oregon School Boards Association  
Limited Tax Pension Refunding Obligations, Series 2012  
(Federally Taxable)**

**DATED:** January 31, 2012 (estimated "Date of Delivery")

**DUE:** June 30, 2021 as shown on the inside cover

**MOODY'S RATING**—"Aa2." See "Rating" herein.

**ISSUERS AND PURPOSE**— The \$21,940,000<sup>(1)</sup> Limited Tax Pension Refunding Obligations, Series 2012 (the "Series 2012 Obligations") are being issued by certain Oregon school districts (the "Series 2012 Issuers") to refinance the June 30, 2021 maturity of the Series 2012 Issuer's Limited Tax Pension Obligation Bonds, Series 2002 and to pay the costs of issuance of the Series 2012 Obligations. See "Purpose and Use of Proceeds" herein.

**SPONSOR** - The Oregon School Boards Association ("OSBA") is the sponsor of this limited tax pension bond program. The Series 2012 Issuers and Wells Fargo Bank, National Association (the "Series 2012 Trustee") will enter into a Trust Agreement (the "Trust Agreement") at closing to provide for the issuance and payment of the Series 2012 Obligations.

**THE SERIES 2012 OBLIGATIONS**— The Series 2012 Obligations represent undivided proportionate interests of the beneficial owners thereof in the Pension Bond Payments to be made by the Series 2012 Issuers pursuant to the Trust Agreement.

**BOOK-ENTRY ONLY SYSTEM**— The Series 2012 Obligations will be issued, executed and delivered in fully registered form under a book-entry only system and registered in the name of Cede & Co., as owner and nominee for The Depository Trust Company ("DTC"). DTC will act as initial securities depository for the Series 2012 Obligations. Individual purchases of the Series 2012 Obligations will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in the Series 2012 Obligations purchased.

**PRINCIPAL AND INTEREST PAYMENTS**— The interest component of the Pension Bond Payments evidenced and represented by the Series 2012 Obligations ("Interest") is payable on June 30, 2012 and semiannually thereafter on June 30 and December 30 of each year to the maturity of the Series 2012 Obligations. The principal and interest components of the Pension Bond Payments evidenced and represented by the Series 2012 Obligations will be payable by the Series 2012 Trustee to DTC which, in turn, will remit such principal and interest components to the DTC participants for subsequent disbursement to the beneficial owners of the Series 2012 Obligations at the address appearing upon the registration books on the 15<sup>th</sup> day of the month preceding a payment date (the "Record Date").

**MATURITY SCHEDULE - SEE INSIDE COVER**

**PREPAYMENT**— The Series 2012 Obligations are subject to prepayment prior to maturity in accordance with the terms set forth herein.

**SECURITY**— The full faith and credit of each Series 2012 Issuer is pledged for the punctual payment of the principal of and premium, if any, and interest on its Series 2012 Pension Bonds (the "Pension Bond Payments"). The Pension Bond Payments are not subject to annual appropriation by the Series 2012 Issuers. Each Series 2012 Issuer's Pension Bond will be payable from its Available General Funds, including all taxes and other funds, of such Series 2012 Issuer legally available for Pension Bond Payments. The Series 2012 Issuers are not authorized to levy additional taxes to pay the Pension Bond Payments.

The Series 2012 Pension Bonds are further secured by an intercept agreement under which an amount equal to each Series 2012 Issuer's Pension Bond Payments is required to be diverted from State Education Revenues, defined herein, to the Series 2012 Trustee for the purpose of paying such Series 2012 Issuer's Pension Bond Payments. The Series 2012 Issuers are authorized to issue Future Pension Bonds and to require that State Education Revenues be diverted under the Intercept Agreement for pension bond payments with respect to such Future Pension Bonds. The Series 2012 Obligations do not constitute a debt or indebtedness of the Oregon Department of Education, the State of Oregon or any political subdivision thereof other than the Series 2012 Issuers.

THE OBLIGATION OF THE SERIES 2012 ISSUERS TO PAY THE PENSION BOND PAYMENTS IS NOT SUBJECT TO ANNUAL APPROPRIATION BY THE SERIES 2012 ISSUERS, AND THE PENSION BOND PAYMENTS ARE NOT SUBJECT TO ACCELERATION. EACH SERIES 2012 ISSUER IS OBLIGATED ONLY TO MAKE THE PAYMENTS REQUIRED BY ITS SERIES 2012 PENSION BOND. NO SERIES 2012 ISSUER IS REQUIRED TO PAY ANY PORTION OF ANOTHER SERIES 2012 ISSUER'S SERIES 2012 PENSION BONDS.

Each Series 2012 Issuer is required to pay or cause to be paid its Pension Bond Payments, and the Series 2012 Trustee is required to deposit these Pension Bond Payments into an appropriate subaccount in the Trust Fund, which is part of the Trust Estate pledged to the benefit of the beneficial owners of the Series 2012 Obligations.

**TAX MATTERS**— *Interest on the Series 2012 Obligations is included in gross income for federal income tax purposes. In the opinion of Hawkins Delafield & Wood LLP, Special Counsel to the Series 2012 Issuers ("Special Counsel"), Interest received by the holders of the Series 2012 Obligations is exempt from Oregon personal income tax under existing law. See "Tax Matters" herein.*

**DELIVERY**— The Series 2012 Obligations are offered for sale to the original purchaser subject to the final approving legal opinion of Special Counsel. It is expected that the Series 2012 Obligations will be available for delivery to the Series 2012 Trustee for Fast Automated Securities Transfer on behalf of DTC, on or about the Date of Delivery.

<sup>(1)</sup> Preliminary, subject to change.

*This cover page contains certain information for quick reference only. It is not a summary of the issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.*

This is a Preliminary Official Statement, subject to correction and change. The Series 2012 Issuers have authorized the distribution of the Preliminary Official Statement to prospective purchasers and others. Upon the sale of the Series 2012 Obligations, the Series 2012 Issuers will complete and deliver a final Official Statement substantially in this form.

# Oregon School Boards Association

## Limited Tax Pension Obligation Bonds, Series 2012 (Federally Taxable)

DATED: Date of Delivery

DUE: June 30, 2021, as shown below

**MATURITY SCHEDULE —**

Due June 30	Amount <sup>(1)</sup>	Interest Rate	Yield	CUSIP® 686053
2021	\$ 21,940,000			

(1) Preliminary, subject to change.

*Certain statements contained in this Official Statement do not reflect historical facts, but are forecasts and “forward-looking statements.” No assurance can be given that the future results discussed herein will be achieved, and actual results may differ materially from the forecasts described herein. In this respect, words such as “estimated,” “projected,” “anticipate,” “expect,” “intend,” “plan,” “believe” and similar expressions are intended to identify forward-looking statements. All projections, assumptions and other forward-looking statements are expressly qualified in the entirety by the cautionary statements set forth in this Official Statement.*

*Certain information contained herein has been obtained from the Series 2012 Issuers and other sources which are believed to be reliable, but the accuracy or completeness of such information is not guaranteed and such information is not to be construed to be a representation of the Series 2012 Issuers or Seattle-Northwest Securities Corporation (the “Financial Advisor”). The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information. Neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the parties referred to above since the date hereof.*

*The CUSIP® numbers herein are provided by CUSIP Global Services (CGS), which is managed on behalf of the American Bankers Association by Standard and Poor’s, a division of The McGraw-Hill Companies, Inc. CUSIP is a registered trademark of the American Bankers Association. CUSIP numbers are provided for convenience of reference only. CUSIP numbers are subject to change. Neither the District nor the Underwriter take any responsibility for the accuracy of such CUSIP numbers.*

*Web addresses contained in this Official Statement are inactive textual references, not hyperlinks, and any websites, by such reference, are not incorporated herein.*

*No dealer, broker, salesman or other person has been authorized by the Series 2012 Issuers or the Underwriter to give information or to make any representations with respect to the Series 2012 Obligations, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2012 Obligations by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.*

*The prices at which the Series 2012 Obligations are offered to the public by the Underwriter (and the yields resulting therefrom) may vary from the initial public offering prices appearing on this inside cover page hereof. In addition, the Underwriter may allow concessions or discounts from such initial public offering prices to dealers and others. In connection with the offering of the Series 2012 Obligations, the Underwriter may effect transactions that stabilize or maintain the market price of the Series 2012 Obligations at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.*

*This Official Statement has been “deemed final” by the Series 2012 Issuers, pursuant to Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, except for information which is permitted to be excluded from this Official Statement under said rule 15c2-12.*

**Sponsor**

Oregon School Boards Association

**Series 2012 Issuers**

1. Bend-La Pine Administrative School District No. 1, Deschutes County
2. Brookings-Harbor School District No. 17C, Curry County
3. Gresham-Barlow School District No. 10Jt, Multnomah County
4. Jefferson County School District No. 509J, Jefferson County
5. Morrow County School District, Morrow County
6. Portland School District No. 1J, Multnomah County
7. South Umpqua School District No. 19, Douglas County

**Special Counsel**

Hawkins Delafield & Wood LLP  
Portland, Oregon  
(503) 402-1320

**Financial Advisor**

Seattle-Northwest Securities Corporation  
Portland, Oregon  
(503) 275-8300

**Paying Agent**

Wells Fargo Bank, National Association  
Portland, Oregon  
(503) 886-1366

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# OFFICIAL NOTICE OF SALE

## Oregon School Boards Association

**\$21,940,000<sup>(1)</sup>**

### Limited Tax Pension Refunding Obligations, Series 2012

NOTICE IS HEREBY GIVEN that bids will be received by the Series 2012 Trustee on behalf of the seven Oregon school districts shown on the inside cover page of this Official Statement (collectively, the "Series 2012 Issuers") for the purchase of the above-captioned Limited Tax Pension Refunding Obligations (the "Series 2012 Obligations") on:

**January 12, 2012 until 9:00 o'clock a.m. (Prevailing Pacific Time)**

Bids must be submitted electronically through *PARITY* as described herein.

**SECURITY:** The Series 2012 Obligations evidence and represent undivided proportionate interests of the Beneficial Owners thereof in payments on the Series 2012 Pension Bonds (collectively, the "Pension Bond Payments") to be made by the Series 2012 Issuers pursuant to the Trust Agreement. Each Series 2012 Issuer's Series 2012 Pension Bonds are limited tax bonds of that Series 2012 Issuer. The full faith and credit and taxing power, within the limitations of Sections 11 and 11b of Article XI of the Oregon Constitution, of each Series 2012 Issuer are pledged to the payment of the Pension Bond Payments. Each Series 2012 Issuer's Pension Bonds are payable from the Series 2012 Issuer's Available General Funds, which include all ad valorem property tax revenues received from levies under each Series 2012 Issuer's permanent rate limit and all other unrestricted taxes, fees, charges and revenues, including any State funding for school districts and education service districts, legally available to pay such Series 2012 Issuer's Pension Bond Payments. The Series 2012 Issuers are not authorized to levy additional taxes to pay the Pension Bond Payments.

Payment of the Series 2012 Pension Bonds is also secured by an intercept agreement, pursuant to which an amount of State Education Revenues equal to each Series 2012 Issuer's Pension Bond Payments, which would otherwise be paid by the Oregon Department of Education (the "Agency") to the Series 2012 Issuer, is diverted to the Series 2012 Trustee for the purpose of paying the Pension Bond Payments. "State Education Revenues" means any State funding for school districts and education service districts legally available to pay Pension Bond Payments. The diversion of State Education Revenues to pay Pension Bond Payments has priority over all other claims against money provided by the State to a school district except for intercepted payments to reimburse the State for payments made pursuant to the Oregon School Bond Guarantee program ("OSBG"; see "Available State Education Revenues" herein) and any prior or future Pension Bonds. There are limitations on the ability of the Series 2012 Issuers to issue Future Pension Bonds (as defined herein) secured by the Intercept Agreement (see "Future Pension Bonds Test" herein). The Series 2012 Trustee is required to deposit all State Education Revenues transferred by the Agency to the Series 2012 Trustee into the Trust Fund, which is part of the Trust Estate pledged to secure the payment of the Series 2012 Obligations (see "Authorization for Issuance" and "Security for the Series 2012 Obligations" herein). The Series 2012 Issuers are authorized to issue Future Pension Bonds and to require that the State Education Revenues be diverted under the Intercept Agreement with respect to such Future Pension Bonds. EXCEPT FOR THE PAYMENT OF ITS PENSION BOND PAYMENTS AND ADDITIONAL CHARGES WHEN DUE IN ACCORDANCE WITH ITS RESOLUTION AND SERIES 2012 PENSION BONDS, NO SERIES 2012 ISSUER HAS ANY OBLIGATION OR LIABILITY (1) FOR ANY PAYMENT IN RESPECT OF THE SERIES 2012 OBLIGATIONS; (2) FOR THE PAYMENTS TO BE MADE BY THE OTHER SERIES 2012 ISSUERS OR OTHER PARTIES; OR (3)

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(1) Preliminary, subject to change.

FOR THE TERMS, EXECUTION, DELIVERY OR TRANSFER OF THE SERIES 2012 OBLIGATIONS, OR THE DISTRIBUTION OF PENSION BOND PAYMENTS TO THE OWNERS BY THE SERIES 2012 TRUSTEE.

THE SERIES 2012 OBLIGATIONS DO NOT CONSTITUTE A DEBT OR INDEBTEDNESS OF THE OREGON DEPARTMENT OF EDUCATION, THE STATE OF OREGON OR ANY POLITICAL SUBDIVISION THEREOF OTHER THAN THE SERIES 2012 ISSUERS.

**RATING:** The Series 2012 Issuers have received a rating of “Aa2” for the Series 2012 Obligations from Moody’s Investor’s Service, and will pay the cost thereof.

**INTEREST PAYMENTS AND MATURITY:** Interest on the Series 2012 Obligations is payable semiannually on June 30 and December 30 of each year until maturity, commencing June 30, 2012. The Series 2012 Obligations will be dated with their date of delivery, will be issued in the aggregate principal amount of \$21,940,000, and will mature on June 30, 2021, subject to adjustment as provided below:

Due	
June 30	Amount <sup>(1)</sup>
2021	\$ 21,940,000

(1) Preliminary, subject to change.

**ADJUSTMENT OF PAR AMOUNT AND MATURITIES:** The Series 2012 Obligations will be awarded based on the maturity schedule above. However, the Series 2012 Issuers reserve the right to increase or decrease the total principal amount of the Series 2012 Obligations by an amount not to exceed five percent (5%) of the total following the opening of the bids. Notice of any adjustment will be given to the winning bidder promptly after bid opening. If the Series 2012 Issuers adjust the principal amount, the price to be paid to the Series 2012 Issuers will be adjusted in a manner that preserves the successful bidder’s percentage net compensation.

**RIGHT TO CANCEL, CHANGE TIMING AND TERMS OF SALE:** The Series 2012 Issuers reserve the right to change the date, timing or terms under which the Series 2012 Obligations are offered for sale, or to cancel the sale based on market conditions, by placing a notice of the changes on i-Deal Prospectus and on Thomson Muni News on Thomson Municipal Market Monitor ([www.tm3.com](http://www.tm3.com)).

**OPTIONAL PREPAYMENT:** The Series 2012 Obligations are subject to optional prepayment prior to maturity by the Series 2012 Issuers, in whole at any time or in part on any interest payment date at a redemption price equal to the greater of:

- (1) the issue price set forth on the inside front cover page hereof (but not less than 100%) of the principal amount of such Series 2012 Obligations to be redeemed; or
- (2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Series 2012 Obligations to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Series 2012 Obligations are to be redeemed, discounted to the date on which such Series 2012 Obligations are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (described below) plus 50 basis points:

plus, in each case accrued interest on such Series 2012 Obligations to be redeemed to the redemption date.

“Treasury Rate” means with respect to any redemption date for a particular Series 2012 Obligations, the yield maturity as of such redemption date of United States Treasury securities with a contact maturity (as compiled and published in the most recent Federal Reserve Statistical



Release H. 15 (519) that has become publicly available at least two Business Days prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data )) most nearly equal to the period from the redemption date to the maturity date of the Series 2012 Obligations to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury Securities adjusted to a contact maturity of one year will be used.

**BIDDING CONSTRAINTS:** All bids will be subject to the terms and conditions of this Official Notice of Sale. All bids for the Series 2012 Obligations must comply with the following conditions: (1) the interest rate must be a multiple of 1/1000<sup>th</sup> of one percent; (2) each Series 2012 Obligation must bear interest from its date to its stated maturity date at the interest rate specified in the bid; (3) all Series 2012 Obligations within each series of Obligations maturing on the same date must bear the same rate of interest; (4) bids must be for a purchase price of not less than ninety-nine percent (99.00%) of the principal amount of the Series 2012 Obligations; and (5) the reoffering prices for each maturity cannot exceed one hundred and two percent (102.00%) of the principal amount of such maturity; (6) the maximum true interest cost shall be 3.85%; and (7) no bid will be considered that does not offer to purchase all of the maturities of the Series 2012 Obligations.

**BIDS:** Bids must be submitted via *PARITY*. Bids must be received by the *PARITY* system not later than the date and time indicated in the first paragraph of this Notice of Sale. For further information about submitting a bid using *PARITY*, potential bidders may contact Mary Macpherson, Seattle-Northwest Securities Corporation (the "Financial Advisor") at Telephone: (503) 275-8307 or *PARITY* at Telephone: (212) 849-5021. To the extent any instructions or directions set forth in *PARITY* conflict with this Notice of Sale, the terms of this Notice of Sale shall control. Bidders electing to submit bids through *PARITY* must obtain access to the *PARITY* system and bear all risks associated with using that system, including errors and delays in receipt of bids.

**BEST BID:** Unless all bids are rejected, the Series 2012 Obligations will be awarded to the responsible bidder submitting the bid which results in the lowest overall true interest cost. True interest cost will be determined by doubling the semiannual interest rate necessary to discount the debt service on the Series 2012 Obligations to January 31, 2012 (the estimated closing date of the Series 2012 Obligations), and the aggregate purchase price bid for the Series 2012 Obligations. Each bidder is requested to supply the total interest cost and the true interest cost that the Series 2012 Issuers will pay on the Series 2012 Obligations if the bid is accepted.

**GOOD FAITH DEPOSIT:** The winning bidder will be required to provide a good faith deposit in the amount of \$500,000 in immediately available funds wired to the Series 2012 Trustee not later than 2:00 p.m. (Pacific Time) on January 12, 2012. The Financial Advisor will provide the wire information immediately upon the award of the bid.

The good faith deposit will be held by the Series 2012 Trustee to secure the Series 2012 Issuers from any loss resulting from the failure of the bidder to comply with the terms of its bid, and will be forfeited to the Series 2012 Issuers in proportion to each Series 2012 Issuer's percentage of the principal amount in this Official Notice of Sale as liquidated damages if the bidder to whom the Series 2012 Obligations are awarded withdraws its bid or fails to complete its purchase of the Series 2012 Obligations in accordance with this Notice of Sale and its bid. The successful bidder shall pay the balance of the purchase price of the Series 2012 Obligations at closing, in funds immediately available to the Series 2012 Trustee on the date and at the time of closing.

Interest earnings on the good faith deposit will be the property of the Series 2012 Issuers and will be allocated in proportion to each Series 2012 Issuer's percentage of the principal amount in this Official Notice of Sale, will be specified as a contingency amount and deposited unto the Obligation Account, and will not be credited against the purchase price of the Series 2012 Obligations.

**RIGHT OF REJECTION:** The Series 2012 Issuers reserve the right to reject any or all bids, and to waive any irregularities.

**PURCHASE AND SALE:** The offer made hereby is subject to receipt by the Series 2012 Trustee of the bond purchase agreements, each dated as of the date hereof and including the Standard Terms for Sale incorporated therein by reference (collectively, the "Bond Purchase Agreements"), between the Trustee and each of the school districts and education service districts named in Exhibit C hereto (collectively, the "Series 2012 Issuers"). The Series 2012 Trustee's obligation to issue and sell the Series 2012 Obligations to the winning bidder is conditioned upon the issuance by the Series 2012 Issuers of the Pension Bonds.

**BOOK ENTRY ONLY:** The Series 2012 Obligations will be issued in registered, book-entry only form through DTC. Series 2012 Obligations will be available in denominations of \$5,000, or integral multiples. Unless the book-entry-only system is discontinued, Series 2012 Obligation principal and interest payments will be made by the Series 2012 Issuers to DTC through the Series 2012 Trustee. DTC will be responsible for making payments to beneficial owners of Series 2012 Obligations.

**PURPOSE:** The Series 2012 Pension Bonds are authorized and are being issued under the resolutions adopted each Series 2012 Issuer's governing body. The proceeds of the Series 2012 Obligations will be used to refund all or a portion of each of the Series 2012 Issuers' callable Limited Tax Pension Obligation Bonds, Series 2002 and to pay the costs of issuance of the Series 2012 Obligations.

**REOFFERING PRICES:** The successful bidder shall provide the Financial Advisor with the reoffering prices and yields within 1 hour after award of the bid. The reoffering prices and yields so provided will be printed on the inside cover of the final official statement. The reoffering price for any given maturity cannot exceed one hundred two percent (102.00%) of such maturity.

**LEGAL OPINION:** The approving opinion of Hawkins Delafield & Wood LLP, Special Counsel, will be provided at no cost to the purchaser.

**TAX STATUS:** In the opinion of Special Counsel, the portion of the Financing Payments designated as and constituting interest received by the holders of the Series 2012 Obligations ("Interest") is not excludable from gross income for federal income tax purposes. In the opinion of Special Counsel, Interest received by the holders of the Series 2012 Obligations is exempt from Oregon personal income tax under existing law.

**DELIVERY:** It is expected that delivery of the Series 2012 Obligations will be made to the paying agent under DTC's Fast Automated Securities Transfer (FAST) program, without cost to the bidder. Delivery of the Series 2012 Obligations will be made on or about January 31, 2012.

The approving legal opinions of Special Counsel will be provided to the purchaser at the time of the delivery of the Series 2012 Obligations. Special Counsel's opinion will express no opinion concerning the accuracy, completeness or sufficiency of this Preliminary Official Statement or other offering material relating to the Series 2012 Obligations, nor will there be an opinion of Special Counsel relating to the undertaking of the Series 2012 Issuers to provide ongoing disclosure pursuant to Securities and Exchange Commission ("SEC") Rule 15c2-12 (the "Rule"). A no-litigation certificate by each of the Series 2012 Issuers will be included in the closing papers of the Series 2012 Obligations.

**PRELIMINARY OFFICIAL STATEMENT AND ADDITIONAL INFORMATION:** The preliminary official statement for the Series 2012 Obligations is available in electronic form from i-Deal Prospectus. For information on electronic delivery, please call the i-Deal Prospectus at (212) 849-5024 or contact the Financial Advisor. Requests for additional information about this sale should also be directed to the Financial Advisor.

**COMPLIANCE WITH SEC RULES:** The Series 2012 Issuers agree to provide the successful bidder with a sufficient number of copies of the official statement in a form “deemed final” by the Series 2012 Issuers to enable the successful bidder to satisfy its responsibilities under the SEC rules at the expense of the Series 2012 Issuers, and such additional copies as the successful bidder may request at the expense of the bidder, not later than the seventh business day following the date on which bids are due. Bidders should expect that the official statements will not be available prior to the seventh business day following the date on which bids are due, and should not issue confirmations which request payment prior to that date. This provision will constitute a contract with the successful bidder upon acceptance of its bid by the Series 2012 Issuers, in compliance with Section 240.15c2-12(b)(3) in Chapter II of Title 17 of the Code of Federal Regulations.

**CONTINUING DISCLOSURE:** The Series 2012 Issuers will undertake to provide continuing disclosure for the benefit of the Series 2012 Obligation Owners in compliance with SEC Rule 15c2-12. The form of the undertaking is attached as Appendix C to the preliminary official statement.

**CUSIP:** CUSIP numbers will be imprinted upon the Series 2012 Obligations at the Series 2012 Issuer’s expense. However, the CUSIP Service Bureau charge for the assignment of the numbers shall be paid by the purchaser. Failure to print, or improperly imprinted numbers will not constitute basis for the purchaser to refuse to accept delivery.

**CLOSING CERTIFICATES:** At the time of payment for the delivery of the Series 2012 Obligations, the Series 2012 Issuers will furnish the successful bidder a certificate confirming that there is no material litigation pending that is not disclosed in the final official statement, and that the official statement does not contain any material misstatements or omissions.

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# OFFICIAL STATEMENT

## Oregon School Boards Association

\$21,940,000<sup>(1)</sup>

### Limited Tax Pension Refunding Obligations, Series 2012 (Federally Taxable)

#### Introduction

##### Series 2012 Issuers and the Series 2012 Obligations

The seven Oregon school districts shown on the inside cover page of this Official Statement (collectively, the "Series 2012 Issuers") are furnishing this Official Statement to provide information in connection with the issuance of \$21,940,000<sup>(1)</sup> aggregate principal amount of Limited Tax Pension Refunding Obligations, Series 2012 (the "Series 2012 Obligations"). The Series 2012 Obligations are being issued pursuant to a Trust Agreement, to be dated as of the Date of Delivery, between Wells Fargo Bank, National Association, as trustee (the "Series 2012 Trustee") and each of the Series 2012 Issuers (the "Trust Agreement"). Proceeds received from the sale of the Series 2012 Obligations are to be applied by the Series 2012 Trustee to purchase an equal aggregate principal amount of the Series 2012 Issuers' Limited Tax Pension Refunding Bonds, Series 2012 (the "Series 2012 Pension Bonds").

The information set forth herein has been obtained from the Series 2012 Issuers and other sources that are believed to be reliable. Seattle-Northwest Securities Corporation (the "Financial Advisor") has relied on the Series 2012 Issuers with respect to the accuracy and sufficiency of such information and such information is not to be construed as a representation, warranty or guarantee by the Financial Advisor. So far as any statement herein includes matters of opinion, or estimates of future expenses and income, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

This Official Statement, which includes the cover page, inside cover and appendices, provides information concerning the Series 2012 Issuers, the Series 2012 Pension Bonds and the Series 2012 Obligations. Certain capitalized words and phrases used in this Official Statement have the meanings as defined in the Trust Agreement, described herein and attached as Appendix F hereto.

##### Sponsor

The Oregon School Boards Association ("OSBA") is the sponsor of this limited tax pension bond program for school districts and education service districts. OSBA is not a Series 2012 Issuer and does not have a financial obligation in connection with the Series 2012 Pension Bonds or the Series 2012 Obligations.

OSBA is a non-profit association that was founded in 1946 and currently represents about 1,400 locally-elected school, charter school, and education service district board members. The State Board of Education and community college board members are also represented. OSBA is governed by a board of directors of up to 21 board members, each elected on a regional basis for a two-calendar-year term. Directors must be nominated by official board action of at least one member board within their region and then elected by a majority of votes of member boards in their region.

#### Description of the Series 2012 Obligations

##### Security and Sources of Payment of the Series 2012 Obligations

The Series 2012 Obligations evidence and represent undivided proportionate interests of the Beneficial Owners thereof in payments on the Series 2012 Pension Bonds (collectively, the "Pension Bond Payments") to be made by the Series 2012 Issuers pursuant to the Trust Agreement. Each Series 2012 Issuer's Series 2012 Pension Bonds are limited tax bonds of that Series 2012 Issuer. The full faith and credit and taxing power, within the

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(1) Preliminary, subject to change.

limitations of Sections 11 and 11b of Article XI of the Oregon Constitution, of each Series 2012 Issuer are pledged to the payment of the Pension Bond Payments. Each Series 2012 Issuer's Pension Bonds are payable from the Series 2012 Issuer's Available General Funds, which include all ad valorem property tax revenues received from levies under each Series 2012 Issuer's permanent rate limit and all other unrestricted taxes, fees, charges and revenues, including any State funding for school districts and education service districts, legally available to pay such Series 2012 Issuer's Pension Bond Payments. **The Series 2012 Issuers are not authorized to levy additional taxes to pay the Pension Bond Payments.**

Payment of the Series 2012 Pension Bonds is also secured by an intercept agreement, pursuant to which an amount of State Education Revenues equal to each Series 2012 Issuer's Pension Bond Payments, which would otherwise be paid by the Oregon Department of Education (the "Agency") to the Series 2012 Issuer, is diverted to the Series 2012 Trustee for the purpose of paying the Pension Bond Payments. "State Education Revenues" means any State funding for school districts and education service districts legally available to pay Pension Bond Payments. The diversion of State Education Revenues to pay Pension Bond Payments has priority over all other claims against money provided by the State to a school district except for intercepted payments to reimburse the State for payments made pursuant to the Oregon School Bond Guarantee program ("OSBG"; see "Available State Education Revenues" herein) and payments on prior or future Pension Bonds. There are limitations on the ability of the Series 2012 Issuers to issue Future Pension Bonds (as defined herein) secured by the Intercept Agreement (see "Future Pension Bonds Test" herein). The Series 2012 Trustee is required to deposit all State Education Revenues transferred by the Agency to the Series 2012 Trustee into the Trust Fund, which is part of the Trust Estate pledged to secure the payment of the Series 2012 Obligations (see "Authorization for Issuance" and "Security for the Series 2012 Obligations" herein). The Series 2012 Issuers are authorized to issue Future Pension Bonds and to require that the State Education Revenues be diverted under the Intercept Agreement with respect to such Future Pension Bonds. EXCEPT FOR THE PAYMENT OF ITS PENSION BOND PAYMENTS AND ADDITIONAL CHARGES WHEN DUE IN ACCORDANCE WITH ITS RESOLUTION AND SERIES 2012 PENSION BONDS, NO SERIES 2012 ISSUER HAS ANY OBLIGATION OR LIABILITY (1) FOR ANY PAYMENT IN RESPECT OF THE SERIES 2012 OBLIGATIONS; (2) FOR THE PAYMENTS TO BE MADE BY THE OTHER SERIES 2012 ISSUERS OR OTHER PARTIES; OR (3) FOR THE TERMS, EXECUTION, DELIVERY OR TRANSFER OF THE SERIES 2012 OBLIGATIONS, OR THE DISTRIBUTION OF PENSION BOND PAYMENTS TO THE OWNERS BY THE SERIES 2012 TRUSTEE. See "Security for the Series 2012 Obligations" herein.

### **Principal Amount, Date, Interest Rate and Maturity**

The sum of the principal components of the Pension Bond Payments evidenced and represented by the Series 2012 Obligations will be issued in the aggregate principal amount posted on the cover of this Official Statement and will be dated and bear interest from the Date of Delivery. The principal component of the Pension Bond Payments will mature on June 30, 2021. The interest components of the Pension Bond Payments ("Interest") is payable semiannually on June 30 and December 30 of each year, commencing June 30, 2012, until the maturity or earlier prepayment of the Series 2012 Obligations (the "Payment Dates") and will be computed on the basis of a 360-day year consisting of twelve 30-day months.

### **Disbursement Features**

*Pension Bond Payments.* The Pension Bond Payments will be payable by the Series 2012 Trustee to the Depository Trust Company ("DTC"), which, in turn, is obligated to remit such principal and interest components to its participants ("DTC Participants") for subsequent disbursement to the persons in whose names such Series 2012 Obligations are registered (the "Beneficial Owners") as further described in Appendix B attached hereto.

*Book-Entry System.* The Series 2012 Obligations will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co. as owner and as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2012 Obligations. Individual purchases and sales of the Series 2012 Obligations may be made in book-entry form only in minimum denominations of \$5,000 within a single maturity and integral multiples thereof. Purchasers will not receive certificates representing their interest in the Series 2012 Obligations. See "Appendix B - Book Entry Only System" for additional information.

*Procedure in the Event of Revisions of Book-Entry Transfer System.* Series 2012 Issuers representing 51 percent or more of the then Outstanding Principal amount of Series 2012 Pension Bonds may direct the Series 2012 Trustee to discontinue maintaining the Series 2012 Obligations in the book-entry only form at any time. The Series 2012 Trustee shall discontinue maintaining the Series 2012 Obligations in book-entry only form if DTC determines not to continue to act as securities depository for the Series 2012 Obligations, or fails to perform satisfactorily as depository, and a satisfactory substitute depository cannot reasonably be found. If the Series 2012 Obligations cease to be in book-entry only form, the Series 2012 Trustee is required to mail by first class mail, postage prepaid, each interest payment on the interest Payment Date (or the next Business Day if the Payment Date is not a Business Day) to the name and address of the Owners as they appear on the Series 2012 Obligation register as of the 15th day of the month in which a Payment Date occurs (the "Record Date"). Principal of each Series 2012 Obligation shall be paid only on or after the stated maturity date thereof or date fixed for earlier prepayment thereof, and then only upon presentation and surrender of such Series 2012 Obligation to the Series 2012 Trustee at its principal corporate trust operations office in Minneapolis, Minnesota. If the Series 2012 Trustee discontinues maintaining the Series 2012 Obligations in book-entry only form, the Series 2012 Trustee is required to authenticate and deliver replacement Series 2012 Obligations in fully registered form in authorized denominations in the names of the Beneficial Owners or their nominees; thereafter the Series 2012 Obligations will be registered, transferred and exchanged as provided in the Trust Agreement.

### **Prepayment and Distribution Provisions**

*Optional Prepayment.* The Series 2012 Obligations are subject to optional prepayment prior to maturity by the Series 2012 Issuers, in whole at any time or in part on any interest payment date at a redemption price equal to the greater of:

- (1) the issue price set forth on the inside front cover page hereof (but not less than 100%) of the principal amount of such Series 2012 Obligations to be redeemed; or
- (2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Series 2012 Obligations to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Series 2012 Obligations are to be redeemed, discounted to the date on which such Series 2012 Obligations are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (described below) plus 50 basis points:

plus, in each case accrued interest on such Series 2012 Obligations to be redeemed to the redemption date.

"Treasury Rate" means with respect to any redemption date for a particular Series 2012 Obligations, the yield maturity as of such redemption date of United States Treasury securities with a contact maturity (as compiled and published in the most recent Federal Reserve Statistical Release H. 15 (519) that has become publicly available at least two Business Days prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data )) most nearly equal to the period from the redemption date to the maturity date of the Series 2012 Obligations to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury Securities adjusted to a contact maturity of one year will be used.

*Selection of Obligations for Prepayment.* If the Series 2012 Obligations are in book-entry form with DTC at the time of optional prepayment, the Series 2012 Trustee will direct DTC to select the particular Series 2012 Obligations within a maturity to be prepaid in accordance with the operational arrangements then in effect at DTC.

If the Series 2012 Obligations are not in book-entry form at the time of optional prepayment, the Series 2012 Trustee shall determine the Series 2012 Obligations for prepayment in \$5,000 increments, by the Trustee by lot. Beneficial Owners shall be determined as of the Record Date.

*Notice of Prepayment (Book-Entry).* So long as the Series 2012 Obligations are in book-entry only form, the Series 2012 Trustee shall notify DTC of an early prepayment no fewer than 20 calendar days nor more than 60 calendar days prior to the date fixed for prepayment, and shall provide such information as required by a letter of representation submitted to DTC in connection with the issuance of the Series 2012 Obligations.

*Notice of Prepayment (No Book-Entry).* During any period in which the Series 2012 Obligations are not in book-entry only form, unless waived by any Owner of the Series 2012 Obligations to be prepaid, the Series 2012 Trustee is required to give official notice of any prepayment of Series 2012 Obligations on behalf of any Series 2012 Issuer by mailing a copy of an official prepayment notice by first class mail, postage prepaid, no fewer than 20 calendar days nor more than 60 calendar days prior to the date fixed for prepayment, to the Owners of the Series 2012 Obligations to be redeemed at the address shown on the bond register or at such other address as is furnished in writing by such Owner to the Series 2012 Trustee.

### **The Series 2012 Trustee**

The Series 2012 Trustee is a wholly owned subsidiary of Wells Fargo & Company (NYSE:WFC). Wells Fargo & Company is a diversified financial services company with approximately \$1,250 billion in assets as of June 30, 2010, providing banking, insurance, investments, mortgage and consumer finance from more than 6,000 stores and the Internet (wellsfargo.com) across North America and elsewhere internationally. Wells Fargo Bank, National Association, an affiliate of the Series 2012 Trustee, is currently the trustee on pooled pension bonds issued for school districts and education service districts in Oregon in 2002, 2003, 2004, 2005, 2007, and 2011.

The Series 2012 Trustee also serves as Trustee under the Intercept Agreement with respect to the Series 2012 Obligations.

### **Authorization for Issuance**

*The Series 2002 Bonds.* The Series 2012 Issuers were among 41 Oregon school districts and education service districts (collectively, the "Series 2002 Issuers") who previously issued Limited Tax Pension Obligations, Series 2002 (Federally Taxable), dated October 31, 2002, in the original aggregate principal amount of \$774,662,845.50 (the "Series 2002 Bonds") pursuant to resolutions adopted by the governing body of each Series 2002 Issuer.

The Series 2002 Bonds were authorized and issued pursuant to Oregon Revised Statutes ("ORS") 238.692 to 238.698, inclusive (the "Pension Bonding Act"), which authorizes school districts and education service districts to issue limited tax bonds to finance their pension liabilities, and pursuant to ORS 288.150 to 288.165, inclusive, which permitted the Series 2002 Issuers to pledge their full faith and credit and taxing power within the limitations of Sections 11 and 11b of Article XI of the Oregon Constitution to pay the Series 2002 Bonds.

The Series 2002 Bonds were issued in two series: \$197,832,845.50 Series 2002A (\$383,255,000 Final Maturity Amount), Deferred Interest Obligations (the "Series 2002A Bonds"), and \$576,830,000 Series 2002B, Current Interest Obligations (the "Series 2002B Bonds"). The Series 2002B Bonds maturing on June 30, 2021 (the "Callable Bonds") are currently subject to prepayment prior to maturity on any date at a price of par plus accrued interest to the date of prepayment.

The proceeds of the Series 2012 Obligations will be used to refund all or a portion of each of the Series 2012 Issuers' Callable Bonds and to pay the costs of issuance of the Series 2012 Obligations. See "Purpose and Use of Proceeds - Refunding Procedure" herein.

*The Series 2012 Pension Bonds.* The Series 2012 Pension Bonds are authorized and are being issued under the resolutions listed in the following table (the "Resolutions") adopted by the applicable Series 2012 Issuer's governing body (the "Board of Directors").



## Authorizing Resolutions

Series 2012 Issuer	Resolution Number	Resolution Adopted
1. Bend-La Pine Admin. School District No. 1	1750	12/13/11
2. Brookings-Harbor School District No. 17C	2011/2012-006	12/14/11
3. Gresham-Barlow School District No. 10Jt	1112-04	12/08/11
4. Jefferson County School District No. 509J	12-18	12/12/11
5. Morrow County School District	2011-12-8	12/12/11
6. Portland School District No. 1J	4531	12/15/11
7. South Umpqua School District No. 19	2012-04	12/21/11

*The Series 2012 Obligations.* The Series 2012 Obligations represent proportionate and undivided interests in and the right to receive the Pension Bond Payments. Each Series 2012 Issuer is required to pay the Pension Bond Payments or to cause such payments to be made on its behalf through the Intercept Agreement on its Series 2012 Pension Bonds, and the Series 2012 Trustee is required to deposit these payments into appropriate subaccounts in the Obligation Account in the Trust Fund, which is part of the Trust Estate pledged to the benefit of the Obligation Owners and defined herein. See "Security for the Series 2012 Obligations - Intercept Agreement" herein.

The Series 2012 Issuers and the Series 2012 Trustee are required to enter into a Trust Agreement at closing to provide for the issuance of and payment by the Series 2012 Trustee of the Series 2012 Obligations. The Trust Agreement provides that it constitutes an intergovernmental agreement among the Series 2012 Issuers and provides that as authorized by the Pension Bonding Act, the Series 2012 Issuers agree that the Series 2012 Pension Bonds and Series 2012 Obligations will be collectively issued, administered and paid as provided in the Trust Agreement.

## Purpose and Use of Proceeds

### Purpose

The Series 2012 Obligations are being issued so that the Series 2012 Issuers can obtain a benefit of a savings in total debt service requirements on their Series 2002 Bonds.

### Refunding Procedure

A portion of the proceeds of the Series 2012 Obligations will be used to provide funds to the Series 2012 Trustee to refund all or a portion of each of the Series 2012 Issuer's Callable Bonds (the "Amount Refunded"). Each Series 2012 Issuer's portion of the Callable Bonds is shown in the following table:

**Series 2012 Issuers' Portion of the Callable Bonds**

Series 2012 Issuer	Outstanding Amount	Amount Refunded <sup>(1)</sup>	Amount Remaining <sup>(1)</sup>
1. Bend-La Pine Admin. School District No. 1	\$ 2,725,000	\$ 2,725,000	\$ 0
2. Brookings-Harbor School District No. 17C	400,000	400,000	0
3. Gresham-Barlow School District No. 10Jt	2,380,000	2,380,000	0
4. Jefferson County School District No. 509J	835,000	835,000	0
5. Morrow County School District	495,000	495,000	0
6. Portland School District No. 1J	14,000,000	14,000,000	0
7. South Umpqua School District No. 19	425,000	425,000	0
Total of Series 2011 Issuers	\$ 21,260,000	\$ 21,260,000	\$ 0

(1) Preliminary, subject to change.

From the proceeds of the Series 2012 Obligations, and with other monies available, the Series 2012 Trustee will purchase certain direct United States government obligations (referred to herein as "Government Obligations") on behalf of the Series 2012 Issuers. The maturing principal of the Government Obligations and necessary cash balance, if any, will provide funds sufficient to redeem the principal on the Amount Refunded on the call date shown in the table below.

The Government Obligations and necessary cash balance, if any, will irrevocably be pledged to and held in trust for the benefit of the Owners of the Amount Refunded of the Callable Bonds by the Series 2012 Trustee.

**Callable Bonds Refunded and Defeased**

<b>Maturity Date</b>	<b>CUSIP</b>	<b>Call Date <sup>(1)</sup></b>	<b>Call Price <sup>(2)</sup></b>
June 30, 2021	686053BP3	3/16/2012	100%
	<b>Outstanding Amount</b>	<b>Amount Refunded <sup>(1)</sup></b>	<b>Amount Remaining <sup>(1)</sup></b>
Series 2012 Issuers	\$ 21,260,000	\$ 21,260,000	\$ 0
Other Series 2002 Issuers	1,920,000	0	1,920,000
<b>Total</b>	<b>\$ 23,180,000</b>	<b>\$ 21,260,000</b>	<b>\$ 1,920,000</b>

(1) Preliminary, subject to change.

(2) Call price is expressed as a percentage of the principal amount.

**Sources and Uses of Funds**

The proceeds of the Series 2012 Obligations are estimated to be applied as follows:

**Estimated Sources and Uses of Funds**

<b>Sources of Funds<sup>(1)</sup></b>	
Par Amount of Series 2012 Obligations	\$ 21,940,000 <sup>(2)</sup>
Original Issue Premium/(Discount)	
<b>Total Sources of Funds</b>	<b>\$</b>
<b>Uses of Funds<sup>(1)</sup></b>	
Escrow Requirements	\$
Underwriting, Insurance (if any) and Issuance Costs	
<b>Total Uses of Funds</b>	<b>\$</b>

(1) Amounts will be provided in the final Official Statement.

(2) Preliminary, subject to change.

**Series 2012 Obligations  
Projected Debt Service Requirements - Callable Bonds**

Fiscal Year	Series 2012 Issuer Callable Bonds		Less: Amount Refunded <sup>(1)</sup>		Series 2012 Obligations <sup>(1)</sup>		Total Debt Service <sup>(1)</sup>
	Principal	Interest	Principal	Interest	Principal	Interest	
2012	\$ 0	\$ 1,169,300	\$ 0	\$ 584,650	\$ 0	\$ 342,813	\$ 927,463
2013	0	1,169,300	0	1,169,300	0	822,750	822,750
2014	0	1,169,300	0	1,169,300	0	822,750	822,750
2015	0	1,169,300	0	1,169,300	0	822,750	822,750
2016	0	1,169,300	0	1,169,300	0	822,750	822,750
2017	0	1,169,300	0	1,169,300	0	822,750	822,750
2018	0	1,169,300	0	1,169,300	0	822,750	822,750
2019	0	1,169,300	0	1,169,300	0	822,750	822,750
2020	0	1,169,300	0	1,169,300	0	822,750	822,750
2021	21,260,000	1,169,300	21,260,000	1,169,300	21,940,000	822,750	22,762,750
	<u>\$ 21,260,000</u>	<u>\$ 11,693,000</u>	<u>\$ 21,260,000</u>	<u>\$ 11,108,350</u>	<u>\$ 21,940,000</u>	<u>\$ 7,747,563</u>	<u>\$ 30,272,213</u>

(1) Principal and interest are provided for illustrative purposes only; amounts and structure are preliminary, subject to change.

**Series 2012 Issuers**  
**Projected Debt Service Requirements – Pension Bonds**

Fiscal Year	Series 2012 Issuer		Less: Amount Refunded <sup>(1)</sup>		Series 2012 Obligations <sup>(1)</sup>		Total Debt Service <sup>(1)</sup>
	Outstanding Pension Bonds		Principal	Interest	Principal	Interest	
	Principal	Interest	Principal	Interest	Principal	Interest	
2012	\$ 14,332,141	\$ 32,590,630	\$ 0	\$ 584,650	\$ 0	\$ 342,813	\$ 46,680,933
2013	14,690,692	34,400,427	0	1,169,300	0	822,750	48,744,568
2014	15,365,432	36,717,095	0	1,169,300	0	822,750	51,735,977
2015	15,500,291	38,951,212	0	1,169,300	0	822,750	54,104,953
2016	15,953,484	41,749,480	0	1,169,300	0	822,750	57,356,415
2017	15,982,898	44,283,490	0	1,169,300	0	822,750	59,919,839
2018	16,332,458	47,479,463	0	1,169,300	0	822,750	63,465,371
2019	16,293,536	50,330,143	0	1,169,300	0	822,750	66,277,129
2020	16,586,590	53,904,942	0	1,169,300	0	822,750	70,144,982
2021	30,944,125	42,606,512	21,260,000	1,169,300	21,940,000	822,750	73,884,087
2022	34,076,205	43,724,341	0	0	0	0	77,800,545
2023	37,126,308	43,995,318	0	0	0	0	81,121,625
2024	65,795,000	20,019,992	0	0	0	0	85,814,992
2025	73,095,000	16,347,738	0	0	0	0	89,442,738
2026	82,510,000	12,242,027	0	0	0	0	94,752,027
2027	91,075,000	7,606,802	0	0	0	0	98,681,802
2028	44,320,000	2,490,754	0	0	0	0	46,810,754
	<u>\$ 599,979,159</u>	<u>\$ 569,440,365</u>	<u>\$ 21,260,000</u>	<u>\$ 11,108,350</u>	<u>\$ 21,940,000</u>	<u>\$ 7,747,563</u>	<u>\$ 1,166,738,737</u>

(1) Principal and interest are provided for illustrative purposes only; amounts and structure are preliminary, subject to change.

## Security for the Series 2012 Obligations

### General

The Series 2012 Issuers and the Series 2012 Trustee are entering into the Trust Agreement at closing to provide for the issuance and payment of the Series 2012 Obligations. All of the rights, title and interest of the Series 2012 Issuers and the Series 2012 Trustee in and to the Series 2012 Pension Bonds and all funds held by the Series 2012 Trustee under the Trust Agreement, but not the right of the Series 2012 Trustee to the Additional Charges and indemnification (the "Trust Estate") are pledged for the benefit of the Owners of the Series 2012 Obligations. Within each fund and account held by the Series 2012 Trustee, the Series 2012 Trustee is required to establish a subaccount for each Series 2012 Issuer. Funds held by the Series 2012 Trustee in a subaccount of a Series 2012 Issuer in the Series 2012 Obligations Account may not be used to make the Pension Bond Payments of other Series 2012 Issuers. The Series 2012 Obligations represent proportionate and undivided interests in and the right to receive the Pension Bond Payments.

### Full Faith and Credit Pledge

Each Series 2012 Issuer's Series 2012 Pension Bonds are limited tax bonds of that Series 2012 Issuer. The full faith and credit and taxing power, within the limitations of Sections 11 and 11b of Article XI of the Oregon Constitution, of each Series 2012 Issuer are pledged for the payment of that Series 2012 Issuer's Pension Bond Payments and any Pension Bonds issued on a parity therewith. Each Series 2012 Issuer's Series 2012 Pension Bonds are payable from that Series 2012 Issuer's Available General Funds, which include all *ad valorem* property tax revenues received from levies under that Series 2012 Issuer's permanent rate limit and all other unrestricted taxes, fees, charges, revenues, including State Education Revenues legally available to pay such Series 2012 Issuer's Pension Bond Payments. Each Series 2012 Issuer's Pension Bond Payments are not subject to annual appropriation. No Series 2012 Issuer is responsible for payment of any other Series 2012 Issuer's Pension Bond Payments. **The Series 2012 Issuers are not authorized to levy additional taxes to pay the Pension Bond Payments.**

### Intercept Agreement

To provide additional security for the payment of its Pension Bond Payments, each Series 2012 Issuer is entering into a Sixth Supplemental Intercept Agreement, to be dated as of the Date of Delivery (the "Sixth Supplemental Intercept Agreement"), which supplements the Intercept Agreement, dated October 31, 2002, as amended by an Amendment to the Intercept Agreement, dated February 1, 2003 and as supplemented by the First Supplemental Intercept Agreement, dated as of April 1, 2003, the Second Supplemental Intercept Agreement, dated February 19, 2004, the Third Supplemental Intercept Agreement, dated as of June 21, 2005, the Fourth Supplemental Intercept Agreement, dated as of October 31, 2007, and the Fifth Supplemental Intercept Agreement, dated August 11, 2011 (together, the "Original Intercept Agreement" and together with the Sixth Supplemental Intercept Agreement, the "Intercept Agreement"), by and among the Agency, the Series 2012 Issuers and the other school districts and education service districts named therein (collectively, the "Issuers") and Wells Fargo Bank, National Association, not in its individual capacity, but solely as trustee in connection with the pension bonds issued from time to time by the Issuers. Outstanding pension bonds, the Series 2012 Pension Bonds and any additional pension bonds issued in compliance with the Intercept Agreement ("Future Pension Bonds") are referred to collectively in the Intercept Agreement and in this Official Statement as the "Pension Bonds." See "Future Pension Bonds" below.

In the Intercept Agreement, each Issuer authorizes the Agency to divert State Education Revenues for the purpose of paying debt service on such Issuer's Pension Bonds and pledges such diverted State Education Revenues (the "Intercept Payments") to secure payment of its Pension Bonds. The Intercept Agreement requires the Agency to pay such Intercept Payments to the Series 2012 Trustee and any trustee for past or future pension bonds from the first State Education Revenues available for that Issuer after payment of any amounts due under ORS 326.603(2). ORS 326.603(2) permits the Agency to charge each school district \$62 for the cost of performing criminal background checks on any person who is seeking to provide services to a qualified district on a contractual or volunteer basis. Each Series 2012 Issuer has covenanted that, except for diversions pursuant to ORS 326.603(2) and diversions in connection with the OSBG program described in the following pages, such Series 2012 Issuer will not enter into any other agreement with the Agency that would

permit State Education Revenues to be diverted in time or priority before diversion for payment of its Pension Bonds, including the Series 2012 Pension Bonds.

Enrolled Senate Bill 988 also authorizes the Agency to divert State Education Revenues for the purpose of paying debt service on qualified school construction bonds; however, such diversions are subordinate to diversions for payment of Pension Bonds, such as the Series 2012 Pension Bonds.

PAYMENT OF DEBT SERVICE ON THE PENSION BONDS THROUGH THE INTERCEPT AGREEMENT DOES NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE OR THE AGENCY. THE AGENCY IS CHARGED WITH DISTRIBUTING ANY FUNDS MANDATED BY ARTICLE VIII, SECTION 8 OF THE OREGON CONSTITUTION WHICH PROVIDES, IN PART, THAT THE LEGISLATIVE ASSEMBLY SHALL APPROPRIATE IN EACH BIENNIUM A SUM OF MONEY SUFFICIENT TO ENSURE THAT THE STATE'S SYSTEM OF PUBLIC EDUCATION MEETS QUALITY GOALS ESTABLISHED BY LAW. The Intercept Agreement contains no default provisions, and the Series 2012 Trustee may have no remedy against the Agency if the Agency does not comply with the terms of the Intercept Agreement. ORS 238.698 specifically provides that the Agency may enter into a diversion agreement such as the Intercept Agreement and that such agreement must provide that:

- (1) diverted payments are required to be paid directly to the trustee on behalf of the issuers in amounts equal to the debt service owed by the issuers;
- (2) the Agency must pay the amounts due under the diversion agreement to the debt service trust fund before paying any other amounts to the issuers;
- (3) the agreement is irrevocable; and
- (4) the agreement is required to remain in effect until all the bonds issued by the issuers mature or are prepaid.

As mandated by statute, these terms and obligations of the Agency are contained in the Intercept Agreement.

The form of the Intercept Agreement is attached to this Official Statement as Appendix E.

Each Series 2012 Issuer has represented, covenanted and warranted that all required action has been taken to ensure the enforceability of its obligations under the Intercept Agreement and has covenanted to take all actions that are required to continue to qualify it to receive State Education Revenues (see "Financial Reporting" herein).

### **Available State Education Revenues**

The Agency has agreed and the Series 2012 Issuers have directed that the first State Education Revenues available to a Series 2012 Issuer (after payment for background checks) be used for debt service on the Series 2012 Obligations. The amount and availability of such State Education Revenues are not, however, primarily within the control of the Agency or the Series 2012 Issuers. As discussed under "State of Oregon Public School Funding" herein, the Legislative Assembly, which meets on an annual basis, but budgets on a biennial basis, is responsible for determining both the amount and the allocation formula for education funding. The formula currently allocates revenues based on enrollment for each Series 2012 Issuer. Current statutes provide that the State Education Revenues available to the Agency and the Series 2012 Issuers will be net of any amounts necessary to reimburse the State for payments made under the OSBG program described in the following paragraph. Payments under a funds diversion agreement, such as the Intercept Agreement, have priority over all other claims against money provided by the State to a school district under current law. Each Series 2012 Issuer has covenanted to not enter into any other funds diversion agreement with priority before diversions for payment of its Pension Bonds. There can be no assurances, however, that the State Education Revenues available to the Agency and the Series 2012 Issuers will remain constant or that laws will not be enacted that affect the priority of claims against such revenues.

*Oregon School Bond Guaranty Program.* The OSBG program is a credit enhancement offered through the State Treasurer's office for voter-approved general obligation bonds. OSBG does not guarantee payment of

principal, premium or interest on pension bonds or other debt (including the Series 2012 Pension Bonds) that is not a voter-approved general obligation bond. The OSBG program allows the State Treasurer to intercept money in the State School Fund (“SSF”), the State’s General Fund, the income of the Common School Fund and any other source of operating moneys provided by the State if an issuer of a guaranteed bond defaults and the State pays on the guaranty. Several of the Series 2012 Issuers currently participate in OSBG, as shown in the following table:

**Series 2012 Issuers with Outstanding Bonds Guaranteed by OSBG**

Series 2012 Issuer	Outstanding Principal	Outstanding Interest	Outstanding Debt Service
Bend-La Pine Admin. School District No. 1	\$ 40,835,000	\$ 4,701,450	\$ 45,536,450
Brookings-Harbor School District No. 17C	10,450,000	2,373,942	12,823,942
Gresham-Barlow School District No. 10Jt	45,430,000	14,150,631	59,580,631
Jefferson County School District No. 509J	13,835,000	3,916,810	17,751,810
Morrow County School District	14,660,000	4,669,213	19,329,213

Source: Debt Management Division, The Office of the State Treasurer, November 16, 2011.

Any Series 2012 Issuer may participate in OSBG in the future. The total aggregate principal amount of the 253 outstanding bond issues as of May 31, 2011 that is guaranteed by OSBG is \$3,268,864,021. The State could authorize other intercept programs for other purposes in the future.

**Intercept Payments**

The Trust Agreement and the Sixth Supplemental Intercept Agreement provide that during the period beginning with the Date of Delivery and continuing until June 30, 2012, the Series 2012 Trustee shall invoice the Agency for Intercept Payments for the Series 2012 Issuers in accordance with the Intercept Agreement. The amount invoiced by the Series 2012 Trustee on the 5<sup>th</sup> day of February, 2012 through the 5<sup>th</sup> day of April, 2012 for payment no later than the 15<sup>th</sup> day of the respective month shall be derived by dividing equally by three each Issuer’s Pension Bonds annual debt service attributable to the months of February, 2012 through June, 2012. The Agency shall not be liable for any inaccurate invoices from the Series 2012 Trustee and the Series 2012 Trustee shall be liable for any inaccuracy resulting from its own negligence.

Thereafter, the Trust Agreement and the Sixth Supplemental Intercept Agreement provide that until the date that payment in full of all of the Series 2012 Pension Bonds is made, the Series 2012 Trustee is to invoice the Agency no later than the 5<sup>th</sup> day of each month, except for (a) the month of May, which amount is required to be collected on an equal *pro rata* basis during the preceding months of July through April, and (b) the month of June, which amount is required to have been included in the preceding July billing. The Intercept Agreement provides for a schedule for payments to be made to the Series 2012 Trustee by the Agency and requires the Series 2012 Trustee to send a written invoice to the Agency by the fifth day of each month in which an Intercept Payment is due and for the Agency to make such Intercept Payment by the 15<sup>th</sup> day of the month. The Intercept Agreement requires the Series 2012 Trustee to ask the Agency periodically about changes to the schedule for the Agency to receive State Education Revenues for each Series 2012 Issuer (the “Disbursement Schedule”) from the State, but provides that the Agency will not be liable for any failure to provide prior notice to the Series 2012 Trustee of such schedule change. If the Series 2012 Trustee learns that the Disbursement Schedule has changed, the Series 2012 Trustee is required to adjust its invoices to the Agency to conform to those changes in the revised Disbursement Schedule, and to include the amounts to be paid by the Agency for each Issuer so that the Series 2012 Trustee has on hand the same amount the Series 2012 Trustee would have had if the Agency were making substantially equal monthly Intercept Payments to the Series 2012 Trustee and in all cases (other than if the State Education Revenues for any Issuer are no longer sufficient in total to equal that Issuer’s debt service payment) such that the Series 2012 Trustee has sufficient funds on hand to make a debt service payment for each Issuer on the date such payment is due. The Series 2012 Trustee is also required to provide the Issuers with a copy of any new Disbursement Schedule within 10 days after receipt of such Disbursement Schedule from the Agency.

## Security Payments

To the extent an Intercept Payment is not received by the Series 2012 Trustee from the Agency or is less than the amount invoiced by the Series 2012 Trustee, the Trust Agreement requires the Series 2012 Issuer to make monthly Security Payments not later than the 25<sup>th</sup> day of the month. Security Payments are to be in an amount equal to the amount invoiced by the Series 2012 Trustee to meet such Series 2012 Issuer's Pension Bond Payments, taking into account investment earnings credited to that Series 2012 Issuer's Obligation subaccount. The schedule set forth in the Trust Agreement for Intercept Payments and Security Payments is shown below.

### Intercept and Security Payment Schedule

5 <sup>th</sup> day of month Intercept Payment is due:	Series 2012 Trustee sends an invoice for Intercept Payments to the Agency;
15 <sup>th</sup> day of month Intercept Payment is due:	Intercept Payments due;
20 <sup>th</sup> day of month:	Notice to Series 2012 Issuer from the Series 2012 Trustee, to the extent funds available are insufficient under the Intercept Agreement;
25 <sup>th</sup> day of month:	Security Payments due; and
30 <sup>th</sup> day of June and December:	Obligation Payment date.

THE INTERCEPT AND SECURITY PAYMENT SCHEDULE MAY CHANGE TO ACCOMMODATE CHANGES IN THE DISBURSEMENT SCHEDULE AND THE INTERCEPT SCHEDULE. THE TRUST AGREEMENT PROVIDES, HOWEVER, THAT ANY REVISED SCHEDULE ALWAYS PROVIDE THAT SECURITY PAYMENTS BE DUE TO THE SERIES 2012 TRUSTEE NO LATER THAN THE 25<sup>TH</sup> DAY OF EACH MONTH THAT A SECURITY PAYMENT IS DUE.

If the Agency does not pay any portion of any Intercept Payment in full when due and if the amount of the deficiency is not paid in full by an Issuer, the Series 2012 Trustee is required to add the amount of any remaining deficiency to the next invoice sent to the Agency. If the Agency is required to make more than one Intercept Payment each month for any Issuers (to the extent there is more than one payment owed due to issuance of Pension Bonds other than the Series 2012 Pension Bonds) and the Agency does not have sufficient funds to pay all the Intercept Payments for those Issuers, the Agency is required to apply its available funds proportionally to pay Intercept Payments due for those Issuers. The Intercept Agreement provides that the payment of Security Payments by any Issuer on any date will not relieve the Agency from its obligation to make Intercept Payments on any future date.

If after the Series 2012 Trustee receives a Security Payment, and prior to a Payment Date, funds in a Series 2012 Issuer's subaccount are insufficient to make its Pension Bond Payment due to an investment loss, and if such investment was made by the Series 2012 Trustee under the direction of the Series 2012 Issuer, the Series 2012 Trustee is required to notify such Series 2012 Issuer and demand payment for the balance of the Pension Bond Payment.

## Funds and Accounts

Under the Trust Agreement, the Series 2012 Trustee is required to establish, hold and maintain a special fund known as the "Series 2012 School District Pension Obligation Trust Fund" (the "Trust Fund") separate and apart from all other funds and moneys. The Trust Fund is to include three separate accounts, the "Proceeds Account", the "Obligation Account" and the "Prepayment Account" and within each Account, a separate subaccount for each Series 2012 Issuer. Each of these accounts is more fully described below.

*Proceeds Account.* The proceeds from the sale of the Series 2012 Obligations are to be applied by the Trustee to purchase the Series 2012 Pension Bonds, the proceeds of which, net of the Underwriter's discount plus interest earnings are to be credited to each Series 2012 Issuer's subaccount in the Proceeds Account for the sole purpose of refinancing all or a portion of such Series 2012 Issuer's Callable Bonds and to pay the costs of issuing the Series 2012 Pension Bonds and the Series 2012 Obligations.



*Obligation Account.* Amounts specified as a contingency amount, if any, in the closing instructions are to be deposited in the applicable Series 2012 Issuer's subaccount of the Obligation Account at closing and credited against that Series 2012 Issuer's Security Payments or Intercept Payments as described in the Trust Agreement.

The Series 2012 Trustee is required to credit each Series 2012 Issuer's Security Payment and any amounts it receives as Intercept Payments from the Agency on behalf of the Series 2012 Issuer to that Series 2012 Issuer's subaccount of the Obligation Account. On each Payment Date the Series 2012 Trustee is required to apply the Security Payments and Intercept Payments in each of the subaccounts of the Obligation Account to pay the Pension Bond Payments of the Series 2012 Issuers for which those subaccounts were created and to transfer those Pension Bond Payments to the Owners.

If, after the Series 2012 Trustee receives a Security Payment and/or an Intercept Payment, and prior to a Payment Date, funds in a Series 2012 Issuer's subaccount are insufficient to make its Pension Bond Payments due to an investment loss, the Series 2012 Trustee is required to notify such Series 2012 Issuer and demand payment for the balance of the Pension Bond Payment.

If, on any Payment Date, the amount available in a Series 2012 Issuer's subaccount of the Obligation Account is less than the Pension Bond Payment which is due from that Series 2012 Issuer on that Payment Date, the Series 2012 Trustee is required to apply the amount then available in the Obligation Account to Owners proportionally, based on the amount of principal and interest that was paid on the Series 2012 Pension Bonds by the Series 2012 Issuer and other Series 2012 Issuers.

The Trust Agreement provides that any amounts in a subaccount of the Obligation Account remaining after a Pension Bond Payment is made will be retained in such subaccount and invested at the Series 2012 Issuer's direction in Permitted Investments that mature on or before the next Payment Date. The Series 2012 Trustee is required to credit the amounts in each Series 2012 Issuer's subaccount against the next Intercept Payment or Security Payment due from that Series 2012 Issuer. **The Trust Agreement provides that amounts in a Series 2012 Issuer's subaccount shall not be used to make Pension Bond Payments of other Series 2012 Issuers.** Any surplus remaining in a Series 2012 Issuer's subaccount of the Obligation Account after payment of all amounts due under that Series 2012 Issuer's Series 2012 Pension Bonds and payment of all Series 2012 Obligations to be paid from such Pension Bond Payments are to be applied to pay any applicable fees and expenses of the Series 2012 Trustee, and any remaining amount is to be paid to such Series 2012 Issuer.

*Prepayment Account.* The Series 2012 Trustee is required to establish a separate account within the Trust Fund to be designated the "Prepayment Account," and also a separate subaccount in the Prepayment Account for each Series 2012 Issuer. The Prepayment Account and its subaccounts are required to be maintained by the Series 2012 Trustee until the Series 2012 Pension Bonds and the Series 2012 Obligations are paid in full or defeased pursuant to the terms of the Series 2012 Pension Bonds and the Trust Agreement. Any amounts remaining in a Series 2012 Issuer's subaccount of the Prepayment Account after a prepayment date and not required for the prepayment of Series 2012 Obligations are to be transferred by the Series 2012 Trustee pursuant to the written direction of that Series 2012 Issuer. If the Series 2012 Issuer fails to provide written direction to the Series 2012 Trustee within 5 Business Days after the Obligation Prepayment Date, the Series 2012 Trustee is to transfer such remaining amounts to such Series 2012 Issuer's subaccount of the Obligation Account and credit such amounts against that Series 2012 Issuer's next Security Payments or Intercept Payments as provided in the Trust Agreement.

*Investment of Funds.* The Trust Agreement provides that the moneys and investments held by the Series 2012 Trustee are irrevocably held in trust for the benefit of the Owners of the Series 2012 Obligations and that such moneys and investments are not subject to levy, attachment or lien by or for the benefit of any creditor of the Series 2012 Trustee, any Series 2012 Issuer or Owner. At the written direction of each Series 2012 Issuer, amounts held by the Series 2012 Trustee in each Series 2012 Issuer's subaccounts are to be invested in Permitted Investments, provided such investment does not mature later than the next applicable Payment Date. "Permitted Investments" include the Oregon Local Government Investment Pool and investments rated "A" or higher by Standard & Poor's Ratings Services, provided such investment for an Oregon school district is permitted by Oregon law and such Series 2012 Issuer's investment policies. Interest earnings on each Series

2012 Issuer’s subaccount in each account held by the Series 2012 Trustee are to be credited to that subaccount. The Series 2012 Trustee may commingle any of the funds held by it for investment purposes only.

**Future and Outstanding Pension Bonds**

The Series 2012 Pension Bonds are being issued as Future Pension Bonds pursuant to the provisions of the Intercept Agreement. The Issuers, including the Series 2012 Issuers, have the right to issue Future Pension Bonds secured by the Intercept Agreement if the Issuers and any trustees for the Future Pension Bonds authorize, execute and enter into the Intercept Agreement, agree to receive disbursements from the Agency on the same schedule as disbursements are made for all Pension Bonds, confirm that all applicable representations in the Intercept Agreement are correct and satisfy the Future Pension Bond test described below in “Future Pension Bonds Test”. The Intercept Agreement provides that Future Pension Bonds for an individual Issuer will have a parity claim on amounts payable for that Issuer under the Intercept Agreement.

The Intercept Agreement provides that if the Agency is required to make more than one Intercept Payment each month for an Issuer, and the Agency does not have sufficient funds to pay all the Intercept Payments for that Issuer, the Agency is to apply funds it has available for that Issuer proportionally to pay all Intercept Payments due for that Issuer.

96 school districts and education service districts previously issued pension bonds under the Intercept Agreement as participants in five pooled financings. Some school districts participated in multiple pooled pension bond issues. Prior pension bonds issued under the Intercept Agreement are shown in the following table:

**Prior Pension Bonds Issued Under the Intercept Agreement**

<b>Pension Bonds</b>	<b>Aggregate Principal Amount</b>	<b>Date of Intercept Agreement and Supplements</b>	<b>No. of Participants</b>
Series 2002	\$ 774,662,846	October 31, 2002	41
Series 2003	927,079,763	April 21, 2003	44
Series 2004	467,820,000	February 19, 2004	20
Series 2005A	458,440,000	June 21, 2005	14
Series 2007	110,160,000	October 31, 2007	7
Series 2011	24,260,000	August 11, 2011	20

**Future Pension Bonds Test**

Pursuant to the terms of the Intercept Agreement, the Series 2012 Issuers or the Series 2012 Trustee on behalf of the Series 2012 Issuers must file a certificate with the Agency and the Trustee for the prior Pension Bonds, dated as of the date of issuance of the Series 2012 Pension Bonds, demonstrating that the Prior Revenues for each such Series 2012 Issuer in each of the three most recently completed fiscal years (beginning on July 1 and ending on June 30 of the following year; the “Fiscal Year”) are not less than two times the average aggregate annual debt service on the Series 2012 Pension Bonds and any outstanding Pension Bonds. “Prior Revenues” means the amount of State Education Revenues distributed to the Series 2012 Issuer in a Fiscal Year.

Each of the Series 2012 Issuers issued Series 2002 Bonds. Several of the Series 2012 Issuers participated in additional previous pension bonds, as shown in the following table:

**Series 2012 Issuers' Pension Bonds**

Series 2012 Issuer	Previous Pension Bond Issues	Outstanding Pension Bond Principal	Less: Principal Refunded <sup>(1)</sup>	Plus: Series 2012 Obligations <sup>(1)</sup>	Remaining Pension Bond Principal <sup>(1)</sup>
1. Bend-La Pine Admin. School District No. 1	2002, 2003 & 2004	\$ 65,011,137	\$ 2,725,000	\$ 2,830,000	\$ 65,116,137
2. Brookings-Harbor School District No. 17C	2002 & 2004	10,123,479	400,000	420,000	10,143,479
3. Gresham-Barlow School District No. 10Jt	2002 & 2003	54,395,370	2,380,000	2,480,000	54,495,370
4. Jefferson County School District No. 509J	2002	11,513,108	835,000	875,000	11,553,108
5. Morrow County School District	2002	6,839,137	495,000	520,000	6,864,137
6. Portland School District No. 1J	2002 & 2003	440,491,623	14,000,000	14,365,000	440,856,623
7. South Umpqua School District No. 19	2002 & 2003	11,605,304	425,000	450,000	11,630,304

(1) Preliminary, subject to change.

Source: Audited financial reports and finance staff of the Series 2012 Issuers.

The following table sets forth for each Series 2012 Issuer the Prior Revenues, average annual Pension Bond debt service and debt service coverage.

**Future Bonds Test and Coverage**

Series 2012 Issuer	State Education Revenues <sup>(1)</sup>			Pension Bonds		Coverage <sup>(2)</sup>
	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Previous Bond Issues	Average Annual Debt Service	
1. Bend-La Pine Admin. School District No. 1	\$ 52,151,779	\$ 45,921,717	\$ 46,491,723	2002, 2003 & 2004	\$ 7,245,408	6.34
2. Brookings-Harbor School District No. 17C	6,525,473	6,175,225	6,090,212	2002 & 2004	1,040,287	5.85
3. Gresham-Barlow School District No. 10Jt	66,180,593	63,788,622	60,352,964	2002 & 2003	6,169,627	9.78
4. Jefferson County School District No. 509J	20,328,180	18,845,909	17,634,000	2002	1,246,933	14.14
5. Morrow County School District	13,104,533	12,233,300	12,522,844	2002	740,799	16.51
6. Portland School District No. 1J	164,507,000	160,110,000	143,690,000	2002 & 2003	50,856,820	2.83
7. South Umpqua School District No. 19	8,695,581	8,392,722	7,705,228	2002 & 2003	1,331,817	5.79

- (1) Includes general state school fund revenues and any common school fund, small school or state timber revenues received by the Series 2012 Issuer. *Source: Audited financial reports and finance staff of the Series 2012 Issuers.*
- (2) Preliminary, subject to change.
- (3) Represents the lowest level of State Education Revenues received in the past three Fiscal Years over the average annual debt service on all Pension Bonds including the effect of the refunding and the Series 2012 Obligations.

## **Mergers or Consolidations**

The Intercept Agreement provides that if a Series 2012 Issuer merges or otherwise consolidates with other districts, the resulting entity will be treated as having the debt service and Prior Revenues of the districts that merged into it. If a Series 2012 Issuer separates into more than one district, each resulting entity will be treated as having the portion of the debt service and Prior Revenues of the original entity attributable to such resulting entity.

## **Defaults and Remedies**

*Defaults.* The following occurrences constitute Events of Default under the Resolutions (“Pension Bond Default”):

- (1) Failure by the Series 2012 Issuer to pay Pension Bond Payments when due (whether at maturity, or upon redemption after the principal amounts of Pension Bond Payments have been properly called for redemption);
- (2) Failure by the Series 2012 Issuer to observe and perform any covenant, condition or agreement (other than as described in (1) above), required by the Series 2012 Issuer’s Resolution, which failure continues for a period of 60 days after written notice to the Series 2012 Issuer by the Series 2012 Trustee specifying such failure and requesting that it be remedied; provided however, that if the failure stated in the notice cannot be corrected within such 60 day period, it will not constitute an Event of Default so long as corrective action is instituted by the Series 2012 Issuer within the 60 day period and diligently pursued, and the default is corrected as promptly as practicable after the written notice; or,
- (3) The Series 2012 Issuer is adjudged insolvent by a court of competent jurisdiction, admits in writing its inability to pay its debts generally as they become due, files a petition in bankruptcy, or consents to the appointment of a receiver for the installment payments.

One or both of the following constitute Events of Default under the Trust Agreement:

- (1) If default is made in the due and punctual payment of any principal or interest scheduled to be paid on the Series 2012 Obligations; or
- (2) If any Pension Bond Default occurs.

The occurrence of any Pension Bond Default of a Series 2012 Issuer does not constitute a Pension Bond Default of other Series 2012 Issuers.

*Remedies.* Under each Resolution, the Series 2012 Trustee may waive any Pension Bond Default and its consequences, except a failure to pay principal, interest or premium, when due. If an Event of Default occurs and is continuing, the Series 2012 Trustee may exercise any remedy available at law or in equity; however, the Pension Bond Payments will not be subject to acceleration, and each Series 2012 Issuer is responsible solely for its Pension Bond Payments and any fees and other charges of the Series 2012 Trustee (“Additional Charges”) reasonably allocated to it.

Upon the occurrence and continuance of any Event of Default under the Trust Agreement, the Series 2012 Trustee may, and if the Owners of not less than 51 percent in aggregate principal amount of Series 2012 Obligations then Outstanding so request, is required to take whatever action at law or in equity may appear necessary or desirable to enforce or to protect any of the rights vested in the Series 2012 Trustee or the Owners of Series 2012 Obligations by the Trust Agreement, the Intercept Agreement or the Series 2012 Pension Bonds, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in the Trust Agreement or the Intercept Agreement or in aid of the exercise of any power granted in the Trust Agreement or the Intercept Agreement or for the enforcement of any other legal or equitable right vested in the Series 2012 Trustee by the Trust Agreement or by law; provided that in no event will the Series 2012 Trustee have the right to accelerate the Pension Bond Payments or the Series 2012 Obligations. The Series 2012 Trustee is not permitted to exercise remedies against a Series 2012 Issuer that has not caused a Pension Bond Default.

The Trust Agreement provides that if at any time after a Pension Bond Default has occurred, any moneys available or thereafter becoming available for such purpose, whether through the exercise of the remedies provided for under the Trust Agreement or otherwise, are required to be applied by the Series 2012 Trustee as follows:

- (1) To the payment of the interest on such Series 2012 Issuer's Pension Bonds when due.
- (2) To the payment of the principal on such Series 2012 Issuer's Pension Bonds when due.

#### **Amendments to Resolutions and Series 2012 Pension Bonds**

The Resolutions and the Series 2012 Pension Bonds may only be amended with the consent of the Series 2012 Trustee. The Trust Agreement permits the Series 2012 Trustee to consent to amendments of the Resolutions and the Series 2012 Pension Bonds without the consent of the Owners if the amendments are required to (i) cure any formal defect, omission, inconsistency or ambiguity or to conform those documents to the requirements of the Trust Agreement or (ii) make any other change which, in the reasonable judgment of the affected Series 2012 Issuer and the Series 2012 Trustee, does not materially and adversely affect the Owners. Any other amendment to the Series 2012 Pension Bonds and the Resolutions requires the consent of the affected Series 2012 Issuer, the Series 2012 Trustee and the Owners of not less than 51 percent in aggregate principal amount of the Series 2012 Obligations then Outstanding and an approving opinion of Special Counsel. The consent of the Owners of all affected Series 2012 Obligations then Outstanding is required for any amendment, change or modification of the Series 2012 Pension Bonds that would permit the termination or cancellation of the Series 2012 Pension Bonds, a reduction in or postponement of the Pension Bond Payments or a release of the full faith and credit pledge.

#### **Amendments to Trust Agreement**

*Supplemental Trust Agreement without Consent of Owners.* With the consent of the Obligation Insurer (or, if the Obligation Insurer has failed to make a payment under the Policy when due, with the consent of the Series 2012 Issuers representing 51 percent or more of the then outstanding principal amount of Series 2012 Pension Bonds), the Series 2012 Trustee may amend the Trust Agreement without the consent of or notice to the Owners and without consent of or notice to the Series 2012 Issuers for the following purposes:

- (i) To cure any formal defect, omission, inconsistency or ambiguity in the Trust Agreement.
- (ii) To grant to or confer or impose upon the Series 2012 Trustee for the benefit of the Owners any additional rights, remedies, powers, authority, security, liabilities or duties which may lawfully be granted, conferred or imposed.
- (iii) To add to the covenants and agreements of, and limitations and restrictions upon, the Series 2012 Trustee or the Series 2012 Issuers in the Trust Agreement other covenants, agreements, limitations and restrictions to be observed by the Series 2012 Trustee or the Series 2012 Issuers which are necessary or desirable and not contrary to or inconsistent with the Trust Agreement as theretofore in effect.
- (iv) To confirm, as further assurance, any pledge under, and the subjection to any claim, lien or pledge created or to be created by, the Trust Agreement, or of any other moneys, securities or funds.
- (v) To evidence the appointment of a successor Series 2012 Trustee.
- (vi) To comply with the requirements of the Trust Indenture Act of 1939, as from time to time amended and supplemented. To the extent such amendment would adversely affect the security for the Series 2012 Obligations, the consent of the Owners representing not less than 51 percent of the then Outstanding Principal amount of Series 2012 Obligations is required. Before the Series 2012 Trustee amends the Trust Agreement, the Series 2012 Trustee must receive an opinion of counsel stating that such supplement or amendment does not materially and adversely affect the security for the Series 2012 Obligations.

Before the Series 2012 Trustee may amend or supplement the Trust Agreement without the consent of or notice to Series 2012 Issuers, there must have been delivered to the Series 2012 Trustee an opinion of counsel stating that such supplement or amendment does not materially and adversely affect the rights or obligations of the Series 2012 Issuers. If the Series 2012 Trustee does not receive such an opinion, then any such proposed

supplement or amendment requires the consent of Series 2012 Issuers representing not less than 51 percent of the then outstanding principal amount of the Series 2012 Pension Bonds.

*Supplemental Trust Agreement with Consent of the Insurer or the Owners.* Series 2012 Issuers representing 51 percent or more of the then outstanding Principal amount of Series 2012 Pension Bonds and the Series 2012 Trustee may amend the Trust Agreement for purposes not described in (i) through (vi) above only with the consent of the Owners of not less than 51 percent in aggregate principal amount of the Series 2012 Obligations then Outstanding.

The consent of all affected Owners of all the Series 2012 Obligations then Outstanding is required for:

- (i) a change in the terms of the payment or prepayment of any portion of the Pension Bond Payments, or
- (ii) the creation of a claim or lien upon, or a pledge of the Trust Estate ranking prior to or (except as expressly permitted in the Trust Agreement or Series 2012 Pension Bonds) on a parity with the claim, lien or pledge created by the Trust Agreement, or
- (iii) the creation of a preference or priority of any Series 2012 Obligations over any other Series 2012 Obligations, or
- (iv) a reduction in the aggregate principal amount of Series 2012 Obligations the consent of the Owners of which is required for any supplemental trust agreement or which is required for any modification, alteration, amendment or supplement to the Series 2012 Pension Bonds.

ANY AMENDMENT OR SUPPLEMENT TO THE TRUST AGREEMENT OR ANY OTHER PRINCIPAL FINANCING DOCUMENTS SHALL BE SUBJECT TO THE PRIOR WRITTEN CONSENT OF THE OBLIGATION INSURER AS SET FORTH IN THE TRUST AGREEMENT.

#### **Defeasance**

Under the Trust Agreement, all or any portion of the Outstanding Series 2012 Obligations may be paid and discharged in any one or more of the following ways:

- (i) By payment of the Pension Bond Payments attributable to such Series 2012 Obligations as and when the same become due and payable;
- (ii) By irrevocably depositing with the Series 2012 Trustee, in trust, before maturity, money which, together with the amounts then on deposit in the Obligation Account and the Prepayment Account, is fully sufficient to pay all Pension Bond Payments attributable to such Series 2012 Obligations; or
- (iii) By irrevocably depositing with the Series 2012 Trustee, in trust, (a) Defeasance Obligations which have been calculated to be sufficient, together with the interest to accrue thereon, to pay all Pension Bond Payments attributable to such Series 2012 Obligations, as and when the same become due and payable, (b) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to the Obligation Insurer verifying the sufficiency of the escrow established to pay the Series 2012 Obligations in full on the prepayment date, (c) an escrow deposit agreement acceptable in form and substance to the Obligation Insurer (d) an opinion of nationally recognized bond counsel to the effect that the Series 2012 Obligations are no longer outstanding, and (e) a certificate of discharge of the Series 2012 Trustee with respect to the Series 2012 Obligations; each report and defeasance opinion shall be acceptable in form and substance, and addressed, to the Series 2012 Issuers, the Series 2012 Trustee and the Obligation Insurer. "Defeasance Obligations" means noncallable 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.

Money or proceeds of Defeasance Obligations are to be held in trust solely for the benefit of those Owners of the Series 2012 Obligations that are identified by the Series 2012 Trustee to be defeased.

All obligations of the Series 2012 Trustee and the Series 2012 Issuers under the Trust Agreement with respect to such Series 2012 Obligations, which are paid or deemed paid, cease and terminate, except for the obligation of Series 2012 Issuers to pay the Additional Charges as provided in the Resolutions authorizing the Series 2012 Pension Bonds, and the obligation of the Series 2012 Trustee to apply amounts on deposit to the payment of the Series 2012 Obligations in accordance with the Series 2012 Trust Agreement.

So long as any Series 2012 Obligations remain Outstanding, the Series 2012 Trustee is to keep complete and accurate records of all moneys received and disbursed under the Trust Agreement, which is to be available for inspection by any Series 2012 Issuer or Owner, or the agent of any of them, at any time during reasonable business hours.

### **Rating**

As noted on the cover page of this Official Statement, OSBA, on behalf of the Series 2012 Issuers has received a rating for the Series 2012 Obligations of "Aa2" from Moody's Investors Service (the "Rating Agency"). The rating reflects only the views of the Rating Agency and an explanation of the significance of the rating may be obtained from the rating agency. There is no assurance that the rating will be retained for any given period of time or that the rating will not be revised downward or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of the rating will be likely to have an adverse effect on the market price of the Series 2012 Obligations.

## **Series 2012 Issuer Bonded Indebtedness**

### **Debt Limitation**

*Pension Bonds.* ORS 238.694 authorizes school districts, education service districts, community colleges and local governments to issue full faith and credit obligations to pay pension liabilities without limitation as to principal amount. Pension bonds are not general obligations as defined under State law and the Series 2012 Issuers are not authorized to levy additional taxes to make the Pension Bond Payments. **The Series 2012 Obligations are pension bonds.**

*Other Full Faith and Credit Obligations.* School districts, education service districts, community colleges and local governments may pledge their full faith and credit for "limited tax bonded indebtedness" or "full faith and credit obligations." The Oregon Constitution and statutes do not limit the amount of limited tax bonded indebtedness that a school district, education service, community college, or city may issue. Full faith and credit obligations can take the form of bonds, certificates of participation, notes or capital leases. Collection of property taxes to pay principal and interest on such limited-tax debt is subject to the limitations of Article XI, Sections 11 and 11b.

*General Obligation Bonds.* ORS 328.245 establishes a parameter of bonded indebtedness for school districts. Kindergarten through twelfth grade school districts may issue an aggregate principal amount up to 7.95 percent of the Real Market Value of all taxable properties within the district. **The Series 2012 Obligations are not general obligation bonds and are not subject to this debt limitation.**

*Notes.* Subject to any applicable limitations imposed by the Oregon Constitution or laws of the State or the resolution of an individual school district, education service district or community college, ORS 287A.180 provides that the Series 2012 Issuers may borrow money in anticipation of tax revenues or other monies and to provide interim financing ("notes"). **The Series 2012 Obligations are not notes.**



**Series 2012 Issuers  
Outstanding Long-Term Debt  
(As of the Date of Delivery)**

Series 2012 Issuer	Full Faith and Credit Obligations			General Obligation Bonds			
	Pension Bonds <sup>(1)</sup>	Other Full Faith and Credit Obs.	Total Full Faith and Credit	General Obligation Bonds	Real Market Value <sup>(2)</sup>	GO Debt Capacity <sup>(3)</sup>	Remaining GO Capacity
1. Bend-La Pine Admin. School District No. 1	\$ 65,116,137	\$ 9,863,949	\$ 74,980,086	\$ 152,475,000	\$ 15,197,089,343	\$ 1,208,168,603	\$ 1,055,693,603
2. Brookings-Harbor School District No. 17C	10,143,479	327,139	10,470,618	10,450,000	1,914,432,167	152,197,357	141,747,357
3. Gresham-Barlow School District No. 10Jt	54,495,370	45,430,000	99,925,370	45,430,000	6,549,588,236	520,692,265	475,262,265
4. Jefferson County School District No. 509J	11,553,108	0	11,553,108	13,835,000	1,114,966,425	88,639,831	74,804,831
5. Morrow County School District	6,864,137	90,379	6,954,516	14,660,000	1,609,548,050	127,959,070	113,299,070
6. Portland School District No. 1J	440,856,623	62,851,000	503,707,623	0	71,451,649,438	5,680,406,130	5,680,406,130
7. South Umpqua School District No. 19	11,630,304	3,058,843	14,689,147	0	809,448,862	64,351,185	64,351,185

(1) Includes the Series 2012 Obligations and the effects of the refunding and concurrent defeasance. Preliminary, subject to change.

(2) Fiscal Year 2012 Real Market Value of all properties in the District.

(3) General Obligation Debt Capacity calculated at 7.95% of Real Market Value.

Source: Audited financial reports of the Series 2012 Issuers and Departments of Assessment and Taxation of the Counties where the 2012 Issuers are located

## **Debt Payment Record**

During the past ten years, each Series 2012 Issuer has promptly met principal and interest payments on outstanding bonds and other indebtedness when due. None of the Series 2012 Issuers has issued refunding bonds for the purpose of preventing an impending default.

## **Future Financings**

*General Obligation Bonds.* Jefferson County School District No. 509J may seek voter approval to issue approximately \$23.5 million of General Obligation Bonds at the May 2012 election. The School Board has not yet approved placing the measure on the ballot. None of the other Series 2012 Issuers anticipate issuing general obligation bonds in calendar year 2012.

*Full Faith and Credit Obligations.* Bend-La Pine Administrative School District No. 1 anticipates issuing approximately \$3.2 million of full faith and credit obligations in July 2012 to purchase 28 school buses. Portland School District No. 1J is exploring securing an estimated \$45 million two-year revolving full faith and credit facility in calendar year 2012: \$25.75 million to refinance a short-term loan for school modernization; \$8.8 million for the purchase of Rosa Parks Elementary School; and an estimated \$9.1 million for boiler replacement. In addition, Portland School District No. 1J is considering issuing \$10 million of full faith and credit obligations in fall 2012 to finance information technology. South Umpqua School District No. 19 anticipates issuing \$350,000 of full faith and credit obligations in February 2012 to finance window replacement at three elementary schools. None of the other Series 2012 Issuers anticipate issuing full faith and credit obligations in calendar year 2012.

## **The Series 2012 Issuers**

### **Public School Districts**

The Series 2012 Issuers are political subdivisions empowered to provide elementary and secondary educational services. Their operations are supported primarily by State funds, local property taxes and federal grants. Each Series 2012 Issuer is governed by a board of directors elected by the voters of the Series 2012 Issuer. The chief administrative officer is a superintendent chosen by the board of directors.

Under Oregon law (ORS Chapter 332), Series 2012 Issuers are responsible for educating children residing within their boundaries. Series 2012 Issuers discharge this responsibility by building, operating, and maintaining school facilities; developing and maintaining approved educational programs and courses of study, including vocational programs and programs for handicapped students, in accordance with State standards; and carrying out programs for transportation and feeding of pupils in accordance Series 2012 Issuer, State, and federal programs.

Under Oregon law, Series 2012 Issuers are subject to supervision by the State. The State Board of Education, a group of seven persons appointed by the Governor, establishes standards for educational programs and facilities, adopts rules of general governance, and prescribes courses of study. The administrative functions of the State Board of Education are handled through the Department of Education, whose executive head is the Superintendent of Public Instruction. The superintendent is elected by the people of the State to a four-year term.

**Series 2012 Issuer  
Historical and Projected Enrollment**

Series 2012 Issuer	Weighted Average Daily Membership <sup>(1)</sup>				
	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011 <sup>(2)</sup>	Fiscal Year 2012 <sup>(2)</sup>
1. Bend-La Pine Admin. School District No. 1	17,689.9	17,855.1	17,719.8	17,720.5	18,039.2
2. Brookings-Harbor School District No. 17C	1,850.8	1,824.3	1,731.5	1,763.0	1,805.9
3. Gresham-Barlow School District No. 10Jt	13,888.3	14,013.0	14,016.7	14,016.7	13,945.4
4. Jefferson County School District No. 509J	3,803.5	3,737.9	3,707.7	3,910.0	3,464.6
5. Morrow County School District	2,776.8	2,759.0	2,807.7	2,837.0	2,801.3
6. Portland School District No. 1J	52,143.7	52,304.0	52,843.3	53,023.2	53,326.7
7. South Umpqua School District No. 19	1,906.4	1,869.5	1,776.6	1,804.1	1,681.7

- (1) Weighted Average Daily Membership is the enrollment figure, adjusted for part-time students and students with special needs, that is used to allocate revenues appropriated by the State to school districts.
- (2) Preliminary, subject to change.

Source: Oregon Department of Education, School Finance Office, Fiscal Year 2008 data as of May 11, 2010, Fiscal Year 2009 data as of May 11, 2010, Fiscal Year 2010 data as of May 11, 2011, Fiscal Year 2011 data as of September 29, 2010, and Fiscal Year 2012 data as of October 27, 2011, [www.ode.state.or.us/search/results/?id=344](http://www.ode.state.or.us/search/results/?id=344).

The 2011 Legislature passed two bills which may affect the future enrollment of the Series 2012 Issuers. Senate Bill 248 requires school districts to offer free half-day kindergarten effective July 1, 2015. Districts may choose to offer free full-day kindergarten and receive a full 1.0 ADMw for kindergarten students for purposes of the SSF formula. No additional funds have been identified to pay for the cost of providing half-day or full-day kindergarten. House Bill 3681 creates an open enrollment process which allows students to attend a school district in which they do not reside without the consent of the school district in which the student resides. Beginning with fiscal year 2012-13, a district's school board will decide how many, if any, non-resident students will be allowed to enroll for the school year. Under current legislation the open enrollment process sunsets on July 1, 2017. At this time, the Series 2012 Issuers cannot determine what impact, if any, the legislation will have on enrollment or school funding.

## Revenue Sources of the Series 2012 Issuers

### Oregon School District Funding

Oregon school districts receive revenue from two primary sources: State aid and *ad valorem* property taxes. The following section summarizes certain of the major revenue sources of the Series 2012 Issuers.

### State School Funding

One of the largest sources of revenue for school districts and education service districts is State aid appropriated through the Oregon Department of Education ("ODE"). ODE funding supports pre-kindergarten through 12<sup>th</sup> grade education including funding for operation for the State's 197 school districts and 20 education service districts through the State School Fund ("SSF"). The SSF consists primarily of State General Fund and Lottery Fund revenues.

*State School Fund Formula.* State aid is provided to school districts pursuant to a formula set by the Legislative Assembly. The objective of the formula is to provide equal funding for all school districts. Available State and local resources determine the actual amount of the allocation. Under the current formula, each student is given a factor as an enrolled student that is then adjusted differently for elementary school districts and high school districts, and subsequently adjusted to include additional factors such as English as a Second Language, Handicapped with an Individualized Education Plan, attending a remote small school, and Impoverished (the "ADMw"). The formula allocates revenues to districts based on the ADMw for each district.

The SSF grant (the “SSF Grant”) to each school district is comprised of a general purpose grant, a facility grant, a transportation grant, a small school district supplement grant and a high cost disability grant, minus local revenues. Local revenues include tax offsets, local property taxes for school operations (specifically excluding taxes for voter approved general obligation bonds and, subject to certain limitations, amounts raised from Local Option Levies), Common School Fund, county school fund, Federal Forest Fees (as hereinafter defined) and State timber revenues, and money received in lieu of property taxes.

Under the SSF distribution formula for the general purpose grant, the total ADMw is multiplied by a statewide target grant (currently \$4,500). A factor of \$25 per year per student that a district’s average teachers’ experience exceeds the State average is added to (or subtracted from if below the State average) this calculation. The result is multiplied by a funding ratio to arrive at the State’s general purpose grant.

The facility grant (\$12.5 million in the 2009-2011 biennium) is distributed on a first-come, first-served basis to districts in the first year a new school facility is put into use. The grant equals a maximum of 8 percent of total construction costs of new school buildings, specifically excluding the cost of acquiring land, but including the addition of new structures to existing school buildings and pre-manufactured buildings if the new structures are used for instructing students. The transportation grant for each school district is between 70 percent and 90 percent of approved transportation costs, depending upon the ranking of the school district. Such ranking is based upon the approved transportation costs per ADMw. The high cost disability grant is equal to the approved costs of a resident pupil with disabilities for whom the approved costs to the school district of providing special education and related services exceed \$30,000.

School districts historically received 95.25 percent of the total SSF distribution and ESDs receive the remaining 4.75 percent. Senate Bill 250, approved June 24, 2011, increases the school district SSF distribution to 95.5 percent and reduces ESD distribution to 4.5 percent, effective July 1, 2011. Senate Bill 250 also allows school districts located within the Northwest Regional, Multnomah, Willamette or Baker County ESDs to withdraw from the ESD and receive 90 percent of the district’s prorated share of State funds allocated to the ESD.

## **State Budget**

*State K-12 Education Budget.* SSF funding is set biennially by the Legislative Assembly in the State budget during the odd-numbered year regular session (the “Legislatively Adopted Budget”). The State budget covers two fiscal years (a biennium) beginning July 1 of an odd-numbered year to June 30 of the next odd-numbered year, and sets funding for State agencies including ODE. The Legislative Assembly has the power to subsequently approve revisions to the Legislatively Adopted Budget. Such revised State budget is termed the “Legislatively Approved Budget.”

The State Constitution requires the Legislative Assembly to balance the State’s General Fund budget. The Department of Administrative Services Office of Economic Analysis (the “OEA”) produces a forecast of projected revenues (a “Revenue Forecast”) for the biennium generally each March, June (May in odd-numbered years), September and December.

Revenue Forecasts are based upon currently available information and upon a wide variety of assumptions. The actual results will be affected by future national and state economic activity and other events. If OEA’s assumptions are not realized or if other events occur or fail to occur, the State’s financial projections may not be achieved. Copies of the Revenue Forecasts are available from OEA at: [www.oregon.gov/DAS/OEA](http://www.oregon.gov/DAS/OEA).

If, over the course of a biennium, the forecasted revenues decline significantly from the May Revenue Forecast (the “Close of Session Forecast”), the Legislative Assembly may meet to rebalance the budget, the Governor may direct that expenditures be reduced or the Legislative Assembly may adjust the budget when it meets in its regular session at the end of the biennium.

*2011-13 Biennium State Budget.* The Legislatively Adopted Budget for the 2011-13 biennium included \$57.8 billion total funds which represents a 7.1% decrease over the Legislatively Approved Budget for the 2009-11 biennium. The 2011-13 Legislatively Adopted Budget includes \$14.6 billion in General Funds and Lottery Funds, \$28.8 billion Other Funds, and \$14.4 billion Federal Funds. The Legislature will convene for a

shortened session in February of 2012 and will have the opportunity to revise the Legislatively Adopted Budget for the remaining 2011-13 biennium.

*2011-13 Biennium Revenue Forecasts.* On November 17, 2011, the OEA released the December 2011 Revenue Forecast. The December 2011 Revenue Forecast for General Fund revenues for the 2011-2013 biennium was \$13.7 billion, down \$276.9 million from the Close of Session forecast. This downward revision was due largely to a weaker outlook for global demand.

**State General Fund Forecast Summary**  
(\$ in Millions)

	2011-13 Biennium Revenue Forecast			December 2011 Forecast Change From	
	Close of Session	September 2011	December 2011	September 2011	Close of Session
<b>Structural Revenues</b>					
Personal Income Tax	\$ 12,193.6	\$ 12,035.1	\$ 12,001.4	\$ (33.7)	\$ (192.2)
Corporate Income Tax	894.2	875.5	821.4	(54.2)	(72.9)
All Other Revenues	944.2	928.8	932.3	3.6	(11.9)
<b>Gross General Fund Revenues</b>	<b>14,032.0</b>	<b>13,839.4</b>	<b>13,755.1</b>	<b>(84.3)</b>	<b>(276.9)</b>
Administrative Actions	(23.1)	(23.1)	(23.1)	0.0	0.0
Legislative Actions	0.0	0.0	0.0	0.0	0.0
<b>Net Available Resources</b>	<b>\$ 14,008.9</b>	<b>\$ 13,816.3</b>	<b>\$ 13,731.9</b>	<b>\$ (84.3)</b>	<b>\$ (276.9)</b>

Source: Oregon Office of Economic Analysis, "Oregon Economic and Revenue Forecast, December 2011." November 17, 2011.

**State K-12 Education Funding**

*2011-13 Biennium State School Fund.* The Legislatively Adopted Budget included \$5.77 billion for the SSF. Of that amount, \$61 million Federal Funds is related to the American Recovery and Reinvestment Act (ARRA). No new funding is available for the 2011-13 biennium from ARRA; this budget adjustment was included as a contingency if school and education service districts did not fully draw these resources prior to the close of the 2009-11 biennium. Excluding the \$61 million Federal Funds adjustment, the 2011-13 Legislatively Adopted Budget is less than one percent lower than the 2009-11 Legislatively Approved Budget.

Current and historical state funding levels are detailed in the following table.

**State K-12 Education Funding**  
(\$ in Millions)

Biennium	Fiscal Year	Budget Appropriation
2011-13 <sup>(1)</sup>	2013	\$ 2,843
	2012	2,868
2009-11	2011	2,798
	2010	2,940
2007-09	2009	2,911
	2008	2,918
2005-07	2007	2,695
	2006	2,567
2003-05	2005	2,326
	2004	2,590

(1) Preliminary, subject to change. Does not include \$61 million of federal funding related to ARRA.

Source: Oregon Department of Education, School Finance Office: [www.ode.state.or.us/search/results/?id=344](http://www.ode.state.or.us/search/results/?id=344).

School districts that do not meet the rules and regulations of the State Board of Education (e.g., there must be at least 265 consecutive calendar days between the first and last instructional day of each school year) are classified as “non-standard.” Under ORS 327.103, the Superintendent of Public Instruction may withhold portions of SSF monies otherwise allocated to any district that is non-standard before the beginning of the school year immediately following the date such district was found to be non-standard unless withholding of SSF monies would create an undue hardship or an extension has been granted by the Superintendent of Public Instruction. Such extension may not exceed 12 months. **None of the Series 2012 Issuers have ever been classified as “non-standard.”**

ODE provides SSF Grant estimates to each school district. Estimates are generally revised in July, October, February, March and May. The most recent ODE estimates for total revenue available in Fiscal Years 2011 and 2012 appear in the following table.

**Oregon Department of Education  
Assumptions for Allocation of State Revenues**

	Fiscal Year 2011 (As of May 7, 2011)	Fiscal Year 2012 (As of Oct. 27, 2011)
School District Local Revenue	\$ 1,426,771,426	\$ 1,458,386,360
ESD Local Revenue	96,302,247	98,258,477
<b>Total Local Revenue</b>	<b>\$ 1,523,073,673</b>	<b>\$ 1,556,644,837</b>
State Budget Appropriation	\$ 2,606,514,416	\$ 2,867,830,000
Less Federal SFSF monies	(64,641,429)	0
Less Federal Ed Jobs monies	(117,949,095)	0
Dedicated Funding – HB 5520 (2009)	(1,150,299)	0
Less Reserve Account	(20,000,000)	(15,000,000)
Less Long Term Care and State Schools	(11,638,849)	(12,000,000)
Less Small High School Grants	(2,500,000)	(2,500,000)
Less 2011-12 School Year Subaccount	0	(125,000,000)
Less TAG, Speech and Virtual School Funding	0	(1,042,000)
<b>State Revenue for Formula</b>	<b>\$ 2,388,634,744</b>	<b>\$ 2,712,288,000</b>
<b>Total Revenue for Formula</b>	<b>\$ 3,911,708,417</b>	<b>\$ 4,268,932,837</b>
School District share (95.5%)	3,725,902,267	4,076,830,859
Less High Cost Disability Grants	(18,000,000)	(18,000,000)
Less Facility Grants	(12,500,000)	(12,500,000)
Less share of ORES	0	(10,192,077)
Plus 2010-11 Trigger for School Districts	191,151,995	0
School District Formula Revenue for Distribution	\$ 3,886,554,262	\$ 4,036,138,782
ESD Share (4.5%)	\$ 185,806,150	\$ 192,101,978
Less ESD testing contract	(550,000)	(484,000)
Less share of ORES	0	(480,255)
ESD Formula Revenue for Distribution	\$ 185,256,150	\$ 191,137,723
<b>Total Formula Revenue</b>	<b>\$ 4,071,810,412</b>	<b>\$ 4,227,276,505</b>

Source: Oregon Department of Education, School Finance Office.

**State Reserve Funds**

The 2007 Legislative Assembly created two budgetary reserve funds, the Rainy Day Fund and the Education Stability Fund. With the approval of three-fifths of each house, the Legislative Assembly may appropriate up to two-thirds of the money in the Rainy Day Fund or Education Stability Fund for use in any biennium if

certain economic or revenue triggers occur. The December 2011 Forecast projects that at the end of the 2011-13 biennium the Rainy Day Fund and the Education Stability Fund will have ending fund balances of \$45.9 million and \$10.7 million, respectively.

*Rainy Day Fund.* The Rainy Day Fund may be drawn on for any General Fund purpose in the event of a downturn in State revenues. In September 2007 the State made an initial one-time deposit into the Rainy Day Fund of \$319.2 million from the corporate income tax credit (known as the “corporate kicker”). The Rainy Day Fund retains interest earnings in the fund. After the current biennium, the Rainy Day Fund is to receive biennial deposits from the ending General Fund balance in an amount equal to the lesser of (a) the actual General Fund ending balance for the preceding biennium or (b) one percent of the amount of General Fund appropriations for the preceding biennium. The amount deposited to the Rainy Day Fund is capped at 7.5 percent of General Fund revenues for a biennium.

*Education Stability Fund.* Under the Oregon Constitution, 18 percent of the net proceeds from the State Lottery must be deposited in the Education Stability Fund quarterly. The Education Stability Fund does not retain earnings in the fund. The amount in the Education Stability Fund may not exceed 5% of the amount that was collected as revenues in the State’s General Fund during the prior biennium.

## **Property Taxes**

Most local governments, school districts, education service districts and community college districts (“local governments”) have permanent authority to levy property taxes for operations (“Permanent Rates”) up to a maximum rate (the “Operating Tax Rate Limit”). Local governments that have never levied property taxes may request that the voters approve a new Operating Tax Rate Limit.

Local governments may not increase their Operating Tax Rate Limits; rather they may only request that voters approve limited term levies for operations or capital expenditures (“Local Option Levies”) or levies to repay general obligation bonded indebtedness (“General Obligation Bond Levies”).

Local Option Levies that fund operating expenses are limited to five years, and Local Option Levies that are dedicated to capital expenditures are limited to ten years. Local Option Levies for school districts are limited to the lesser of (i) \$1,000 per student, or (ii) 20 percent of a district’s total state resources. Education service districts are not authorized to request Local Option Levies.

ORS 327.333 through 327.339 provides local option equalization grants to school districts with Local Option Levies that have a total assessed property value per student less than the total assessed property value per student of a designated target district. For the biennium commencing July 1, 2011, \$1,930,520 was appropriated from the State’s General Fund to the Department of Education for the Local Option Equalization Grants Account. If the amount of money available is insufficient to make grant payments, the grant payments are to be proportionally reduced.

Portland School District No. 1J currently has a \$1.99 Local Option Levy. None of the other Series 2012 Issuers have a Local Option Levy or have plans to seek voter approval of a Local Option Levy.

Local governments impose property taxes by certifying their levies to the county assessor of the county in which the local government is located. Property taxes ordinarily can only be levied once each Fiscal Year. The local government ordinarily must notify the county assessor of its levies by July 15.

*Valuation of Property – Real Market Value.* “Real Market Value” is the minimum amount in cash which could reasonably be expected by an informed seller acting without compulsion, from an informed buyer acting without compulsion, in an “arms-length” transaction during the period for which the property is taxed.

Property subject to taxation includes all privately owned real property (land, buildings and improvements) and personal property (machinery, office furniture and equipment) for non-residential taxpayers. There is no property tax on household furnishings (exempt since 1913), personal belongings, automobiles (exempt since

1920), crops, orchards, business inventories or intangible property such as stocks, bonds or bank accounts, except for centrally assessed utilities, for which intangible personal property is subject to taxation.

Property used for charitable, religious, fraternal and governmental purposes is exempt from taxation. Special assessments that provide a reduction in the taxable Real Market Value may be granted (upon application) for veterans' homesteads, farm and forest land, open space and historic buildings. The Real Market Value of specially assessed properties is often called the "Taxable Real Market Value" or "Measure 5 Real Market Value." The assessment roll, a listing of all taxable property, is prepared as of January 1 of each year.

*Valuation of Property – Assessed Value.* Property taxes are imposed on the assessed value of property. The assessed value of each parcel cannot exceed its Taxable Real Market Value, and ordinarily is less than its Taxable Real Market Value. The assessed value of property was initially established in 1997 as a result of a constitutional amendment. That amendment (now Article XI, Section 11, often called "Measure 50") assigned each property a value and limited increases in that assessed value to three percent per year, unless the property is improved, rezoned, subdivided, or ceases to qualify for exemption. When property is newly constructed or reassessed because it is improved, rezoned, subdivided, or ceases to qualify for exemption, it is assigned an assessed value that is comparable to the assessed value of similar property.

The Oregon Department of Revenue ("ODR") appraises and establishes values for utility property, forestland and most large industrial property for county tax rolls. It collects taxes on harvested timber for distribution to schools, county taxing districts, and State programs related to timber. Certain properties, such as utilities, are valued on the unitary valuation approach. Under the unitary valuation approach, the taxpaying entity's operating system is defined and a value is assigned for the operating unit using the market value approach (cost, market value and income appraisals). Values are then allocated to the entities' operations in Oregon, and then to each county the entity operates in and finally to site locations.

Generally speaking, industrial properties are valued using an income approach, but ODR may apply additions or retirements to the property value through a cost of materials approach. Under the income and cost of materials approaches, property values fluctuate from year-to-year.

*Tax Rate Limitation – Measure 5.* A tax rate limitation was established in 1990 as the result of a constitutional amendment. That amendment (now Article XI, Section 11b, often called "Measure 5") separates property taxes into two categories: one to fund the public school system (kindergarten through grade twelve school districts, education service districts and community college districts, collectively, "Education Taxes") and one to fund government operations other than the public school system ("General Government Taxes"). Education Taxes are limited to \$5 per \$1,000 and General Government taxes are limited to \$10 per \$1,000 of the Taxable Real Market Value of property (the "Measure 5 Limits"). If the taxes on a property exceed the Measure 5 Limit for Education or General Government, then tax rates are compressed to the Measure 5 Limit. Local Option Levy rates compress to zero before there is any compression of Permanent Rates. This compression is taken into account in the State School Fund Distribution Formula described herein (see "State of Oregon Public School Funding – State School Fund").

Taxes imposed to pay the principal and interest on the following bonded indebtedness are not subject to Measure 5 Limits: (1) bonded indebtedness authorized by a specific provision of the Oregon Constitution; and (2) general obligation bonded indebtedness incurred for capital costs approved by the electors of the issuer and bonds issued to refund such bonds. **Property taxes imposed to pay the Pension Bond Payments are subject to the limitations of Article XI, Sections 11 and 11b.**

In 2007 the Oregon Supreme Court determined that taxes levied by general purpose governments (such as cities and counties) may be subject to the \$5 per \$1,000 limit if those taxes are used for educational services provided by public schools.

*Property Tax Collections.* Each county assessor is required to deliver the tax roll to the county tax collector in sufficient time to mail tax statements on or before October 25 each year. All tax levy revenues collected by a county for all taxing districts within the county are required to be placed in an unsegregated pool, and each



taxing district shares in the pool in the same proportion as its levy bears to the total of all taxes levied by all taxing districts within the county. As a result, the tax collection record of each taxing district is a *pro-rata* share of the total tax collection record of all taxing districts within the county combined.

Under the partial payment schedule, taxes are payable in three equal installments on the 15th of November, February and May of the same Fiscal Year. The method of giving notice of taxes due, the county treasurer's account for the money collected, the division of the taxes among the various taxing districts, notices of delinquency, and collection procedures are all specified by detailed statutes. The lien for property taxes is prior to all other liens or encumbrances of any kind on real or personal property subject to taxation. By law, a county may not commence foreclosure of a tax lien on real property until three years have passed since the first delinquency.

A Senior Citizen Property Tax Deferral Program (1963) allows certain homeowners to defer taxes until death or sale of the home. A similar program is offered for Disability Tax Deferral (2001), which does not have an age limitation.

**Tax Collection Record**  
**Percentages of Taxes Collected in the Year of the Levy (As of June 30)**

County	2007	2008	2009	2010	2011
Clackamas County <sup>(1)</sup>	97.28%	96.56%	95.71%	96.28%	96.79%
Curry County <sup>(2)</sup>	97.07%	96.80%	95.51%	95.27%	95.18%
Deschutes County <sup>(3)</sup>	97.18%	95.64%	94.14%	95.57%	96.00%
Douglas County <sup>(4)</sup>	95.92%	95.27%	94.79%	94.06%	93.92%
Gilliam County <sup>(5)</sup>	97.00%	98.70%	97.98%	99.00%	99.30%
Jefferson County <sup>(6)</sup>	96.91%	95.76%	94.68%	94.50%	94.10%
Morrow County <sup>(7)</sup>	96.90%	97.84%	97.48%	97.90%	98.06%
Multnomah County <sup>(8)</sup>	97.29%	97.07%	96.43%	96.85%	97.22%
Wasco County <sup>(9)</sup>	96.50%	96.13%	95.79%	95.85%	95.47%
Washington County <sup>(10)</sup>	97.93%	97.57%	96.94%	97.20%	97.63%

Footnotes for the counties in the table above indicate that the following Series 2012 Issuers are completely or partially located within such county:

- (1) Gresham-Barlow School District No. 10Jt, Portland Public School District No. 1J
- (2) Brookings-Harbor School District No. 17C
- (3) Bend-La Pine Admin. School District No. 1
- (4) South Umpqua School District No. 19
- (5) Morrow County School District
- (6) Jefferson County School District No. 509J
- (7) Morrow County School District
- (8) Gresham-Barlow School District No. 10Jt, Portland School District No. 1J
- (9) Jefferson County School District No. 509J
- (10) Portland School District No. 1J

NOTE: Percentage of total tax levy. Pre-payment discounts are considered to be collected when outstanding taxes are calculated.

Sources: County Departments of Assessment and Taxation.

**Federal Funding**

Oregon school districts receive federal funding for a variety of purposes. Such funding is generally restricted to specific purposes.

*Federal Stimulus Funds.* The State expects to receive funds under the American Recovery and Reinvestment Act of 2009 ("ARRA"). The 2009-11 Legislatively Adopted Budget included \$295.4 million of federal ARRA funds for education, \$103.8 million for public safety, and \$578.9 million for human services, for a total of \$978.1

million. In addition, the budget also used another \$355.3 million of federal ARRA funds to supplement General Fund budgets of various state agencies for the 2009-11 biennium.

*Federal Forest Fees.* In 2000, Congress passed the Secure Rural Schools and Community Self-Determination Act (the “SRS Act”) to replace a previous revenue sharing program. The SRS Act provides funding from the federal government to 18 of Oregon’s 36 counties for schools, roads, and other purposes (“Federal Forest Fees”). The U.S. Congress extended the SRS Act through September 30, 2012.

The \$700 billion Emergency Economic Stabilization Act of 2008 contained a four-year reauthorization of the SRS Act. The reauthorization will provide declining annual payments. The first three years of payments will be calculated as a percentage of the amount received in federal fiscal year 2006 which ended September 30, 2007. A distribution formula will be applied in the final year of the payments which is not currently calculable.

Federal Fiscal Year <sup>(1)</sup>	SRS Payment as Percentage of Federal Fiscal Year 2006
2008-09	90%
2009-10	81%
2010-11	73%
2011-12	New formula applied, amount estimated between 40% and 50%

(1) Federal fiscal years are October 1 through September 30 (the “Federal Fiscal Year”).

Source: H.R. 1424 Emergency Economic Stabilization Act of 2008.

Revenue losses from the discontinuation of the SRS Act will be spread across all school districts statewide as Federal Forest Fees are included in local revenue for calculation of SSF Grants (see “State of Oregon Public School Funding – State School Fund” herein).

**Construction Excise Tax**

School districts may levy a tax for capital improvements on new residential, commercial and industrial development (“Construction Excise Tax”). Affordable housing, public improvements, agricultural buildings, hospitals, private schools, and religious facilities are exempted from the Construction Excise Tax. The Construction Excise Tax is limited to: (i) \$1.05 per square foot on residential construction and (ii) 53¢ per square foot on non-residential construction up to the lesser of \$26,400 per building permit or \$26,400 per structure. The tax rate limits are adjusted annually by the Oregon Department of Revenue for changes in construction costs. The Construction Excise Tax is not subject to voter approval.

Revenue generated through a Construction Excise Tax can be used to acquire land, construct, reconstruct or improve school facilities, acquire or install equipment, furnishings or other tangible property, pay for architectural, engineering, legal or other costs related to capital improvements, any expenditure for assets that have a useful life of more than one year, or the payment of obligations and related costs of issuance that are issued to finance or refinance capital improvements.

*The Series 2012 Issuers.* Gresham-Barlow School District No. 10Jt and Portland School District No. have adopted Construction Excise Taxes. None of the other Series 2012 Issuers have a Construction Excise Tax or have plans to adopt a Construction Excise Tax.

## Summary of General Fund Revenues

The following table shows historic State Education Revenues and its percentage of total general fund revenues for each of the Series 2012 Issuers for the past three years.

### Series 2012 Issuers Summary General Fund Revenues (\$ in thousands)

Series 2012 Issuer	Fiscal Year 2008			Fiscal Year 2009			Fiscal Year 2010			Fiscal Year 2011		
	State Education Revenues	Total Revenue <sup>(1)</sup>	State % of Total	State Education Revenues	Total Revenue <sup>(1)</sup>	State % of Total	State Education Revenues	Total Revenue <sup>(1)</sup>	State % of Total	State Education Revenues	Total Revenue <sup>(1)</sup>	State % of Total
1. Bend-La Pine SD 1	\$ 59,927	\$ 117,062	51.19%	\$ 52,152	\$ 120,865	43.15%	\$ 45,922	\$ 113,567	40.44%	\$ 46,492	\$ 115,056	40.41%
2. Brookings-Harbor SD 17C	7,475	12,836	58.23%	6,525	12,217	53.41%	6,175	13,508	45.72%	6,090	11,433	53.27%
3. Gresham-Barlow SD 10Jt	68,588	92,958	73.78%	66,181	91,960	71.97%	63,789	91,668	69.59%	60,353	88,977	67.83%
4. Jefferson Co. SD 509J	20,501	27,018	75.88%	20,328	29,279	69.43%	18,846	26,733	70.50%	17,634	26,357	66.90%
5. Morrow County SD	12,791	18,341	69.74%	13,105	18,111	72.36%	12,233	17,772	68.84%	12,523	29,587	42.33%
6. Portland SD 1J	182,844	423,654	43.16%	164,507	413,091	39.82%	160,110	419,400	38.18%	143,690	409,626	35.08%
7. South Umpqua SD 19	9,440	12,657	74.58%	8,696	12,484	69.65%	8,393	11,923	70.39%	7,705	13,144	58.62%

(1) Does not include beginning fund balances.

Sources: Audited financial reports of the Series 2012 Issuers.

## **Accounting Policies**

*Fund Accounting.* The accounts of the Series 2012 Issuers are organized on the basis of funds and account groups, each of which is a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. The various funds are grouped into governmental funds.

*General Fund.* This fund is used to account for all expendable financial resources, except those required to be accounted for in another fund.

*Debt Service Fund.* This fund is used to account for revenue sources that are legally restricted for the payment of general long-term debt principal, interest and related expenditures.

## **Financial Reporting**

The financial statements of the Series 2012 Issuers are prepared in conformity with generally accepted accounting principles ("GAAP") as prescribed by the Governmental Accounting Standards Board ("GASB"). Additional information on the Series 2012 Issuers' accounting methods is available in the Series 2012 Issuers' audited financial statements.

## **Auditing**

Each Oregon municipal corporation must obtain an audit and examination of its funds and account groups at least once each year pursuant to the Oregon Municipal Audit Law, ORS 297.405-297.555. Municipalities having annual expenditures of less than \$500,000, with the exception of counties and school districts, are exempt from this requirement. All Oregon counties and school districts, regardless of amount of annual expenditures, must obtain an audit annually. The required audit may be performed by the State Division of Audits or by independent public accountants certified by the State as capable of auditing municipal corporations.

The Series 2012 Issuers' audit reports for Fiscal Year 2010 indicate that the financial statements, in all material respects, fairly present such Series 2012 Issuers' financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information and the respective changes in financial position and the cash flows, where applicable, in conformance with accounting principles generally accepted in the United States of America.

The audited financial statements of the Series 2012 Issuers as of June 30, 2010, are incorporated herein by reference and have been filed with the Electronic Municipal Market Access system, a free, centralized repository located at: [www.emma.msrb.org](http://www.emma.msrb.org).

A four-year summary of the Series 2012 Issuers' General Fund Statement of Revenues, Expenditures and Changes in Fund Balance follows.

**Series 2012 Issuers  
Summary General Fund Financial Information  
(\$ in thousands)**

Series 2012 Issuer	Fiscal Year 2008			Fiscal Year 2009			Fiscal Year 2010			Fiscal Year 2011		
	Total Revenue <sup>(1)</sup>	Total Expend.	Ending Fund Balance	Total Revenue <sup>(1)</sup>	Total Expend.	Ending Fund Balance	Total Revenue <sup>(1)</sup>	Total Expend.	Ending Fund Balance	Total Revenue <sup>(1)</sup>	Total Expend.	Ending Fund Balance
1. Bend-La Pine SD 1	\$ 117,062	\$ 119,549	\$ 3,819	\$ 120,865	\$ 117,969	\$ 12,989	\$ 113,567	\$ 113,565	\$ 12,991	\$ 115,056	\$ 113,967	\$14,080
2. Brookings-Harbor SD 17C	12,836	11,917	904	12,217	11,766	1,035	13,508	12,895	1,312	11,433	11,432	1,313
3. Gresham-Barlow SD 10Jt	92,958	93,850	13,086	91,960	94,874	10,172	91,668	88,321	13,557	88,977	89,824	12,714
4. Jefferson Co. SD 509J	27,018	26,275	5,054	29,279	24,434	9,352	26,733	24,010	11,074	26,357	25,745	10,634
5. Morrow County SD	18,341	18,254	1,927	18,111	17,925	1,404	17,772	17,185	1,340	29,587	28,837	750
6. Portland SD 1J	423,654	425,950	49,385	413,091	412,127	49,960	419,400	413,127	53,772	409,626	425,352	31,541
7. South Umpqua SD 19	12,657	13,066	106	12,484	12,213	352	11,923	11,028	1,221	13,144	11,889	1,255

(1) Does not include beginning fund balances.

Sources: Series 2012 Issuers' Audited Financial Statements.

## Budgetary Process

Each Series 2012 Issuer is required to prepare an annual budget in accordance with Oregon Local Budget Law (ORS Chapter 294) which establishes standard procedures for all budget functions for Oregon local governments. Under the applicable provisions, there must be public participation in the budget process and the adopted budget must be balanced.

Each Series 2012 Issuer's administrative staff evaluates the budget requests of the various departments of the Series 2012 Issuers to determine the funding levels of the operating programs. The budget is presented to the public through public hearings held by a budget committee consisting of Board members and lay members. After giving due consideration to the input received from the citizens, the governing body of the Series 2012 Issuer adopts the budget, authorizes the levying of taxes and sets appropriations. The budget must be adopted no later than June 30 of each Fiscal Year.

The budget may be amended during the applicable Fiscal Year through the adoption of a supplemental budget. Supplemental budgets may be adopted by the Board pursuant to ORS 294.480.

### Series 2012 Issuers Fiscal Year 2012 General Fund Budget (\$ in thousands)

Series 2012 Issuer	Resources							Expenditures								
	Local	Intermediate	State	Federal	Beginning Fund Balance and Other	Total	Instruction	Support Services	Enterprise/Community Services	Facilities Acquisition and Constr.	Debt Service /Transfer	Other Uses	Contingency	Unapprop. Ending Fund Balance	Total	
1. Bend-La Pine SD 1	\$56,209	\$1,684	\$56,587	\$ 328	\$ 13,721	\$128,529	\$ 71,490	\$ 48,503	\$ 272	\$ 0	\$2,035	\$ 0	\$ 0	\$ 6,227	\$128,529	
2. Brookings-Harbor SD 17C	4,596	84	6,125	380	957	12,141	6,520	4,414	0	0	0	407	800	0	12,141	
3. Gresham-Barlow SD 10Jt	24,745	25	63,594	50	14,930	103,344	59,660	35,308	249	0	0	550	2,000	5,577	103,344	
4. Jefferson Co. SD 509J	5,609	56	18,610	2,420	10,170	36,865	15,258	12,850	82	440	1,270	0	600	6,365	36,865	
5. Morrow County SD	5,362	193	12,453	1,171	10,409	29,587	12,780	7,335	1,130	0	3,388	4,203	500	250	29,587	
6. Portland SD 1J	270,080	6,915	156,804	7	33,495	467,301	254,457	177,022	550	3,110	7,604	0	24,559	0	467,301	
7. South Umpqua SD 19	2,728	100	7,782	553	1,308	12,470	6,441	5,124	5	0	0	526	374	0	12,470	

Source: Adopted Fiscal Year 2012 Budget for each Series 2012 Issuer.

## **Investments**

ORS 294.035 authorizes Oregon municipalities to invest in obligations, ranging from U.S. Treasury obligations and Agency securities to municipal obligations, bankers' acceptances, commercial paper, certificates of deposit, corporate debt and guaranteed investment contracts, all subject to certain size and maturity limitations. No municipality may have investments with maturities in excess of 18 months without adopting a written investment policy which has been reviewed and approved by the Oregon Short Term Fund Board. ORS 294.052 authorizes Oregon municipalities to invest proceeds of bonds or certificates of participation and amounts held in a fund or account for such bonds or certificates of participation under investment agreements if the agreements: (i) produce a guaranteed rate of return; (ii) are fully collateralized by direct obligations of, or obligations guaranteed by, the United States; and (iii) require that the collateral be held by the municipality, an agent of the municipality or a third-party safekeeping agent.

Municipalities are also authorized to invest approximately \$42.8 million (adjusted for inflation) in the Local Government Investment Pool of the Oregon Short-Term Fund, which is managed by the State Treasurer's office. Such investments are managed in accordance with the "prudent person rule" (ORS 293.726) and administrative regulations of the State Treasurer which may change from time to time. Eligible investments presently include all of those listed above, as well as repurchase agreements and reverse repurchase agreements. A listing of investments held by the Oregon Short-Term Fund is available on the Oregon State Treasury website under "Other OSTF Reports - OSTF Detailed Monthly Reports" at [www.ost.state.or.us/about/boards/OSTF/About.htm](http://www.ost.state.or.us/about/boards/OSTF/About.htm).

## **Pension System**

*General.* The Series 2012 Issuers participate in a retirement pension benefit program under the State of Oregon Public Employees Retirement System ("PERS" or the "System"). After six full months of employment, all Series 2012 Issuers' employees are required to participate in PERS.

*T1/T2 Pension Programs.* Employees hired before August 29, 2003 participate in the "Tier 1" and "Tier 2" pension programs (the "T1/T2 Pension Programs"). The benefits provided through the T1/T2 Pension Programs are based primarily on a defined benefit model and provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and their beneficiaries. Different benefit structures apply to participants depending on their date of hire. Effective January 1, 2004, T1/T2 Pension Program participant contributions fund individual retirement accounts under the separate defined contribution program described below.

*OPSRP.* Employees hired on or after August 29, 2003 participate in the Oregon Public Service Retirement Plan ("OPSRP") unless membership was previously established in the T1/T2 Pension Programs. OPSRP is a hybrid defined contribution/defined benefit pension plan with two components. Employer contributions fund the defined benefit program and employee contributions fund individual retirement accounts under the separate defined contribution program.

*Actuarial Valuation.* Oregon statutes require an actuarial valuation of the System at least once every two years. Based on the biennial actuarial valuation as of December 31 of odd-numbered years the Public Employees Retirement Board ("PERB") establishes the contribution rates that employers will pay to fund the T1/T2 Pension Programs, OPSRP and the PERS-sponsored Retirement Health Insurance Account program ("RHIA") described herein. Actuarial valuations are performed annually as of December 31 of each year, with the valuations as of December 31 of even-numbered years (such as 2010) used for advisory purposes only and valuations as of December 31 of odd-number years (such as 2009) used to set payroll contribution rates. Actuarial valuations are performed for the entire System (the "System Valuation"), and for each participating employer, including the Series 2012 Issuers (the "Series 2012 Issuers' Valuations"). Valuations are released nine to eleven months after the valuation date. PERS' current actuary is Mercer (US), Inc. ("Mercer").

Valuation Date	Release Date	Rates Effective
December 31, 2008	November 2009	Advisory only
December 31, 2009	October 2010	July 1, 2011 – June 30, 2013
December 31, 2010	November 2011	Advisory only

The 2010 System Valuation released on November 10, 2011 indicated that funded status of the System increased from approximately 86 percent at December 31, 2009 to 87 percent at December 31, 2010.

*Employer Assets, Liabilities, and Unfunded Actuarial Liabilities.* An employer’s unfunded actuarial liability (“UAL”) is the excess of the actuarially determined present value of the employer’s benefit obligations to employees over the existing actuarially determined assets available to pay those benefits.

*Series 2012 Issuers’ UAL.* For the T1/T2 Pension Programs, each Series 2012 Issuer is pooled with other kindergarten through grade 12 public school district and education service district public employers (the “School District Pool”). Each Series 2012 Issuer’s portion of the School District Pool’s assets and liabilities is based on such Series 2012 Issuer’s proportionate share of the School District Pool’s pooled payroll (each Series 2012 Issuer’s “Allocated T1/T2 UAL”). Changes in a Series 2012 Issuer’s relative growth in payroll will cause the Series 2012 Issuer’s Allocated T1/T2 UAL to shift. A Series 2012 Issuer’s Allocated T1/T2 UAL may increase if other pool participants fail to pay their full employer contributions. .

OPSRP’s assets and liabilities are pooled on a program-wide basis. These assets and liabilities are not tracked or calculated on an employer basis. The Series 2012 Issuers’ allocated share of OPSRP’s assets and liabilities is based on the Series 2012 Issuers’ proportionate share of OPSRP’s pooled payroll (the “Series 2012 Issuers Allocated OPSRP UAL”). Changes in the Series 2012 Issuers’ relative growth in payroll will cause the Series 2012 Issuers Allocated OPSRP UAL to shift.

*Pension Bonds and Side Accounts.* Each of the Series 2012 Issuers issued Series 2002 Bonds to make lump-sum payment to PERS. Several of the Series 2012 Issuers participated in additional previous pension bonds (see “Series 2012 Issuers’ Pension Bonds” herein). The payments were deposited in an account for each Series 2012 Issuer (the Series 2012 Issuers’ “Side Account”) that is used to finance all or a portion of such Series 2012 Issuer’s Allocated T1/T2 UAL and Allocated OPSRP UAL, reducing the Series 2012 Issuer’s contribution rates, although debt service payments are also due on the pension bonds.

Each Series 2012 Issuer’s net unfunded pension UAL is the total of the Series 2012 Issuer’s Allocated T1/T2 UAL, Allocated OPSRP UAL, and Side Account. Each Series 2012 Issuer’s net unfunded pension UAL as of the 2009 Valuation and 2010 Valuation is shown in the following table.

**Series 2012 Issuers Net Unfunded Pension UAL<sup>(1)</sup>**

Series 2012 Issuer	2009 Valuation	2010 Valuation
1. Bend-La Pine Admin. School District No. 1	\$ 75,636,876	\$ 67,490,248
2. Brookings-Harbor School District No. 17C	2,974,297	1,646,874
3. Gresham-Barlow School District No. 10Jt	47,117,121	42,001,464
4. Jefferson County School District No. 509J	18,363,655	18,920,555
5. Morrow County School District	12,971,368	12,568,579
6. Portland School District No. 1J	(38,196,127)	(48,985,330)
7. South Umpqua School District No. 19	(2,227,802)	(3,086,304)

(1) A negative number indicates a surplus.

Source: 2009 Valuation and 2010 Valuation.

The funded status of PERS and of the Series 2012 Issuers as reported by Mercer, the PERS actuary, will change over time depending on a variety of factors, including the market performance of the securities in which the OPERF is invested, future changes in compensation and benefits of covered employees, demographic



characteristics of members and methodologies and assumptions used by the actuary in estimating the assets and liabilities of PERS.

Significant actuarial assumptions and methods used in the valuations included: (a) Projected Unit Credit actuarial cost method, (b) asset valuation method based on market value, (c) rate of return on the investment of present and future assets of 8%, (d) payroll growth rate of 3.75%, (e) consumer price inflation of 2.75% per year, and (f) UAL amortization method of a level percentage of payroll over 21 years (fixed) for the T1/T2 Pension Programs and 16 years (fixed) for OPSRP.

*Employer Contribution Rates.* Employer contribution rates are calculated as a percent of covered payroll. The rates are based on the current and projected cost of benefits and the anticipated level of funding available from the OPERF, including anticipated investment performance of the fund. Contribution rates are subject to future adjustment based on factors such as the result of subsequent actuarial valuations, litigation, decisions by the PERS Board and changes in benefits resulting from legislative modifications. Employees are required to contribute 6 percent of their annual salary to the respective programs. Employers are allowed to pay the employees' contribution in addition to the required employers' contribution.

*Contribution Rate Collar.* In January 2011 the PERS Board adopted a revised implementation of the rate collar limiting increases in employer contribution rates from biennium to biennium (the "Rate Collar"). Under normal conditions, the Rate Collar is the greater of 3 percent of payroll or 20 percent of the current base rate. If the funded status of the School District Pool is below 80 percent, the Rate Collar increases by 0.3 percent for every percentage point under the 80 percent funded level until it reaches 6 percent at the 70 percent funded level. The 2009 System Valuation found that the School District Pool was 74 percent funded, resulting in a Rate Collar of 4.8 percent. The Rate Collar limits increases in employer contribution rates before rate reductions from side accounts are deducted, and does not cover charges associated with RHIA and RHIPA. The rate credit derived from the side account is not subject to Rate Collar limitations.

*Series 2012 Issuer Contribution Rates.* The Series 2012 Issuers' current contribution rates are based on the 2009 Valuation. The following table shows each Series 2012 Issuer's current contribution rates (2009 Valuation) and the advisory only rates released in the most recent valuation (2010 Valuation):

**Pension Contribution Rates Series 2012 Issuers**

Series 2012 Issuer	2009 Valuation		2010 Valuation	
	T1/T2	OPSRP General	T1/T2	OPSRP General
1. Bend-La Pine Admin. School District No. 1	11.28%	9.77%	15.16%	13.42%
2. Brookings-Harbor School District No. 17C	6.46%	4.95%	9.48%	7.74%
3. Gresham-Barlow School District No. 10Jt	9.80%	8.29%	13.69%	11.95%
4. Jefferson County School District No. 509J	12.61%	11.10%	16.99%	15.25%
5. Morrow County School District	13.12%	11.61%	17.26%	15.52%
6. Portland School District No. 1J	1.88%	0.50%	6.00%	4.26%
7. South Umpqua School District No. 19	0.59%	0.50%	3.54%	1.80%

Source: 2009 Valuation and 2010 Valuation.

**Other Postemployment Benefits**

*Retirement Health Insurance Account.* PERS retirees who receive benefits through the Tier 1 and Tier 2 plans and are enrolled in certain PERS administered health insurance programs, may receive a subsidy towards the payment of health insurance premiums. Under ORS 238.420, retirees may receive a subsidy for Medicare supplemental health insurance of up to \$60 per month towards the cost of their health insurance premium under the RHIA plan. The RHIA program's assets and liabilities are pooled on a system-wide basis and are not tracked or calculated on an employer basis. According to the 2009 System Valuation, this program had a UAL of approximately \$314.8 million. Each Series 2012 Issuers' allocated share of the RHIA program's assets and liabilities is based on such Series 2012 Issuers' proportionate share of the program's pooled payroll.

*GASB 45.* GASB 45 requires the Series 2012 Issuers to determine the extent of their liabilities for post-employment benefits and record the liability in their financial statements on an actuarial basis. This includes the requirement under ORS 243.303 of offering the same healthcare benefits for current employees to all retirees and their dependents until such time as the retirees are eligible for Medicare. GASB 45 refers to this as an “implicit subsidy” and requires that the corresponding liability be determined and reported. The Series 2012 Issuers implemented this pronouncement by fiscal year ended June 30, 2010.

Each Series 2012 Issuer’s implementation of this pronouncement will include the hiring of an actuary to determine any post-employment benefit (“OPEB”) liabilities. A description of the actuarial accrued liability and the funded status is provided in the audited financial statements of each Series 2012 Issuer, available through the Municipal Securities Rulemaking Board at <http://emma.msrb.org/default.aspx>.

### **Risk Management**

The Series 2012 Issuers are exposed to various risks of loss. A description of the risks is provided in the audited financial statements of each Series 2012 Issuer, available through the Municipal Securities Rulemaking Board at <http://emma.msrb.org/default.aspx>.

## **The Initiative and Referendum Process**

The Oregon Constitution, Article IV, Section 1, reserves to the people of the State the initiative and referendum power pursuant to which measures designed to amend the Oregon Constitution or enact legislation can be placed on the statewide general election ballot for consideration by the voters.

Pursuant to ORS 250.125, a five-member Committee composed of the Secretary of State, the State Treasurer, the Director of the Department of Revenue, the Director of the Department of Administrative Services, and a local government representative must prepare an estimate of the direct financial impact of each measure (“Financial Estimate Statements”) to be printed in the voters’ pamphlet and on the ballot.

### **Referendum**

“Referendum” generally means measures that have been passed by a legislative body, such as the Legislative Assembly or the governing body of a district, county or other political subdivision and referred to the electors by the legislative body, or by petition prior to the measure’s effective date.

In Oregon, both houses of the Legislative Assembly must vote to refer a statute or constitutional amendment for a popular vote. Such referrals cannot be vetoed by the governor. Any change to the Oregon Constitution passed by the Legislative Assembly requires referral to voters. In the case of a referendum by petition, proponents of the referendum must obtain a specified number of signatures from qualified voters. The required number of signatures is equal to four percent of the votes cast for all candidates for governor at the preceding gubernatorial election.

*Recent Tax Increase Referenda.* Opponents of legislation increasing personal and corporate income taxes passed by the 2009 Legislative Assembly submitted sufficient qualified signatures to refer the tax increases to a special election held on January 26, 2010. The referendum of concerning personal income taxes appeared on the ballot as Measure 66. The referendum concerning corporate income taxes appeared on the ballot as Measure 67. Both measures were approved by voters and become effective for tax year 2009.

*Other Recent Referenda.* The Legislative Assembly referred three measures to the electors which appeared on the ballot at the November 2, 2010 election and were approved by voters (Measure 70, Measure 71 and Measure 72). Measure 70 expands the availability of home loans for veterans through the Oregon War Veterans' Fund. Measure 71 requires the legislature to meet annually and establishes limits to the length of legislative sessions. Measure 72 authorizes the State to issue general obligation bonds to finance real and personal property projects.

## Initiatives

“Initiative” generally means a new measure placed before the voters as a result of a petition circulated by one or more private citizens.

Any person may file a proposed initiative with the Oregon Secretary of State’s office. The Oregon Attorney General is required by law to draft a proposed ballot title for the initiative. Public comment on the draft ballot title is then solicited by the Secretary of State. After considering any public comments submitted, the Attorney General will either certify the draft ballot title or revise the draft ballot title. Any elector that submitted written comments who is dissatisfied with the ballot title certified by the Attorney General may petition the Oregon Supreme Court seeking a revision of the certified ballot title.

Once the ballot title has been certified and the Secretary of State has authorized the petitioners, the proponents of the initiative may start gathering initiative petition signatures from qualified voters. The number of signatures required is determined by a fixed percentage of the votes cast for all candidates for governor at the preceding gubernatorial election. The signature requirements are eight percent for a constitutional measure (110,358 signatures for November 2010) and six percent for a statutory initiative (82,769 signatures for November 2010).

The initiative petition must be filed with the Secretary of State not less than four months prior to the general election at which the proposed measure is to be voted upon. As a practical matter, proponents of an initiative have approximately two years in which to gather the necessary number of signatures. State law permits persons circulating initiative petitions to pay money to persons obtaining signatures for the petition. If the person obtaining signatures is being paid, the signature sheet must contain a notice of such payment.

*Historical Initiative Petitions.* The number of initiatives that have been approved in general elections since 1998 are as follows:

### Historical Initiative Petitions

Number of Year of General Election	Number of Initiatives that Qualified	Initiatives that were Approved
2010	4	2
2008	8	0
2006	10	3
2004	6	2
2002	7	3
2000	18	4
1998	10	6

NOTE: The Secretary of State posts a listing of initiatives on its web site: [www.sos.state.or.us](http://www.sos.state.or.us).

Source: *Elections Division, Oregon Secretary of State, Initiative, Referendum and Referral Log, Elections Division.*

## Legal Matters and Litigation

### Legal Matters

Legal matters incident to the authorization, issuance and sale of Series 2012 Obligations are subject to the approving legal opinion of Special Counsel, substantially in the form attached hereto as Appendix A. Special Counsel has reviewed this document only to confirm that the portions of it describing the Series 2012 Obligations and the authority to issue them conform to the Series 2012 Obligations and the applicable laws under which they are issued.

## Litigation

There is no litigation pending questioning the validity of the Series 2012 Obligations nor the power and authority of the Series 2012 Issuers to issue the Series 2012 Obligations. There is no litigation pending which would materially affect the finances of the Series 2012 Issuers or affect the Series 2012 Issuers' ability to meet debt service requirements on the Series 2012 Obligations.

## Tax Matters

### Certain Federal Income Tax Consequences

**The following discussion was written to support the marketing of the Series 2012 Obligations and is not intended or written to be used, and may not be used, for the purpose of avoiding any penalty in respect of federal income taxes that may be imposed by the Internal Revenue Service or any other applicable authority. Taxpayers should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.**

Interest on the Series 2012 Obligations is included in gross income for federal income tax purposes.

### U.S. Owners

The following discussion describes aspects of the principal U.S. federal income tax treatment of U.S. persons that are beneficial owners ("Owners") of Series 2012 Obligations. This summary is based on the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), published revenue rulings, administrative and judicial decisions, and existing and proposed Treasury regulations, including regulations concerning the tax treatment of debt instruments issued with original issue discount (the "OID Regulations") (all as of the date hereof and all of which are subject to change, possibly with retroactive effect).

This summary discusses only Series 2012 Obligations held as capital assets within the meaning of section 1221 of the Code. It does not discuss all of the tax consequences that may be relevant to an Owner in light of its particular circumstances or to Owners subject to special rules, such as certain financial institutions, insurance companies, tax-exempt organizations, foreign taxpayers, taxpayers who may be subject to the alternative minimum tax or personal holding company provisions of the Code, dealers in securities or foreign currencies, Owners holding the Series 2012 Obligations as part of a hedging transaction, "straddle," conversion transaction, or other integrated transaction, or Owners whose functional currency (as defined in section 985 of the Code) is not the U.S. dollar. Except as stated herein, this summary describes no federal, state, local or foreign tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the Series 2012 Obligations. ACCORDINGLY, INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE UNITED STATES FEDERAL INCOME TAX CONSEQUENCES TO SUCH INVESTORS, AS WELL AS TAX CONSEQUENCES ARISING UNDER THE LAWS OF ANY STATE, LOCAL, OR FOREIGN TAXING JURISDICTION OR UNDER ANY APPLICABLE TAX TREATY, OF PURCHASING, HOLDING, OWNING AND DISPOSING OF THE SERIES 2012 OBLIGATIONS, INCLUDING THE ADVISABILITY OF MAKING ANY OF THE ELECTIONS DESCRIBED BELOW, BEFORE DETERMINING WHETHER TO PURCHASE THE SERIES 2012 OBLIGATIONS.

For purposes of this discussion, a "U.S. person" means an individual who, for U.S. federal income tax purposes, is (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof, (iii) an estate, the income of which is subject to U.S. federal income taxation regardless of its source of income, or (iv) a trust, if either: (A) a United States court is able to exercise primary supervision over the administration of the trust, and one or more United States persons have the authority to control all substantial decisions of the trust or (B) a trust has a valid election in effect to be treated as a United States person under the applicable treasury regulations. The term also includes nonresident alien individuals, foreign corporations, foreign partnerships, and foreign estates and trusts ("Foreign Owners") to the extent that their ownership of the Series 2012 Obligations is effectively connected with the conduct of a trade or business within the United States, as well as certain former citizens and residents of the United States who, under certain circumstances, are taxed on income from U.S. sources as if they were citizens or residents. It should also be noted that certain "single

member entities" are disregarded for U.S. federal income tax purposes. Such Foreign Owners and Owners that are single member non-corporate entities, should consult with their own tax advisors to determine the U.S. federal, state, local, and other tax consequences that may be relevant to them.

*General.* Income derived from a Series 2012 Obligation by an Owner is subject to U.S. federal income taxation. In addition, a Series 2012 Obligation held by an individual who, at the time of death, is a U.S. person is subject to U.S. federal estate tax.

*Payments of Interest.* Qualified Stated Interest, including additional amounts of cash and interest, if any, paid on the Series 2012 Obligations will generally be taxable to Owners as ordinary interest income at the time it accrues or is received, in accordance with the Owner's method of accounting for U.S. federal income tax purposes. For purposes of this discussion, "Qualified Stated Interest" is stated interest that is unconditionally payable in cash or in property (other than debt instruments of the issuer), or that will be constructively received under section 451 of the Code, at least annually at a single fixed rate (within the meaning of Treasury Regulation § 1.1273-1(c)(1)(iii)), as defined in Treasury Regulation § 1.1273-1(c). Special rules governing the treatment of market discount or amortizable premium are described below.

*Market Discount.* An Owner that purchases a Series 2012 Obligation at a "market discount" will be subject to provisions in the Code that convert certain capital gain on the redemption, sale, exchange or other disposition of the Series 2012 Obligation into ordinary income. A Series 2012 Obligation will have market discount to the extent the "revised issue price" of such Series 2012 Obligation exceeds, by more than a de minimis amount, the Owner's tax basis in the Series 2012 Obligation immediately after the Owner acquires the Series 2012 Obligation. The "revised issue price" generally equals the issue price of the Series 2012 Obligation reduced by the stated interest previously paid with respect to such Series 2012 Obligation as of such date.

An Owner may elect to include market discount in income as it accrues, but such an election will apply to all market discount bonds or notes acquired by such Owner on or after the first day of the first taxable year to which such election applies and is revocable only with permission from the Internal Revenue Service ("IRS"). Unless a Series 2012 Obligation Owner elects to include market discount in income as it accrues, any partial principal payments on, or any gain realized upon the sale, exchange, disposition, redemption or maturity of a Series 2012 Obligation will be taxable as ordinary income to the extent any market discount has accrued on such Series 2012 Obligation. Market discount on a Series 2012 Obligation would accrue ratably each day between the date an Owner purchases the Series 2012 Obligation and the date of maturity. In the alternative, an Owner irrevocably may elect to use a constant interest accrual method under which less market discount would accrue in early years and marginally greater amounts would accrue in later years.

If a Series 2012 Obligation purchased with market discount is disposed of in a nontaxable transaction (other than a nonrecognition transaction described in section 1276(d) of the Code), accrued market discount will be includable as ordinary income to the Owner as if such Owner had sold the Series 2012 Obligation at its then fair market value. An Owner of a Series 2012 Obligation that acquired it at a market discount and that does not elect to include market discount in income on a current basis also may be required to defer the deduction for a portion of the interest expense on any indebtedness incurred or continued to purchase or carry the Series 2012 Obligation until the deferred income is realized.

*Amortizable Premium.* An Owner that purchases a Series 2012 Obligation for any amount in excess of its principal amount will be treated as having premium with respect to such Series 2012 Obligation in the amount of such excess.

If an Owner makes an election under section 171(c)(2) of the Code to treat such premium as "amortizable bond premium," the amount of interest that must be included in such Owner's income for each accrual period will be reduced by the portion of the premium allocable to such period based on the Series 2012 Obligation's yield to maturity. If an Owner makes the election under section 171(c)(2), the election also shall apply to all taxable debt obligations held by the Owner at the beginning of the first taxable year to which the election applies and to all such taxable debt obligations thereafter acquired by such Owner, and it is irrevocable without the consent of the IRS. If such an election under section 171(c)(2) of the Code is not made, such an Owner must include the full amount of each interest payment in income in accordance with its regular method of accounting and will receive a tax benefit from the premium only in computing its gain or loss upon the sale of other disposition or

retirement of the Series 2012 Obligation. The existence of Series 2012 Obligation premium and the benefits associated with the amortization of Series 2012 Obligation premium vary with the facts and circumstances of each Owner. Accordingly, each Owner of a Series 2012 Obligation should consult his own tax advisor concerning the existence of Series 2012 Obligation premium and the associated election.

*Accrual Method Election.* Under the OID Regulations, an Owner that uses an accrual method of accounting would be permitted to elect to include in gross income its entire return on a Series 2012 Obligation (i.e., the excess of all remaining payments to be received on the Series 2012 Obligation over the amount paid for the Series 2012 Obligation by such Owner) based on the compounding of interest at a constant rate. Such an election for a Series 2012 Obligation with amortizable bond premium (or market discount) would result in a deemed election for all of the Owner's debt instruments with amortizable bond premium (or market discount) and could be revoked only with the permission of the IRS with respect to debt instruments acquired after revocation.

*Disposition or Retirement.* Upon the sale, exchange or other disposition of a Series 2012 Obligation, or upon the retirement of a Series 2012 Obligation (including by redemption), an Owner will recognize gain or loss equal to the difference, if any, between the amount realized upon the disposition or retirement (reduced by any amounts attributable to accrued but unpaid interest, which will be taxable as such) and the Owner's adjusted tax basis in the Series 2012 Obligation. Any such gain or loss will be United States source gain or loss for foreign tax credit purposes.

An Owner's tax basis for determining gain or loss on the disposition or retirement of a Series 2012 Obligation will be the cost of such Series 2012 Obligation to such Owner, increased by the amount of any market discount includable in such Owner's gross income with respect to such Series 2012 Obligation, and decreased by the amount of any payments under the Series 2012 Obligation that are part of its stated redemption price at maturity (i.e., all stated interest payments with respect to the Series 2012 Obligations previously paid) and by the portion of any premium applied to reduce interest payments as described above. Such gain or loss will be capital gain or loss (except to the extent the gain represents accrued market discount on the Series 2012 Obligation not previously included in gross income, to which extent such gain would be treated as ordinary income). Any capital gain or loss will be long-term capital gain or loss if at the time of disposition or retirement the Series 2012 Obligation has been held for more than one year. The deductibility of capital losses is subject to limitations.

*Information Reporting and Backup Withholding.* The Series 2012 Issuers are required to report to the IRS payments of interest on Series 2012 Obligations held of record by U.S. persons other than corporations and other exempt holders. Such information will be filed each year with the IRS on Form 1099, which will reflect the name, address, and taxpayer identification number of the registered Owner. A copy of Form 1099 will be sent to each registered Owner of a Series 2012 Obligation for federal income tax reporting purposes.

Interest paid to an Owner of a Series 2012 Obligation ordinarily will not be subject to withholding of federal income tax if such Owner is a U.S. person. Backup withholding of federal income tax at a rate of 28 percent may apply in 2005 (and is subject to adjustment in each future year), however, to payments made in respect of the Series 2012 Obligations, as well as payments of proceeds from the sale of Series 2012 Obligations, to registered holders or Owners that are not "exempt recipients" and that fail to provide certain identifying information. This withholding generally applies if the Owner of a Series 2012 Obligation (who is not an exempt recipient) (i) fails to furnish to the Series 2012 Issuers such Owner's social security number or other taxpayer identification number ("TIN"), (ii) furnishes the Series 2012 Issuers an incorrect TIN, (iii) fails to properly report interest, dividends or other "reportable payments" as defined in the Code, or (iv) under certain circumstances, fails to provide the Series 2012 Issuers or such Owner's broker with a certified statement, signed under penalty of perjury, that the TIN provided to the Series 2012 Issuers is correct and that such Owner is not subject to backup withholding. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. To prevent backup withholding, each prospective holder will be requested to complete an appropriate form.

Any amounts withheld under the backup withholding rules from a payment to a person would be allowed as a refund or a credit against such person's U.S. federal income tax, provided that the required information is

furnished to the IRS. Furthermore, certain penalties may be imposed by the IRS on a holder or Owner who is required to supply information but who does not do so in the proper manner.

### **Non-U.S. Owners**

The Series 2012 Issuers anticipate that no U.S. federal income tax will be withheld with respect to interest payments on the Series 2012 Obligations made to non-U.S. Owners so long as such non-U.S. Owner provides a properly completed Form W-8 to the Series 2012 Issuers. Non-U.S. Owners should consult their own tax advisors regarding the tax consequences unique to investors who are not U.S. persons.

*Information Reporting and Backup Withholding for Non-U.S. Owners.* The Series 2012 Issuers are required to report annually to the IRS and to each non-U.S. Owner the amount of any interest paid to that non-U.S. Owner, and tax withheld, if any, with respect to those payments. Copies of these information returns may also be made available under the provisions of a specific treaty or agreement to the tax authorities of the country in which the non-U.S. Owner resides or is incorporated.

U.S. backup withholding and information reporting will not apply to payments of interest or principal on Series 2012 Obligations by the Series 2012 Issuers or their agent to a non-U.S. Owner if the non-U.S. Owner satisfies certain certification or identification requirements, unless the payor knows or has reason to know that the holder is not entitled to an exemption from information reporting or backup withholding tax. To satisfy these certification or identification requirements, a non-U.S. Owner generally must provide the Series 2012 Issuers with a properly completed IRS Form W-8BEN. The payment of the proceeds on the disposition of the Series 2012 Obligations to or through the U.S. office of a U.S. or foreign broker will be subject to information reporting and backup withholding unless the Owner provides the certification described above or otherwise establishes an exemption. The proceeds of the disposition by a non-U.S. broker generally will not be subject to backup withholding or information reporting. However, if the broker is a U.S. person or has certain connections to the U.S., information reporting requirements, but not backup withholding, will apply unless the broker has documentary evidence in its files of the Owner's non-U.S. status and has no actual knowledge (or reason to know) to the contrary, or unless the Owner otherwise establishes an exemption.

THE FEDERAL TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY AND MAY NOT BE APPLICABLE DEPENDING UPON AN OWNER'S PARTICULAR SITUATION. INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX IMPLICATIONS OF HOLDING AND DISPOSING OF THE SERIES 2012 OBLIGATIONS UNDER APPLICABLE STATE OR LOCAL LAWS. FOREIGN INVESTORS SHOULD ALSO CONSULT THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES UNIQUE TO INVESTORS WHO ARE NOT U.S. PERSONS.

### **State Income Tax Exemption**

In the opinion of Special Counsel, Interest on the Series 2012 Obligations is exempt from personal income taxation by the State of Oregon under existing law.

## **Continuing Disclosure**

The Securities and Exchange Commission Rule 15c2-12 (the "Rule") requires at least annual disclosure of current financial information and timely disclosure of certain events (collectively, "Continuing Disclosure") with respect to the Series 2012 Pension Bonds, if material. Pursuant to the Rule, the Series 2012 Issuers have agreed to provide audited financial information and certain financial information or operating data at least annually to the Municipal Securities Rulemaking Board ("MSRB") through the MSRB's Electronic Municipal Market Access system (so long as such method of disclosure continues to be approved by the Securities and Exchange Commission for such purposes). In addition, the Series 2012 Issuers and the Series 2012 Trustee have agreed to provide to the MSRB notice of certain events, pursuant to the requirements of Section (b)(5)(i) of the Rule.

*Prior Undertakings.* Each of the Series 2012 Issuers have entered into prior undertakings to provide Continuing Disclosure. Prior to July 1, 2009, Continuing Disclosure filings were required to be made with four nationally

recognized municipal securities information repositories (“NRMSIRs”). Beginning July 1, 2009, Continuing Disclosure is required to be filed with the MSRB’s Electronic Municipal Market Access system.

*Compliance with Prior Undertakings – Bend-La Pine School District No. 1.* The District has entered into prior undertakings to provide Continuing Disclosure filings for the Oregon School Boards Association Limited Tax Pension Obligations issued in 2002 (Series 2002A and Series 2002B), 2003 (Series 2003A and Series 2003B), and 2004 (Series 2004). The District has also entered into prior undertakings to provide Continuing Disclosure filings for its General Obligation Bonds, Series 2001A, Series 2001B, Series 2002, Series 2005, and Series 2007, and for its Full Faith and Credit Obligations, Series 2011 beginning with Fiscal Year 2011.

The District complied with each of its prior undertakings for Fiscal Years 2009, 2010 and 2011. For Fiscal Years 2007 and 2008 the District complied with its filing requirement on each of its general obligation bond issues, but failed to file for the Oregon School Boards Association pension bonds. The District subsequently made its Fiscal Year 2007 and 2008 Continuing Disclosure filings for the Oregon School Boards Association pension bonds on January 10, 2011.

*Compliance with Prior Undertakings –Brookings-Harbor School District No. 17C.* The District has entered into prior undertakings to provide Continuing Disclosure filings for the Oregon School Boards Association Limited Tax Pension Obligations issued in 2002 (Series 2002A and Series 2002B) and 2004 (Series 2004). The District has also entered into prior undertakings to provide Continuing Disclosure filings for its General Obligation Bonds, Series 2000, Series 2001, and Series 2004.

The District complied with each of its prior undertakings for each of the past five years.

*Compliance with Prior Undertakings – Gresham-Barlow School District No. 10Jt.* The District has entered into prior undertakings to provide Continuing Disclosure filings for the Oregon School Boards Association Limited Tax Pension Obligations issued in 2002 (Series 2002A and Series 2002B) and 2003 (Series 2003A and Series 2003B). The District has also entered into prior undertakings to provide Continuing Disclosure filings for its General Obligation Bonds, Series 2001, Series 2003A, Series 2003B and Series 2005.

The District complied with each of its prior undertakings for Fiscal Years 2009, 2010 and 2011. For Fiscal Years 2007 and 2008 the District complied with its filing requirement on each of its general obligation bond issues, but failed to file for the Oregon School Boards Association pension bonds. The District subsequently made its Fiscal Year 2007 and 2008 Continuing Disclosure filings for the Oregon School Boards Association pension bonds with the MSRB on December 27, 2011.

*Compliance with Prior Undertakings – Jefferson County School District 509J.* The District has entered into prior undertakings to provide Continuing Disclosure filings for the Oregon School Boards Association Limited Tax Pension Obligations, Series 2002A and Series 2002B. The District has also entered into prior undertakings to provide Continuing Disclosure filings for its General Obligation Bonds, Series 2002.

The District complied with each of its prior undertakings for Fiscal Year 2011. The District failed to file for the Oregon School Boards Association pension bonds in each of the prior four years. For Fiscal Years 2009 and 2010 the District filed Continuing Disclosure for its general obligation bonds with the NRMSIRs but failed to file with the MSRB as required by the 2009 amendment to the Rule, and missed its filing deadline by 30 days (2010) and 395 days (2009). For Fiscal Years 2007 and 2008 the District missed its March 1 filing deadline for its general obligation bonds, subsequently filing on April 9, 2010 (Fiscal Year 2008) and April 21, 2008 (Fiscal Year 2007). The District subsequently made its Fiscal Year 2007 through 2010 Continuing Disclosure filings for the Oregon School Boards Association pension bonds and its Fiscal Year 2009 and 2010 Continuing Disclosure filings for its general obligation bonds with the MSRB on January 5, 2012.

*Compliance with Prior Undertakings – Morrow County School District.* The District has entered into prior undertakings to provide Continuing Disclosure filings for the Oregon School Boards Association Limited Tax Pension Obligations, Series 2002A and Series 2002B. The District has also entered into prior undertakings to provide Continuing Disclosure filings for its General Obligation Bonds, Series 2001 and Series 2005.



For Fiscal Year 2010 the District filed Continuing Disclosure for its general obligation bonds with the NRMSIRs but failed to file with the MSRB as required by the 2009 amendment to the Rule and failed to file for the Oregon School Boards Association pension bonds. For Fiscal Year 2009 the District missed its filing deadline by 51 days (general obligation bonds) and 53 days (Oregon School Boards Association pension bonds). For Fiscal Years 2006 through 2008 the District failed to file under its prior undertakings, subsequently filing on May 7, 2010 (General Obligation Bonds, Series 2001), May 17, 2010 (General Obligation Bonds, Series 2005), May 19, 2010 (Oregon School Boards Association, Limited Tax Pension Obligations, Series 2002A) and June 1, 2010 (Oregon School Boards Association, Limited Tax Pension Obligations, Series 2002B). The District subsequently made its Fiscal Year 2010 Continuing Disclosure filings with the MSRB on January 5, 2012.

*Compliance with Prior Undertakings - Portland School District No. 1J.* The District has entered into prior undertakings to provide Continuing Disclosure filings for the Oregon School Boards Association Limited Tax Pension Obligations issued in 2002 (Series 2002A and Series 2002B) and 2003 (Series 2003A and Series 2003B). The District has also entered into prior undertakings to provide Continuing Disclosure filings for its Full Faith and Credit Obligations, Series 2004, Series 2007A and Series 2007B.

The District complied with each of its prior undertakings for Fiscal Year 2011. The District failed to file for the Oregon School Boards Association pension bonds for Fiscal Years 2008 through 2010. For Fiscal Years 2009 and 2010 the District filed Continuing Disclosure for its full faith and credit obligations with the NRMSIRs but failed to file with the MSRB as required by the 2009 amendment to the Rule, and missed its filing deadline by 28 days (2010) and 393 days (2009). For Fiscal Year 2008 the District missed its March 30, 2009 filing deadline for its full faith and credit obligations, subsequently filing on April 27, 2011. The District complied with each of its prior undertakings in Fiscal Year 2007. The District subsequently made its Fiscal Year 2008 through 2010 Continuing Disclosure filings for the Oregon School Boards Association pension bonds and its Fiscal Year 2009 and 2010 Continuing Disclosure filings for its full faith and credit obligations with the MSRB on January 3, 2012.

*Compliance with Prior Undertakings - South Umpqua School District No. 19.* The District has entered into prior undertakings to provide Continuing Disclosure filings for the Oregon School Boards Association Limited Tax Pension Obligations issued in 2002 (Series 2002A and Series 2002B) and 2003 (Series 2003A and Series 2003B) and for the Oregon School Boards Association FlexFund Program, Series 2010B beginning with Fiscal Year 2010. The District has also entered into prior undertakings to provide Continuing Disclosure filings for its Full Faith and Credit Obligations, Series 2007.

The District complied with each of its prior undertakings for Fiscal Year 2011. The District failed to file Continuing Disclosure for Fiscal Year 2010. For Fiscal Year 2009 the District missed its March 27, 2010 filing deadline, subsequently filing on August 19, 2010 (Oregon School Boards Association pension bonds), and September 20, 2010 (Full Faith and Credit Obligations, Series 2007). For Fiscal Year 2008 the District complied with its prior undertakings on the Oregon School Boards Association pension bonds, but failed to file for its Full Faith and Credit Obligations, Series 2007 by the March 27, 2009 deadline, subsequently filing on August 24, 2010. For Fiscal Year 2007 the District complied with its prior undertakings on its Full Faith and Credit Obligations, Series 2007 and the Oregon School Boards Association pension bonds Series 2002A and Series 2003A but missed the March 26, 2008 deadline on the Oregon School Boards Association pension bonds Series 2002B and Series 2003B, subsequently filing on June 20, 2008. The District subsequently made its Fiscal Year 2010 Continuing Disclosure filings with the MSRB on January 5, 2012.

*Future Compliance with Continuing Disclosure Undertakings.* Those Series 2012 Issuers who have failed to make a filing have updated their procedures to include filing with the MSRB upon receipt of their annual audited financials.

The forms of the Continuing Disclosure Certificates of the Series 2012 Trustee and of each of the Series 2012 Issuers are included in Appendix D, attached hereto.

## **Underwriting**

\_\_\_\_\_, acting as underwriter successfully bid for the Series 2012 Obligations in a competitive sale on \_\_\_\_\_, 2012. The bid provides that the underwriter will purchase all of the Series 2012 Obligations, if any Series 2012 Obligations are purchased, at a price of \_\_\_\_% of the par value of the Series 2012 Obligations. The Series 2012 Obligations will be re-offered at an average price of \_\_\_\_% of the par value of the Series 2012 Obligations. After the initial public offering, the public offering prices may vary from time to time.

## **Financial Advisor**

In connection with the authorization and issuance of the Bonds, the Series 2012 Issuers have retained Seattle-Northwest Securities Corporation, Portland, Oregon, as their financial advisor (the "Financial Advisor").

The Financial Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for, the accuracy, completeness, or fairness of the information contained in this Official Statement.

## **Official Statement**

The Series 2012 Issuers have each executed a "deemed final" letter that deems final the Official Statement as of its date pursuant to Securities and Exchange Commission Rule 15c2-12 (except for the omission of the following information: offering prices, interest rates, selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, credit enhancement, if any, ratings, insurance, and other terms of the securities depending on such matters). The Series 2012 Issuers has also confirmed that the information regarding its' respective school district in this Official Statement, except for matters relating to DTC, the Series 2012 Trustee, and the statement regarding the Financial Advisor in the italicized paragraph on the page immediately preceding the table of contents does not contain any untrue statement of a material fact or omit any statement or information which is necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

## **Concluding Statement**

At the time of the original delivery of and payment for the Series 2012 Obligations, an authorized representative of each of the Series 2012 Issuers will deliver a certificate to the effect that he has examined this Official Statement and the financial and other data concerning the Series 2012 Issuers contained herein and that to the best of his knowledge and belief, (i) the Official Statement, both as of its date and as of the date of delivery of the Series 2012 Obligations, does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading and (ii) between the date of the Official Statement and the date of delivery of the Series 2012 Obligations there has been no material adverse change in the affairs (financial or other), financial condition or results of operations of the Series 2012 Issuers except as set forth in or contemplated by the Official Statement.

# Appendix A

Form of Special Counsel Opinion

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[FORM OF OPINION OF SPECIAL COUNSEL]

HAWKINS DELAFIELD & WOOD LLP

Attorneys at Law

621 SW Morrison Street, Suite 102

Portland, Oregon 97205

Telephone: (503) 402-1320

January \_\_, 2012

Wells Fargo Bank, National Association  
Corporate Trust Services  
MAC P6101-114  
1300 SW 5<sup>th</sup> Avenue – 11<sup>th</sup> Floor  
Portland, OR 97201

**Re:     \$\_\_\_\_\_ Oregon School Boards Association Limited Tax Pension  
Refunding Obligations, Series 2012 (Federally Taxable)**

Ladies and Gentlemen:

We have acted as special counsel in connection with the issuance by certain Oregon school districts and education service districts (the “Series 2012 Issuers”) of the Series 2012 Issuers’ Limited Tax Pension Refunding Bonds, Series 2012 (the “Series 2012 Pension Bonds”), the proceeds of which will be used to refinance all or a portion of the June 30, 2021 maturity of the Series 2012 Issuer’s Limited Tax Pension Obligations, Series 2002 and to pay the costs of issuance of the Series 2012 Obligations. The Series 2012 Pension Bonds are issued pursuant to ORS 238.692 to 238.698 and 287A.360 and resolutions of the Series 2012 Issuers authorizing the Series 2012 Pension Bonds (the “Resolutions”). The Series 2012 Pension Bonds will be sold by the Series 2012 Issuers to Wells Fargo Bank, National Association (the “Series 2012 Trustee”).

A Series 2012 Trust Agreement between the Series 2012 Issuers and the Series 2012 Trustee dated as of January \_\_, 2012 (the “Series 2012 Trust Agreement”) provides for the execution and delivery by the Series 2012 Trustee of the \$\_\_\_\_\_ Oregon School Boards Association Limited Tax Pension Refunding Obligations, Series 2012 (Federally Taxable) (the “Series 2012 Obligations”). The Series 2012 Obligations represent undivided proportionate ownership interests in the Series 2012 Pension Bonds.

Any capitalized terms not defined herein shall have the meanings assigned to them in the Series 2012 Trust Agreement.

On questions of fact material to our opinion, we have relied on the representations of the Series 2012 Issuers contained in the Series 2012 Trust Agreement and in the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

We have examined such certified proceedings, documents and certifications of public officials as we deem necessary to render this opinion, including the form of the Series 2012 Obligations, the Series 2012 Pension Bonds and the Resolutions.

We have not been engaged nor have we undertaken to review the accuracy, completeness or sufficiency of an official statement or other offering material relating to the Series 2012 Obligations or the Series 2012 Pension Bonds except to the extent, if any, stated therein.

On the basis of the foregoing examination, and in reliance thereon, and on the basis of our examination of such other matters of fact and questions of law as we deem relevant under the circumstances, and subject to the limitations expressed herein, we are of the opinion, under existing law, as follows:

1. The Series 2012 Pension Bonds, the Resolutions, the Intercept Agreement and the Series 2012 Trust Agreement have been legally authorized, executed and delivered by the Series 2012 Issuers and are valid and legally binding limited tax obligations of the Series 2012 Issuers enforceable against the Series 2012 Issuers in accordance with their terms, subject to: (i) bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws affecting creditors' rights generally (whether now or hereafter in existence); (ii) the application of equitable principles and to the exercise of judicial discretion in appropriate cases; (iii) common law and statutes affecting the enforceability of contractual obligations generally; and (iv) principles of public policy concerning, affecting, or limiting the enforcement of rights or remedies against governmental entities such as the Series 2012 Issuers.

2. Assuming that the Series 2012 Trustee has properly authorized, executed and delivered the Series 2012 Obligations and the Series 2012 Obligations are valid and legally binding obligations of the Series 2012 Trustee, Owners of the Series 2012 Obligations are entitled to the benefits of the Series 2012 Trust Agreement. We express no opinion regarding the obligations of the Series 2012 Trustee under the Series 2012 Obligations.

3. Each Series 2012 Issuer has pledged its full faith and credit and taxing power within the limitations of Sections 11 and 11b of Article XI of the Oregon Constitution to pay its Series 2012 Pension Bond. Each of the Series 2012 Pension Bond is a limited tax bond of a Series 2012 Issuer, and the Series 2012 Issuer shall pay the Series 2012 Pension Bonds from Available General Funds, as defined in the Resolution. The Series 2012 Issuers are not authorized to levy additional taxes to pay the Series 2012 Pension Bonds.

4. The interest on the Series 2012 Pension Bonds received by holders of the Series 2012 Obligations is not excludable from the gross income of the holders of the Series 2012 Obligations for federal income tax purposes.

5. The interest on the Series 2012 Pension Bonds received by holders of the Series 2012 Obligations is exempt from Oregon personal income tax under existing law.

We express no opinion regarding any other federal, state or local tax consequences arising with respect to ownership of the Series 2012 Pension Bonds or the Series 2012 Obligations.

These opinions are based on existing law and we assume no obligation to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur or become effective.

Our opinion is limited to matters of Oregon law and applicable federal law, and we assume no responsibility for the applicability of laws of other jurisdictions.

This opinion is provided to you as a legal opinion only, and not as a guaranty or warranty of the matters discussed herein. No opinions may be inferred or implied beyond the matters expressly stated herein. No qualification, limitation or exception contained herein shall be construed in any way to limit the scope of the other qualifications, limitations and exceptions. For purposes of this opinion, the terms “law” and “laws” do not include unpublished judicial decisions, and we disclaim the effect of any such decision on the opinions expressed. This opinion speaks as of its date only, and we disclaim any undertaking or obligation to advise you of any changes that hereafter may be brought to our attention or any change in law that may hereafter occur.

The opinions expressed herein are solely for your benefit in connection with the above referenced bond and obligation financing and may not be relied on in any manner or for any purpose by any person or entity other than the addressees listed above and the owners of the Series 2012 Obligations and the Series 2012 Pension Bonds, nor may copies be furnished to any other person or entity, without the prior written consent to this firm.

Very Truly Yours,

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# **Appendix B**

**Book Entry Only System**

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**Sample Offering Document Language  
Describing DTC and Book-Entry-Only Issuance**

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. 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](http://www.dtcc.com).

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



**The Depository Trust &  
Clearing Corporation**

4. To facilitate subsequent transfers, all Securities 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 Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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.

5. 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities 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 notices be provided directly to them.]

6. Redemption notices shall be sent to DTC. If less than all of the Securities 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.

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

8. Redemption proceeds, distributions, and dividend payments on the Securities 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 Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, 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 Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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



**The Depository Trust &  
Clearing Corporation**

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

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

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

[8/11]



*The Depository Trust &  
Clearing Corporation*

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# Appendix C

## Forms of Continuing Disclosure Certificates

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## FORM OF SERIES 2012 TRUSTEE'S CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Certificate"), dated January \_\_, 2012, is executed and delivered by Wells Fargo Bank, National Association (the "Series 2012 Trustee") in connection with the issuance and delivery of (i) certain limited tax refunding bonds (the "Series 2012 Pension Bonds") to be issued by certain Oregon school districts and education service districts (collectively, the "Series 2012 Issuers") and (ii) the Limited Tax Pension Refunding Obligations, Series 2012 (Federally Taxable) (the "Series 2012 Obligations"), which represent proportionate and undivided interests in and rights to receive payments of principal and interest on the Series 2012 Pension Bonds. The Series 2012 Pension Bonds are issued pursuant to Oregon Revised Statutes Sections 238.692 through 238.698 and resolutions adopted by the governing bodies of the Series 2012 Issuers (the "Resolutions"). The Series 2012 Obligations are issued pursuant to a Series 2012 Trust Agreement dated as of January \_\_, 2012, by and among the Series 2012 Issuers and the Series 2012 Trustee (the "Series 2012 Trust Agreement"). Capitalized terms used but not otherwise defined herein shall have the meanings assigned thereto in the Series 2012 Trust Agreement. The Series 2012 Trustee covenants as follows:

Section 1. Purpose of Certificate. This Certificate is being executed and delivered by the Series 2012 Trustee for the benefit of registered and beneficial holders of the Series 2012 Obligations and to assist Seattle-Northwest Securities Corporation (the "Underwriter") in complying with paragraph (b)(5) of Securities and Exchange Commission (the "SEC") Rule 15c2-12 (17 C.F.R. § 240.15c2-12) as amended (the "Rule").

Section 2. Material Events. The Series 2012 Trustee agrees to provide or cause to be provided to the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, notice of any of the following events with respect to the Series 2012 Obligations:

- a. principal and interest payment delinquencies;
- b. non-payment related defaults, if material;
- c. unscheduled draws on debt service reserves reflecting financial difficulties;
- d. unscheduled draws on credit enhancements reflecting financial difficulties;
- e. substitution of credit or liquidity providers, or their failure to perform;
- f. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security of the Series 2012 Obligations;
- g. modifications to rights of security holders, if material to the Series 2012 Obligations;
- h. Agreement calls, if material, and tender offers;
- i. defeasances;
- j. release, substitution, or sale of property securing repayment of the securities, if material to the Series 2012 Obligations;
- k. rating changes;
- l. bankruptcy, insolvency, receivership or similar event of the obligated person; (Note: For the purposes of the event identified in this paragraph 1, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or

federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.)

m. the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

n. appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Series 2012 Trustee may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if, in the judgment of the Series 2012 Trustee, such other event is material with respect to the Series 2012 Pension Bonds, but the Series 2012 Trustee does not undertake any commitment to provide such notice of any event except those events listed above.

Section 3. Dissemination Agent. The Series 2012 Trustee may, from time to time, engage or appoint an agent to assist the Series 2012 Trustee in disseminating information hereunder (the "Dissemination Agent"). The Series 2012 Trustee may discharge any Dissemination Agent with or without appointing a successor Dissemination Agent.

Section 4. Termination of Series 2012 Pension Bonds. Pursuant to paragraph (b)(5)(iii) of the Rule, the Series 2012 Trustee's obligation to provide notice of material events, as set forth above, shall terminate if and when the Series 2012 Trustee no longer remains an obligated person with respect to the Series 2012 Pension Bonds, which shall occur upon either redemption in full of the Series 2012 Pension Bonds, or legal defeasance of the Series 2012 Pension Bonds. In addition, and notwithstanding the provisions of Section 7 herein, the Series 2012 Trustee may rescind its obligations under this Certificate, in whole or in part, if (i) the Series 2012 Trustee obtains an opinion of nationally recognized bond counsel that those portions of the Rule that required the execution and delivery of this Certificate are invalid, have been repealed, or otherwise do not apply to the Series 2012 Pension Bonds, and (ii) the Series 2012 Trustee notifies and provides to the MSRB, a copy of such legal opinion.

Section 5. Enforceability and Remedies. The Series 2012 Trustee agrees that this Certificate is intended to be for the benefit of registered and beneficial holders of the Series 2012 Obligations and shall be enforceable by or on behalf of any such holder; provided that, the right of any holder of an obligation to challenge the adequacy of the information furnished hereunder shall be limited to an action by or on behalf of holders of the Series 2012 Obligations representing at least twenty-five percent (25%) of the aggregate outstanding principal amount of Series 2012 Obligations. Any failure by the Series 2012 Trustee to comply with the provisions of this undertaking shall not be an Event of Default under the certificates' documents or the Series 2012 Pension Bonds. This Certificate confers no rights on any person or entity other than the Series 2012 Trustee, holders of the Series 2012 Obligations, and any Dissemination Agent.

Section 6. Amendment. The Series 2012 Trustee may amend this Certificate without the consent of holders of the Certificates under the following conditions:

a. The amendment may 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 the obligated person or type of business conducted;

b. This Certificate, as amended, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

c. The amendment (i) does not materially impair the interest of holders of the Series 2012 Obligations, as determined either by parties unaffiliated with the Series 2012 Trustee (such as nationally recognized special counsel), or (ii) is approved by holders of the Series 2012 Obligations in the same manner as provided in the obligation documents with the consent of holders of the Series 2012 Obligations.

The financial information provided pursuant to Section 2 hereof will explain, in narrative form, the reasons for any amendment and the impact of the change in the type of operating data or financial information being provided.

Section 7. Resignation or Removal as Series 2012 Trustee. The Series 2012 Trustee's obligation hereunder will terminate upon its resignation or removal as Series 2012 Trustee provided such resignation or removal is made in accordance with the Series 2012 Trust Agreement and provided that the Series 2012 Issuers or a court of competent jurisdiction has appointed a successor Series 2012 Trustee under the terms of the Series 2012 Trust Agreement.

Section 8. Form of Information. All information required to be provided under this Certificate will be provided in an electronic format as prescribed by the MSRB and with the identifying information prescribed by the MSRB.

Section 9. Submitting Information Through EMMA. So long as the MSRB continues to approve the use of the Electronic Municipal Market Access ("EMMA") continuing disclosure service, any information required to be provided to the MSRB under this Certificate may be provided through EMMA. As of the date of this Certificate, the web portal for EMMA is [www.emma.msrb.org](http://www.emma.msrb.org).

Section 10. Choice of Law. This Certificate shall be governed by and construed in accordance with the laws of the State of Oregon, provided that to the extent this Certificate addresses matters of federal securities laws, including the Rule, this Certificate shall be construed in accordance with such federal securities laws and official interpretations thereof.

Dated this \_\_ day of \_\_\_\_\_, 2012.

**WELLS FARGO BANK, NATIONAL ASSOCIATION,**  
acting solely in its capacity as Series 2012 Trustee and not  
individually

By: \_\_\_\_\_

Authorized Representative

## FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Certificate"), dated January 31, 2012, is executed and delivered by «*School\_District*», «*County*» *County, Oregon* (the "Issuer") in connection with the issuance and delivery of (i) certain limited tax bonds (the "Bonds") to be issued by certain Oregon school districts and education service districts (collectively, the "Issuers") and (ii) the Limited Tax Pension Refunding Obligations, Series 2012 (Federally Taxable) (the "Series 2012 Obligations") which represent proportionate and undivided interests in and rights to receive payments of principal and interest on the Bonds. The Bonds are issued pursuant to Oregon Revised Statutes Sections 238.692 through 238.698 and 287A.360 and resolutions adopted by the governing bodies of the Issuers (the "Resolutions"). The Series 2012 Obligations are issued pursuant to a Trust Agreement dated as of January 31, 2012, by and among the Issuers and the Trustee (the "Trust Agreement"). Capitalized terms used but not otherwise defined herein shall have the meanings assigned thereto in the Trust Agreement. The Issuer covenants as follows:

Section 1. Purpose of Certificate. This Certificate is being executed and delivered by the Issuer for the benefit of registered and beneficial holders of the Series 2012 Obligations and to assist Seattle-Northwest Securities Corporation (the "Underwriter") in complying with paragraph (b)(5) of Securities and Exchange Commission (the "SEC") Rule 15c2-12 (17 C.F.R. § 240.15c2-12) as amended (the "Rule").

The Issuer's agreements herein cover only the Issuer information. The Issuer has no responsibility for information relating to any other issuer that may be participating in the program (or in the Series 2012 Obligations). Failure to comply by other issuers shall not constitute a failure of the Issuer.

Section 2. Issuer's Representation Regarding Outstanding Municipal Securities. The Issuer, as an "obligated person" for purposes of the Rule, hereby agrees to provide or cause to be provided at least annually to the Municipal Securities Rulemaking Board (the "MSRB"), the financial information and operating data, relating to the Issuer only, of the type described in this Section 2 (the "Annual Financial Information") which shall consist of:

(a) the audited financial statements which are presented and prepared in accordance with State law; provided that (i) if such financial statements are not available within 270 days after the end of the preceding fiscal year, unaudited financial statements will be provided with audited financial statements to follow when available, and (ii) if the accounting principles followed by the Issuer change, the Annual Financial Information for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements prepared on the basis of the former accounting principles, and the Issuer will provide notice of such change in accounting principles in the same manner as set forth in Section 3 below; and

(b) financial information and operating data (within the meaning of the Rule) of the type incorporated into the Official Statement dated January 12, 2012 (the "Official Statement") which is of the nature of (i) assessed property valuations or real market values, property tax levy rates, debt ratios, major taxpayers or property tax collections, (ii) state revenues received by the Issuer, and (iii) outstanding indebtedness and debt capacity of the Issuer.

Certain items of Annual Financial Information may be provided by way of cross-reference to other documents previously provided to the MSRB.

Section 3. Material Events. The Issuer agrees to provide or cause to be provided to the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of any of the following events relating to the Issuer with respect to the Bonds, if material:

- a. principal and interest payment delinquencies;
- b. non-payment related defaults, if material;
- c. unscheduled draws on debt service reserves reflecting financial difficulties;
- d. unscheduled draws on credit enhancements reflecting financial difficulties;
- e. substitution of credit or liquidity providers, or their failure to perform;
- f. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- g. modifications to rights of security holders, if material;
- h. Agreement calls, if material, and tender offers;
- i. defeasances;
- j. release, substitution, or sale of property securing repayment of the securities, if material;
- k. rating changes;
- l. bankruptcy, insolvency, receivership or similar event of the obligated person; (Note: For the purposes of the event identified in this paragraph 1, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.)
- m. the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- n. appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Issuer may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if, in the judgment of the Issuer, such other event is material with respect to the Bonds, but the Issuer does not undertake any commitment to provide such notice of any event except those events listed above.

Section 4. Failure to File Annual Financial Information. The Issuer agrees to provide or cause to be provided, in a timely manner, to the MSRB, notice of a failure by the Issuer to provide the Annual Financial Information described in Section 2 above on or prior to the time set forth in Section 2 herein.

Section 5. Dissemination Agent. The Issuer may, from time to time, engage or appoint an agent to assist the Issuer in disseminating information hereunder (the "Dissemination Agent"). The Issuer may discharge any Dissemination Agent with or without appointing a successor Dissemination Agent.

Section 6. Termination of Bonds. Pursuant to paragraph (b)(5)(iii) of the Rule, the Issuer's obligations hereunder shall terminate if and when the Issuer no longer remains an obligated person with respect to the Series 2012 Obligations, which shall occur upon either redemption in full of the Bonds, or legal defeasance of the Series 2012 Obligations. In addition, and notwithstanding the provisions of Section 8 below, the Issuer may rescind its obligations under this Certificate, in whole or in part, if (i) the Issuer obtains an opinion of nationally recognized bond counsel that those portions of the Rule that required the execution and delivery of this Certificate are invalid, have been repealed, or otherwise do not apply to the Series 2012 Obligations, and (ii) the Issuer notifies and provides to the MSRB, a copy of such legal opinion.

Section 7. Enforceability and Remedies. The Issuer agrees that this Certificate is intended to be for the benefit of the holders of the Series 2012 Obligations and shall be enforceable by or on behalf of such holders; provided that, the right of Series 2012 Obligation holders to challenge the adequacy of the information furnished hereunder shall be limited to an action by or on behalf of Series 2012 Obligation holders representing twenty-five percent (25%) of the aggregate outstanding principal amount of Series 2012 Obligations. This Certificate confers no rights on any person or entity other than the Issuer, holders of the Series 2012 Obligations, and any Dissemination Agent.

Section 8. Amendment. Notwithstanding any other provision of this Certificate, the Issuer may amend this Certificate under the following conditions:

(a) The amendment may only be made in accordance 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 the obligated person or type of business conducted;

(b) This undertaking, as amended, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment does not materially impair the interests of holders of the Series 2012 Obligations, as determined either by parties unaffiliated with the Issuer (such as bond counsel), or by approving vote of holders of the Series 2012 Obligations pursuant to the terms of the Resolution at the time of the amendment.

The financial information provided pursuant to Section 2 hereof will explain, in narrative form, the reasons for any amendment and the impact of the change in the type of operating data or financial information being provided.

Section 9. Form of Information. All information required to be provided under this Certificate will be provided in an electronic format as prescribed by the MSRB and with the identifying information prescribed by the MSRB.

Section 10. Submitting Information Through EMMA. So long as the MSRB continues to approve the use of the Electronic Municipal Market Access (“EMMA”) continuing disclosure service, any information required to be provided to the MSRB under this Certificate may be provided through EMMA. As of the date of this Certificate, the web portal for EMMA is [www.emma.msrb.org](http://www.emma.msrb.org).

Section 11. Choice of Law. This Certificate shall be governed by and construed in accordance with the laws of the State of Oregon, provided that to the extent this Certificate addresses matters of federal securities laws, including the Rule, this Certificate shall be construed in accordance with such federal securities laws and official interpretations thereof.

Dated this 31<sup>st</sup> day of January, 2012.

«SCHOOL\_DISTRICT»  
«COUNTY» COUNTY, OREGON

By: \_\_\_\_\_  
District Official

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# Appendix D

Debt Service Schedules for Each Series 2012 Issuer

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**Bend-La Pine Administrative School District No. 1  
 Limited Tax Pension Refunding Obligations, Series 2012**

**Projected Debt Service Schedule<sup>(1)</sup>**

Fiscal Year	2012 Pension Bonds		Total
	Principal	Interest	Debt Service
2012			\$ 0
2013			0
2014			0
2015			0
2016			0
2017			0
2018			0
2019			0
2020			0
2021			0
	\$ 0	\$ 0	\$ 0

NOTE: Bend-La Pine Administrative School District No. 1's principal amount of its Series 2012 Pension Obligations represents \_\_\_\_ percent of the aggregate principal amount of the Series 2012 Obligations.

---

(1) Amounts are preliminary, subject to change.

**Brookings-Harbor School District No. 17C**  
**Limited Tax Pension Refunding Obligations, Series 2012**  
**Projected Debt Service Schedule<sup>(1)</sup>**

Fiscal Year	2012 Pension Bonds		Total
	Principal	Interest	Debt Service
2012			\$ 0
2013			0
2014			0
2015			0
2016			0
2017			0
2018			0
2019			0
2020			0
2021			0
	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

NOTE: Brookings-Harbor School District No. 17C's principal amount of its Series 2012 Pension Obligations represents \_\_\_ percent of the aggregate principal amount of the Series 2012 Obligations.

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(1) Amounts are preliminary, subject to change.

**Gresham-Barlow School District No. 10Jt  
 Limited Tax Pension Refunding Obligations, Series 2012  
 Projected Debt Service Schedule<sup>(1)</sup>**

Fiscal Year	2012 Pension Bonds		Total
	Principal	Interest	Debt Service
2012			\$ 0
2013			0
2014			0
2015			0
2016			0
2017			0
2018			0
2019			0
2020			0
2021			0
	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

NOTE: Gresham-Barlow School District No. 10Jt's principal amount of its Series 2012 Pension Obligations represents \_\_\_ percent of the aggregate principal amount of the Series 2012 Obligations.

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(1) Amounts are preliminary, subject to change.

**Jefferson County School District No. 509J**  
**Limited Tax Pension Refunding Obligations, Series 2012**  
**Projected Debt Service Schedule<sup>(1)</sup>**

Fiscal Year	2012 Pension Bonds		Total
	Principal	Interest	Debt Service
2012			\$ 0
2013			0
2014			0
2015			0
2016			0
2017			0
2018			0
2019			0
2020			0
2021			0
	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

NOTE: Jefferson County School District No. 509J's principal amount of its Series 2012 Pension Obligations represents \_\_\_ percent of the aggregate principal amount of the Series 2012 Obligations.

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(1) Amounts are preliminary, subject to change.

**Morrow County School District  
 Limited Tax Pension Refunding Obligations, Series 2012  
 Projected Debt Service Schedule<sup>(1)</sup>**

Fiscal Year	2012 Pension Bonds		Total
	Principal	Interest	Debt Service
2012			\$ 0
2013			0
2014			0
2015			0
2016			0
2017			0
2018			0
2019			0
2020			0
2021			0
	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

NOTE: Morrow County School District's principal amount of its Series 2012 Pension Obligations represents \_\_\_ percent of the aggregate principal amount of the Series 2012 Obligations.

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(1) Amounts are preliminary, subject to change.

**Portland School District No. 1J**  
**Limited Tax Pension Refunding Obligations, Series 2012**  
**Projected Debt Service Schedule<sup>(1)</sup>**

Fiscal Year	2012 Pension Bonds		Total
	Principal	Interest	Debt Service
2012			\$ 0
2013			0
2014			0
2015			0
2016			0
2017			0
2018			0
2019			0
2020			0
2021			0
	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

NOTE: Portland School District No. 1J's principal amount of its Series 2012 Pension Obligations represents \_\_\_ percent of the aggregate principal amount of the Series 2012 Obligations.

---

(1) Amounts are preliminary, subject to change.



**South Umpqua School District No. 19**  
**Limited Tax Pension Refunding Obligations, Series 2012**  
**Projected Debt Service Schedule<sup>(1)</sup>**

Fiscal Year	2012 Pension Bonds		Total
	Principal	Interest	Debt Service
2012			\$ 0
2013			0
2014			0
2015			0
2016			0
2017			0
2018			0
2019			0
2020			0
2021			0
	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

NOTE: South Umpqua School District No. 19's principal amount of its Series 2012 Pension Obligations represents \_\_\_ percent of the aggregate principal amount of the Series 2012 Obligations.

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(1) Amounts are preliminary, subject to change.

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# Appendix E

**Intercept Agreement, Amendment to the Intercept Agreement and  
Form of the Sixth Supplemental Intercept Agreement**

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# INTERCEPT AGREEMENT

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*by and among*

**Wells Fargo Bank Northwest, National Association,**

as Trustee

*and the*

**Issuers of the  
Limited Tax Pension Bonds  
Described in the Attached Exhibit A**

*and the*

**Oregon Department of Education**

---

Dated as of October 31, 2002

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ATER WYNNE LLP

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## INTERCEPT AGREEMENT

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This Intercept Agreement is dated as of October 31, 2002, and is entered into by and among the Issuers (as defined below), the Trustee (as defined below) and the OREGON DEPARTMENT OF EDUCATION (the "Agency"). The parties hereby agree as follows:

### ARTICLE I. RECITALS, DEFINITIONS AND RULES OF CONSTRUCTION

#### Section 1.1 Recitals.

- (a) The Issuers are authorized to issue limited tax bonds as defined in ORS 288.150 to finance their pension liability pursuant to ORS 238.692 to 238.698 (the "Act");
- (b) The Act authorizes the Issuers to enter into this agreement with the Agency;
- (c) The Series 2002 Issuers have entered into a Trust Agreement, dated as of October 31, 2002, with the Series 2002 Trustee (the "Series 2002 Trust Agreement"); and
- (d) The Series 2002 Issuers, Series 2002 Trustee and the Agency execute this intercept agreement (the "Intercept Agreement") to divert State Education Revenues, as defined below, to the Series 2002 Trustee for the purpose of paying the principal and interest and any premium on the Series 2002 Pension Bonds, and to provide for the diversion of State Education Revenues to any Future Pension Bonds by the Future Pension Bond Issuers.

#### Section 1.2 Definitions.

Unless the context clearly requires use of a different definition, the following capitalized terms shall have the meanings defined for those terms in this section:

"Act" means ORS 238.692 to 238.698.

"Agency" means the Oregon Department of Education, a state agency of the State of Oregon, or any successor agency charged with distributing any funds mandated by Article VIII, § 8 of the Oregon Constitution, which provides, in part, that the Legislative Assembly shall appropriate in each biennium a sum of money sufficient to ensure that the State's system of public education meets quality goals established by law.

"Bond Amount" means the outstanding principal amount of an Issuer's Pension Bonds at the time the Issuer enters into this Intercept Agreement, as revised pursuant to Article IV herein.

"Bond Payments" means the payments of principal, interest and premium, if any, due under each of the Pension Bonds.

"Business Day" means any day other than a Saturday, Sunday or a day on which the Trustee or the State is authorized by law to remain closed.

"Disbursement Schedule" means the schedule or schedules of disbursement dates for State Education Revenues for each Issuer.

"Future Pension Bond Issuers" means the Oregon school districts and/or education service districts that issue Future Pension Bonds, as shown in Exhibit A to this Intercept Agreement, or their successors. Such Future Pension Bond Issuers may include some or all of the Series 2002 Issuers.

"Future Pension Bonds" means Pension Bonds, other than the Series 2002 Pension Bonds, that are issued by any Series 2002 Issuers in compliance with Article IV of this Intercept Agreement and which utilize this Intercept Agreement for the diversion of State Education Revenues. Future Pension Bonds also include Pension Bonds issued by Oregon school districts and/or education service districts other than the Series 2002 Issuers which utilize this Intercept Agreement in compliance with Article IV of this Intercept Agreement.

"Insurer" means the insurer of the obligations, if any, under the Series 2002 Trust Agreement, and any insurer of Future Pension Bonds or obligations secured by those Future Pension Bonds.

"Intercept Agreement" means this Intercept Agreement, including the exhibits attached hereto, and any amendments to this Intercept Agreement and its exhibits.

"Intercept Payments" means State Education Revenues transferred by the Agency to pay principal, interest and any premium on Pension Bonds pursuant to Section 3.1 of this Intercept Agreement.

"Intercept Schedule" means the schedule of Intercept Payments to the Trustee as further described in Section 3.1 hereof.

"Issuers" means Series 2002 Issuers and Future Pension Bond Issuers.

"Pension Bonds" means the Series 2002 Pension Bonds and any Future Pension Bonds.

"Series 2002 Issuers" means the Oregon school districts and/or education service districts that issue Series 2002 Pension Bonds, as shown in Exhibit A to this Intercept Agreement, or their successors.

"Series 2002 Pension Bonds" means the Limited Tax Pension Bond or Bonds, Series 2002, dated as of October 31, 2002, issued by the Series 2002 Issuers.

"Series 2002 Trustee" means Wells Fargo Bank Northwest, National Association and its successors and assigns.

"Series 2002 Trust Agreement" means the Trust Agreement for the Series 2002 Bonds with the Series 2002 Trustee.

"Special Counsel" means Ater Wynne LLP, or other nationally recognized bond counsel appointed at the request of the Issuers of 51% or more of the Principal amount of Pension Bonds which are then outstanding.

"State" means the State of Oregon.

"State Education Revenues" means any State funding for school districts and education service districts legally available to pay debt service on the Pension Bonds.

"Trustee" means the Series 2002 Trustee and any Trustee for Future Pension Bonds or obligations secured by Future Pension Bonds.

"Trust Agreement" means an agreement between a Trustee and one or more Issuers, which establishes a debt service trust fund with a Trustee for the purpose of paying the principal and interest and any premium on Pension Bonds issued under the Act, and provides that the Trustee shall hold the moneys paid into the debt service trust fund solely for the purpose of paying the principal and interest and any premium on Pension Bonds issued under the Act.

**Section 1.3 Rules of Construction.** References to section or article numbers in documents which do not specify the document in which the section or article is located shall be construed as references to section or article numbers in this Intercept Agreement.

## ARTICLE II. REPRESENTATIONS, AUTHORIZATIONS, WARRANTIES AND COVENANTS OF ISSUERS, TRUSTEE AND THE AGENCY

**Section 2.1 Representations, Authorizations, Warranties and Covenants of the Issuers.** Each Issuer represents, authorizes, covenants and warrants for the benefit of the Trustee and the Agency as follows:

- (a) Each Issuer is a political subdivision of the State.
- (b) Each Issuer is authorized under the Act to enter into this Intercept Agreement and to perform all of its obligations under this Intercept Agreement.
- (c) Each Issuer has validly issued its Pension Bond and delivered it to the Trustee.
- (d) Each Issuer represents, covenants and warrants that all required action has been taken to ensure the enforceability of its obligations under this Intercept Agreement.
- (e) Each Issuer authorizes the Agency to divert State Education Revenues for the purpose of paying the debt service on each Issuer's Pension Bonds from each Issuer's portion of State Education Revenues in accordance with Section 2.3 hereof and pledges such diverted State Education Revenues to secure each Issuer's Pension Bond.
- (f) Under ORS 288.594, such pledge of lien on and security interest in the State Education Revenues shall have the priority of lien provided for in ORS 288.594(4). ORS 288.594(2) provides that the Uniform Commercial Code does not apply to the creation, priority or enforcement of a lien of a pledge made by a public body such as each Issuer.
- (g) Except with respect to diversions pursuant to ORS 326.603(2), each Issuer covenants not to enter into any other agreement whereby State Education Revenues would be diverted in time or priority before diversion for the Pension Bonds.
- (h) Each Issuer authorizes the Trustee to invoice for and to receive moneys for the purpose of paying the debt service on its Pension Bonds, diverted from each Issuer's portion of State Education Revenues, and apply those moneys to make debt service payments, pursuant to the terms of this Intercept Agreement, the Trust Agreement and the Act.
- (i) Each Issuer agrees to notify the Trustee of any actual or anticipated changes in the Disbursement Schedule within five (5) days of obtaining knowledge of such change.

**Section 2.2 Representations, Warranties and Covenants of Trustee and Related Responsibilities of Agency.** Each Trustee represents, covenants and warrants for the benefit of the Issuers for which it serves as Trustee and the Agency as follows:

- (a) The Trustee is duly qualified to transact business of the type contemplated by this Intercept Agreement and the Trust Agreement in the State of Oregon, and has all necessary power to own its properties and assets and to carry on its business as now conducted.
- (b) The consummation of the transactions contemplated by this Intercept Agreement will not violate the provisions of, or constitute a breach or default under, the articles of association, charter or bylaws of the Trustee or any agreement to which the Trustee is a party.
- (c) The execution, delivery and performance by the Trustee of this Intercept Agreement and all related agreements, instruments and documents to which the Trustee is a party have been duly authorized and constitute legal, valid and binding obligations of the Trustee, enforceable against the Trustee in accordance with their terms.
- (d) The Trust Agreement establishes a debt service trust fund with the Trustee for the purpose of paying the principal and interest and any premium on the Pension Bonds which have been issued under the Act, and provides that the Trustee shall hold the moneys paid into the debt service trust fund solely for the purpose of paying the principal and interest and any premium on Pension Bonds issued under the Act. The Trust Agreement may also provide for the certifying of interests in the Pension Bonds to investors.
- (e) The Trustee agrees to submit to the Agency no later than the 5<sup>th</sup> day of each month in which a payment is due, an invoice, showing the payments due, unless the Agency and Trustee agree to a different schedule. Any modification to the schedule for this Intercept Agreement as it pertains to the Series 2002 Pension Bonds shall apply as well to Future Pension Bonds.
- (f) The Trustee agrees and covenants to deposit the Intercept Payments into the debt service trust fund it holds, and apply the Intercept Payments solely for the purpose of paying the principal and interest and premium, if any, on the Pension Bonds, pursuant to the terms of this Intercept Agreement.
- (g) The Trustee agrees and covenants to invest any moneys in the debt service trust fund in legally authorized investments for school districts and education service districts, pursuant to the terms of the Trust Agreement.
- (h) If the Trustee has reason to believe that the Disbursement Schedule has changed and the Trustee has not received notice pursuant to Sections 2.3(e) or 2.3(f), the Trustee covenants to contact the Agency to ask the Agency to indicate whether the Disbursement Schedule has changed. If the inquiry reveals that the Disbursement Schedule has changed, the Agency shall provide the Trustee with the modified Disbursement Schedule pursuant to Section 2.3(f). The Trustee will provide the Issuers with a copy of any new Disbursement Schedule no later than ten (10) days after the Trustee receives it, pursuant to Section 2.3(f).

**Section 2.3 Representations, Warranties and Covenants of Agency and Related Responsibilities of Trustee.** The Agency represents, covenants and warrants for the benefit of the Issuers and the Trustee as follows:

(a) The Agency is a state agency of the State, duly qualified to transact business of the type contemplated by this Intercept Agreement and is the Agency which is authorized to receive State Education Revenues payments on behalf of the Issuers.

(b) The execution, delivery and performance by the Agency of this Intercept Agreement has been duly authorized and constitutes a legal, valid and binding obligation of the Agency, enforceable against the Agency in accordance with its terms.

(c) The Agency shall pay the Intercept Payments as provided in Section 3.1 hereof.

(d) The Agency shall pay Intercept Payments for each Issuer to the appropriate Trustee from the first State Education Revenues available to that Issuer after payment under ORS 326.603(2). While any Intercept Payment for an Issuer is due or overdue, the Agency shall not disburse any State Education Revenues to that Issuer until all those Intercept Payments have been paid to the Trustee.

(e) Unless the Agency and Trustee agree to a different schedule, not later than June 15 of each year the Trustee shall send the Agency a request for information to be supplied in substantially the form attached as Exhibit B, and the Agency shall respond to that request for information by completing the request form not later than June 30 of that year. The request for information shall ask the Agency to describe any changes the Agency reasonably expects to be made to the Disbursement Schedule then in effect for the following fiscal year, including the allocation dates and amounts for State Education Revenues, and whether the Agency reasonably expects that those changes would impair the ability of the Agency to make Intercept Payments in whole, in part, or in accordance with the then existing Intercept Schedule, and the amount of State Education Revenues that have been estimated for each Issuer for the following fiscal year.

(f) To the extent the Disbursement Schedule has been modified or is expected to be modified, and the Agency has not notified the Trustee pursuant to Section 2.3(e), the Agency shall provide the Trustee with the actual or anticipated alternate Disbursement Schedule; provided the Agency shall not be liable for any failure to provide such notice to the Trustee. The Trustee will provide the Issuers with a copy of any new Disbursement Schedule as soon as practicable, but in any case not later than ten (10) days after the Trustee receives it and a copy of any change in the Intercept Schedule within ten (10) days of such change, in accordance with Section 3.2.

(g) The Agency covenants to cooperate in the assignment of this Intercept Agreement or the responsibilities hereunder to another agency of the State to the extent the responsibility for the distribution of State Education Revenues is assumed by another agency of the State.

### ARTICLE III. PAYMENT OBLIGATIONS

#### Section 3.1 Payment, Calculation and Invoicing of Intercept Payments.

(a) The Agency shall pay the Intercept Payments in the amounts and on the dates shown in the invoices provided to the Agency by the Trustee in accordance with this Section 3.1, unless the Agency and Trustee agree to a different schedule for any or all parts of this Section. The invoices to be provided to the Agency by the Trustee and described below are calculated to fully fund debt service on the Pension Bonds.

(b) Except as provided in Section 3.1(d) below, during the period beginning with the date the Series 2002 Pension Bonds are issued and continuing until June 30, 2003 (and, if any Future Pension Bonds are issued prior to June 30, 2003, during the period beginning with the date such Future Pension Bonds are issued and continuing until June 30, 2003), the Trustee shall invoice the Agency for Intercept Payments to be made. The amount invoiced by the Trustee on the 5th day of November, 2002 through the 5th day of March, 2003 for payment no later than the 15th day of the respective month shall be derived by dividing equally by five each Issuer's Pension Bonds annual debt service attributable to the months of November, 2002 through June, 2003. The Agency shall not be liable for any inaccurate invoices from the Trustee and the Trustee shall be liable for any inaccuracy resulting from its own negligence.

(c) Except as provided in Section 3.1(d) below, for the period beginning July 1, 2003 and ending on the payment in full of all of the Pension Bonds, each Trustee shall invoice the Agency no later than the 5<sup>th</sup> day of each month, except for the month of June, which amount will have been included in the preceding July billing. The amount invoiced for each Issuer shall be equal to the share of each Issuer's Pension Bonds debt service that is attributable to the month for which the invoice is sent (except for the month of July, which will include the debt service for the month of the subsequent June), unless this Intercept Agreement is subsequently changed. Therefore, for example, the July 5, 2003 invoice will include the monthly debt service allocation for July, 2003 and for June, 2004.

(d) If the Disbursement Schedule changes, the Agency shall notify the Trustee and the Trustee shall invoice the Agency for Intercept Payments for the months indicated in the changed Disbursement Schedule. The amount of each invoice shall be equal to the amount required to provide the Trustee with a balance on hand at all times which is at least equal to the balance that the Trustee would have had if the Trustee were invoicing the Agency for substantially equal monthly payments. For example, if the Agency indicates that disbursements will be made quarterly in July, October, January and April, the Trustee shall invoice the Agency for payment on July 5th an amount equal to the sum of the monthly invoices that would have been sent for July, August and September of that year, and shall invoice for three months of payments for each succeeding quarterly invoice.

(e) The Agency shall pay the amounts invoiced to it for each month not later than the 15th day of that month, but in no case later than the date State Education Revenues are disbursed to the Issuers.

(f) To the extent State Education Revenues are not sufficient to make any Intercept Payments, for some or all Issuers, in full, the Agency shall pay the greatest amount of State Education Revenues available, and the Trustee shall require the Issuers whose Intercept Payment was not made in full by the Agency to fund the difference.



(g) If the Agency is not able to pay any portion of an Intercept Payment in full when due, and the deficiency is not paid in full by an Issuer, each affected Trustee shall add the amount of any remaining deficiency to the next invoice sent to the Agency.

(h) Failure by the Agency to pay any Intercept Payment or payment by Issuers of any deficiencies in Intercept Payments shall not relieve the Agency from its obligation to make subsequent Intercept Payments.

**Section 3.2 Notice of Nonpayment and Disbursement Schedule Change.** In the event the Agency becomes aware they will not be able to pay any portion of the Intercept Payments when they are due, the Agency will give the affected Trustee written notice within three (3) days after the Agency is aware that a single or multiple Intercept Payments are not going to be made. In the event of any proposed change or modification in the Disbursement Schedule which would impact the Agency's ability to make Intercept Payments when due, the Agency will give written notice to the Trustee within three (3) days after the Agency is aware of such proposed change or modification. The Trustee will provide the Issuers with a copy of such notice as soon as practicable, but in any case not later than ten (10) days after the Trustee receives such notice.

**Section 3.3 Non-Liability of Agency.** Nothing in this Intercept Agreement, the Trust Agreement or any agreement entered into by the Agency in any manner obligates the Agency:

(a) to pay any amount on behalf of an Issuer that the Issuer is not otherwise entitled to receive under the law; or

(b) except for the diversion of State Education Revenues to the Trustee, to pay principal, interest and any premium on the Pension Bonds.

#### ARTICLE IV. FUTURE PENSION BONDS

**Section 4.1 Future Pension Bonds.** Future Pension Bonds may be issued only if: (a) the Future Pension Bond Issuers and any Trustee for the Future Pension Bonds authorize, execute and enter into this Intercept Agreement and agree to receive disbursements from the Agency on the same schedule as disbursements are made for all Pension Bonds; and, (b) the Future Pension Bonds satisfy the requirement listed in Section 4.2. If Future Pension Bonds are issued, the names of the Future Pension Bond Issuers and their Bond Amount shall be added to Exhibit A and for Issuers already listed on Exhibit A, the Bond Amount shall be revised on Exhibit A. Future Bond Issuers and any Trustee for Future Pension Bonds shall execute this Intercept Agreement by signature of an authorized officer.

Any Trustee for Future Pension Bonds shall be listed in Exhibit C along with such Trustee's corresponding Future Pension Bonds. By agreeing to act as a Trustee for a Future Pension Bonds, such Trustee hereby agrees to be bound by the terms and conditions of this Intercept Agreement including without limitation the application to Future Pension Bonds of the existing and any future Disbursement Schedules in effect for the Series 2002 Pension Bonds.

The Agency hereby agrees that at the time any Issuer or any Trustee executes this Intercept Agreement and is listed in the respective exhibits to this Intercept Agreement, the Agency shall be bound by the terms and conditions of this Intercept Agreement with respect to those parties.

If the Agency is required to make more than one Intercept Payment each month for any Issuer or Issuers, and the Agency does not have sufficient funds to pay all the Intercept Payments for that Issuer or

those Issuers, the Agency shall apply its available funds proportionally to pay all Intercept Payments due for that Issuer or those Issuers.

**Section 4.2 Limitation on Future Pension Bonds.** An issue of pension-bonds (the "Proposed Pension Bonds") will qualify as Future Pension Bonds only if the issuer of the Proposed Pension Bonds or the trustee for the Proposed Pension Bonds on behalf of the issuer files a certificate, dated as of the date of closing of the Proposed Pension Bonds, with the Agency and the Trustee for the Series 2002 Pension Bonds demonstrating that the Prior Revenues in each of the three most recently completed fiscal years are not less than two (2.0) times the average aggregate annual debt service on the Proposed Pension Bonds and any outstanding Pension Bonds. For purposes of this Section 4.2, "Prior Revenues" means the amount of State Education Revenues distributed to the issuer of the Proposed Pension Bonds in a fiscal year. If an Issuer merges or otherwise consolidates with other districts, the resulting entity shall be treated as having the debt service and Prior Revenues of the districts that merged into it. If an Issuer separates into more than one district, each resulting entity shall be treated as having the portion of the debt service and Prior Revenues of the original entity attributable to such resulting entity.

**Section 4.3 Other Obligations.** Nothing shall prevent an Issuer or the Agency from entering into intercept agreements payable from State Education Revenues in connection with obligations that do not qualify as Future Pension Bonds. However, no payment may be made by the Agency under those intercept agreements at any time in any month for an Issuer until all payments due under this Intercept Agreement for that Issuer in that month have been paid in full.

#### ARTICLE V. MISCELLANEOUS

**Section 5.1 Intercept Agreement Irrevocable.** This Intercept Agreement is irrevocable.

**Section 5.2 Effective Date.** The Intercept Agreement will remain in effect until all Pension Bonds have matured or been redeemed.

**Section 5.3 Binding Effect.** This Intercept Agreement shall inure to the benefit of and shall be binding upon the Trustee, the Agency and the Issuers and their respective successors and assigns.

**Section 5.4 Severability.** In the event any provisions of this Intercept Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provisions hereof.

**Section 5.5 Amendments.** Except for changes in the Disbursement Schedule and the Intercept Schedule as set forth in Section 3.1 which do not require the Issuer's consent, this Intercept Agreement may only be amended by mutual consent of the parties hereto. Further, this Intercept Agreement may be amended without the consent of the Issuers only if an opinion of the Trustee or Special Counsel is obtained that such changes do not materially adversely affect the Issuers.

**Section 5.6 Execution in Counterparts.** This Intercept Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

**Section 5.7 Applicable Law.** This Intercept Agreement shall be governed by and construed in accordance with the laws of the State of Oregon. Any action regarding this Intercept Agreement or the transactions contemplated hereby shall be brought in an appropriate court in Marion County, Oregon.

**Section 5.8 All Obligations Due on Business Days.** If the date for making any payment, or the date for performing any act or exercising any right, as provided herein, is a day which is not a Business Day, such payment may be made, act performed, or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided herein, and no interest shall accrue for the period from and after such date.


**Section 5.9 Headings.** The headings, titles and table of contents in this Intercept Agreement are provided for convenience and shall not affect the meaning, construction or effect of this Intercept Agreement.

IN WITNESS WHEREOF, the Trustee, the Agency and the Issuers have executed this Intercept Agreement as of the date and year first written.

**WELLS FARGO BANK NORTHWEST,  
NATIONAL ASSOCIATION, as Trustee**

By:   
Authorized Officer

**OREGON DEPARTMENT OF EDUCATION**

By:   
Nancy Heiligman  
Deputy Superintendent of Public Instruction

IN WITNESS WHEREOF, the Issuers have executed this Intercept Agreement as of the date and year first written.

BAKER SCHOOL DISTRICT NO. 5J  
BAKER AND UNION COUNTIES, OREGON

By:   
Authorized Officer

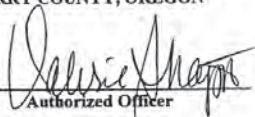
IN WITNESS WHEREOF, the Issuers have executed this Intercept Agreement as of the date and year first written.

ADMINISTRATIVE SCHOOL DISTRICT NO. 1  
(BEND-LAPINE)  
DESCHUTES COUNTY, OREGON

By:   
Authorized Officer

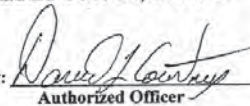
IN WITNESS WHEREOF, the Issuers have executed this Intercept Agreement as of the date and year first written.

**BROOKINGS-HARBOR SCHOOL DISTRICT NO. 17C  
CURRY COUNTY, OREGON**

By:   
Authorized Officer

IN WITNESS WHEREOF, the Issuers have executed this Intercept Agreement as of the date and year first written.

**BURNS-HINES SCHOOL DISTRICT NO. 3  
HARNEY COUNTY, OREGON**

By:   
Authorized Officer

IN WITNESS WHEREOF, the Issuers have executed this Intercept Agreement as of the date and year first written.

CANBY SCHOOL DISTRICT NO. 86  
CLACKAMAS COUNTY, OREGON

By:   
Authorized Officer

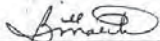
IN WITNESS WHEREOF, the Issuers have executed this Intercept Agreement as of the date and year first written.

CORVALLIS SCHOOL DISTRICT NO. 509J  
BENTON AND LINN COUNTIES, OREGON

By:   
Authorized Officer


IN WITNESS WHEREOF, the Issuers have executed this Intercept Agreement as of the date and year first written.

**CROOK COUNTY SCHOOL DISTRICT  
CROOK COUNTY, OREGON**

By:   
Authorized Officer

IN WITNESS WHEREOF, the Issuers have executed this Intercept Agreement as of the date and year first written.

**DAYTON SCHOOL DISTRICT NO. 8  
YAMHILL COUNTY, OREGON**

By:   
Authorized Officer

IN WITNESS WHEREOF, the Issuers have executed this Intercept Agreement as of the date and year first written.

DOUGLAS COUNTY SCHOOL DISTRICT NO. 4  
(ROSEBURG)  
DOUGLAS COUNTY, OREGON

By: John C. Steele  
Authorized Officer  
John C. Steele  
Director of Business Operations

IN WITNESS WHEREOF, the Issuers have executed this Intercept Agreement as of the date and year first written.

FERN RIDGE SCHOOL DISTRICT NO. 28J  
LANE COUNTY, OREGON

By: Kathy L. Hill  
Authorized Officer

IN WITNESS WHEREOF, the Issuers have executed this Intercept Agreement as of the date and year first written.

GASTON SCHOOL DISTRICT NO. 511J  
WASHINGTON AND YAMHILL COUNTIES,  
OREGON

By: Robert E. Richards  
Authorized Officer

IN WITNESS WHEREOF, the Issuers have executed this Intercept Agreement as of the date and year first written.

GLIDE SCHOOL DISTRICT NO. 12  
DOUGLAS COUNTY, OREGON

By: Ramond L Phillips  
Authorized Officer



IN WITNESS WHEREOF, the Issuers have executed this Intercept Agreement as of the date and year first written.

GRANT SCHOOL DISTRICT NO. 3  
(JOHN DAY)  
GRANT COUNTY, OREGON

By:   
Authorized Officer

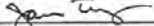
IN WITNESS WHEREOF, the Issuers have executed this Intercept Agreement as of the date and year first written.

GRESHAM-BARLOW SCHOOL DIST. NO. 10J  
MULTNOMAH AND CLACKAMAS COUNTIES,  
OREGON

By:   
Authorized Officer

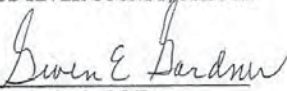
IN WITNESS WHEREOF, the Issuers have executed this Intercept Agreement as of the date and year first written.

HERMISTON SCHOOL DISTRICT NO. 8  
UMATILLA COUNTY, OREGON

By:   
Authorized Officer

IN WITNESS WHEREOF, the Issuers have executed this Intercept Agreement as of the date and year first written.

HOOD RIVER COUNTY SCHOOL DISTRICT  
HOOD RIVER COUNTY, OREGON

By:   
Authorized Officer

IN WITNESS WHEREOF, the Issuers have executed this Intercept Agreement as of the date and year first written.

JEFFERSON COUNTY SCHOOL DISTRICT NO. 509J  
JEFFERSON AND WASCO COUNTIES, OREGON

By:  \_\_\_\_\_  
Authorized Officer

IN WITNESS WHEREOF, the Issuers have executed this Intercept Agreement as of the date and year first written.

LAKE OSWEGO SCHOOL DISTRICT NO. 7J  
CLACKAMAS, MULTNOMAH AND  
WASHINGTON COUNTIES, OREGON

By:  \_\_\_\_\_  
Authorized Officer

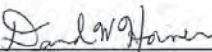
IN WITNESS WHEREOF, the Issuers have executed this Intercept Agreement as of the date and year first written.

LINCOLN COUNTY SCHOOL DISTRICT  
LINCOLN AND LANE COUNTIES, OREGON

By:   
Authorized Officer

IN WITNESS WHEREOF, the Issuers have executed this Intercept Agreement as of the date and year first written.

MCMINNVILLE SCHOOL DISTRICT NO. 40  
YAMHILL COUNTY, OREGON

By:   
Authorized Officer

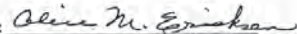
IN WITNESS WHEREOF, the Issuers have executed this Intercept Agreement as of the date and year first written.

MILTON-FREEWATER SCHOOL DISTRICT NO. 7  
UMATILLA COUNTY, OREGON

By:   
Authorized Officer

IN WITNESS WHEREOF, the Issuers have executed this Intercept Agreement as of the date and year first written.

MOLALLA RIVER SCHOOL DISTRICT NO. 35  
CLACKAMAS COUNTY, OREGON

By:   
Authorized Officer

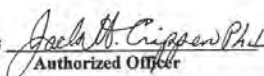
IN WITNESS WHEREOF, the Issuers have executed this Intercept Agreement as of the date and year first written.

MONROE SCHOOL DISTRICT NO. 1J  
BENTON AND LANE COUNTIES, OREGON

By:   
Authorized Officer

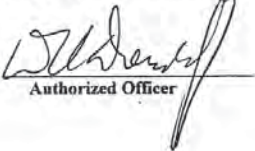
IN WITNESS WHEREOF, the Issuers have executed this Intercept Agreement as of the date and year first written.

MORROW COUNTY SCHOOL DISTRICT  
MORROW AND GILLIAM COUNTIES, OREGON

By:   
Authorized Officer

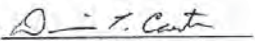
IN WITNESS WHEREOF, the Issuers have executed this Intercept Agreement as of the date and year first written.

NORTH CLACKAMAS SCHOOL DISTRICT NO. 12  
CLACKAMAS COUNTY, OREGON

By:   
Authorized Officer

IN WITNESS WHEREOF, the Issuers have executed this Intercept Agreement as of the date and year first written.

ONTARIO SCHOOL DISTRICT NO. 8C  
MALHEUR COUNTY, OREGON

By:   
Authorized Officer

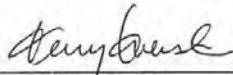
IN WITNESS WHEREOF, the Issuers have executed this Intercept Agreement as of the date and year first written.

PENDLETON SCHOOL DISTRICT NO. 16  
UMATILLA COUNTY, OREGON

By:   
Authorized Officer

IN WITNESS WHEREOF, the Issuers have executed this Intercept Agreement as of the date and year first written.

PHILOMATH SCHOOL DISTRICT NO. 17J  
BENTON AND POLK COUNTIES, OREGON

By:   
Authorized Officer



IN WITNESS WHEREOF, the Issuers have executed this Intercept Agreement as of the date and year first written.

REEDSPORT SCHOOL DISTRICT NO. 105  
COOS AND DOUGLAS COUNTIES, OREGON

By:   
Authorized Officer

IN WITNESS WHEREOF, the Issuers have executed this Intercept Agreement as of the date and year first written.

SALEM-KEIZER SCHOOL DISTRICT NO. 24J  
MARION AND POLK COUNTIES, OREGON

By:   
Authorized Officer

IN WITNESS WHEREOF, the Issuers have executed this Intercept Agreement as of the date and year first written.

SCHOOL DISTRICT NO. 1J  
(PORTLAND PUBLIC SCHOOLS)  
MULTNOMAH COUNTY, OREGON

By:   
Authorized Officer

IN WITNESS WHEREOF, the Issuers have executed this Intercept Agreement as of the date and year first written.

SHERWOOD SCHOOL DISTRICT NO. 88J  
WASHINGTON, CLACKAMAS AND YAMHILL  
COUNTIES, OREGON

By:   
Authorized Officer

IN WITNESS WHEREOF, the Issuers have executed this Intercept Agreement as of the date and year first written.

SOUTH UMPQUA SCHOOL DISTRICT NO. 19  
DOUGLAS COUNTY, OREGON

By: *Angie Peterson*  
Authorized Officer

IN WITNESS WHEREOF, the Issuers have executed this Intercept Agreement as of the date and year first written.

ST. HELENS SCHOOL DISTRICT NO. 502  
COLUMBIA COUNTY, OREGON

By: *[Signature]*  
Authorized Officer

IN WITNESS WHEREOF, the Issuers have executed this Intercept Agreement as of the date and year first written.

SUTHERLIN SCHOOL DISTRICT NO. 130  
DOUGLAS COUNTY, OREGON

By: Claire L. Cotton  
Authorized Officer

IN WITNESS WHEREOF, the Issuers have executed this Intercept Agreement as of the date and year first written.

SWEET HOME SCHOOL DISTRICT NO. 55  
LINN COUNTY, OREGON

By: Larry Cotton  
Authorized Officer

IN WITNESS WHEREOF, the Issuers have executed this Intercept Agreement as of the date and year first written.

UMATILLA SCHOOL DISTRICT NO. 6  
UMATILLA COUNTY, OREGON

By: *Brian Say*  
Authorized Officer

IN WITNESS WHEREOF, the Issuers have executed this Intercept Agreement as of the date and year first written.

UNION-BAKER EDUCATION SERVICE DISTRICT  
UNION, BAKER AND MALHEUR COUNTIES, OREGON

By: *Earl Schenckler*  
Authorized Officer

IN WITNESS WHEREOF, the Issuers have executed this Intercept Agreement as of the date and year first written.

UNION COUNTY SCHOOL DISTRICT NO. 1 (LA GRANDE)  
UNION COUNTY, OREGON

By: *Ava Rucker*  
Authorized Officer

IN WITNESS WHEREOF, the Issuers have executed this Intercept Agreement as of the date and year first written.

UNION SCHOOL DISTRICT NO. 5  
UNION COUNTY, OREGON

By: *Michael A. Wood*  
Authorized Officer

IN WITNESS WHEREOF, the Issuers have executed this Intercept Agreement as of the date and year first written.

WINSTON-DILLARD SCHOOL DISTRICT NO. 116  
DOUGLAS COUNTY, OREGON

By:   
Authorized Officer

EXHIBIT A  
PARTICIPATING SCHOOL DISTRICTS  
AND EDUCATION SERVICE DISTRICTS  
OREGON SCHOOL BOARDS ASSOCIATION  
LIMITED TAX PENSION BONDS

<i>Series 2002 Issuers</i>	<i>Bond Amount</i>
Baker School District No. 51	\$ 8,134,010.15
Administrative School District No. 1 (Bend-LaPine)	40,926,718.95
Brookings-Harbor School District No. 17C	6,016,456.05
Burns-Hines School District No. 3	4,351,352.05
Canby School District No. 86	15,828,141.90
Corvallis School District No. 509J	24,299,733.45
Crook County School District	10,328,942.65
Dayton School District No. 8	3,135,841.65
Douglas County School District No. 4 (Roseburg)	20,347,283.05
Fern Ridge School District No. 28J	6,554,467.10
Gaston School District No. 51JJ	1,797,118.10
Glide School District No. 12	3,123,823.60
Grant School District No. 3 (John Day)	3,609,301.45
Gresham-Barlow School Dist. No. 10J	35,758,403.25
Hermiston School District No. 8	12,877,168.65
Hood River County School District	14,308,416.25
Jefferson County School District No. 509J	12,506,637.40
Lake Oswego School District No. 7J	21,926,731.55
Lincoln County School District	21,009,780.70
McMinnville School District No. 40	16,044,243.10
Milton-Freewater School District No. 7	6,124,638.75
Molalla River School District No. 35	8,635,317.75
Monte School District No. 1J	1,738,360.85
Morrow County School District	7,434,039.95
North Clackamas School District No. 12	50,821,060.10
Ontario School District No. 8C	9,513,783.50
Pendleton School District No. 16	11,366,647.20
Philomath School District No. 17J	5,713,413.95
Reedsport School District No. 105	2,908,726.30
Salem-Keizer School District No. 24J	114,614,762.55
School District No. 1J (Portland Public Schools)	210,103,856.90

Sherwood School District No. 88J	8,055,703.50
South Umpqua School District No. 19	6,393,627.35
St. Helens School District No. 502	10,722,216.80
Sutherlin School District No. 130	4,739,860.45
Sweet Home School District No. 55	8,089,413.50
Umatilla School District No. 6	3,920,597.95
Union-Baker Education Service District	3,984,618.40
Union County School District No. 1 (La Grande)	7,465,516.35
Union School District No. 5	1,683,420.65
Winston-Dillard School District No. 116	5,548,671.70

---

*Future Pension Bond Issuers*

*Bond Amount*

**EXHIBIT B**  
**FORM OF REQUEST FOR INFORMATION**

**From:** Oregon Department of Education ("Agency")  
255 Capitol Street NE  
Salem, OR 97310-0203

**To:** Wells Fargo Bank Northwest, National Association  
Corporate Trust Services  
MAC P6101-114  
SW 5<sup>th</sup> Avenue - 11<sup>th</sup> Floor  
Portland, OR 97201

**Re:** \$ \_\_\_\_\_ Oregon School Boards Association Pooled Pension Bond Program Limited Tax Pension Obligations, Series 2002A (\$ \_\_\_\_\_ Final Maturity Amount) (Deferred Interest) (Federally Taxable)

The undersigned hereby certifies as follows:

1. The anticipated disbursement schedule for distribution of any state funding for school districts and education service districts (the "State Education Revenues") legally available to pay debt service on the pension bonds issued under the above referenced financing (currently designated as the "State School Fund"), for the following fiscal year, beginning July 1, \_\_\_\_\_, is as follows:

<u>District</u>	<u>Date or Dates of Payment</u>	<u>Payment Amount</u>
-----------------	---------------------------------	-----------------------

2. If the timing of the disbursement schedule or the amounts to be disbursed (identified in paragraph #1 above) is different from that currently in effect, please describe these changes. Discuss the duration of these changes and whether the Agency expects that they will be in effect for more than the next fiscal year. If not, discuss the future disbursement schedule changes that are anticipated. Discuss whether the Agency reasonably expects that those changes will impair the ability of the Agency to make Intercept Payments in whole, in part or in accordance with the previously agreed upon Disbursement Schedule.

DATED: \_\_\_\_\_, 200\_.

OREGON DEPARTMENT OF EDUCATION

By: \_\_\_\_\_  
Authorized Officer



EXHIBIT C  
TRUSTEE FOR FUTURE PENSION BONDS

---

AMENDMENT TO  
INTERCEPT AGREEMENT

---

*by and among*

**Wells Fargo Bank Northwest, National Association**

*as Trustee*

*and the*

**Issuers of the Limited Tax Pension Bonds, Series 2002**

*and the*

**Oregon Department of Education**

---

Dated as of February 1, 2003

---

ATER WYNNE LLP

## AMENDMENT TO INTERCEPT AGREEMENT

THIS AMENDMENT TO INTERCEPT AGREEMENT (the "Amendment") is dated as of February 1, 2003, and is entered into by and among the Series 2002 Issuers (as defined below), Wells Fargo Bank Northwest, National Association, as trustee (the "Trustee") and the OREGON DEPARTMENT OF EDUCATION (the "Agency"). Pursuant to Section 5.5 of the Intercept Agreement, the parties hereby agree as follows:

### ARTICLE I. DEFINITIONS

**Section 1.1 Terms Defined in Intercept Agreement.** All defined terms used in this Amendment and not otherwise defined herein shall have the respective meanings assigned thereto in the Intercept Agreement.

**Section 1.2 Definitions.** In addition, the following defined terms used in this Amendment shall have the respective meanings:

(a) "Amendment" means this Amendment to Intercept Agreement, dated as of February 1, 2003.

(b) "Intercept Agreement" means the Intercept Agreement between the Issuers, the Agency and the Trustee, dated as of October 31, 2002.

(c) "Series 2002 Issuers" means the Oregon school districts and/or education service districts that issued the Series 2002 Pension Bonds, or their successors.

### ARTICLE II. AMENDMENT OF INTERCEPT AGREEMENT

**Section 2.1 Amendment of Section 2.1(g) of the Intercept Agreement.** Section 2.1(g) of the Intercept Agreement is hereby amended to read in full as follows:

Except with respect to diversions pursuant to ORS 326.603(2), each Issuer covenants not to enter into any other agreement with the Agency whereby State Education Revenues would be diverted in time or priority before diversion for the Pension Bonds.

**Section 2.2 Amendment of Section 3.1(c) of the Intercept Agreement.** Section 3.1(c) of the Intercept Agreement is hereby amended to read in full as follows:

Except as provided in Section 3.1(d) below, for the period beginning July 1, 2003 and ending on the payment in full of all of the Pension Bonds, each Trustee shall invoice the Agency no later than the 5th day of each month, except for the month of June, which amount will have been included in the preceding July billing, and the month of May, which amount will be collected on an equal pro rata basis during the months of July through April. The amount invoiced for each Issuer shall be equal to the share of each Issuer's Pension Bonds debt service that is attributable to the month for which the invoice is sent (except for the month of July, which will include the debt service for the month of

the subsequent June) plus one-tenth of the debt service due on the Issuer's Pension Bonds each May, unless this Intercept Agreement is subsequently changed to provide otherwise. Therefore, for example, the July 5, 2003 invoice will include the monthly debt service allocations for July 2003 and for June 2004, as well as one-tenth of the monthly debt service allocation for May 2004.

### ARTICLE III. MISCELLANEOUS

**Section 3.1 Effect of Intercept Agreement.** Except as expressly amended herein, the Intercept Agreement shall remain in full force and effect.

**Section 3.2 Execution in Counterparts.** This Amendment may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

**Section 3.3 Captions.** The captions or headings in this Amendment are provided for convenience only and shall in no way define, limit or describe the scope or intent of any provisions of this Amendment.

**Section 3.4 Law Governing Construction of Agreement.** This Amendment shall be governed by and construed in accordance with the laws of the State of Oregon. Any action regarding this Amendment or the transactions contemplated hereby shall be brought in an appropriate court in Marion County, Oregon.

**Section 3.5 Severability.** If any provision of this Amendment is held to be in conflict with any applicable statute or rule of law or is otherwise held to be unenforceable for any reason whatsoever, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative or unenforceable to any extent whatsoever.

**Section 3.6 Binding Effect.** This Amendment shall inure to the benefit of and shall be binding upon the Trustee, the Agency and the Issuers and their respective successors and assigns.

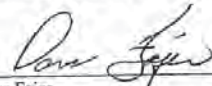
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IN WITNESS WHEREOF, the Trustee, the Agency and the Series 2002 Issuers have executed this Amendment as of the date and year first written.

WELLS FARGO BANK NORTHWEST,  
NATIONAL ASSOCIATION, as Trustee

By:   
Authorized Officer

OREGON DEPARTMENT OF EDUCATION

By:   
Dave Fojer  
Director of Management Services

IN WITNESS WHEREOF, the Series 2002 Issuers have executed this Amendment to Intercept Agreement as of the date and year first written.

BAKER SD 5-I DISTRICT  
BAKER COUNTY  
(OR COUNTIES), OREGON

By:   
Authorized Officer

IN WITNESS WHEREOF, the Series 2002 Issuers have executed this Amendment to Intercept Agreement as of the date and year first written.

Bend-La Pine DISTRICT  
Deschutes COUNTY  
(OR COUNTIES), OREGON

By:   
Authorized Officer John M. Rexford

IN WITNESS WHEREOF, the Series 2002 Issuers have executed this Amendment to Intercept Agreement as of the date and year first written.

Brookings-Harbor School DISTRICT  
Curry COUNTY  
(OR COUNTIES), OREGON

By:   
Authorized Officer

IN WITNESS WHEREOF, the Series 2002 Issuers have executed this Amendment to Intercept Agreement as of the date and year first written.

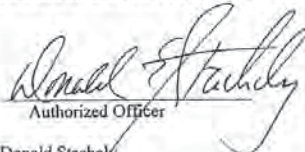
BURNS - HINES SCHOOL DISTRICT No. 3

HARNEY COUNTY,  
OREGON

By:   
Authorized Officer

IN WITNESS WHEREOF, the Series 2002 Issuers have executed this Amendment to Intercept Agreement as of the date and year first written.

CANBY SCHOOL DISTRICT  
CLACKAMAS COUNTY, OREGON

By:   
Authorized Officer

Donald Staehle  
Chief Financial Officer

IN WITNESS WHEREOF, the Series 2002 Issuers have executed this Amendment to Intercept Agreement as of the date and year first written.

Corvallis School District 509J  
Benton and Linn Counties, Oregon

By:   
Authorized Officer

IN WITNESS WHEREOF, the Series 2002 Issuers have executed this Amendment to Intercept Agreement as of the date and year first written.

*Creek County* DISTRICT  
*Creek* COUNTY  
(OR COUNTIES), OREGON

By:   
Authorized Officer

IN WITNESS WHEREOF, the Series 2002 Issuers have executed this Amendment to Intercept Agreement as of the date and year first written.

Dayton School DISTRICT #8  
Yamhill COUNTY  
(OR COUNTIES), OREGON

By: GanBunn, Deputy Clerk  
Authorized Officer

IN WITNESS WHEREOF, the Series 2002 Issuers have executed this Amendment to Intercept Agreement as of the date and year first written.

Douglas County School District 4 DISTRICT  
Douglas COUNTY  
(OR COUNTIES), OREGON

By: John C. Steele  
Authorized Officer  
John C. Steele

IN WITNESS WHEREOF, the Series 2002 Issuers have executed this Amendment to Intercept Agreement as of the date and year first written.

Ferris Ridge School DISTRICT 285  
LANE COUNTY  
(OR COUNTIES), OREGON

By: Kathy L. Neil, Business Manager  
Authorized Officer

IN WITNESS WHEREOF, the Series 2002 Issuers have executed this Amendment to Intercept Agreement as of the date and year first written.

Sheeham-Barlow DISTRICT  
Multnomah & Clackamas COUNTY  
(OR COUNTIES), OREGON

By: Michelle Jensen Moore  
Authorized Officer



IN WITNESS WHEREOF, the Series 2002 Issuers have executed this Amendment to Intercept Agreement as of the date and year first written.

Gaston 511 J DISTRICT  
Washington COUNTY  
(OR COUNTIES), OREGON

By: Marie DeBelleto  
Authorized Officer

IN WITNESS WHEREOF, the Series 2002 Issuers have executed this Amendment to Intercept Agreement as of the date and year first written.

GLIDE SCHOOL DISTRICT #12  
DOUGLAS COUNTY  
(OR COUNTIES), OREGON

By: Raymond L Phillips  
Raymond L Phillips, Superintendent

IN WITNESS WHEREOF, the Series 2002 Issuers have executed this Amendment to Intercept Agreement as of the date and year first written.

Grant SD#3 DISTRICT  
Grant COUNTY  
(OR COUNTIES), OREGON

By: [Signature]  
Authorized Officer

IN WITNESS WHEREOF, the Series 2002 Issuers have executed this Amendment to Intercept Agreement as of the date and year first written.

HERMISTON SCHOOL DISTRICT #8R  
UMATILLA COUNTY, OREGON

By: [Signature]  
James Thompson, Business Manager

IN WITNESS WHEREOF, the Series 2002 Issuers have executed this Amendment to Intercept Agreement as of the date and year first written.

Hood River County S.D. DISTRICT  
Hood River COUNTY  
(OR COUNTIES), OREGON

By: Gwen E. Gardner  
Authorized Officer

IN WITNESS WHEREOF, the Series 2002 Issuers have executed this Amendment to Intercept Agreement as of the date and year first written.

JEFFERSON COUNTY SCHOOL DISTRICT 509-J  
JEFFERSON COUNTY, OREGON

By: Phillip S. Riley  
Phillip S. Riley, Superintendent

IN WITNESS WHEREOF, the Series 2002 Issuers have executed this Amendment to Intercept Agreement as of the date and year first written.

La Grande DISTRICT  
Union COUNTY  
(OR COUNTIES), OREGON

By: [Signature]  
Authorized Officer

IN WITNESS WHEREOF, the Trustee, the Agency and the Series 2002 Issuers have executed this Amendment as of the date and year first written.

WELLS FARGO BANK NORTHWEST,  
NATIONAL ASSOCIATION, as Trustee

By: \_\_\_\_\_  
Authorized Officer

OREGON DEPARTMENT OF EDUCATION

By: \_\_\_\_\_  
Dave Fajer  
Director of Management Services

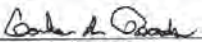
IN WITNESS WHEREOF, the Series 2002 Issuers have executed this Amendment to Intercept Agreement as of the date and year first written.

LAKE OSWEGO SCHOOL DISTRICT  
CLACKAMAS, WASHINGTON, AND MULTNOMAH  
COUNTIES, OREGON

By: [Signature]  
Ron M. Smith, Authorized Officer

IN WITNESS WHEREOF, the Series 2002 Issuers have executed this Amendment to Intercept Agreement as of the date and year first written.

Lincoln County School District  
Lincoln County, Oregon

By:   
Authorized Officer  
Charles A. Rhoads  
Director of Business services  
Lincoln County School District

IN WITNESS WHEREOF, the Series 2002 Issuers have executed this Amendment to Intercept Agreement as of the date and year first written.

McMinnville SD DISTRICT  
Fam Hill COUNTY  
(OR COUNTIES), OREGON

By:   
Authorized Officer

IN WITNESS WHEREOF, the Series 2002 Issuers have executed this Amendment to Intercept Agreement as of the date and year first written.

Milton Freewater US DISTRICT  
Umatilla COUNTY  
(OR COUNTIES), OREGON

By:   
Authorized Officer

IN WITNESS WHEREOF, the Series 2002 Issuers have executed this Amendment to Intercept Agreement as of the date and year first written.

MOLALLA RIVER SCHOOL DISTRICT  
CLACKAMAS COUNTY, OREGON

By:   
Superintendent

IN WITNESS WHEREOF, the Series 2002 Issuers have executed this Amendment to Intercept Agreement as of the date and year first written.

Monroe LJ School DISTRICT  
Benton COUNTY  
(OR COUNTIES), OREGON

By:   
Authorized Officer

IN WITNESS WHEREOF, the Series 2002 Issuers have executed this Amendment to Intercept Agreement as of the date and year first written.

Wallowa County DISTRICT  
Wallowa COUNTY  
(OR COUNTIES), OREGON

By:   
Authorized Officer

IN WITNESS WHEREOF, the Series 2002 Issuers have executed this Amendment to Intercept Agreement as of the date and year first written.

North Clatsop DISTRICT  
Clatsop COUNTY  
(OR COUNTIES), OREGON

By:   
Authorized Officer

IN WITNESS WHEREOF, the Series 2002 Issuers have executed this Amendment to Intercept Agreement as of the date and year first written.

Ontario DISTRICT  
Madison COUNTY  
(OR COUNTIES), OREGON


By:   
Authorized Officer

Cheri L. Sidaway



IN WITNESS WHEREOF, the Series 2002 Issuers have executed this Amendment to Intercept Agreement as of the date and year first written.

Pendleton DISTRICT  
Umatilla COUNTY  
(OR COUNTIES), OREGON

By:   
Authorized Officer  
James D. Keene,  
Superintendent

IN WITNESS WHEREOF, the Series 2002 Issuers have executed this Amendment to Intercept Agreement as of the date and year first written.

PHILOMATH SCHOOL DISTRICT #17J  
BENTON & POLK COUNTIES,  
OREGON

By:   
Terry Kneisler, Superintendent


IN WITNESS WHEREOF, the Series 2002 Issuers have executed this Amendment to Intercept Agreement as of the date and year first written.

SCHOOL DISTRICT NO. 1J,  
MULTNOMAH COUNTY, OREGON

By:  2-10-03  
Lynn Ward, Deputy Clerk

IN WITNESS WHEREOF, the Series 2002 Issuers have executed this Amendment to Intercept Agreement as of the date and year first written.

Reedsport 105 DISTRICT  
Douglas COUNTY  
(OR COUNTIES), OREGON

By:  Superintendent  
Authorized Officer

IN WITNESS WHEREOF, the Series 2002 Issuers have executed this Amendment to Intercept Agreement as of the date and year first written.

Selen Keizer DISTRICT  
Marion COUNTY  
(OR COUNTIES), OREGON

By: [Signature]  
Authorized Officer

IN WITNESS WHEREOF, the Series 2002 Issuers have executed this Amendment to Intercept Agreement as of the date and year first written.

SHERWOOD SCHOOL DISTRICT  
Washington, Clackamas & Yamhill COUNTY  
(OR COUNTIES), OREGON

By: [Signature]  
Authorized Officer

IN WITNESS WHEREOF, the Series 2002 Issuers have executed this Amendment to Intercept Agreement as of the date and year first written.

SOUTH UMPQUA SCHOOL DISTRICT  
DOUGLAS COUNTY  
(OR COUNTIES), OREGON

By:   
Authorized Officer

IN WITNESS WHEREOF, the Series 2002 Issuers have executed this Amendment to Intercept Agreement as of the date and year first written.

St. Helens School DISTRICT  
Columbia COUNTY  
(OR COUNTIES), OREGON

By:   
Authorized Officer

IN WITNESS WHEREOF, the Series 2002 Issuers have executed this Amendment to Intercept Agreement as of the date and year first written.

Sutherland DISTRICT  
Douglas COUNTY  
(OR COUNTIES), OREGON

By: Clair Cotton  
Authorized Officer


IN WITNESS WHEREOF, the Series 2002 Issuers have executed this Amendment to Intercept Agreement as of the date and year first written.

SWEET HOME SCHOOL DISTRICT  
LINN COUNTY, OREGON

By: [Signature]  
Authorized Officer

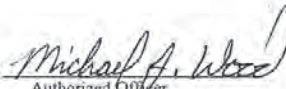
IN WITNESS WHEREOF, the Series 2002 Issuers have executed this Amendment to Intercept Agreement as of the date and year first written.

UMATILLA SCHOOL DISTRICT 6R  
UMATILLA COUNTY  
(OR COUNTIES), OREGON

By:   
Authorized Officer, Brian Say  
Superintendent

IN WITNESS WHEREOF, the Series 2002 Issuers have executed this Amendment to Intercept Agreement as of the date and year first written.

Union School DISTRICT  
Union COUNTY  
(OR COUNTIES), OREGON

By:   
Authorized Officer

IN WITNESS WHEREOF, the Series 2002 Issuers have executed this Amendment to Intercept Agreement as of the date and year first written.

Union-Baker Education Service DISTRICT  
Union & Baker COUNTY  
(OR COUNTIES), OREGON

By: Amy Jennings  
Authorized Officer

IN WITNESS WHEREOF, the Series 2002 Issuers have executed this Amendment to Intercept Agreement as of the date and year first written.

WINSTON-DILLARD SCHOOL DISTRICT  
DOUGLAS COUNTY, OREGON

By: Cheryl Nothman  
Authorized Officer

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**SIXTH SUPPLEMENTAL  
INTERCEPT AGREEMENT**

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*by and among*

**Wells Fargo Bank, National Association**

as Series 2012 Trustee

*and the*

**Issuers of the  
Limited Tax Pension Refunding Bonds  
Series 2012**

*(Described in the Attached Exhibit A)*

*and the*

**Oregon Department of Education**

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Dated as of January 31, 2012

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## SIXTH SUPPLEMENTAL INTERCEPT AGREEMENT

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This Sixth Supplemental Intercept Agreement is dated as of January 31, 2012, and is entered into by and among the Series 2012 Issuers (as defined below), Wells Fargo Bank, National Association, as trustee (the “Series 2012 Trustee”) and the OREGON DEPARTMENT OF EDUCATION (the “Agency”). Pursuant to Section 4.1 of the Intercept Agreement (as defined below), the parties hereby agree as follows:

### ARTICLE I. RECITALS, DEFINITIONS AND RULES OF CONSTRUCTION

#### Section 1.1 Recitals.

(a) The Series 2012 Issuers are authorized to issue current refunding bonds as defined in ORS 287A.360 to refinance their outstanding pension obligation bonds issued pursuant to ORS 238.692 to 238.698, as amended (the “Act”);

(b) The Series 2002 Issuers, the Series 2003 Issuers, the Series 2004 Issuers, the Series 2005, the Series 2007 Issuers and the Series 2011 Issuers (collectively, the “Prior Issuers”) have previously entered into an Intercept Agreement that provides for the diversion of State Education Revenues and allows for the issuance of Future Pension Bonds by the Prior Issuers and additional Future Pension Bond Issuers, such as the Series 2012 Issuers;

(c) Section 4.1 of the Intercept Agreement authorizes the issuance of Future Pension Bonds that utilize the Intercept Agreement for the diversion of State Education Revenues, provided that the Future Pension Bond Issuers and any Trustee for the Future Pension Bonds agree to receive disbursements from the Agency on the same schedule as disbursements are made for all Pension Bonds, and provided further that each Future Pension Bond Issuer, or any Trustee for the Future Pension Bonds on behalf of each Future Pension Bond Issuer, certifies to the Agency and the trustee for the outstanding Pension Bonds that the amount of State Education Revenues distributed to each Future Pension Bond Issuer in each of the three most recently completed fiscal years is not less than two (2.0) times the average aggregate annual debt service on the Future Pension Bonds and any outstanding Pension Bonds;

(d) Each Series 2012 Issuer has concluded that it can make the certification required by Section 4.1 of the Intercept Agreement and has determined to issue Series 2012 Limited Tax Pension Obligation Refunding Bonds pursuant to a Trust Agreement, dated as of the Closing Date (the “Series 2012 Trust Agreement”), between the Series 2012 Issuers and the Series 2012 Trustee; and

(e) Pursuant to the Act and Section 4.1 of the Intercept Agreement, each Series 2012 Issuer, the Series 2012 Trustee and the Agency execute this Sixth Supplemental Intercept Agreement to divert such Series 2012 Issuer’s portion of State Education Revenues to the Series 2012 Trustee for the purpose of paying the principal and interest and any premium on the Series 2012 Pension Bonds.

## **Section 1.2 Definitions.**

Unless the context clearly requires use of a different definition, all capitalized terms used in this Sixth Supplemental Intercept Agreement and not otherwise defined herein shall have the respective meanings assigned thereto in the Intercept Agreement. In addition the following terms shall have the following meanings:

“2003 Amendment” means the Amendment to Intercept Agreement dated February 1, 2003.

“Closing Date” means the date on which the Closing, as defined in the Series 2012 Trust Agreement, occurs.

“Disbursement Schedule” means the schedule or schedules of disbursement dates for State Education Revenues to each of the Issuers.

“Intercept Agreement” means the Original Intercept Agreement as amended by the 2003 Amendment and as supplemented by the First Supplemental Intercept Agreement, dated as of April 1, 2003, the Second Supplemental Intercept Agreement, dated as of February 19, 2004, the Third Supplemental Intercept Agreement, dated as of June 21, 2005 the Fourth Supplemental Intercept Agreement, dated October 31, 2007, the Fifth Supplemental Intercept Agreement, dated August 11, 2011 and as supplemented by this Sixth Supplemental Intercept Agreement and any future amendments or supplements thereto.

“Obligation Account” means the Obligation Account established within the Trust Fund pursuant to Section 3.3 of the Series 2012 Trust Agreement.

“Original Intercept Agreement” means the Intercept Agreement dated October 31, 2002.

“Owners” means the person in whose name a Series 2012 Obligation is registered on the registration books maintained by the Series 2012 Trustee.

“Series 2002 Issuers” means the Oregon school districts and/or education service districts that issued the Series 2002 Pension Bonds, for which the refunding of the 2021 maturity by select school districts and/or education service districts is the purpose for the issuance of the Series 2012 bonds, or their successors or assigns.

“Series 2002 Bonds” means the Limited Tax Pension Bonds, Series 2002, dated as of October 31, 2002, issued by the Series 2002 Issuers, of which the refunding of the 2021 maturity by select Series 2002 issuers is the purpose for the issuance of the Series 2012 Bonds.

“Series 2003 Issuers” means the Oregon school districts and/or education service districts that issued the Series 2003 Pension Bonds, or their successors or assigns.

“Series 2004 Issuers” means the Oregon school districts and/or education service districts that issued the Series 2004 Pension Bonds, or their successors or assigns.

“Series 2005 Issuers” means the Oregon school districts and/or education service districts that issued the Series 2005A Pension Bonds, or their successors or assigns.

“Series 2007 Issuers” means the Oregon school districts and/or education service districts that issued the Series 2007 Pension Bonds, or their successors or assigns.

“Series 2011 Issuers” means the Oregon school districts and/or education service districts that issued the Series 2011 Pension Bonds, or the successors or assigns.

“Series 2012 Issuers” means the Oregon school districts and/or education service districts that are issuing Series 2012 Limited Tax Pension Refunding Bonds, as shown in Exhibit A to this Sixth Supplemental Intercept Agreement, or their successors or assigns.

“Series 2012 Pension Bonds” means the Limited Tax Pension Refunding Bonds, Series 2012, dated as of the Closing Date, issued by the Series 2012 Issuers, which are being issued for the purpose of refunding the 2021 maturity of the Series 2002 Bonds.

“Series 2012 Trustee” means Wells Fargo Bank, National Association, acting through its corporate trust office in Portland, Oregon, and any successor Series 2012 Trustee.

“Series 2012 Trust Agreement” means the Trust Agreement for the Series 2012 Pension Bonds dated as of the Closing Date, between the Series 2012 Issuers and the Series 2012 Trustee and any amendments permitted thereby.

“Sixth Supplemental Intercept Agreement” means this Sixth Supplemental Intercept Agreement, including the exhibits attached hereto, and any amendments to this Sixth Supplemental Intercept Agreement and its exhibits, as permitted by Section 5.5 of the Intercept Agreement.

### **Section 1.3 Rules of Construction.**

References to section or article numbers in documents which do not specify the document in which the section or article is located shall be construed as references to section or article numbers in this Sixth Supplemental Intercept Agreement.

## **ARTICLE II. REPRESENTATIONS, AUTHORIZATIONS, WARRANTIES AND COVENANTS OF SERIES 2012 ISSUERS, SERIES 2012 TRUSTEE AND THE AGENCY**

### **Section 2.1 Representations, Authorizations, Warranties and Covenants of the Series 2012 Issuers.**

Each Series 2012 Issuer represents, authorizes, covenants and warrants for the benefit of the Series 2012 Trustee and the Agency as follows:

(a) The Series 2012 Issuer is authorized under the Act and its Resolution to enter into this Sixth Supplemental Intercept Agreement and to perform all of its obligations under this Sixth Supplemental Intercept Agreement.

(b) The Series 2012 Issuer will validly issue its Series 2012 Pension Bond and deliver it to the Series 2012 Trustee.

(c) The Series 2012 Issuer represents, covenants and warrants that all required action has been taken to ensure the enforceability of its obligations under this Sixth Supplemental Intercept Agreement and under its Series 2012 Pension Bond.

(d) The Series 2012 Issuer agrees that disbursements from the Agency to the Series 2012 Trustee shall be on the same schedule as disbursements are made for all the outstanding Pension Bonds.

(e) The Series 2012 Issuer, or the Series 2012 Trustee on behalf of and at the direction of such Series 2012 Issuer, shall file a certificate, dated as of the date of closing of the Series 2012 Pension Bonds, with the Agency and the Trustees for the outstanding Pension Bonds, demonstrating that such Series 2012 Issuer's Prior Revenues in each of the three most recently completed fiscal years are not less than two (2.0) times the average aggregate annual debt service on its Series 2012 Pension Bonds and all of its outstanding Pension Bonds. For purposes of this Section 2.1(e), "Prior Revenues" means the amount of State Education Revenues distributed to or for the account of each Series 2012 Issuer in a fiscal year. If a Series 2012 Issuer has merged or otherwise consolidated with one or more other districts, the resulting entity shall be treated as having the debt service and Prior Revenues of the districts that merged into it. If a Series 2012 Issuer separated into more than one district, each resulting entity shall be treated as having the portion of the debt service and Prior Revenues of the original entity attributable to such resulting entity.

### **Section 2.2 Representations, Warranties and Covenants of the Series 2012 Trustee and Related Responsibilities of Agency.**

The Series 2012 Trustee represents, covenants and warrants for the benefit of the Series 2012 Issuers and the Agency as follows:

(a) The Series 2012 Trustee is duly qualified to transact business of the type contemplated by this Sixth Supplemental Intercept Agreement and the Series 2012 Trust Agreement in the State of Oregon, and has all necessary power to own its properties and assets and to carry on its business as now conducted.

(b) The consummation of the transactions contemplated by this Sixth Supplemental Intercept Agreement will not violate the provisions of, or constitute a breach or default under, the articles of association, charter or bylaws of the Series 2012 Trustee or any agreement to which the Series 2012 Trustee is a party.

(c) The Series 2012 Trustee has entered into the Intercept Agreement and agrees to receive disbursements from the Agency on the same schedule as disbursements are made for all Pension Bonds.

(d) The execution, delivery and performance by the Series 2012 Trustee of this Sixth Supplemental Intercept Agreement and all related agreements, instruments and documents to which the Series 2012 Trustee is a party have been duly authorized, and this Sixth Supplemental Intercept Agreement and all related agreements, instruments and documents to which the Series 2012 Trustee is a party constitute legal, valid and binding obligations of the Series 2012 Trustee, enforceable against the Series 2012 Trustee in accordance with their terms.

(e) The Series 2012 Trust Agreement establishes a debt service trust fund with the Series 2012 Trustee for the purpose of paying the principal and interest and any premium on the Series 2012 Pension Bonds which have been issued under the Act, and provides that the Series 2012 Trustee shall hold the moneys paid into the debt service trust fund solely for the purpose of paying the principal and interest and any premium on the Series 2012 Pension Bonds issued under the Act. The Series 2012 Trust Agreement also provides for the certificating of interests in the Series 2012 Pension Bonds to investors.

**Section 2.3 Representations, Warranties and Covenants of Agency and Related Responsibilities of Series 2012 Trustee.**

The Agency represents, covenants and warrants for the benefit of the Series 2012 Issuers and the Series 2012 Trustee as follows:

(a) The Agency is a state agency of the State, duly qualified to transact business of the type contemplated by the Intercept Agreement and duly authorized to receive State Education Revenues payments on behalf of the Series 2012 Issuers.

(b) The execution, delivery and performance by the Agency of the Intercept Agreement has been duly authorized and constitutes a legal, valid and binding obligation of the Agency, enforceable against the Agency in accordance with its terms.

**ARTICLE III. SCHEDULE OF INTERCEPT PAYMENTS**

The schedule of Intercept Payments is found in Section 3.1 of the Intercept Agreement, as amended by the 2003 Amendment, and is amended and restated in Exhibit B to this Sixth Supplemental Intercept Agreement.

**ARTICLE IV. NOTICE REQUIREMENTS**

The Issuers, the Trustee and the Agency have agreed to provide various notices under the Intercept Agreement. Such notice requirements are restated in Exhibit C to this Sixth Supplemental Intercept Agreement.

**ARTICLE V. MISCELLANEOUS**

**Section 5.1 Interpretation of this Sixth Supplemental Intercept Agreement.**

The provisions of this Sixth Supplemental Intercept Agreement are intended to supplement the Original Intercept Agreement and any amendments and supplements, and the parties hereto shall comply with the provisions of both the Intercept Agreement and this Sixth Supplemental Intercept Agreement.

**Section 5.2 Sixth Supplemental Intercept Agreement Irrevocable.**

This Sixth Supplemental Intercept Agreement is irrevocable.

**Section 5.3 Term.**

This Sixth Supplemental Intercept Agreement shall remain in effect until all Series 2012 Pension Bonds have matured or been redeemed.

**Section 5.4 Binding Effect.**

This Sixth Supplemental Intercept Agreement shall inure to the benefit of and shall be binding upon the Series 2012 Trustee, the Agency and the Series 2012 Issuers and their respective successors and assigns.

**Section 5.5 Severability.**

In the event any provisions of this Sixth Supplemental Intercept Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provisions hereof.

**Section 5.6 Amendments.**

Except for changes in the Disbursement Schedule and the Intercept Schedule, as set forth in Section 3.1 of the Original Intercept Agreement, which do not require the Series 2012 Issuers' consent, this Sixth Supplemental Intercept Agreement may only be amended (i) by mutual consent of all of the parties hereto, or (ii) without the consent of the Series 2012 Issuers pursuant to an opinion of the Series 2012 Trustee delivered to the Series 2012 Issuer and the Agency or an opinion of Special Counsel to the effect that such changes do not materially adversely affect the Series 2012 Issuers.

**Section 5.7 Owners as Third Party Beneficiary.**

Owners of the Series 2012 Obligations are hereby explicitly recognized as being third party beneficiaries hereunder and may enforce any such right, remedy, or claim conferred, given or granted hereunder.

**Section 5.8 Execution in Counterparts.**

This Sixth Supplemental Intercept Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

**Section 5.9 Applicable Law.**

This Sixth Supplemental Intercept Agreement shall be governed by and construed in accordance with the laws of the State of Oregon. Any action regarding this Sixth Supplemental Intercept Agreement or the transactions contemplated hereby shall be brought in an appropriate court in Marion County, Oregon.

**Section 5.10 Headings.**

The headings, titles and table of contents in this Sixth Supplemental Intercept Agreement are provided for convenience and shall not affect the meaning, construction or effect of this Sixth Supplemental Intercept Agreement.

*[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]*



IN WITNESS WHEREOF, the Series 2012 Trustee, the Agency and the Series 2012 Issuers have executed this Sixth Supplemental Intercept Agreement as of the date and year first written.

**WELLS FARGO BANK, NATIONAL ASSOCIATION,  
as Series 2012 Trustee**

**By:** \_\_\_\_\_  
Authorized Officer

**OREGON DEPARTMENT OF EDUCATION**

**By:** \_\_\_\_\_  
Susan MacGlashan, Authorized Officer

IN WITNESS WHEREOF, the Series 2012 Issuers have executed this Sixth Supplemental Intercept Agreement as of the date and year first written.

**«School\_District»  
«County» County, Oregon**

By: \_\_\_\_\_  
District Official

**EXHIBIT A**  
**PARTICIPATING SCHOOL DISTRICTS**  
**AND EDUCATION SERVICE DISTRICTS**  
**OREGON SCHOOL BOARDS ASSOCIATION**  
**SERIES 2012**  
**LIMITED TAX PENSION REFUNDING BONDS**

*Series 2012 Issuers*

*Series 2012 Pension Bond Amounts*

Bend-La Pine Administrative SD No.1	\$2,725,000
Brookings-Harbor SD No. 17C	400,000
Gresham-Barlow SD No. 10Jt	2,380,000
Jefferson County SD No. 509J	835,000
Morrow County SD	495,000
Portland Public SD No. 1J	14,000,000
South Umpqua SD No. 19	425,000

## **EXHIBIT B**

### **INTERCEPT SCHEDULE\***

#### **Section 3.1 Payment, Calculation and Invoicing of Intercept Payments.**

(a) The Agency shall pay the Intercept Payments in the amounts and on the dates shown in the invoices provided to the Agency by the Trustee in accordance with this Section 3.1, unless the Agency and Trustee agree to a different schedule for any or all parts of this Section. The invoices to be provided to the Agency by the Trustee and described below are calculated to fully fund debt service on the Pension Bonds.

(b) Except as provided in Section 3.1(d) below, during the period beginning with the date the Series 2002 Pension Bonds are issued and continuing until June 30, 2003 (and, if any Future Pension Bonds are issued prior to June 30, 2003, during the period beginning with the date such Future Pension Bonds are issued and continuing until June 30, 2003), the Trustee shall invoice the Agency for Intercept Payments to be made. The amount invoiced by the Trustee on the 5th day of November, 2002 through the 5th day of March, 2003 for payment no later than the 15th day of the respective month shall be derived by dividing equally by five each Issuer's Pension Bonds annual debt service attributable to the months of November, 2002 through June, 2003. The Agency shall not be liable for any inaccurate invoices from the Trustee and the Trustee shall be liable for any inaccuracy resulting from its own negligence.

(c) Except as provided in Section 3.1(d) and 3.1(i) below, for the period beginning July 1, 2003 and ending on the payment in full of all of the Pension Bonds, each Trustee shall invoice the Agency no later than the 5th day of each month, except for the month of June, which amount will have been included in the preceding July billing, and the month of May, which amount will be collected on an equal pro rata basis during the months of July through April. The amount invoiced for each Issuer shall be equal to the share of each Issuer's Pension Bonds debt service that is attributable to the month for which the invoice is sent (except for the month of July, which will include the debt service for the month of the subsequent June) plus one-tenth of the debt service due on the Issuer's Pension Bonds each May, unless this Intercept Agreement is subsequently changed to provide otherwise. Therefore, for example, the July 5, 2003 invoice will include the monthly debt service allocations for July 2003 and for June 2004, as well as one-tenth of the monthly debt service allocation for May 2004.

(d) If the Disbursement Schedule changes, the Agency shall notify the Trustee and the Trustee shall invoice the Agency for Intercept Payments for the months indicated in the changed Disbursement Schedule. The amount of each invoice shall be equal to the amount required to provide the Trustee with a balance on hand at all times which is at least equal to the balance that the Trustee would have had if the Trustee were invoicing the Agency for substantially equal monthly payments. For example, if the Agency indicates that disbursements will be made quarterly in July, October, January and April, the Trustee shall invoice the Agency for payment on July 5th an amount equal to the sum of the monthly invoices that would have been sent for July, August and September of that year, and shall invoice for three months of payments for each succeeding quarterly invoice.

---

\* Includes all amendments

(e) The Agency shall pay the amounts invoiced to it for each month not later than the 15th day of that month, but in no case later than the date State Education Revenues are disbursed to the Issuers.

(f) To the extent State Education Revenues are not sufficient to make any Intercept Payments, for some or all Issuers, in full, the Agency shall pay the greatest amount of State Education Revenues available, and the Trustee shall require the Issuers whose Intercept Payment was not made in full by the Agency to fund the difference.

(g) If the Agency is not able to pay any portion of an Intercept Payment in full when due, and the deficiency is not paid in full by an Issuer, each affected Trustee shall add the amount of any remaining deficiency to the next invoice sent to the Agency.

(h) Failure by the Agency to pay any Intercept Payment or payment by Issuers of any deficiencies in Intercept Payments shall not relieve the Agency from its obligation to make subsequent Intercept Payments.

(i) During the period beginning with the date the Series 2012 Pension Bonds are issued and continuing until June 30, 2013, the Trustee shall invoice the Agency for Intercept Payments for the Series 2012 Issuers in accordance with this Section 3.1(i). The amount invoiced by the Trustee on the 5<sup>th</sup> day of February, 2012 through the 5<sup>th</sup> day of April, 2013 for payment no later than the 15<sup>th</sup> day of the respective month shall be derived by dividing equally by each Issuer's Pension Bonds annual debt service attributable to the months of February, 2012 through June, 2013. The Agency shall not be liable for any inaccurate invoices from the Trustee and the Trustee shall be liable for any inaccuracy resulting from its own negligence.

**EXHIBIT C**  
**NOTICE REQUIREMENTS**  
**(as restated from the Intercept Agreement)**

**Issuer Notices:**

Section 2.1(i) Each Issuer agrees to notify the Trustee of any actual or anticipated change in their Disbursement Schedule within five (5) days of obtaining knowledge of such change.

**Trustee Notices:**

Section 2.2(h) If the Trustee has reason to believe that the Disbursement Schedule has changed and the Trustee has not received notice pursuant to Sections 2.3(e) or 2.3(f), the Trustee covenants to contact the Agency to ask the Agency to indicate whether the Disbursement Schedule has changed. If the inquiry reveals that the Disbursement Schedule has changed, the Agency shall provide the Trustee with the modified Disbursement Schedule pursuant to Section 2.3(f). The Trustee will provide the Issuers with a copy of any new Disbursement Schedule no later than ten (10) days after the Trustee receives it, pursuant to Section 2.3(f).

**Agency Notices:**

Section 2.3(e) Unless the Agency and Trustee agree to a different schedule, not later than June 15 of each year the Trustee shall send the Agency a request for information to be supplied in substantially the form attached as Exhibit B to the Intercept Agreement, and the Agency shall respond to that request for information by completing the request form not later than June 30 of that year. The request for information shall ask the Agency to describe any changes the Agency reasonably expects to be made to the Disbursement Schedule then in effect for the following fiscal year, including the allocation dates and amounts for State Education Revenues, and whether the Agency reasonably expects that those changes would impair the ability of the Agency to make Intercept Payments in whole, in part, or in accordance with the then existing Intercept Schedule, and the amount of State Education Revenues that have been estimated for each of the Issuers for the following fiscal year.

Section 2.3(f) To the extent the Disbursement Schedule has been modified or is expected to be modified, and the Agency has not notified the Trustee pursuant to Section 2.3(e), the Agency shall provide the Trustee with the actual or anticipated alternate Disbursement Schedule; provided the Agency shall not be liable for any failure to provide such notice to the Trustee. The Trustee will provide the Issuers with a copy of any new Disbursement Schedule as soon as practicable, but in any case not later than ten (10) days after the Trustee receives it and a copy of any change in the Intercept Schedule within ten (10) days of such change, in accordance with Section 3.2.

**Section 3.2** In the event the Agency becomes aware they will not be able to pay any portion of the Intercept Payments when they are due, the Agency will give the affected Trustee written notice within three (3) days after the Agency is aware that a single or multiple Intercept Payments are not going to be made. In the event of any proposed change or modification in the Disbursement Schedule which would impact the Agency's ability to make Intercept Payments when due, the Agency will give written notice to the Trustee within three (3) days after the Agency is aware of such proposed change or modification. The Trustee will provide the Issuers with a copy of such notice as soon as practicable, but in any case not later than ten (10) days after the Trustee receives such notice.

# **Appendix F**

**Form of the Trust Agreement**

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# TRUST AGREEMENT

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*by and between*

**Wells Fargo Bank, National Association**

**as Series 2012 Trustee**

*and the*

**Issuers of the  
Limited Tax Pension Refunding Bonds  
Series 2012  
Described in the Attached Exhibit D**

---

**Dated January \_\_, 2012**

**Relating To The**

**\$ \_\_\_\_\_**

**Oregon School Boards Association  
Limited Tax Pension Refunding Obligations**

**Series 2012**

**(Federally Taxable)**

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**HAWKINS DELAFIELD & WOOD LLP**

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- Exhibit A: Maturity Schedule
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- Exhibit C: Form of Series 2012 Obligation
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- Exhibit E: Payments from Proceeds Account
- Exhibit F: Series 2012 Trustee’s Continuing Disclosure Certificate

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## TRUST AGREEMENT

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THIS TRUST AGREEMENT is dated January \_\_, 2012, is entered into by and between WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association having a corporate trust office in Portland, Oregon, as the Series 2012 Trustee, and the issuers of the Series 2012 Pension Bonds described in the attached Exhibit D (the “Series 2012 Issuers”).

### WITNESSETH

WHEREAS, Oregon school districts and education service districts are authorized by ORS 287A.360 and ORS 238.692 to 238.698 as amended (the “Act”) to issue current refunding bonds; and

WHEREAS, the Series 2012 Issuers have agreed to sell bonds issued under the Act to the Series 2012 Trustee, and the Series 2012 Trustee has agreed to issue Limited Tax Pension Refunding Obligations, Series 2012 (Federally Taxable) (the “Series 2012 Obligations”) which represent proportionate and undivided interests in and the right to receive payments due under those Series 2012 Pension Bonds; and

WHEREAS, the Series 2012 Pension Bonds are expected to be paid from State Education Revenues, and each of the Series 2012 Issuers has therefore agreed, as provided in Section 14.1, to take or not to omit to take any actions that are necessary for it to be entitled to receive State Education Revenues, including the filing of its audit with the Oregon Department of Education as required under ORS 327.137;

NOW, THEREFORE, the parties enter into this Trust Agreement to provide for the issuance and payment of the Series 2012 Obligations.

### ARTICLE 1 DEFINITIONS; PLEDGE

#### Section 1.1 Definitions.

Capitalized terms used in this Trust Agreement shall have the following meanings, unless the context clearly requires otherwise:

“Additional Charges” means (1) with respect to each Series 2012 Issuer (a) such issuer’s allocable share of administrative costs relating to this Series 2012 Trust Agreement, including, without limiting the generality of the foregoing, fees, expenses, compensation, compensation of any paying agent, fees and charges of auditors, accountants and attorneys, and all other reasonable and necessary administrative costs required to be paid in order to comply with the terms of this Series 2012 Trust Agreement; and (b) such issuer’s costs and expenses which the Series 2012 Trustee incurs because of any default by such Series 2012 Issuer under its Series 2012 Pension Bonds or any Event of Default, including reasonable attorneys’ fees and costs of suit or action at law to enforce the terms and conditions of this Agreement; and (2) with respect to all Series 2012 Issuers, all of the costs in (a) and (b).

“Agency” means the Oregon Department of Education, a state agency of the State of Oregon, or any successor agency charged with distributing any funds mandated by Article VIII, § 8 of the Oregon Constitution, as it is stated as of the date of this Trust Agreement and which provides, in part, that the

Legislative Assembly shall appropriate in each biennium a sum of money sufficient to ensure that the State's system of public education meets quality goals established by law.

"BEO" means "book-entry-only" and refers to a system for clearance and settlement of securities transactions through electronic book-entry changes, which eliminates the need for physical movement of securities.

"Business Day" means any day other than a Saturday, Sunday or a day on which the Series 2012 Trustee is authorized by law to remain closed or a day on which the New York Stock Exchange is closed.

"Called Principal" means the issue price (but not less than 100%) of the principal amount of the Series 2012 Obligations to be prepaid.

"Closing" means the delivery of the Series 2012 Obligations to the Underwriter in exchange for payment in accordance with Section 2.1.2 of this Series 2012 Trust Agreement.

"Closing Date" means the date on which Closing occurs.

"Defeasance Obligations" means noncallable 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.

"Discounted Value" means the amount obtained by discounting all Remaining Scheduled Payments with respect to Called Principal from their respective scheduled maturity dates to the Obligation Prepayment Date, in accordance with accepted financial practice and at a discount factor (applied on a semi-annual basis) equal to the Reinvestment Yield.

"DTC" means The Depository Trust Company of New York, the initial securities depository for the Series 2012 Obligations.

"Estimated Redemption Payment" means the amount paid by the Series 2012 Issuers to the Series 2012 Trustee in an amount estimated to be adequate to pay the Redeemed Principal in accordance with Section 10.3.4 herein.

"Event of Default" has the meaning defined for that term in Section 9.1 of this Series 2012 Trust Agreement.

"Financial Advisor" means Seattle-Northwest Securities Corporation.

"Fiscal Year" means each year beginning on July 1, and ending on the following June 30.

"Intercept Agreement" means the agreement dated October 31, 2002, as amended by an Amendment to the Intercept Agreement, dated February 1, 2003, as supplemented by the First Supplemental Intercept Agreement, dated as of April 1, 2003, and by the Second Supplemental Intercept Agreement, dated February 19, 2004, as supplemented by the Third Supplemental Intercept Agreement, dated June 21, 2005, as supplemented by the Fourth Supplemental Intercept Agreement dated October 31, 2007, as supplemented by the Fifth Supplemental Intercept Agreement dated August 11, 2011, and as supplemented by the Sixth Supplemental Intercept Agreement and any future amendments or supplements thereto.

"Intercept Payments" means State Education Revenues transferred by the Agency to the Series 2012 Trustee to pay principal, interest and any premium on each Series 2012 Issuer's Series 2012 Pension Bonds pursuant to Section 3.1 of the Intercept Agreement.

"Interest" means accrued interest on a Series 2012 Pension Bond.

"Obligation Account" means the Obligation Account established within the Trust Fund pursuant to Section 3.3 below.

"Obligation Prepayment Date" means the date fixed for prepayment of Called Principal.

"Outstanding" means, when used as of any particular time with respect to Series 2012 Obligations, all Series 2012 Obligations theretofore executed by the Series 2012 Trustee and registered and delivered by the Series 2012 Trustee under this Series 2012 Trust Agreement except:

- (i) Series 2012 Obligations theretofore canceled by the Series 2012 Trustee or surrendered to the Series 2012 Trustee for cancellation; and,
- (ii) Series 2012 Obligations which are defeased in accordance with Section 14.2.

"Owner" means the person in whose name a Series 2012 Obligation is registered on the registration books maintained by the Series 2012 Trustee.

"Paying Agent" means Wells Fargo Bank, National Association, or its successors and assigns, the paying agent and registrar for the Series 2012 Obligations.

"Payment Date" means the date upon which any Pension Bond Payment is due and payable, as provided in Exhibit D to this Series 2012 Trust Agreement. Those dates are also the dates on which principal and/or interest is payable on the Series 2012 Obligations as provided in Exhibit A to this Series 2012 Trust Agreement.

"Pension Bond Default" means an Event of Default as defined in the Resolution of a Series 2012 Issuer authorizing such Series 2012 Issuer's Series 2012 Pension Bonds.

"Pension Bond Payments" means the principal and interest payments, and premium, if any, due under the Series 2012 Pension Bonds. The Pension Bond Payments for the Series 2012 Pension Bonds are shown in the attached Exhibit D.

"Permitted Investments" means the Oregon Local Government Investment Pool or investments rated A or higher by Standard & Poor's provided such investments are permitted investments for an Oregon school district or education service district by Oregon law and such Series 2012 Issuer's investment policies; provided the Series 2012 Trustee shall not invest in instruments that mature later than the next applicable Payment Date.

"Prepayment Account" means the Prepayment Account established within the Trust Fund pursuant to Section 3.7 below.

"Principal" means the stated principal amount of a Series 2012 Pension Bond which is not a deferred interest bond, and the original principal amount of a deferred interest bond.

“Proceeds Account” means the Proceeds Account established within the Trust Fund pursuant to Section 3.2 below.

“Program” means the Oregon School Boards Association’s pooled Series 2012 Pension Bonds program for school districts and education service districts.

“Record Date” means the fifteenth day of a month in which a Payment Date occurs, whether or not such date is a Business Day.

“Redeemed Principal” means the principal of the Series 2012 Pension Bonds designated to be redeemed pursuant to Section 10.3.4 herein.

“Redemption Payment” means the amounts paid by a Series 2012 Issuer to the Series 2012 Trustee for prepayment pursuant to Section 10.3.4 herein, including the Estimated Redemption Payment plus an additional amount, if any, necessary to provide the Series 2012 Trustee with an amount equal to the redemption price calculated pursuant to Series 2.4.1 herein..

“Refunded Bonds” means the June 30, 2021 maturity of the Limited Tax Pension Bonds, Series 2002 (Federally Taxable) dated October 31, 2002.

“Reinvestment Yield” means the Treasury Rate plus 50 basis points.

“Resolution” means the resolution of each Series 2012 Issuer authorizing its Series 2012 Pension Bond.

“Security Payments” means the payments, if any, a Series 2012 Issuer is required to make no later than the 25th day of each month. The Security Payments are equal to the amount invoiced by the Series 2012 Trustee in order to meet such Series 2012 Issuer’s Pension Bond Payments, less payments received by the Series 2012 Trustee pursuant to the Intercept Agreement.

“Series 2012 Issuers” means those Oregon school districts and/or education service districts shown in Exhibit D to this Series 2012 Trust Agreement.

“Series 2012 Obligations” means, the Limited Tax Pension Refunding Obligations, Series 2012 (Federally Taxable) in the form attached as Exhibit C and with payment terms described in Exhibit A to this Series 2012 Trust Agreement.

“Series 2012 Pension Bonds” means the Limited Tax Pension Refunding Bonds, Series 2012 described in the attached Exhibit D.

“Series 2012 Trust Agreement” means this Trust Agreement, as it may be amended and supplemented in accordance with Article 7 hereto.

“Series 2012 Trustee” means Wells Fargo Bank, National Association, acting through its corporate trust office in Portland, Oregon, and any successor Series 2012 Trustee appointed in accordance with Article 5 hereto.

“Sixth Supplemental Intercept Agreement” means the Sixth Supplemental Intercept Agreement dated as of January \_\_, 2012 and any amendments or supplements thereto in accordance with Section 5.6 thereto.

“Special Counsel” means Hawkins Delafield & Wood LLP and its successors and assigns, or other nationally recognized bond counsel appointed at the request of the Series 2012 Trustee or the Series 2012 Issuers of fifty-one percent (51%) or more of the Principal amount of Series 2012 Pension Bonds which are then Outstanding.

“Sponsor” means the Oregon School Boards Association, the sponsor of the Program.

“State Education Revenues” means any state funding for school districts and education service districts legally available to pay debt service on the Series 2012 Pension Bonds.

“Treasury Rate” means with respect to any redemption date for a particular Series 2012 Obligations, the yield maturity as of such redemption date of United States Treasury securities with a contact maturity (as compiled and published in the most recent Federal Reserve Statistical Release H. 15 (519) that has become publicly available at least two Business Days prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data )) most nearly equal to the period from the redemption date to the maturity date of the Series 2012 Obligations to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury Securities adjusted to a contact maturity of one year will be used.

“Trust Estate” means all of the rights, title and interest of the Series 2012 Issuers and the Series 2012 Trustee in and to the Series 2012 Pension Bonds and to all funds held by the Series 2012 Trustee hereunder (including proceeds of the Series 2012 Obligations and any investment income therefrom), but not the right of the Series 2012 Trustee to the Additional Charges and to indemnification.

“Trust Fund” means the Series 2012 School Districts Pension Obligation Trust Fund established pursuant to Article 3 below.

“Underwriter” means the purchaser of the Series 2012 Obligations as determined by competitive bid upon the advice of the Financial Advisor and the consent of the Series 2012 Issuers.

#### **Section 1.2 Pledge.**

The Series 2012 Issuers and the Series 2012 Trustee hereby pledge, assign and transfer all of their rights in and to the Trust Estate in trust for the benefit of the Owners, for distribution as provided in this Series 2012 Trust Agreement.

## **ARTICLE 2 THE SERIES 2012 OBLIGATIONS**

### **Section 2.1 Authorization, Delivery and Terms of the Series 2012 Obligations.**

2.1.1 The Series 2012 Trustee is hereby authorized and directed to prepare and execute the Series 2012 Obligations in the aggregate principal amount shown on the attached Exhibit A. The Series 2012 Trustee agrees to transfer Pension Bond Payments to the Owners of the Series 2012 Obligations as provided in this Series 2012 Trust Agreement.

2.1.2 The Series 2012 Trustee shall deliver the Series 2012 Obligations to the order of the Underwriter when the Underwriter deposits the proceeds of the sale of the Series 2012 Obligations with the Series 2012 Trustee.

## **Section 2.2 Payment of Series 2012 Obligations.**

2.2.1 Each Series 2012 Obligation represents a proportionate and undivided interest in and a right to receive:

(A) all Principal of Pension Bond Payments (based on the Principal amount of that Series 2012 Obligation) which are due on the scheduled maturity date of that Series 2012 Pension Bond, whether that Principal is paid at maturity or is prepaid prior to maturity; and

(B) the Interest components and premium, if any, of the Pension Bond Payments which are allocable to the Principal of the Pension Bond Payments described in Section 2.2.1(A).

## **Section 2.3 Execution.**

The Series 2012 Obligations shall be substantially in the form attached to this Series 2012 Trust Agreement as Exhibit C, and shall be executed or authenticated by a manual signature of an authorized officer of the Series 2012 Trustee. Only Series 2012 Obligations properly executed by the Series 2012 Trustee under this Series 2012 Trust Agreement shall be valid for any purpose or entitled to the benefits of this Series 2012 Trust Agreement.

## **Section 2.4 Prepayment.**

The Series 2012 Obligations shall be subject to optional prepayment as a whole or in part on any date at a prepayment price equal to the greater of (i) the Called Principal or (ii) the Discounted Value, plus in either case, accrued interest on the Series 2012 Obligations to be prepaid to the Obligation Prepayment Date.

## **Section 2.5 Selection of Series 2012 Obligations for Optional Prepayment.**

2.5.1 If the Series 2012 Obligations are in book-entry form at the time of optional prepayment, the Series 2012 Trustee will direct DTC to determine the Series 2012 Obligations for prepayment in accordance with the operational arrangements then in effect at DTC and the provisions set forth in the Series 2012 Obligations.

2.5.2 If the Series 2012 Obligations are not in book-entry form at the time of optional prepayment, the Series 2012 Trustee shall determine the Series 2012 Obligations for prepayment in \$5,000 increments by lot. Owners under this Section 2.5.2 shall be determined as of the Record Date.

# **ARTICLE 3 THE TRUST FUND**

## **Section 3.1 Trust Fund.**

3.1.1 The Series 2012 Trustee shall establish a special fund designated as the "Series 2012 School District Pension Obligation Trust Fund," which is referred to in this Series 2012 Trust Agreement as the "Trust Fund." The Series 2012 Trustee shall keep the Trust Fund separate and apart from all other funds and moneys held by it and shall administer and maintain the Trust Fund as provided in this Series 2012 Trust Agreement.

## **Section 3.2 Proceeds Account.**

3.2.1 The Series 2012 Trustee shall establish a separate account within the Trust Fund to be designated the "Proceeds Account," and shall also establish a separate subaccount in the

Proceeds Account for each Series 2012 Issuer. The proceeds from the sale of the Series 2012 Obligations, net of the Underwriter's discount and any contingency pursuant to Section 3.5 below, shall be credited to the Proceeds Account, and allocated to each Series 2012 Issuer's subaccount in the amounts and pursuant to the instructions delivered to the Series 2012 Trustee at Closing. Money in the Proceeds Account shall be used only to refund the Refunded Bonds and to pay costs of issuance pursuant to the schedule attached as Exhibit E and instructions delivered to the Series 2012 Trustee at Closing. Between Closing and the date such payments are made, the Series 2012 Trustee shall hold money in the Proceeds Account uninvested. Amounts in a Series 2012 Issuer's subaccount shall not be used to pay the Refunded Bonds or costs of issuance of another Series 2012 Issuer.

3.2.2 Any surplus remaining in a Series 2012 Issuer's subaccount of the Proceeds Account after payment of such Series 2012 Issuer's Refunded Bonds and costs of issuance shall be transferred by the Series 2012 Trustee to that Series 2012 Issuer's subaccount of the Obligation Account and credited against that Series 2012 Issuer's next Security Payments or Intercept Payments, as provided herein.

## **Section 3.3 Obligation Account.**

3.3.1 The Series 2012 Trustee shall establish a separate account within the Trust Fund to be designated the "Obligation Account," and shall also establish a separate subaccount in the Obligation Account for each Series 2012 Issuer. The Obligation Account and its subaccounts shall be maintained by the Series 2012 Trustee until all Series 2012 Obligations have been paid in full. Amounts in a Series 2012 Issuer's subaccount of the Obligations Account shall not be used to make Pension Bond Payments of other Series 2012 Issuers.

3.3.2 To secure the payment of Series 2012 Pension Bonds, to the extent funds provided in accordance with the Intercept Agreement are insufficient, the Series 2012 Pension Bonds require the Series 2012 Issuers to transfer the Security Payments to the Series 2012 Trustee for deposit in the Obligation Account. Each Series 2012 Issuer shall transfer the Security Payments to the Series 2012 Trustee no later than the 25th day of each month. Under the Intercept Agreement, Series 2012 Issuers have requested the Agency to transfer certain amounts to the Series 2012 Trustee on behalf of such Series 2012 Issuer. The Series 2012 Trustee shall credit any amounts it receives from the Agency on behalf of a Series 2012 Issuer, each Series 2012 Issuer's Security Payment, to that Series 2012 Issuer's subaccount of the Obligation Account. On each Payment Date the Series 2012 Trustee shall apply the Intercept Payments and Security Payments, on deposit in each of the subaccounts of the Obligation Account to pay the Pension Bond Payments of the Series 2012 Issuers for which those subaccounts were created, and shall transfer those Pension Bond Payments to the Owners.

3.3.3 If after the Series 2012 Trustee receives a Security Payment and/or an Intercept Payment, and prior to a Payment Date, funds in a Series 2012 Issuer's subaccount are insufficient to make its Pension Bond Payment due to an investment loss, such investment made by the Series 2012 Trustee under the direction of the Series 2012 Issuer pursuant to Section 4.2 herein, the Series 2012 Trustee shall notify such Series 2012 Issuer and demand payment for the balance of the Pension Bond Payment.

3.3.4 If on any Payment Date, the amount available in a Series 2012 Issuer's subaccount of the Obligation Account, is less than the Pension Bond Payment which is due from that Series 2012 Issuer on that Payment Date, the Series 2012 Trustee shall apply such amount to

Owners proportionally, based on the amount of Principal and Interest that was paid on the Series 2012 Pension Bonds by the Series 2012 Issuer and other Series 2012 Issuers.

3.3.5 Any amounts in a subaccount of the Obligation Account which remain after a Pension Bond Payment is made shall be retained in that subaccount of the Obligation Account. The Series 2012 Trustee shall credit the amounts described in the first sentence of this Section 3.3.5 in each Series 2012 Issuer's subaccount against the next Intercept Payment invoiced to the Agency or Security Payment due from that Series 2012 Issuer.

3.3.6 After payment of all amounts due under a Series 2012 Issuer's Series 2012 Pension Bond and payment of all Series 2012 Obligations which are entitled to be paid from such Pension Bond Payments, any surplus remaining in a Series 2012 Issuer's subaccount of the Obligation Account shall be used to pay that Series 2012 Issuer's share of any Additional Charges and any remaining amounts shall be paid to that Series 2012 Issuer.

**Section 3.4 Schedule and Amount to be Invoiced.**

3.4.1 Unless changed in accordance with Section 3.4.2 below, the Series 2012 Trustee shall invoice the Agency and the Series 2012 Issuers, as follows:

5 <sup>th</sup> day of the month in which an Intercept Payment is due:	Series 2012 Trustee sends an invoice to the Agency for Intercept Payments;
15 <sup>th</sup> day of the month in which an Intercept Payment is due:	Intercept Payments due;
20 <sup>th</sup> day of the month in which a Security Payment is due:	Notice to Series 2012 Issuer from the Series 2012 Trustee, to the extent funds available under the Intercept Agreement are insufficient; and
25 <sup>th</sup> day of the month in which a Security Payment is due:	Security Payments due.

3.4.2 The above schedule may be changed to accommodate changes in the Disbursement Schedule and Intercept Schedule as defined and set forth in the Intercept Agreement. However, any such change shall always provide that Security Payments are due to the Series 2012 Trustee no later than the 25<sup>th</sup> day of each month in which a Security Payment is due.

3.4.3 Amount of Intercept Payment to be Invoiced to Agency. Each time the Series 2012 Trustee invoices the Agency, the amount of the invoice for each Series 2012 Issuer shall be equal to the amount which is necessary, if the invoice is timely paid, to provide the Series 2012 Trustee at all times with a balance which is at least equal to the balance the Series 2012 Trustee would have on hand for each Series 2012 Issuer if the Agency were making substantially equal monthly Intercept Payments which are sufficient to allow the Series 2012 Trustee to collect each Pension Bond Payment on behalf of each Series 2012 Issuer when that Pension Bond Payment is due.

3.4.4 Amount of Security Payment to be Invoiced to Series 2012 Issuers. If the Series 2012 Trustee does not receive an Intercept Payment for a Series 2012 Issuer in full within five days after it is due, the Series 2012 Trustee shall require that Series 2012 Issuer to commence making monthly Security Payments no later than the tenth day following the date the Intercept

Payment was due. The Security Payments shall be substantially equal in amount, and shall be sufficient to provide the Series 2012 Trustee at all times with a balance which is equal to the balance the Series 2012 Trustee would have on hand if the Agency were making substantially equal monthly payments between the date of the failed Intercept Payment and the date the next Intercept Payment is due. In all cases the amount billed to the Series 2012 Issuers shall be sufficient to pay the Pension Bond Payment due. If the Agency makes a partial Intercept Payment for any Series 2012 Issuer the Series 2012 Trustee may credit the full amount of that partial payment against the first Security Payments that would have been billed to a Series 2012 Issuer under this Section.

3.4.5 Notice to Series 2012 Issuers of Amount of Intercept Payments to be Invoiced to Agency. Not later than July 15th of each fiscal year, the Series 2012 Trustee shall provide each Series 2012 Issuer with a schedule of the amount and timing of Intercept Payments which are anticipated to be invoiced to the Agency for such fiscal year.

**Section 3.5 Contingency Amount.**

Amounts specified as a contingency amount in the closing instructions shall be deposited in the applicable Series 2012 Issuer's subaccount of the Obligation Account and invested pursuant to Section 4.2 below and credited against that Series 2012 Issuer's first Security Payments or Intercept Payments.

**Section 3.6 [RESERVED]**

**Section 3.7 Optional Prepayment Account.**

The Series 2012 Trustee shall establish a separate account within the Trust Fund to be designated the "Optional Prepayment Account," and shall also establish a separate subaccount in the Optional Prepayment Account for each Series 2012 Issuer. The Optional Prepayment Account and its subaccounts shall be maintained by the Series 2012 Trustee until the Pension Bond Payments are paid in full or defeased pursuant to the terms of the Series 2012 Pension Bonds.

3.7.1 Optional Prepayment. Series 2012 Obligations that are to be prepaid as an optional prepayment shall be prepaid with the Redemption Payments paid by a Series 2012 Issuer in accordance with Section 10.3.4 herein. The Series 2012 Trustee shall deposit all Redemption Payments received from a Series 2012 Issuer in that Series 2012 Issuer's subaccount of the Prepayment Account. On the Series 2012 Obligation optional Obligation Prepayment Date, the Series 2012 Trustee shall apply the Redemption Payments to prepay Series 2012 Obligations in accordance with Section 2.5 herein.

3.7.2 Any amounts remaining in a Series 2012 Issuer's subaccount of the Optional Prepayment Account, after an Obligation Prepayment Date and not required for the prepayment of Series 2012 Obligations shall be transferred by the Series 2012 Trustee pursuant to the written direction of that Series 2012 Issuer. If the Series 2012 Issuer fails to provide written direction to the Series 2012 Trustee within five (5) Business Days after the Obligation Prepayment Date, the Series 2012 Trustee shall transfer such remaining amounts to such Series 2012 Issuer's subaccount of the Obligation Account and credit such amounts against that Series 2012 Issuer's next Security Payments or Intercept Payments as provided herein.

**ARTICLE 4 MONEYS IN FUNDS; INVESTMENT**

**Section 4.1 Held in Trust.**

The moneys and investments held by the Series 2012 Trustee under this Series 2012 Trust Agreement are irrevocably held in trust for the purposes herein specified, and such moneys and any other income or interest earned thereon shall be expended only as provided in this Series 2012 Trust Agreement, and shall not be subject to levy or attachment or lien by or for the benefit of any creditor of the Series 2012 Trustee or any Series 2012 Issuer or Owner.

#### **Section 4.2 Investments Authorized.**

Amounts held by the Series 2012 Trustee in each Series 2012 Issuer's subaccount shall be invested only in Permitted Investments and at the written direction of each Series 2012 Issuer.

#### **Section 4.3 Accounting.**

The Series 2012 Trustee shall furnish to each Series 2012 Issuer and the Agency, at least semi-annually, an accounting of that Series 2012 Issuer's subaccounts, including all investments made by the Series 2012 Trustee of funds in those subaccounts. Except as provided in Section 5.6 below, the Series 2012 Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with this Series 2012 Trust Agreement.

#### **Section 4.4 Allocation of Earnings.**

Interest earnings on each Series 2012 Issuer's subaccount in each account held by the Series 2012 Trustee under this Series 2012 Trust Agreement shall be credited to that subaccount.

#### **Section 4.5 Disposition of Investments.**

The Series 2012 Trustee shall sell at the then current market price, or present for prepayment, any Permitted Investment so purchased by the Series 2012 Trustee whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the subaccount to which such Permitted Investment is credited, and, except as provided in Section 5.6 below, the Series 2012 Trustee shall not be liable or responsible for any loss resulting from such sale. Each Series 2012 Issuer may instruct the Series 2012 Trustee at any time to sell any Permitted Investment credited to any of such Series 2012 Issuer's subaccounts which may be sold at a profit; proceeds of such sale shall be deposited in the subaccount to which the Permitted Investment was credited.

#### **Section 4.6 Commingling for Investment Permitted.**

Subject to Section 4.2, Section 4.4 and Section 4.5 herein, the Series 2012 Trustee may commingle any of the funds held by it pursuant to this Series 2012 Trust Agreement for investment purposes only.

### **ARTICLE 5 THE SERIES 2012 TRUSTEE**

#### **Section 5.1 Compensation of the Series 2012 Trustee.**

5.1.1 In its Resolution authorizing the Series 2012 Pension Bonds, each Series 2012 Issuer has agreed to pay its allocable share of the Additional Charges to the Series 2012 Trustee.

5.1.2 Each Series 2012 Issuer will prepay its Additional Charges associated with the annual administrative costs of the Trustee at Closing as set forth in the Underwriter's Closing Memorandum.

5.1.3 Additional Charges which are allocable to a default by any Series 2012 Issuer shall be billed only to the defaulting Series 2012 Issuer. Owners shall have no lien on Additional Charges revenues and the Series 2012 Trustee shall have no lien on the Trust Estate for this purpose.

#### **Section 5.2 Removal of Series 2012 Trustee.**

5.2.1 The Series 2012 Trustee may be removed and a successor Series 2012 Trustee appointed at any time:

- (A) On written demand of Series 2012 Issuers representing fifty-one percent (51%) or more of the then Outstanding Principal amount of Series 2012 Pension Bonds. The Series 2012 Trustee shall provide notice of any demand for removal of the Series 2012 Trustee pursuant to this Section by first class mail to the Agency.
- (B) On written demand of the Owners of fifty-one percent (51%) of the aggregate Principal amount of all Series 2012 Obligations Outstanding. The Series 2012 Trustee shall provide notice of any demand for removal of the Series 2012 Trustee pursuant to this Section 5.2.1(B) by first class mail to the Series 2012 Issuers, the Agency.

5.2.2 Any demand for removal of the Series 2012 Trustee shall specify the proposed successor Series 2012 Trustee, and no removal shall take effect until the successor Series 2012 Trustee accepts such appointment and the obligations hereunder and acknowledges that certain transfers have occurred, all as provided in Section 5.5.1 below.

5.2.3 Any successor Series 2012 Trustee appointed pursuant to the provisions of this section shall:

- (A) be a trust company or bank in good standing, duly authorized to exercise trust powers and subject to examination by federal or state authority;
- (B) have substantial prior experience as a trustee for the benefit of the owners of municipal debt securities;
- (C) have a reported capital and surplus of at least Seventy-Five Million Dollars (\$75,000,000); and
- (D) covenant to fulfill obligations in the Intercept Agreement in accordance with the terms set forth therein.

#### **Section 5.3 Resignation of Series 2012 Trustee.**

5.3.1 The Series 2012 Trustee or any successor may at any time resign by giving notice by first class mail to the Series 2012 Issuers, the Owners, the Agency. The notice shall state the Series 2012 Trustee's intention to resign and the proposed date of resignation, which shall be a date not less than sixty (60) days after the mailing of such notice, unless an earlier resignation date and the appointment of a successor Series 2012 Trustee shall have been or are approved by the Owners of fifty-one percent (51%) of the aggregate Principal amount of the Series 2012 Obligations then Outstanding and a majority of Series 2012 Issuers.

5.3.2 Upon mailing such notice of resignation, the resigning Series 2012 Trustee will organize a meeting of the Series 2012 Issuers as quickly as possible for the purpose of appointing a successor Series 2012 Trustee. Series 2012 Issuers representing fifty-one percent (51%) of the Outstanding Principal amount of Series 2012 Pension Bonds may appoint a successor Series 2012 Trustee; provided, however, that if a successor Series 2012 Trustee is not appointed within thirty (30) days following mailing of such written notice of resignation, the Owners of fifty-one percent (51%) of the Outstanding Principal amount of all Series 2012 Obligations Outstanding may appoint a successor Series 2012 Trustee, and in the event that the Owners fail to appoint a successor Series 2012 Trustee, within thirty (30) days following the expiration of such initial 30-day period, the resigning Series 2012 Trustee may petition the appropriate court having jurisdiction to appoint a successor Series 2012 Trustee. Any resignation of the Series 2012 Trustee shall become effective only upon acceptance of the appointment and obligations hereunder by the successor Series 2012 Trustee and acknowledgment by the Successor Series 2012 Trustee that certain transfers have occurred, all as provided in Section 5.5.1 below.

5.3.3 Notwithstanding any other provision of this Series 2012 Trust Agreement, no removal, resignation or termination of the Series 2012 Trustee shall take effect until a successor Series 2012 Trustee has accepted its appointment as Series 2012 Trustee, Outstanding Series 2012 Pension Bonds and the rest of the Trust Estate have been transferred to the successor Series 2012 Trustee.

#### **Section 5.4 Merger or Consolidation.**

Any company into which the Series 2012 Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Series 2012 Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company shall be eligible under Section 5.2 above, shall be the successor to the Series 2012 Trustee without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding. The Series 2012 Trustee shall provide notice by first class mail to the Series 2012 Issuers, Agency and Owners of any merger or consolidation.

#### **Section 5.5 Acceptance of Appointment by Successor Series 2012 Trustee.**

5.5.1 Any successor Series 2012 Trustee appointed as provided in Section 5.2 or Section 5.3 shall execute, acknowledge and deliver to the Series 2012 Issuers and the Agency and to its predecessor Series 2012 Trustee an instrument accepting such appointment and the obligations hereunder, of the predecessor Series 2012 Trustee and acknowledging that the Outstanding Series 2012 Pension Bonds and the rest of the Trust Estate have been transferred to the successor Series 2012 Trustee, and thereupon the resignation or removal of the predecessor Series 2012 Trustee shall become effective and such successor Series 2012 Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, duties and obligations of its predecessor hereunder and under the Fourth Supplemental Intercept Agreement, with like effect as if originally named herein, and the Series 2012 Trustee ceasing to act shall execute and deliver an instrument transferring to such successor Series 2012 Trustee all the rights and powers of the Series 2012 Trustee and Trust Estate. Upon request of any such successor Series 2012 Trustee, the Series 2012 Issuers and the Agency shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor Series 2012 Trustee all such rights and powers. Any Series 2012 Trustee ceasing to act shall, nevertheless, retain a lien upon all Additional Charges to secure any amounts then due to it pursuant to the provisions of this Series 2012 Trust Agreement.

5.5.2 No successor Series 2012 Trustee shall accept appointment as provided in this Section 5.5 unless at the time of acceptance such successor Series 2012 Trustee shall be qualified under the provisions of Section 5.2.3 above.

5.5.3 Upon appointment of a successor Series 2012 Trustee as provided in this Section 5.5, the successor Series 2012 Trustee shall mail, first class, postage prepaid, notice of the succession of such Series 2012 Trustee hereunder to each Series 2012 Issuer, to each Owner and to the Agency as of the date such notice is mailed at his or her last address as it shall appear upon the Obligation Register.

#### **Section 5.6 Duties and Responsibilities of the Series 2012 Trustee Prior to and During Default.**

5.6.1 The Series 2012 Trustee undertakes, prior to the occurrence of an Event of Default and after the curing or waiving of all Events of Default which may have occurred, to perform such duties and only such duties as are specifically set forth in this Series 2012 Trust Agreement. In case any Event of Default has occurred (which has not been cured or waived) the Series 2012 Trustee shall exercise such of the rights and powers vested in it by this Series 2012 Trust Agreement, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

5.6.2 No provision of this Series 2012 Trust Agreement shall be construed to relieve the Series 2012 Trustee from liability for its own negligent action, breach of fiduciary duty, its negligent failure to act or its own willful misconduct, except that:

(A) Prior to the occurrence of an Event of Default and after the curing or waiving of all Events of Default which may have occurred, the duties and obligations of the Series 2012 Trustee shall be determined solely by the express provisions of this Series 2012 Trust Agreement, and the Series 2012 Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Series 2012 Trust Agreement, and no covenants or obligations shall be implied into this Series 2012 Trust Agreement adverse to the Series 2012 Trustee;

(B) The Series 2012 Trustee shall not be liable for any error of judgment made in good faith by a responsible officer of the Series 2012 Trustee, unless it shall be proved that the Series 2012 Trustee was negligent in ascertaining the pertinent facts;

(C) The Series 2012 Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of a majority in Outstanding Principal amount of the Series 2012 Obligations at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Series 2012 Trustee, or exercising any trust or power conferred upon the Series 2012 Trustee, under this Series 2012 Trust Agreement; and

(D) No provision contained in this Series 2012 Trust Agreement shall require the Series 2012 Trustee to expend or risk its own funds or otherwise incur liability in the performance of any of its duties or the exercise of any of its rights or powers, if there is reasonable ground for the Series 2012 Trustee's believing that the repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.



**Section 5.7 Duties and Responsibilities of the Series 2012 Trustee Regarding Continuing Disclosure.**

The Series 2012 Trustee shall execute a continuing disclosure certificate in substantially the form attached as Exhibit F to assist the Underwriter in complying with SEC Rule 15c2-12 (17 CFR §240.15c2-12) by providing notice of certain material events regarding the Series 2012 Obligations.

**Section 5.8 Protection and Rights of the Series 2012 Trustee.**

5.8.1 The Series 2012 Trustee shall be protected and shall incur no liability in acting or proceeding in good faith upon any resolution, notice, telegram, request, consent, waiver, certificate, statement, affidavit, voucher, bond, requisition or other paper or document which it shall in good faith believe to be genuine and to have been passed or signed by the proper board or person or to have been prepared and furnished pursuant to any of the provisions of this Series 2012 Trust Agreement, and the Series 2012 Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Series 2012 Trustee shall not be bound to recognize any person as an Owner of any Series 2012 Obligation or to take any action at his request unless such Series 2012 Obligation shall be deposited with the Series 2012 Trustee or satisfactory evidence of the ownership of such Series 2012 Obligation shall be furnished to the Series 2012 Trustee. The Series 2012 Trustee may consult with counsel, who may be counsel to one or more Series 2012 Issuers or counsel to the Series 2012 Trustee, with regard to legal questions and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith in accordance therewith.

5.8.2 The Series 2012 Trustee may become the Owner of Series 2012 Obligations with the same rights it would have if it were not the Series 2012 Trustee; may acquire and dispose of other certificates or evidences of indebtedness of the Series 2012 Issuers with the same rights it would have if it were not the Series 2012 Trustee; and may act as a depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners of Outstanding Series 2012 Obligations, whether or not such committee shall represent the Owners of the majority in aggregate principal amount of the Series 2012 Obligations then Outstanding.

5.8.3 The recitals, statements and representations by the Series 2012 Issuers contained in this Series 2012 Trust Agreement or in the Series 2012 Pension Bonds shall be taken and construed as made by the Series 2012 Issuers, and not by the Series 2012 Trustee, and the Series 2012 Trustee does not assume, and shall not have, any responsibility or obligation for the correctness of any thereof.

5.8.4 The Series 2012 Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents, or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its duty hereunder, and the Series 2012 Trustee shall not be answerable for the default or misconduct of any such attorney, agent, or receiver selected by it with reasonable care.

**Section 5.9 Indemnification.**

In its Resolution authorizing the Series 2012 Pension Bonds and to the extent permitted by law, each Series 2012 Issuer has agreed to indemnify and save the Series 2012 Trustee harmless against any loss, expense or liability which it may incur arising out of or in the exercise or performance of its duties and

powers hereunder, including the costs and expenses of defending against any claim or liability, or enforcing any of the rights or remedies granted to it under the terms of this Series 2012 Trust Agreement, excluding any losses or expenses which are due to the Series 2012 Trustee's breach of fiduciary duties, negligence or willful misconduct. The damages claimed against the District shall not exceed the damages which may be allowed under the Oregon Tort Claims Act, Oregon Revised Statutes Section 30.260, et seq., unless the provisions and limitations of such act are preempted by federal law, including, but not limited to the federal securities laws.

**ARTICLE 6 CONCERNING THE SERIES 2012 OBLIGATION OWNERS**

**Section 6.1 Evidence of Action Taken by Owners.**

Subject to Article 12 herein, whenever in this Series 2012 Trust Agreement it is provided that the Owners of a specified percentage in Outstanding Principal amount of the Outstanding Series 2012 Obligations may take any action (including the making of any demand or request, the giving of any notice, consent or waiver or the taking of any other action), the fact that at the time of taking any such action the Owners of such specified percentage have joined therein may be evidenced:

6.1.1 by any instrument or any number of instruments of similar tenor executed by Owners of Outstanding Series 2012 Obligations in person or by agent or proxy appointed in writing, or

6.1.2 by the record of the Owners of Outstanding Series 2012 Obligations voting in favor thereof at any meeting of Owners of Outstanding Series 2012 Obligations, or

6.1.3 by a combination of such instrument or instruments and any such record of such a meeting of Owners of Outstanding Series 2012 Obligations.

**Section 6.2 Action Taken by Owners Irrevocable.**

Any consent to the taking of any action by any Owner of an Outstanding Series 2012 Obligation shall be irrevocable and shall be conclusive and binding upon such Owner and upon all future Owners of such Series 2012 Obligation and of any Series 2012 Obligation executed and delivered in exchange or substitution therefor, irrespective of whether or not any notation and regard thereto is made upon such Series 2012 Obligation. Any action taken by the Owners of the percentage in Outstanding Principal specified in this Series 2012 Trust Agreement in connection with such action shall be conclusive and binding upon all Series 2012 Issuers, the Series 2012 Trustee and the Owners of all the Series 2012 Obligations.

**Section 6.3 Certain Series 2012 Obligations Disregarded.**

In determining whether the Owners of the requisite Outstanding Principal amount of all Series 2012 Obligations Outstanding have concurred in any direction or consent under this Series 2012 Trust Agreement, Series 2012 Obligations which are owned by the Series 2012 Trustee or any Series 2012 Issuer or by any person directly or indirectly controlling or controlled by or under direct or indirect common control with the Series 2012 Trustee or any Series 2012 Issuer shall be disregarded and treated as though they were not Outstanding for the purpose of any such determination; provided that for the purposes of determining whether the Series 2012 Trustee shall be protected in relying on any such direction or consent only Series 2012 Obligations which the Series 2012 Trustee knows are so owned shall be so disregarded. Series 2012 Obligations so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this section, if the pledgee shall establish to the satisfaction of the Series 2012 Trustee the pledgee's right to vote such Series 2012 Obligations and that the pledgee is not a person directly or indirectly

controlling or controlled by or under direct or indirect common control with the Series 2012 Trustee or any Series 2012 Issuer. In case of a dispute as to such right, any decision by the Series 2012 Trustee taken upon the advice of counsel shall be full protection to the Series 2012 Trustee.

## **ARTICLE 7 MODIFICATION OF SERIES 2012 TRUST AGREEMENT**

### **Section 7.1 Limitations.**

This Series 2012 Trust Agreement may be modified or amended only in accordance with this ARTICLE 7.

### **Section 7.2 Supplemental Trust Agreement Without Consent of Owners.**

7.2.1 Upon the written consent of Series 2012 Issuers representing fifty-one percent (51%) or more of the then Outstanding Principal amount of Series 2012 Pension Bonds, the Series 2012 Trustee may amend this Series 2012 Trust Agreement without the consent of or notice to the Owners and, without the consent of or notice to Series 2012 Issuers for any of the purposes listed below in sub paragraphs (A) through (F) of this Section 7.2.1.

(A) To cure any formal defect, omission, inconsistency or ambiguity in this Series 2012 Trust Agreement.

(B) To grant to or confer or impose upon the Series 2012 Trustee for the benefit of the Owners any additional rights, remedies, powers, authority, security, liabilities or duties which may lawfully be granted, conferred or imposed.

(C) To add to the covenants and agreements of, and limitations and restrictions upon, the Series 2012 Trustee or the Series 2012 Issuers in this Series 2012 Trust Agreement other covenants, agreements, limitations and restrictions to be observed by the Series 2012 Trustee or the Series 2012 Issuers which are necessary or desirable and not contrary to or inconsistent with this Series 2012 Trust Agreement as theretofore in effect.

(D) To confirm, as further assurance, any pledge under, and the subjection to any claim, lien or pledge created or to be created by, this Series 2012 Trust Agreement, or of any other moneys, securities or funds.

(E) To evidence the appointment of a successor Series 2012 Trustee.

(F) To comply with the requirements of the Trust Indenture Act of 1939, as from time to time amended and supplemented. To the extent an amendment under this Section 7.2.1(F) would adversely affect the security for the Series 2012 Obligations, the consent of the Owners representing not less than fifty-one (51%) of the then Outstanding Principal amount of Series 2012 Obligations shall be required. Before the Series 2012 Trustee shall amend the Series 2012 Trust Agreement under this Section 7.2.1(F), there shall have been delivered to the Series 2012 Trustee an opinion of counsel, as provided under Section 11.4, stating that such supplement or amendment does not materially and adversely affect the security for the Series 2012 Obligations.

7.2.2 Before the Series 2012 Trustee shall amend or supplement the Series 2012 Trust Agreement under this Section 7.2 without the consent of or notice to Series 2012 Issuers, there shall have been delivered to the Series 2012 Trustee an opinion of counsel, as provided under

Section 11.4, stating that such supplement or amendment does not materially and adversely affect the rights or obligations of the Series 2012 Issuers. If the Series 2012 Trustee does not receive such an opinion, then any such proposed supplement or amendment shall require the consent of Series 2012 Issuers representing not less than fifty-one percent (51%) of the then Outstanding Principal amount of the Series 2012 Pension Bonds.

7.2.3 Before the Series 2012 Trustee shall enter into any amendment or supplement pursuant to this section, there shall have been delivered to the Series 2012 Trustee an opinion of counsel, as provided in Section 11.4, stating that such amendment or supplement is authorized or permitted by this Series 2012 Trust Agreement, complies with its terms, and will, upon the execution and delivery thereof, be valid and binding upon the Series 2012 Trustee and the Series 2012 Issuers in accordance with its terms.

### **Section 7.3 Supplemental Trust Agreement With Consent of the Owners.**

7.3.1 Series 2012 Issuers representing not less than fifty-one percent (51%) of the then Outstanding Principal amount of Series 2012 Pension Bonds and the Series 2012 Trustee may amend this Series 2012 Trust Agreement, except as set forth in Section 7.2.1 above and 7.3.2 below, only with the consent of the Owners of not less than fifty-one percent (51%) in Outstanding Principal amount of the Series 2012 Obligations.

7.3.2 The consent of all affected Series 2012 Issuers and all affected Owners of all the Series 2012 Obligations then Outstanding is required for:

(A) a change in the terms of the payment or prepayment of any portion of the Pension Bond Payments, or

(B) the creation of a claim or lien upon, or a pledge of the Trust Estate ranking prior to or (except as expressly permitted in the Series 2012 Trust Agreement or Series 2012 Pension Bonds) on a parity with the claim, lien or pledge created by this Series 2012 Trust Agreement, or

(C) the creation of a preference or priority of any Series 2012 Obligation or Series 2012 Obligations over any other Series 2012 Obligation or Series 2012 Obligations, or

(D) a reduction in the Outstanding Principal amount of Series 2012 Obligations the consent of the Owners of which is required for any supplemental Trust Agreement or which is required, under Section 7.7 below, for any modification, alteration, amendment or supplement to the Series 2012 Pension Bonds.

7.3.3 If at any time the Series 2012 Issuers shall request the Series 2012 Trustee to enter into any supplemental Trust Agreement for any of the purposes of this Section 7.3 which require Owners' consent subject to Section 12.1.2, the Series 2012 Trustee shall cause notice of the proposed supplemental Trust Agreement to be given by first class mail, postage prepaid, to all Owners of Outstanding Principal amount of Series 2012 Obligations affected thereby at their addresses as they appear in the Obligation Register.

(A) Such notice shall briefly set forth the nature of the proposed supplemental Trust Agreement and shall state that a copy thereof is on file at the office of the Series 2012 Trustee for inspection by all Owners.

(B) Within two years after the date of the first mailing, the Series 2012 Trustee may enter into such supplemental Trust Agreement in substantially the form described in such notice, but only if there shall have first been delivered to the Series 2012 Trustee (i) the required consents, in writing, of Owners of Series 2012 Obligations then Outstanding, and (ii) an opinion of Special Counsel stating that such supplemental Trust Agreement is authorized or permitted by this Series 2012 Trust Agreement, complies with its terms, and will, upon the execution and delivery thereof, be valid and binding upon the Series 2012 Trustee in accordance with its terms.

(C) If the Owners of not less than the percentage of Series 2012 Obligations then Outstanding required by this Section 7.3 shall have consented to and approved the execution and delivery thereof as herein provided, no Owner shall have any right to object to the execution and delivery of such supplemental Trust Agreement, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution and delivery thereof, or to enjoin or restrain the Series 2012 Trustee from executing and delivering the same or from taking any action pursuant to the provisions thereof.

#### **Section 7.4 Effect of Supplemental Trust Agreement.**

Upon the execution and delivery of any supplemental Trust Agreement pursuant to the provisions of this Article 7, this Series 2012 Trust Agreement shall be, and be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under this Series 2012 Trust Agreement of the Series 2012 Trustee, and all Owners of Series 2012 Obligations then Outstanding shall thereafter be determined, exercised and enforced under this Series 2012 Trust Agreement subject in all respects to such modifications and amendments.

#### **Section 7.5 Notice of Amendments.**

Copies of any amendment to this Series 2012 Trust Agreement shall be sent by the Series 2012 Trustee to all Series 2012 Issuers.

#### **Section 7.6 Amendments to Series 2012 Pension Bonds and Resolutions Not Requiring Consent of Owners.**

7.6.1 At the request of any Series 2012 Issuer and without the consent of Owners, the Series 2012 Trustee may approve amendments of the Series 2012 Pension Bonds and the related Resolutions which are required:

(A) To cure any formal defect, omission, inconsistency or ambiguity or to conform those documents to the requirements of this Trust Indenture.

(B) To make any other change which, in the reasonable judgment of the affected Series 2012 Issuer and the Series 2012 Trustee, does not materially and adversely affect the Owners.

7.6.2 Before the Series 2012 Trustee shall approve any amendment pursuant to this Section 7.6 or Section 7.7 below, there shall have been delivered to the Series 2012 Trustee an opinion of Special Counsel stating that such amendment, change or modification is authorized or permitted by this Series 2012 Trust Agreement, complies with its terms, and will, upon the execution and delivery thereof, be valid and binding upon the Series 2012 Issuers in accordance with its terms.

#### **Section 7.7 Amendments to Series 2012 Pension Bonds and Related Resolutions Requiring Consent of the Owners.**

Any amendment to the Series 2012 Pension Bonds and the related Resolutions which is not described in Section 7.6 above requires the consent of the affected Series 2012 Issuer, the Series 2012 Trustee and the Owners of not less than fifty-one percent (51%) in aggregate principal amount of the Series 2012 Obligations then Outstanding. However, the consent of the Owners of all affected Series 2012 Obligations then Outstanding is required for any amendment, change or modification of the Series 2012 Pension Bonds that would permit the termination or cancellation of the Series 2012 Pension Bonds, a reduction in or postponement of the Pension Bond Payments or a release of the full faith and credit pledge. If at any time any Series 2012 Issuers shall request the consent of the Series 2012 Trustee to any such proposed amendment, change or modification of the Series 2012 Pension Bonds, the Series 2012 Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice to be given of such proposed amendment, change or modification in the same manner as provided by Section 7.3 above with respect to supplemental Trust Agreements. Such notice shall briefly set forth the nature of such proposed amendment, change or modification, and shall state that copies of the instrument embodying the same are on file at the principal office of the Series 2012 Trustee for inspection by all Owners. The affected Series 2012 Issuer may enter into, and the Series 2012 Trustee may consent to, any such proposed amendment, change or modification subject to the same conditions and with the same effect as provided in Section 7.3 above hereof with respect to supplemental Trust Agreements, provided the affected Series 2012 Issuer has obtained the opinion of Special Counsel which is described in Section 7.6 above.

### **ARTICLE 8 COVENANTS; NOTICES**

#### **Section 8.1 Enforcement of Series 2012 Pension Bonds.**

The Series 2012 Trustee covenants and agrees with the Owners of the Series 2012 Obligations to enforce payment of the Series 2012 Pension Bonds in accordance with their terms for the benefit of the Owners.

#### **Section 8.2 Notice in Event of Default.**

If an Event of Default occurs under this Series 2012 Trust Agreement, the Series 2012 Trustee shall give written notice of such default to the Owners of the Series 2012 Obligations then Outstanding and the Series 2012 Issuers. Such notice shall specify the Series 2012 Issuer that is in default and the amount and dates of the Pension Bond Payments due from that Series 2012 Issuer; provided, however, that failure to give such notice shall not affect any rights of the Owners of the Series 2012 Obligations. The notice provided for in this section shall be mailed by first class mail, postage prepaid, to each Owner within thirty (30) days of the Series 2012 Trustee's actual knowledge of default. Notwithstanding the foregoing, except in the case of default in the payment of one or more Pension Bond Payments, the Series 2012 Trustee shall be protected in delaying such notice if and so long as the Series 2012 Trustee determines in good faith that the delaying of such notice is in the interests of the Owners of Series 2012 Obligations.

### **ARTICLE 9 EVENTS OF DEFAULT**

#### **Section 9.1 Events of Default.**

The occurrence of one or more of the following shall constitute an Event of Default under this Series 2012 Trust Agreement:

9.1.1 If default shall be made in the due and punctual payment of any principal or interest scheduled to be paid on the Series 2012 Obligations; or

9.1.2 The occurrence of any Pension Bond Default.

The occurrence of any Pension Bond Default by a Series 2012 Issuer does not constitute a Pension Bond Default of other Series 2012 Issuers.

#### **Section 9.2 Remedies on Default.**

9.2.1 Upon the occurrence and continuance of any Event of Default, the Series 2012 Trustee may, and if the Owners of not less than fifty-one percent (51%) in Outstanding Principal amount of Series 2012 Obligations so request, shall take whatever action at law or in equity may appear necessary or desirable to enforce or to protect any of the rights vested in the Series 2012 Trustee or the Owners of Series 2012 Obligations by this Series 2012 Trust Agreement, the Intercept Agreement or the Series 2012 Pension Bonds, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Series 2012 Trust Agreement or the Intercept Agreement or in aid of the exercise of any power granted in this Series 2012 Trust Agreement or the Intercept Agreement or for the enforcement of any other legal or equitable right vested in the Series 2012 Trustee by this Series 2012 Trust Agreement or the Intercept Agreement or by law; provided that in no event shall the Series 2012 Trustee have the right to accelerate the Pension Bond Payments or the Series 2012 Obligations.

9.2.2 The Series 2012 Trustee shall not exercise remedies against a Series 2012 Issuer that has not caused a Pension Bond Default.

#### **Section 9.3 No Remedy Exclusive.**

No remedy herein conferred upon or reserved to the Series 2012 Trustee is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Series 2012 Trust Agreement to the Series 2012 Trustee, or given under the Series 2012 Pension Bonds to the Series 2012 Trustee and assigned hereunder to the Series 2012 Trustee, or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. To entitle the Series 2012 Trustee to exercise any remedy reserved to it, it shall not be necessary to give any notice other than such notice as may be required in this Section 9.3 or by law.

#### **Section 9.4 Attorneys' Fees and Expenses.**

In the event any party to this Series 2012 Trust Agreement should default under any of the provisions hereof and any nondefaulting party or parties should employ attorneys or incur other expenses for the collection of moneys on the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will on demand therefor pay, to the extent permitted by law, to such nondefaulting party or parties the reasonable fees of such attorneys and such other expenses incurred by such nondefaulting party or parties.

#### **Section 9.5 No Additional Waiver Implied by One Waiver.**

In the event any agreement contained in this Series 2012 Trust Agreement should be breached by a party and thereafter waived by another party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

#### **Section 9.6 Application of Moneys Upon Pension Bond Default.**

If at any time after a Pension Bond Default has occurred any moneys available or thereafter becoming available for such purpose, whether through the exercise of the remedies provided for herein or otherwise, shall be applied by the Series 2012 Trustee as follows:

9.6.1 **First:** To the payment of the Interest on such Series 2012 Issuer's Series 2012 Pension Bond when due; and

9.6.2 **Second:** To the payment of the Principal on such Series 2012 Issuer's Series 2012 Pension Bond when due.

In no event shall non-payment by one Series 2012 Issuer affect another Series 2012 Issuer. Series 2012 Obligations are to be paid pro-rata.

#### **Section 9.7 Action by Owners.**

In the event the Series 2012 Trustee fails to take any action to eliminate an occurrence of an Event of Default, the Owners of not less than fifty-one percent (51%) in aggregate principal amount of Series 2012 Obligations then Outstanding may institute any suit, action, mandamus or other proceeding in equity or at law for the protection or enforcement of any right under the Series 2012 Pension Bonds or this Series 2012 Trust Agreement, but only if the Series 2012 Trustee shall have been given written notice of such default (unless such default shall consist of a failure to make a Pension Bond Payment when due) and the continuance thereof and if such percentage of Series 2012 Obligation Owners have first made written request of the Series 2012 Trustee to institute such action or proceedings in its own name as Series 2012 Trustee hereunder and shall have afforded the Series 2012 Trustee sixty (60) days either to proceed to exercise the powers granted therein or granted under law or to institute such action, suit or proceeding in its name and unless also, the Series 2012 Trustee shall have been offered reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Series 2012 Trustee shall have refused or neglected to comply with such request within a reasonable time.

### **ARTICLE 10 BEO SYSTEM; REGISTRATION AND PREPAYMENT**

#### **Section 10.1 The BEO System.**

The Series 2012 Obligations shall be initially issued in BEO form and shall be governed by this Section 10.1. While Series 2012 Obligations are in BEO form no physical Series 2012 Obligations shall be provided to Owners of Series 2012 Obligations. The Series 2012 Trustee has executed and delivered a blanket Letter of Representations to DTC. While the Series 2012 Obligations are in BEO form, registration and transfer of beneficial interests in the Series 2012 Obligations shall be governed by that letter and the Operational Arrangements of DTC, as they may be amended from time to time, as provided in the blanket Series 2012 Issuer Letter of Representations.

10.1.1 Except as provided in Article 12 herein, DTC shall be treated as the Owner for all purposes, including payment and the giving of notices to Owners of Series 2012 Obligations. Series 2012 Obligation payments shall be made, and notices shall be given, to DTC in accordance with the Letter of Representations. Any failure of DTC to advise any of its participants, or of any participant to notify the beneficial owner, of any such notice and its content or effect will not affect the validity of the prepayment of Series 2012 Obligations called for prepayment or of any other action premised on such notice.

10.1.2 Series 2012 Issuers representing fifty-one percent (51%) or more of the then Outstanding Principal amount of Series 2012 Pension Bonds may direct the Series 2012 Trustee to discontinue maintaining the Series 2012 Obligations in the BEO form at any time. The Series 2012 Trustee shall discontinue maintaining the Series 2012 Obligations in BEO form if DTC determines not to continue to act as securities depository for the Series 2012 Obligations, or fails to perform satisfactorily as depository, and a satisfactory substitute depository cannot reasonably be found.

10.1.3 If the Series 2012 Trustee discontinues maintaining the Series 2012 Obligations in book-entry only form, the Series 2012 Trustee shall authenticate and deliver replacement Series 2012 Obligations in fully registered form in authorized denominations in the names of the beneficial owners or their nominees; thereafter the provisions set forth in Section 10.2 below, regarding registration, transfer and exchange of Series 2012 Obligations shall apply.

10.1.4 While the Series 2012 Obligations are in BEO form, the Series 2012 Trustee shall have no responsibility or obligation to any participant or correspondent of DTC or to any beneficial owner on behalf of which such participants or correspondents act as agent for the beneficial owner with respect to:

(A) the accuracy of the records of DTC, the nominee or any participant or correspondent with respect to any beneficial owner's interest in the Series 2012 Obligations;

(B) the delivery to any participant or correspondent or any other person of any notice with respect to the Series 2012 Obligations, including any notice of prepayment;

(C) the selection by DTC of the beneficial interest in Series 2012 Obligations to be prepaid prior to maturity; or

(D) the payment to any participant, correspondent, or any other person other than the registered owner of the Series 2012 Obligations as shown in the registration books maintained by the Series 2012 Trustee, of any amount with respect to principal, any premium or interest on the Series 2012 Obligations.

10.1.5 The Series 2012 Trustee shall pay or cause to be paid all principal, premium and interest on the Series 2012 Obligations only to or upon the order of the owner, as shown in the registration books maintained by the Series 2012 Trustee, and all such payments shall be valid and effective to fully satisfy and discharge the Series 2012 Trustee's obligation with respect to payment thereof to the extent of the sum or sums so paid.

10.1.6 The provisions of this Section 10.1 may be modified without the consent of the beneficial owners to conform this section to the standard practices of DTC or any successor depository for bonds issued in book-entry only form.

#### **Section 10.2 Authentication, Registration and Transfer.**

10.2.1 No Series 2012 Obligation shall be entitled to any right or benefit under this Series 2012 Trust Agreement unless an authorized officer of the Series 2012 Trustee shall have executed it. The Series 2012 Trustee shall execute all Series 2012 Obligations to be delivered at Closing, and shall additionally execute all Series 2012 Obligations issued in exchange for Series 2012 Obligations properly surrendered for exchange or transfer pursuant to this Series 2012 Trust Agreement.

10.2.2 The ownership of all Series 2012 Obligations shall be entered in the Series 2012 Obligation register maintained by the Series 2012 Trustee, and the Series 2012 Trustee may treat the person listed as owner in the Series 2012 Obligation register as the owner of the Series 2012 Obligation for all purposes.

10.2.3 While the Series 2012 Obligations are in book-entry only form, the Series 2012 Trustee shall transfer Series 2012 Obligation principal, interest and any premium payments in the manner required by DTC.

10.2.4 If the Series 2012 Obligations cease to be in book-entry only form, the Series 2012 Trustee shall mail by first class mail, postage prepaid, each interest payment on the interest Payment Date (or the next Business Day if the Payment Date is not a Business Day) to the name and address of the Owners as they appear on the Series 2012 Obligation register as of the Record Date. If payment is so mailed, neither the Series 2012 Trustee nor the Series 2012 Issuers shall have any further liability to any party for such payment. Principal of each Series 2012 Obligation shall be paid only on or after the stated maturity date thereof or date fixed for earlier prepayment thereof, and then only upon presentation and surrender of such Series 2012 Obligation to the Series 2012 Trustee at its principal corporate trust office in Oregon.

10.2.5 Series 2012 Obligations may be exchanged for an equal principal amount of Series 2012 Obligations of the same series and maturity which are in different denominations, and Series 2012 Obligations may be transferred to other Owners in each case if the Owner submits the following to the Series 2012 Trustee:

(A) written instructions for exchange or transfer satisfactory to the Series 2012 Trustee, signed by the Owner or attorney in fact and guaranteed or witnessed in a manner satisfactory to the Series 2012 Trustee and

(B) the Series 2012 Obligations to be exchanged or transferred.

10.2.6 The Series 2012 Trustee shall not be required to exchange or transfer any Series 2012 Obligations submitted to it during any period beginning with a Record Date and ending on the next following Payment Date; however, such Series 2012 Obligations shall be exchanged or transferred promptly following that Payment Date.

10.2.7 The Series 2012 Trustee shall note the date of authentication on each Series 2012 Obligation. The date of authentication shall be the date on which the Owner's name is listed on the Series 2012 Obligation register.

10.2.8 For purposes of this Section 10.2, Series 2012 Obligations shall be considered submitted to the Series 2012 Trustee on the date the Series 2012 Trustee actually receives the materials described in Section 10.2.5, above.

10.2.9 The Series 2012 Trustee may alter these provisions regarding registration and transfer by mailing notification of the altered provisions to all Owners. The altered provisions shall take effect on the date stated in the notice, which shall not be earlier than 45 days after notice is mailed.

#### **Section 10.3 Prepayment of Series 2012 Obligations.**

10.3.1 The Series 2012 Obligations shall be subject to optional prepayment only as provided in Section 2.4 herein.

10.3.2 So long as Series 2012 Obligations are in book-entry only form, the Series 2012 Trustee shall notify DTC of any optional prepayment not less than twenty (20) days prior to the date fixed for prepayment, and shall provide such information in connection therewith as required by a letter of representation submitted to DTC in connection with the issuance of the Series 2012 Obligations.

10.3.3 During any period in which the Series 2012 Obligations are not in book-entry only form, unless waived by any Owner of the Series 2012 Obligations to be prepaid, official notice of any prepayment of Series 2012 Obligations shall be given by the Series 2012 Trustee by mailing a copy of an official prepayment notice by first class mail postage prepaid at least thirty (30) days and not more than sixty (60) days prior to the Obligation Prepayment Date to the Owner of the Series 2012 Obligation or Series 2012 Obligations to be prepaid at the address shown on the Series 2012 Obligation register or at such other address as is furnished in writing by such Owner to the Series 2012 Trustee. All official notices of prepayment shall be dated and shall state:

- (A) the Obligation Prepayment Date,
- (B) the prepayment price,
- (C) if less than all outstanding Series 2012 Obligations are to be prepaid, the identification (and, in the case of partial prepayment, the respective principal amounts) of the Series 2012 Obligations to be prepaid,
- (D) that on the prepayment date the prepayment price will become due and payable upon each such Series 2012 Obligation or portion thereof being prepaid, and that interest thereon shall cease to accrue from and after said date, and
- (E) the place where such Series 2012 Obligations are to be surrendered for payment of the prepayment price, which place of payment shall be the principal office of the Series 2012 Trustee.

10.3.4 If a Series 2012 Issuer chooses to exercise the option to redeem all or any portion of its Series 2012 Pension Bonds, the Series 2012 Issuer shall provide a notice, not less than forty (40) days prior to the optional Obligation Prepayment Date, to the Series 2012 Trustee of its intention to exercise the option to redeem. Such notice shall state the Obligation Prepayment Date and the amount of Redeemed Principal. The Series 2012 Trustee shall select the corresponding Series 2012 Obligations to be prepaid in accordance with Section 2.5 herein. Thirty-five (35) days prior to the Obligation Prepayment Date, the Series 2012 Trustee shall estimate the redemption price to pay the Redeemed Principal in accordance with Section 0 herein and on such date the Series 2012 Issuer shall provide the Series 2012 Trustee with its Estimated Redemption Payment. Failure of the Series 2012 Issuer to provide the Series 2012 Trustee with its Estimated Redemption Payment at least thirty-five (35) days prior to the Obligation Prepayment Date shall be deemed a revocation of the Series 2012 Issuer's notice and intention to redeem the Redeemed Principal. Upon receipt of the Estimated Redemption Payments, the Series 2012 Trustee shall deposit the Estimated Redemption Payment into the Optional Prepayment Account as directed in Section 3.7 herein and shall provide notice of such prepayment not less than twenty (20) days prior to the Obligation Prepayment Date pursuant to Sections 10.3.2 or 10.3.3 herein, as applicable. Once the Series 2012 Trustee provides notice of prepayment to DTC or the Owners pursuant to Sections 10.3.2 or 10.3.3 herein, as applicable, the Series 2012 Issuer may not revoke its notice or intent to redeem the Redeemed Principal. On the twenty-fifth (25) day prior to the Obligation Prepayment Date, the Series 2012 Trustee shall notify the Series 2012 Issuer of the redemption price of the Redeemed Principal, such redemption price calculated

pursuant to Section 0 herein. If the redemption price calculated by the Series 2012 Trustee is greater than the Estimated Redemption Payment previously made by the Series 2012 Issuer, not later than the twentieth (20) day prior to the Obligation Prepayment Date, the Series 2012 Issuer shall provide the Series 2012 Trustee with funds equal to the amount of its shortfall. The Series 2012 Trustee shall deposit such funds into the Optional Prepayment Account with the previously deposited Estimated Redemption Payment as directed in Section 3.72.4 herein. If the redemption price calculated by the Series 2012 Trustee is less than the Estimated Redemption Payment previously made by the Series 2012 Issuer, the Series 2012 Trustee shall apply such surplus funds in accordance with Section 3.7.2 herein.

## ARTICLE 11 LIMITATION OF LIABILITY

### Section 11.1 Limited Liability of Series 2012 Issuers.

Except for the payment of its Pension Bond Payments and its Additional Charges when due in accordance with the Series 2012 Pension Bonds and Resolutions, each Series 2012 Issuer shall have no obligation or liability to any of the other Series 2012 Issuers, other parties or to the Owners of the Series 2012 Obligations with respect to this Series 2012 Trust Agreement or the terms, execution, delivery or transfer of the Series 2012 Obligations, or the distribution of Pension Bond Payments to the Owners by the Series 2012 Trustee.

### Section 11.2 No Liability of Series 2012 Issuers for Series 2012 Trustee Performance.

The Series 2012 Issuers shall not have any obligation or liability to any of the other Series 2012 Issuers, other parties or to the Owners of the Series 2012 Obligations with respect to the performance by the Series 2012 Trustee of any duty imposed upon the Series 2012 Trustee under this Series 2012 Trust Agreement.

### Section 11.3 No Liability of Series 2012 Trustee for Pension Bond Payments by Series 2012 Issuers.

The Series 2012 Trustee shall not have any obligation or liability to the Owners of the Series 2012 Obligations with respect to any failure by a Series 2012 Issuer to make Pension Bond Payments or the performance by the Series 2012 Issuers of any other covenants made by the Series 2012 Issuers in the Series 2012 Pension Bonds.

### Section 11.4 Opinion of Counsel; Experts.

11.4.1 Before being required to take any action, the Series 2012 Trustee may require an opinion of independent counsel acceptable to the Series 2012 Trustee, which opinion shall be made available to the other parties hereto upon request, which counsel may be counsel to any of the parties hereto, or a verified certificate of any party hereto, or both, concerning the proposed action. If it does so in good faith, the Series 2012 Trustee shall be absolutely protected in relying thereon.

11.4.2 The Series 2012 Trustee is hereby authorized to employ as its agents such attorneys at law, certified public accountants and recognized authorities in their fields (who are not employees of the Series 2012 Trustee), as it may deem necessary to carry out any of its obligations hereunder, and shall, to the extent permitted by law, be reimbursed by the Series 2012 Issuers for all reasonable expenses and charges in so doing. The Series 2012 Trustee shall not be responsible for any misconduct or negligence of any such agent appointed with due care by the Series 2012 Trustee.

11.4.3 The Series 2012 Trustee may consult with counsel or a certified public accountant, as applicable, and the written advice of such counsel or any opinion of counsel or any certificate of a certified public accountant shall be full and complete authorization and protection in respect to any action taken or not taken by the Series 2012 Trustee hereunder in good faith and in reliance thereon.

**Section 11.5 Limitation of Rights to Parties and Series 2012 Obligation Owners.**

Nothing in this Series 2012 Trust Agreement or in the Series 2012 Obligations expressed or implied is intended or shall be construed to give any person other than the Series 2012 Issuers, the Series 2012 Trustee and the Owners of the Series 2012 Obligations, any legal or equitable right, remedy or claims under or in respect of this Series 2012 Trust Agreement; all covenants, conditions and provisions are and shall be for the sole and exclusive benefit of the Series 2012 Issuers, the Series 2012 Trustee and the Owners.

**ARTICLE 12 [RESERVED]**

**ARTICLE 13 INTERGOVERNMENTAL AGREEMENT**

This Article 13 shall constitute an intergovernmental agreement among the Series 2012 Issuers which is authorized by ORS 238.692 to 238.698. The Series 2012 Issuers hereby agree among themselves that the Series 2012 Pension Bonds and Series 2012 Obligations shall be collectively issued, administered and paid as provided in this Series 2012 Trust Agreement.

**ARTICLE 14 MISCELLANEOUS**

**Section 14.1 Covenant to Remain Entitled to Receive State Education Revenues.**

The Series 2012 Obligations are intended to be paid from State Education Revenues that the Trustee receives under the Intercept Agreement. To ensure that State Education Revenues will be available to make payments to the Trustee under the Intercept Agreement, each Series 2012 Issuer covenants that it shall take all actions that are required for that Series 2012 Issuer to continue to qualify to receive State Education Revenues in order to allow the Agency to make Intercept Payments to the Trustee when those payments are due under the Intercept Agreement, including the filing of its audit with the Agency as required under ORS 327.137 and that each Series 2012 Issuer shall not omit any action that would cause that Series 2012 Issuer to cease to qualify to receive State Education Revenues in order to allow the Agency to make Intercept Payments to the Trustee when due.

**Section 14.2 Defeasance.**

14.2.1 All or any portion of the Outstanding Series 2012 Obligations may be paid and discharged in any one or more of the following ways:

- (A) By payment of the Pension Bond Payments attributable to such Series 2012 Obligations as and when the same become due and payable;
- (B) By irrevocably depositing with the Series 2012 Trustee, in trust, before maturity, money which, together with the amounts then on deposit in the Obligation Account and the Prepayment Account, is fully sufficient to pay all Pension Bond Payments attributable to such Series 2012 Obligations; or

- (C) (i) By irrevocably depositing with the Series 2012 Trustee, in trust, Defeasance Obligations which have been calculated to be sufficient, together with the interest to accrue thereon, to pay all Pension Bond Payments attributable to such Series 2012 Obligations, as and when the same become due and payable, (ii) a report of an independent firm of nationally recognized certified public accountants ("Accountant") verifying the sufficiency of the escrow established to pay such Series 2012 Obligations in full on the Obligation Prepayment Date ("Verification"), (iii) an Escrow Deposit Agreement, (iv) an opinion of nationally recognized bond counsel to the effect that such Series 2012 Obligations are no longer Outstanding, and (v) a certificate of discharge of the Series 2012 Trustee with respect to such Series 2012 Obligations; each Verification and defeasance opinion shall be acceptable in form and substance, and addressed to the Series 2012 Issuers and the Series 2012 Trustee.

14.2.2 Money or proceeds of Defeasance Obligations deposited under Sections 14.2.1(B) or 14.2.1(C) shall be held in trust solely for the benefit of those Owners of the Series 2012 Obligations that are identified by the Series 2012 Trustee to be defeased.

14.2.3 All obligations of the Series 2012 Trustee and the Series 2012 Issuers under this Series 2012 Trust Agreement with respect to such Series 2012 Obligations which are paid or deemed paid hereunder shall cease and terminate, except for the obligation of Series 2012 Issuers to pay the Additional Charges as provided in the Resolutions authorizing the Series 2012 Pension Bonds, and the obligation of the Series 2012 Trustee to apply amounts on deposit to the payment of the Series 2012 Obligations in accordance with this Series 2012 Trust Agreement.

14.2.4 The Series 2012 Trustee shall, so long as any Series 2012 Obligations remain Outstanding, keep complete and accurate records of all moneys received and disbursed under this Series 2012 Trust Agreement, which shall be available for inspection by any Series 2012 Issuer or Owner, or the agent of any of them, at any time during reasonable business hours.

**Section 14.3 Notices.**

14.3.1 Until each party provides the other with written notice of a change of address, all written notices to be given under this Series 2012 Trust Agreement to any party to this Series 2012 Trust Agreement shall be given by mail to each Series 2012 Issuer at the address shown in Exhibit D to the Series 2012 Trustee and the Agency at the following addresses:

If to the Series 2012 Trustee: Wells Fargo Bank, National Association  
Corporate Trust Services  
MAC P6101-114  
1300 SW Fifth Avenue, 11th Floor  
Portland, OR 97201

If to the Agency: Oregon Department of Education  
Public Service Building  
255 Capitol St., NE  
Salem, OR 97310-0203

"herein," "hereof," "hereunder" and other words of similar import refer to this Series 2012 Trust Agreement as a whole and not to any particular subdivision.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

14.3.2 Any such notice shall be deposited in the United States mail in registered or certified form (return receipt requested), with postage fully paid, except when permitted to be given by first class mail.

**Section 14.4 Governing Law.**

This Series 2012 Trust Agreement shall be construed and governed in accordance with the laws of the State of Oregon. Any action regarding this Series 2012 Trust Agreement or the transactions contemplated hereby shall be brought in an appropriate court for the State of Oregon in the County of Multnomah, Oregon.

**Section 14.5 Partial Invalidity.**

Any provision of this Series 2012 Trust Agreement found to be prohibited by law shall be ineffective only to the extent of such prohibition, and shall not invalidate any remainder of this Series 2012 Trust Agreement.

**Section 14.6 Binding Effect; Successors.**

This Series 2012 Trust Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns. Whenever in this Series 2012 Trust Agreement any party hereto is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all covenants and agreements contained in this Series 2012 Trust Agreement by or on behalf of any party hereto shall bind and inure to the benefit of the successors and assigns thereof whether so expressed or not.

**Section 14.7 Execution in Counterparts.**

This Series 2012 Trust Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same agreement.

**Section 14.8 Destruction of Canceled Series 2012 Obligations.**

Whenever in this Series 2012 Trust Agreement provision is made for the surrender to or cancellation by the Series 2012 Trustee and the delivery to the Series 2012 Trustee of any Series 2012 Obligations, the Series 2012 Trustee may, in lieu of such cancellation and delivery, destroy such Series 2012 Obligations.

**Section 14.9 Headings.**

The headings or titles of the several Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Series 2012 Trust Agreement. All references herein to "Articles," "Sections," and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Series 2012 Trust Agreement; and the words



IN WITNESS WHEREOF, the parties have executed this Series 2012 Trust Agreement as of the date and year first written.

**Wells Fargo Bank, National Association,**  
as Series 2012 Trustee

\_\_\_\_\_  
Authorized Officer

**Each Series 2012 Issuer is deemed to be a party to this Series 2012 Trust Agreement by the act of delivering its Series 2012 Pension Bond to the Series 2012 Trustee**

**EXHIBIT A**

**Series 2012 Obligations**

Aggregate original principal amount of Series 2012 Obligations: \$\_\_\_\_\_

Obligation Date: January \_\_, 2012

Obligation Maturities and Interest Rates:

<u>Due Date</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Interest Rate</u>

**EXHIBIT B**

[RESERVED]

**EXHIBIT C**

(Form of Series 2012 Obligation)

No. R-1

\$ \_\_\_\_\_

**UNITED STATES OF AMERICA  
STATE OF OREGON  
Oregon School Boards Association Limited Tax Pension Refunding Obligations  
Series 2012  
(Federally Taxable)**

Dated Date: January \_\_, 2012

Interest Rate: \_\_\_\_%

Maturity Date: \_\_\_\_\_

CUSIP Number: \_\_\_\_\_

Registered Owner: -----Cede & Co.-----

Principal Amount: --- \_\_\_\_\_ ---

This is to certify that the Registered Owner named above (the "Owner") is the owner of a proportionate and undivided interest in and right to receive the principal of the Pension Bond Payments which are scheduled to be paid on the Maturity Date indicated above and the interest component of the Pension Bond Payments which accrue on the principal, as defined and provided in the Series 2012 Trust Agreement between Wells Fargo Bank, National Association (the "Series 2012 Trustee"), and the Series 2012 Issuers of the Series 2012 Pension Bonds named therein which is dated as of January \_\_, 2012 and relates to this Series 2012 Obligation (the "Series 2012 Trust Agreement").

This Series 2012 Obligation is one of the \$ \_\_\_\_\_ aggregate principal amount of Oregon School Boards Association Limited Tax Pension Refunding Obligations, Series 2012 (Federally Taxable), executed and delivered by the Series 2012 Trustee pursuant to the Series 2012 Trust Agreement. The Series 2012 Trust Agreement specifies the terms on which the Series 2012 Obligations are delivered, the rights of the Owners of the Series 2012 Obligations, the rights, duties and immunities of the Series 2012 Trustee and the rights and obligations of the Series 2012 Issuers of the Series 2012 Pension Bonds. The terms of the Series 2012 Trust Agreement are hereby incorporated into this Series 2012 Obligation by this reference. Capitalized terms used, but not defined, in this Series 2012 Obligation have the meanings defined for such terms in the Series 2012 Trust Agreement.

This Series 2012 Obligation represents an ownership interest in and a right to receive (a) up to the Principal Amount identified above, representing a portion of the principal component (based on the Principal Amount of this Series 2012 Obligation identified above) of the Pension Bond Payments due on the maturity date of this Series 2012 Obligation, whether that payment is made at maturity or is prepaid, and, (b) the interest components of the Pension Bond Payments which are allocable to that principal component. Interest payments are scheduled to be made on December 30 and June 30 of each year (the "Payment Dates" or singularly, "Payment Date"), commencing December 30, 2012.

The Series 2012 Issuers have issued the Series 2012 Pension Bonds to refund the Refunded Bonds. The Series 2012 Issuers have sold the Series 2012 Pension Bonds to the Series 2012 Trustee. The Series 2012 Trustee holds its right to receive Pension Bond Payments in trust for the benefit of the Owner pursuant to the Series 2012 Trust Agreement.

Each of the Series 2012 Pension Bonds is a full faith and credit obligation of its Series 2012 Issuer, which its Series 2012 Issuer is obligated to pay from any legally available funds as more specifically set forth in each of the Series 2012 Pension Bonds.

The Series 2012 Obligations are subject to optional prepayment pursuant to the terms specified in the Series 2012 Trust Agreement.

The Series 2012 Trustee has no obligation or liability to the Owners to pay the Series 2012 Obligations from any source except the Pension Bond Payments and from any amounts available in the funds and accounts established under the Series 2012 Trust Agreement.

The ownership of this Series 2012 Obligation is transferable only as provided in the Series 2012 Trust Agreement.

This Series 2012 Obligation shall remain in the Series 2012 Trustee's custody subject to the provisions of the FAST Balance Certificate Agreement currently in effect between the Series 2012 Trustee and The Depository Trust Company.

IN WITNESS WHEREOF, this Series 2012 Obligation has been executed and delivered by Wells Fargo Bank, National Association, as Series 2012 Trustee, acting pursuant to the Series 2012 Trust Agreement.

**WELLS FARGO BANK, NATIONAL ASSOCIATION,**  
as Series 2012 Trustee

By: \_\_\_\_\_  
Authorized Officer

**THIS CERTIFICATE SHALL NOT BE VALID UNLESS PROPERLY AUTHENTICATED BY THE PAYING AGENT IN THE SPACE PROVIDED BELOW.**

**CERTIFICATE OF AUTHENTICATION**

This is one of the Oregon School Boards Association Limited Tax Pension Refunding Obligations, Series 2012 (Federally Taxable) issued in accordance with the Series 2012 Trust Agreement described herein.

Date of authentication: January \_\_, 2012.

**WELLS FARGO BANK, NATIONAL ASSOCIATION, as Paying Agent**

\_\_\_\_\_  
Authorized Officer

**ASSIGNMENT**

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto

(Please insert social security or other  
identifying number of assignee)

this Series 2012 Obligation and does hereby irrevocably constitute and appoint  
as attorney to transfer this Series 2012 Obligation on the books  
kept for registration thereof with the full power of substitution in the premises.

Dated:

NOTICE: The signature to this assignment must correspond with the name of the registered owner as it appears upon the face of this Series 2012 Obligation in every particular, without alteration or enlargement or any change whatever.

NOTICE: Signature(s) must be guaranteed by a member  
of the New York Stock Exchange or a commercial  
bank or trust company

Signature Guaranteed

\_\_\_\_\_  
(Bank, Trust Company or Brokerage Firm)

\_\_\_\_\_  
Authorized Officer

The following abbreviations, when used in the inscription on the face of this Series 2012 Obligation, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM -- tenants in common  
TEN ENT -- as tenants by the entireties  
JT TEN -- as joint tenants with right of survivorship  
and not as tenants in common  
OREGON CUSTODIANS use the following  
\_\_\_\_\_  
as custodian for CUST UL OREG \_\_\_\_\_ MIN  
(name of minor)  
OR UNIF TRANS MIN ACT  
under the Oregon Uniform Transfer to Minors Act

Additional abbreviations may also be used though not in the list above.

**LEGAL OPINION**

HAWKINS DELAFIELD & WOOD LLP  
Attorneys at Law  
621 SW Morrison Street, Suite 102  
Portland, Oregon 97205  
Telephone: (503) 402-1320

January \_\_, 2012

Wells Fargo Bank, National Association  
Corporate Trust Services  
MAC P6101-114  
1300 SW 5<sup>th</sup> Avenue – 11<sup>th</sup> Floor  
Portland, OR 97201

**Re: \$ \_\_\_\_\_ Oregon School Boards Association Limited Tax Pension  
Refunding Obligations, Series 2012 (Federally Taxable)**

Ladies and Gentlemen:

We have acted as special counsel in connection with the issuance by certain Oregon school districts and education service districts (the "Series 2012 Issuers") of the Series 2012 Issuers' Limited Tax Pension Refunding Bonds, Series 2012 (the "Series 2012 Pension Bonds"), the proceeds of which will be used to refinance all or a portion of the June 30, 2021 maturity of the Series 2012 Issuer's Limited Tax Pension Obligations, Series 2002 and to pay the costs of issuance of the Series 2012 Obligations. The Series 2012 Pension Bonds are issued pursuant to ORS 238.692 to 238.698 and 287A.360 and resolutions of the Series 2012 Issuers authorizing the Series 2012 Pension Bonds (the "Resolutions"). The Series 2012 Pension Bonds will be sold by the Series 2012 Issuers to Wells Fargo Bank, National Association (the "Series 2012 Trustee").

A Series 2012 Trust Agreement between the Series 2012 Issuers and the Series 2012 Trustee dated as of January \_\_, 2012 (the "Series 2012 Trust Agreement") provides for the execution and delivery by the Series 2012 Trustee of the \$ \_\_\_\_\_ Oregon School Boards Association Limited Tax Pension Refunding Obligations, Series 2012 (Federally Taxable) (the "Series 2012 Obligations"). The Series 2012 Obligations represent undivided proportionate ownership interests in the Series 2012 Pension Bonds.

Any capitalized terms not defined herein shall have the meanings assigned to them in the Series 2012 Trust Agreement.

On questions of fact material to our opinion, we have relied on the representations of the Series 2012 Issuers contained in the Series 2012 Trust Agreement and in the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

We have examined such certified proceedings, documents and certifications of public officials as we deem necessary to render this opinion, including the form of the Series 2012 Obligations, the Series 2012 Pension Bonds and the Resolutions.

We have not been engaged nor have we undertaken to review the accuracy, completeness or sufficiency of an official statement or other offering material relating to the Series 2012 Obligations or the Series 2012 Pension Bonds except to the extent, if any, stated therein.

On the basis of the foregoing examination, and in reliance thereon, and on the basis of our examination of such other matters of fact and questions of law as we deem relevant under the circumstances, and subject to the limitations expressed herein, we are of the opinion, under existing law, as follows:

1. The Series 2012 Pension Bonds, the Resolutions, the Intercept Agreement and the Series 2012 Trust Agreement have been legally authorized, executed and delivered by the Series 2012 Issuers and are valid and legally binding limited tax obligations of the Series 2012 Issuers enforceable against the Series 2012 Issuers in accordance with their terms, subject to: (i) bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws affecting creditors' rights generally (whether now or hereafter in existence); (ii) the application of equitable principles and to the exercise of judicial discretion in appropriate cases; (iii) common law and statutes affecting the enforceability of contractual obligations generally; and (iv) principles of public policy concerning, affecting, or limiting the enforcement of rights or remedies against governmental entities such as the Series 2012 Issuers.

2. Assuming that the Series 2012 Trustee has properly authorized, executed and delivered the Series 2012 Obligations and the Series 2012 Obligations are valid and legally binding obligations of the Series 2012 Trustee, Owners of the Series 2012 Obligations are entitled to the benefits of the Series 2012 Trust Agreement. We express no opinion regarding the obligations of the Series 2012 Trustee under the Series 2012 Obligations.

3. Each Series 2012 Issuer has pledged its full faith and credit and taxing power within the limitations of Sections 11 and 11b of Article XI of the Oregon Constitution to pay its Series 2012 Pension Bond. Each of the Series 2012 Pension Bond is a limited tax bond of a Series 2012 Issuer, and the Series 2012 Issuer shall pay the Series 2012 Pension Bonds from Available General Funds, as defined in the Resolution. The Series 2012 Issuers are not authorized to levy additional taxes to pay the Series 2012 Pension Bonds.

4. The interest on the Series 2012 Pension Bonds received by holders of the Series 2012 Obligations is not excludable from the gross income of the holders of the Series 2012 Obligations for federal income tax purposes.

5. The interest on the Series 2012 Pension Bonds received by holders of the Series 2012 Obligations is exempt from Oregon personal income tax under existing law.

We express no opinion regarding any other federal, state or local tax consequences arising with respect to ownership of the Series 2012 Pension Bonds or the Series 2012 Obligations.

These opinions are based on existing law and we assume no obligation to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur or become effective.

Our opinion is limited to matters of Oregon law and applicable federal law, and we assume no responsibility for the applicability of laws of other jurisdictions.

This opinion is provided to you as a legal opinion only, and not as a guaranty or warranty of the matters discussed herein. No opinions may be inferred or implied beyond the matters expressly stated herein. No qualification, limitation or exception contained herein shall be construed in any way to limit the scope of the other qualifications, limitations and exceptions. For purposes of this opinion, the terms "law" and "laws" do not include unpublished judicial decisions, and we disclaim the effect of any such decision on the opinions expressed. This opinion speaks as of its date only, and we disclaim any undertaking or obligation to advise you of any changes that hereafter may be brought to our attention or any change in law that may hereafter occur.

The opinions expressed herein are solely for your benefit in connection with the above referenced bond and obligation financing and may not be relied on in any manner or for any purpose by any person or entity other than the addressees listed above and the owners of the Series 2012 Obligations and the Series 2012 Pension Bonds, nor may copies be furnished to any other person or entity, without the prior written consent to this firm.

Respectfully submitted,

#### EXHIBIT D

This exhibit lists the Series 2012 Issuers of Series 2012 Pension Bonds in alphabetical order, with the payment schedule for each Series 2012 Issuer's Series 2012 Pension Bond. There are \_\_\_\_\_ (\_\_\_\_) Series 2012 Issuers of Series 2012 Pension Bonds.

Series 2012    Name:  
Issuer #1:

Notice Address:  
Principal Amount of Series 2012 Pension Bond:  
Dated date of Series 2012 Pension Bond:

Payment Schedule for Series 2012 Pension Bond:

EXHIBIT E

PAYMENTS FROM PROCEEDS

<u>Series 2012 Issuer</u>	<u>Payment of Refunded Bond</u>	<u>Costs of Issuance and Contingency</u>	<u>Total</u>
---------------------------	---------------------------------	--	--------------

Total of Series 2012 Issuers

EXHIBIT F

SERIES 2012 TRUSTEE'S CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Certificate"), dated January \_\_, 2012, is executed and delivered by Wells Fargo Bank, National Association (the "Series 2012 Trustee") in connection with the issuance and delivery of (i) certain limited tax refunding bonds (the "Series 2012 Pension Bonds") to be issued by certain Oregon school districts and education service districts (collectively, the "Series 2012 Issuers") and (ii) the Limited Tax Pension Refunding Obligations, Series 2012 (Federally Taxable) (the "Series 2012 Obligations"), which represent proportionate and undivided interests in and rights to receive payments of principal and interest on the Series 2012 Pension Bonds. The Series 2012 Pension Bonds are issued pursuant to Oregon Revised Statutes Sections 238.692 through 238.698 and resolutions adopted by the governing bodies of the Series 2012 Issuers (the "Resolutions"). The Series 2012 Obligations are issued pursuant to a Series 2012 Trust Agreement dated as of January \_\_, 2012, by and among the Series 2012 Issuers and the Series 2012 Trustee (the "Series 2012 Trust Agreement"). Capitalized terms used but not otherwise defined herein shall have the meanings assigned thereto in the Series 2012 Trust Agreement. The Series 2012 Trustee covenants as follows:

Section 1. Purpose of Certificate. This Certificate is being executed and delivered by the Series 2012 Trustee for the benefit of registered and beneficial holders of the Series 2012 Obligations and to assist Seattle-Northwest Securities Corporation (the "Underwriter") in complying with paragraph (b)(5) of Securities and Exchange Commission (the "SEC") Rule 15c2-12 (17 C.F.R. § 240.15c2-12) as amended (the "Rule").

Section 2. Material Events. The Series 2012 Trustee agrees to provide or cause to be provided to the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, notice of any of the following events with respect to the Series 2012 Obligations:

- a. principal and interest payment delinquencies;
- b. non-payment related defaults, if material;
- c. unscheduled draws on debt service reserves reflecting financial difficulties;
- d. unscheduled draws on credit enhancements reflecting financial difficulties;
- e. substitution of credit or liquidity providers, or their failure to perform;
- f. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security of the Series 2012 Obligations;
- g. modifications to rights of security holders, if material to the Series 2012 Obligations;
- h. Agreement calls, if material, and tender offers;
- i. defeasances;
- j. release, substitution, or sale of property securing repayment of the securities, if material to the Series 2012 Obligations;
- k. rating changes;
- l. bankruptcy, insolvency, receivership or similar event of the obligated person; (Note: For the purposes of the event identified in this paragraph 1, the event is considered to occur when any

of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.)

m. the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

n. appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Series 2012 Trustee may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if, in the judgment of the Series 2012 Trustee, such other event is material with respect to the Series 2012 Pension Bonds, but the Series 2012 Trustee does not undertake any commitment to provide such notice of any event except those events listed above.

Section 3. Dissemination Agent. The Series 2012 Trustee may, from time to time, engage or appoint an agent to assist the Series 2012 Trustee in disseminating information hereunder (the "Dissemination Agent"). The Series 2012 Trustee may discharge any Dissemination Agent with or without appointing a successor Dissemination Agent.

Section 4. Termination of Series 2012 Pension Bonds. Pursuant to paragraph (b)(5)(iii) of the Rule, the Series 2012 Trustee's obligation to provide notice of material events, as set forth above, shall terminate if and when the Series 2012 Trustee no longer remains an obligated person with respect to the Series 2012 Pension Bonds, which shall occur upon either redemption in full of the Series 2012 Pension Bonds, or legal defeasance of the Series 2012 Pension Bonds. In addition, and notwithstanding the provisions of Section 7 herein, the Series 2012 Trustee may rescind its obligations under this Certificate, in whole or in part, if (i) the Series 2012 Trustee obtains an opinion of nationally recognized bond counsel that those portions of the Rule that required the execution and delivery of this Certificate are invalid, have been repealed, or otherwise do not apply to the Series 2012 Pension Bonds, and (ii) the Series 2012 Trustee notifies and provides to the MSRB, a copy of such legal opinion.

Section 5. Enforceability and Remedies. The Series 2012 Trustee agrees that this Certificate is intended to be for the benefit of registered and beneficial holders of the Series 2012 Obligations and shall be enforceable by or on behalf of any such holder; provided that, the right of any holder of an obligation to challenge the adequacy of the information furnished hereunder shall be limited to an action by or on behalf of holders of the Series 2012 Obligations representing at least twenty-five percent (25%) of the aggregate outstanding principal amount of Series 2012 Obligations. Any failure by the Series 2012 Trustee to comply with the provisions of this undertaking shall not be an Event of Default under the certificates' documents or the Series 2012 Pension Bonds. This Certificate confers no rights on any person or entity other than the Series 2012 Trustee, holders of the Series 2012 Obligations, and any Dissemination Agent.

Section 6. Amendment. The Series 2012 Trustee may amend this Certificate without the consent of holders of the Certificates under the following conditions:

a. The amendment may 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 the obligated person or type of business conducted;

b. This Certificate, as amended, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

c. The amendment (i) does not materially impair the interest of holders of the Series 2012 Obligations, as determined either by parties unaffiliated with the Series 2012 Trustee (such as nationally recognized special counsel), or (ii) is approved by holders of the Series 2012 Obligations in the same manner as provided in the obligation documents with the consent of holders of the Series 2012 Obligations.

The financial information provided pursuant to Section 2 hereof will explain, in narrative form, the reasons for any amendment and the impact of the change in the type of operating data or financial information being provided.

Section 7. Resignation or Removal as Series 2012 Trustee. The Series 2012 Trustee's obligation hereunder will terminate upon its resignation or removal as Series 2012 Trustee provided such resignation or removal is made in accordance with the Series 2012 Trust Agreement and provided that the Series 2012 Issuers or a court of competent jurisdiction has appointed a successor Series 2012 Trustee under the terms of the Series 2012 Trust Agreement.

Section 8. Form of Information. All information required to be provided under this Certificate will be provided in an electronic format as prescribed by the MSRB and with the identifying information prescribed by the MSRB.

Section 9. Submitting Information Through EMMA. So long as the MSRB continues to approve the use of the Electronic Municipal Market Access ("EMMA") continuing disclosure service, any information required to be provided to the MSRB under this Certificate may be provided through EMMA. As of the date of this Certificate, the web portal for EMMA is [www.emma.msrb.org](http://www.emma.msrb.org).

Section 10. Choice of Law. This Certificate shall be governed by and construed in accordance with the laws of the State of Oregon, provided that to the extent this Certificate addresses matters of federal securities laws, including the Rule, this Certificate shall be construed in accordance with such federal securities laws and official interpretations thereof.

Dated this \_\_ day of \_\_\_\_\_, 2012.

**WELLS FARGO BANK, NATIONAL ASSOCIATION,**  
acting solely in its capacity as Series 2012 Trustee and not individually

By: \_\_\_\_\_  
Authorized Representative