2008 Bond Authorization
Updated Financing Options

February 9, 2010

Charlie Feinstein
Senior Vice President
San Francisco Office
Tel: (415) 495-8863
Email: cfeinstein@ejdelarosa.com

DE LA ROSA & CO.
INVESTMENT BANKERS

10866 Wilshire Boulevard, Suite 1650
Los Angeles, CA 90024
Tel. (310) 207-1975, Fax (310) 207-1995

101 Montgomery Street, Suite 2150
San Francisco, CA 94104
Tel. (415) 495-8863, Fax (415) 495-8864

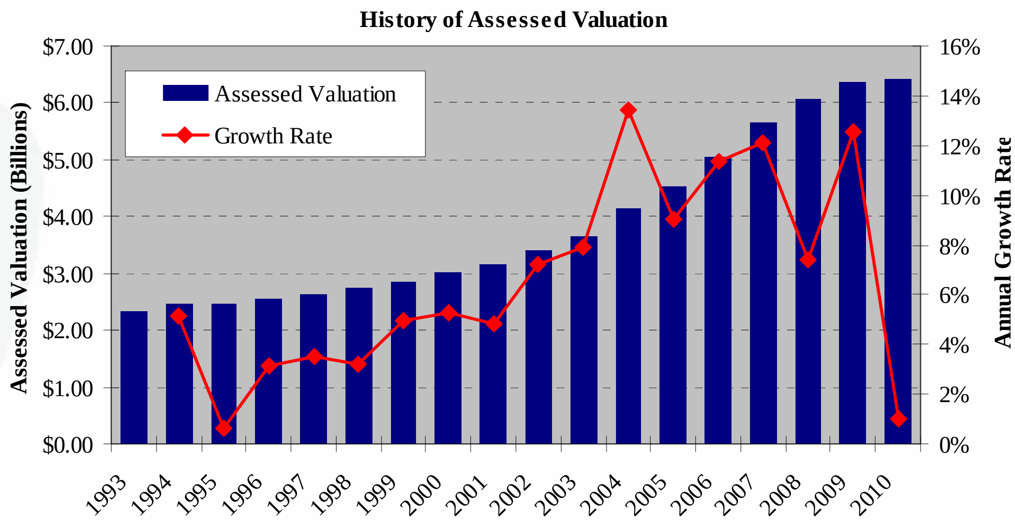
- Due to lower than expected AV growth and an accelerated bond program, LTUSD must consider various adjustments to the original financing plan to continue the capital program as currently scheduled.

  - ✓ Issue a portion of the authorization as low-cost Qualified School Construction Bonds.
  - ✓ Issue a portion of the authorization as Convertible Capital Appreciation Bonds.
  - ✓ Issue a portion of the authorization as Bond Anticipation Notes.
  - ✓ Increase term of bonds from 35 years to 40 years.
  - ✓ Accelerate debt service growth at a more aggressive annual rate.
  - ✓ Increase the estimated tax rate target.

- The District's assessed valuation has grown an average of 6.64% annually over the past 17 years.

- In 2009/10, the District's AV grew 1.02%.

AV Growth Rate		
Period	**Average**	**Median**
3-Year	6.99%	7.42%
5-Year	8.89%	8.89%
10-Year	8.70%	8.49%
15-Year	7.13%	7.24%
17-Year	6.64%	5.27%



Sources: California Municipal Statistics, Inc. and El Dorado County.

Qualified School Construction Bonds

- Five QSCBs were sold by K-12 school districts in California during 2009.
- All received immediate allocation in February 2009 through the Federal Recovery Act, not through the CDE lottery process.

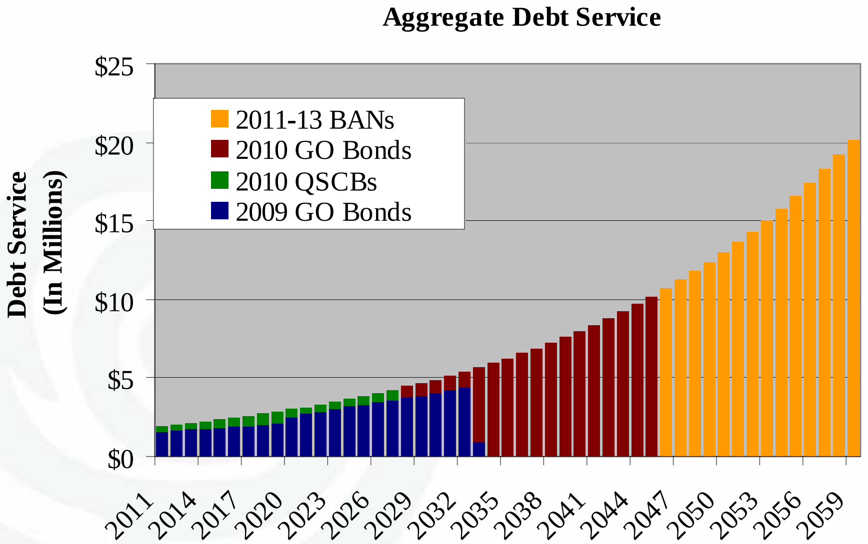
School District	Par	Sale Date	Type	Credit Rate	Coupon	Gross Yield	Term	Rating (Underlying)
Stockton USD	16,040,000	12/17/2009	GO	6.04%	2.21%	8.25%	16 Yr	A
Santa Ana USD	19,240,000	11/20/2009	GO	5.91%	1.99%	7.90%	17 Yr	A+
Los Angeles USD	318,800,000	10/1/2009	GO	5.96%	1.54%	7.50%	16 Yr	Aa3/AA-
Oakland USD	26,320,000	7/29/2009	GO	7.18%	2.82%	10.00%	15 Yr	BBB+
San Diego USD	38,840,000	4/21/2009	GO	7.87%	0.00%	7.87%	14 Yr	Aa2/AA
Total	**419,240,000**							

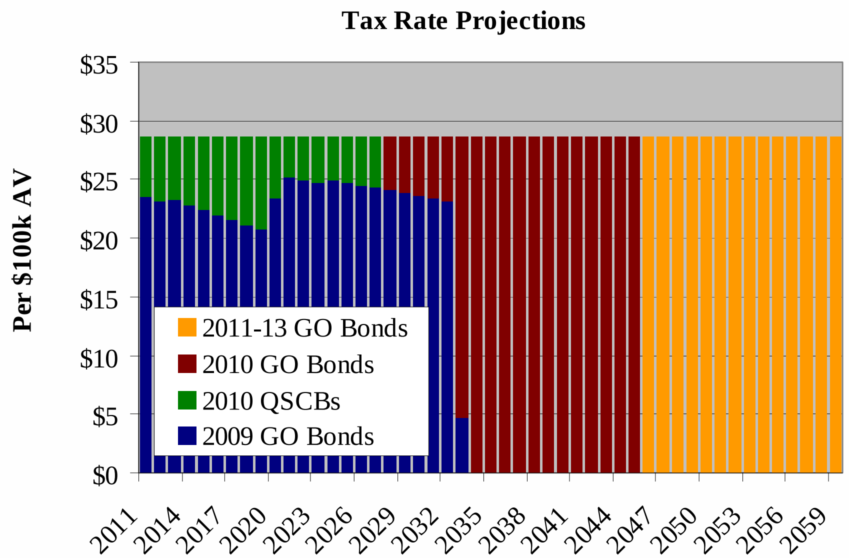
- QSCB costs of issuance are limited to 2% of par amount i.e. $140,000 for a $7 million transaction.
  - Cannot use tax-exempt GO bonds to pay cost of issuance over 2%.
  - District must pay for costs of issuance over 2% from its own funds or by selling a small amount of taxable G.O. bonds.

Option 1: Overview

Estimated Issuance Schedule			
Year	**Par**	**Type**	**Term**
2009	$30M	GOB	25 Yrs
2010	$6 M- $7 M [1]	QSCB	15-17 Yrs
2010	$14 M- $16.5 M [2]	GOB	35 Yrs
2011 - 2013[3]	$11 M - $14.5 M	BAN	5 Yrs
TOTAL	**$64.5 M**		

AV Growth Rate Assumptions	
Year	**Rate**
2011	5.00%
2012	5.00%
2013	5.00%
2014 & On	5.00%





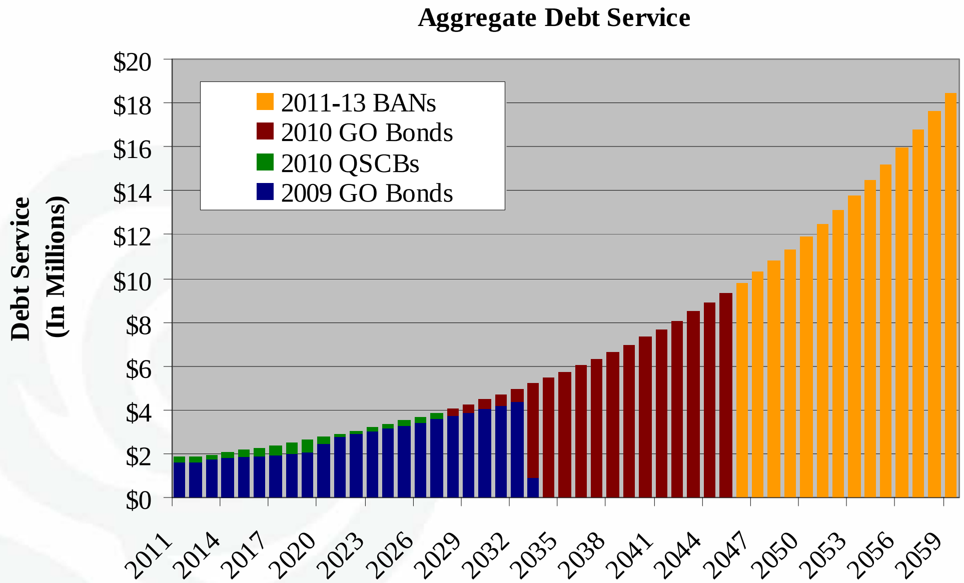
1. Amount will depend on the tax credit rate and term set by the IRS at the time of issuance. 2009/10 tax rate is $25.90 per $100,000 A.V.
2. Amount will depend on tax-exempt interest rates at the time of issuance.
3. Timing will depend on the District’s cash flow needs.

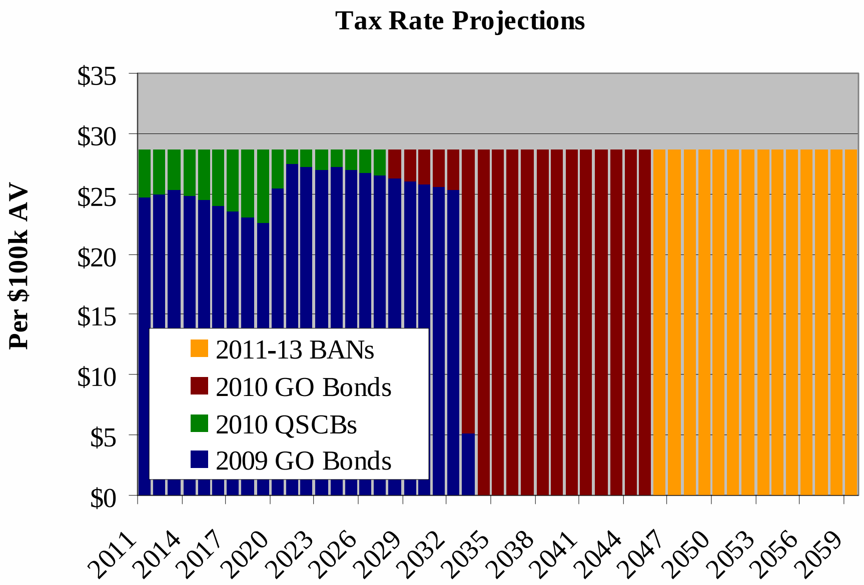
Advantages	Disadvantages
✓ Raises up to $23.5 million for capital projects in 2010 ✓ Maximizes QSCB authorization ✓ Assumes original long-term AV growth rate of 5% for all years ✓ Hedge against potentially higher future interest rates	✓ Assumes a more aggressive 5% short-term AV growth rate ✓ Increased risk of tax rate exceeding original estimate of $28.70[1]

1. Tax rate would average approximately $31.30 if AV grows in line with Option 2 assumptions.

Estimated Issuance Schedule			
Year	**Par**	**Type**	**Term**
2009	$30M	GOB	25 Yrs
2010	$2 M- $2.5 M[1]	QSCB	15-17 Yrs
2010	$12.5 M- $14.5 M[2]	GOB	35 Yrs
2011 - 2013[3]	$18.5 M - $21 M	BAN	5 Yrs
TOTAL	**$64.5 M**		

AV Growth Rate Assumptions	
Year	**Rate**
2011	0.00%
2012	2.00%
2013	4.00%
2014 & On	5.00%





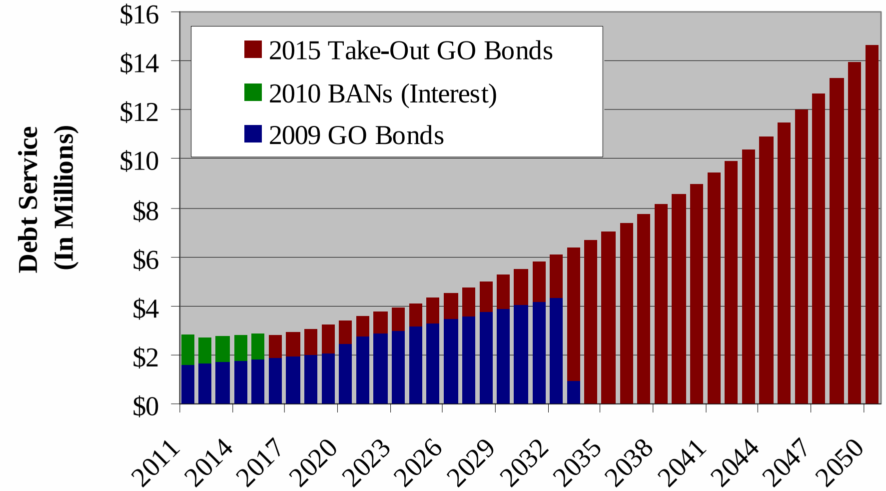
1. Amount will depend on the tax credit rate and term set by the IRS at the time of issuance. 2009/10 tax rate is $25.90 per $100,000 A.V.
2. Amount will depend on tax-exempt interest rates at the time of issuance.
3. Timing will depend on the District's cash flow needs.

Advantages	Disadvantages
✓ Assumes more conservative short-term AV growth rate ✓ Assumes original long-term AV growth rate of 5% beginning in 2014 ✓ Lower risk of tax rate exceeding $28.70	✓ $5.5 million to $6.5 million less for capital projects in 2010 ✓ QSCB par amount limited to $2.5 million ✓ Lower revenue constraints makes it more difficult to issue remaining authorization in the future ✓ Reduces hedge against potentially higher future interest rates

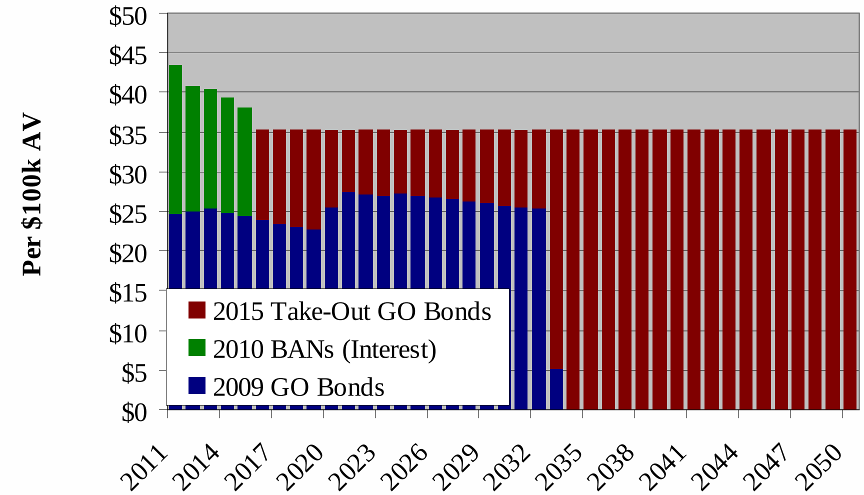
Estimated Issuance Schedule			
Year	**Par**	**Type**	**Term**
2009	$30 M	GOB	25 Yrs
2010	$34.5 M	BAN	5 Yrs
2015	$34.5 M	Take-Out GOB	35 Yrs
TOTAL	**$64.5 M**		

- **Issuing all $34.5 million of remaining authorization as a Bond Anticipation Note in 2010 undesirable.**
  - Complete loss of hedge against potentially higher future interest rates (see Appendix A).
  - If issued as a Current Interest Bond, 2011 tax rate would far exceed $28.70 per $100,000 AV., approximately $44.00 per $100,000 A.V.
  - If issued as a Capital Appreciation Bond, would cost $6 - $8 million of authorization to pay down interest due at maturity.
  - Requires AV to grow over 5.5% annually ***or*** increasing the long-term tax rate to approximately $35.00 per $100,000 A.V. to support a 35-year take-out GO bond in 2015.

Aggregate Debt Service



Tax Rate Projections



Appendix A

THE WALL STREET JOURNAL.
WSJ.com

JANUARY 29, 2010, 7:15 P.M. ET

Fed Warns Complacency Will Trigger New Turmoil

By LUCA DI LEO

The Federal Reserve's No. 2 official issued a stern warning to investors, banks and other financial institutions Friday: Don't be complacent, interest rates are going up at some point and they will trigger new market turmoil if you're not prepared.

"We are in uncharted waters for monetary policy and the financial markets," Donald Kohn, vice chairman of the Federal Reserve, said in a speech to bankers at the Federal Deposit Insurance Corp. Rattling off a long list of uncertainties—including a rising budget deficit, foreign demand for U.S. debt and the strength of the recovery—Mr. Kohn said bankers need to start preparing now for the risk that interest rates could move swiftly in unexpected directions, most likely up.

"Many banks, thrifts and credit unions may be exposed to an eventual increase in short-term interest rates," he warned.

He said long-term interest rates could also be pushed up, in part because large government borrowing to fund budget deficits could crowd out private borrowing. That would make it more expensive for companies to borrow from the market.

Foreign demand for U.S. debt could also narrow if countries with large trade surpluses with the U.S. shrink those surpluses and thus accumulate fewer dollars. In that case, the U.S. government would have to pay more to borrow from markets.

To counter the financial crisis, the Fed slashed short-term rates to near zero in December 2008 and said this week it expects them to stay at a record low for at least several more months. But Mr. Kohn warned there is uncertainty at the Fed about how to proceed. "Short-term rates will rise at some point, but when, how quickly, and by how much will depend on the outlook for economic activity and inflation," he said.

Several factors are behind the Fed's warning. Officials are on high-alert for new risks building in the financial system after the shocks of 2007 and 2008. Fed officials also don't want investors to believe that the way forward for interest rates is necessarily predictable and calm. One critique of the Fed's monetary policy between 2003 and 2005 was that it set out a path of interest-rate increases that was too predictable and helped lull investors into a sense of complacency about risk.