Hello, John.

Congratulations on a successful bond sale.

Here is a brief summary of the bond program to date:

The Emery Unified School District successfully sold its first series of general obligation bonds, garnering a total of approximately $25 million in proceeds to fund the District's facilities improvement program. The bond sale marks the first series of bonds of a larger capital program under Measure "J" approved by District voters on November 2, 2010. Measure "J" received a strong 74% of voter support, authorizing $95 million in bonds to be sold over time.

The bond sale was aided by strong credit ratings that reflect the District's pragmatic financial management, and the stable local economy. The District approached the rating agencies with a comprehensive presentation of the District's management, financial and economic credit factors. Standard & Poor's assigned the District an "A+" rating, and Moody's Investors Service assigned a rating of "AA3."

The strong ratings allowed the District to attract investor interest and negotiate attractive rates on the date of sale. In a very challenging market environment, the bonds were sold at an arbitrage yield (weighted average interest rate) of 5.91%.

The District's bonds have been structured to permit the issuance of Qualified School Construction Bonds (QSCB), should the District receive a QSCB award from the California Department of Education (CDE). While the District did not receive an award during the latest QSCB allocation by the CDE, it is waitlisted and may receive an award later this year. The QSCB award, if received, would allow the District to sell a portion of its bonds with a Federal interest rate subsidy, thereby reducing the average interest rate for the portion of the bonds that are issued as QSCBs. We will contact the District to discuss issuance of a QSCB if the award become available.

As well, the bond structure utilized facilitates a more efficient issuance of a future series of bonds should the District not receive a QSCB award.

The total amount of repayment for the bonds sold is approximately 2.3 times the principal issued. As you are aware, we had conservatively estimated a payback of approximately 4 times the principal amount at the time of the election. We are pleased that the actual amount of the payback for these bonds is significantly less than originally estimated for the program.

Regards,

--Lalo

Lalo Trujillo
Managing Director

Caldwell Flores Winters, Inc.
2200 Powell Street, Suite 1205
Emeryville , CA 94608

Ph. (510) 596-8170
Fax (510) 450-0208

cfwfinance@sbcglobal.net

www.cfwinc.com