

SCHOOL DISTRICT BOND COUNSEL
SERVICES IN OREGON

Second Edition



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ORRICK'S ROLE AS YOUR BOND COUNSEL

WHEN ORRICK'S
NAME IS ON THE
LEGAL OPINION, THE
REPUTATION AND
EXPERIENCE OF THE
NATION'S MOST
QUALIFIED
AND RESPECTED
BOND COUNSEL
FIRM IS ON
THE LINE.

When a district pursues a bond election, a pension bond or another type of financing, it creates new opportunities for district projects and programs, but also obligations and exposure to potential liability. Our role as bond counsel is to help the district achieve its financing objectives, maximize opportunity and minimize ongoing obligations and potential financing related liability. You should take comfort — as does the entire investment community — in the advice you receive from Orrick and in the unqualified legal opinion it will deliver on your bonds.

The Orrick Difference. Orrick is the leading bond counsel in the nation and has worked on over 6,200 bond issues as counsel either for the bond issuer, or for the underwriter, aggregating more than \$370 billion, within the last decade.* We consistently achieve our number one status by holding ourselves to the highest standards of technical expertise, professional dedication, client service and ethical responsibility. Even if you have not worked directly with us before you can be comfortable that across Oregon and around the country, investment banks, government agencies, municipalities, and school districts look to Orrick for their most basic, and most sophisticated, financing transactions.

Are There Differences Between Bond Counsel? Yes, and the differences matter. The bond counsel practice is a highly specialized area of law, practiced by only a very few law firms in Oregon. We understand that it may be difficult knowing how to distinguish Orrick from other firms that appear to offer similar services, but many of your investors know. As with any lawyer you hire, you should expect your bond counsel to have relevant experience, depth of resources (including experts in tax-exemption), a history of client service, a reputation to protect and a commitment to stay in public finance for the life of your bonds.



* Source: Thomson Financial



WHO WE ARE

Orrick, Herrington & Sutcliffe LLP was founded in San Francisco in 1863, a time synonymous with the Gettysburg Address and the Oregon Trail. Today, Orrick is among the nation's leading law firms. Our domestic and international clients include major industrial and financial corporations; commercial and investment banks; developers; high-technology companies; universities; cities, states, and other governmental entities; and numerous charitable and public services organizations. With over 1,000 lawyers practicing in 18 cities throughout the United States, Europe, and Asia, Orrick offers its clients quality legal services in a broad range of practice areas. Even as we grow internationally, we remain grounded in the communities where we work and live and regularly contribute time, energy, and money to improve our communities. In Oregon, we have actively supported important organizations and institutions such as Children First for Oregon, REACH Community Development, the Classroom Law Project, League of Oregon Cities, and the Oregon Coast Aquarium.

WHAT DOES ORRICK'S NATIONAL REPUTATION MEAN TO YOU?

Greater resources, more successfully completed transactions, and more experience with the legal issues, options and potential problems your district will face.

A reputation that adds credibility to the financing in the eyes of investors, rating agencies and bond insurers.

Experience and the ability to work with all financing participants, levels of government, government programs and financing alternatives.

The safety and security of having selected a highly-qualified firm.

COMMITMENT TO OREGON

Orrick opened its Portland office in early 2003 with attorneys and other professionals who have worked in public finance in Oregon for more than 20 years. Many have attended Oregon public schools and all are committed to improving educational opportunities in Oregon. Orrick's Portland-based attorneys maintain a substantial practice as bond counsel and special counsel to Oregon issuers and as counsel to the underwriters who do business with them. Our School Finance/General Obligation Practice Group has served hundreds of school districts nationwide, including many Oregon districts, in the full range of financing options such as general obligation bonds, full faith and credit obligations, revenue bonds, lease financings, qualified zone academy bonds (QZABs), local option levies, and tax and revenue anticipation notes (TRANS).

We partner with our education clients to assist in meeting the present day challenges of building, maintaining and operating their school facilities and addressing related financing concerns. For example, upon recognition of shortfalls in Oregon's pension fund (PERS), our lawyers were among those who worked with the State, school district, community college and underwriting communities to forge a solution. That work resulted in the passage of Senate Bill 134, the "Pension Bonding Act" by the Oregon Legislative Assembly, which provides the authority for local governments to individually or jointly issue pension obligation bonds to refinance their pension liabilities. As a continuation of that work, we served as underwriter's counsel for multiple pooled pension obligation bond (POB) financings for the Oregon School Boards Association (OSBA) and Oregon Community College Districts. We also support Oregon's education community through participation with the Oregon Association of School Business Officials (OASBO) and OSBA.





AN OVERVIEW OF OUR BOND COUNSEL SERVICES

In concrete terms, bond counsel's most basic role is to render an unqualified opinion (1) that the bonds and the bond documents are valid and binding obligations of the district, and (2) if applicable, that interest on the bonds is exempt from state and federal income taxes. The municipal bond market requires this legal opinion to be issued by a law firm nationally recognized for its expertise in municipal finance. As a practical matter, without this opinion the bonds cannot be sold.

To render our bond counsel opinion, Orrick must be satisfied that all applicable laws, including election statutes, bond statutes, provisions governing leasing (when applicable), tax codes, ancillary powers (for example, public meeting, investment, environmental) - and even old and sometimes obscure judicial decisions - have been satisfied. The earlier and more deeply we are involved in planning and structuring the financing, the more we can identify and address issues before they are allowed to become disruptive and expensive problems. Additionally, this allows Orrick to advise a district on the relative advantages and risks of alternative ways of structuring the financing.

UNPARALLELED EXPERTISE

Our nationally recognized practitioners in public finance, federal tax, and securities laws can provide the guidance your district needs in these increasingly complex and risky times. Our attorneys have played a role in writing many of the Oregon statutes that govern school bond financing today.

School and community college districts should not assume that their transactions are immune to scrutiny; both the Internal Revenue Service (IRS) and the Securities and Exchange Commission (SEC) have increasingly shown a willingness to investigate school district TRANs and even general obligation bond transactions. You can protect your district now by hiring the best bond and tax counsel available.

Not only do we have your district's financial interests and reputation to protect—we have over 140 years of our reputation in public finance to protect as well.

SOME BRIEF SUMMARIES OF ORRICK'S SERVICES:

BOND AUTHORIZATION, SALE AND DELIVERY:

For all types of financing, Orrick will draft all necessary resolutions and agreements containing the legal terms of sale, issuance, early redemption and scheduled payment of the bonds. We will assist in coordinating and meeting the needs of the trustee and any bond insurer. Many districts choose to take advantage of the Oregon School Bond Guaranty program offered by the State. Orrick will ensure that all necessary steps are taken to qualify for such guaranty. For competitive sales, Orrick will prepare the Notice of Sale describing the terms of the bond sale to all interested bidders, or if the bonds are to be sold by negotiated sale, Orrick will prepare or review the Bond Purchase Contract and negotiate its legal terms with the underwriter. For competitive sales, Orrick will ensure the legality of the public bond sale and prepare the completed bid award document. Following the bond sale, Orrick will orchestrate the "closing" and prepare the bond certificates and all additional documents needed to ensure that all legal requirements critical to the validity of the bonds are satisfied. Orrick will file with the State and the Internal Revenue Service the various forms required. Orrick will prepare and deliver to the district an original transcript of the proceedings; copies of the transcript will be delivered to other interested parties.

GENERAL OBLIGATION BONDS:

In 1998, Measure 50 authorized all Oregon school and community college districts to levy property taxes at a permanent maximum rate to pay for operations. Districts have the ability to levy taxes beyond the maximum permanent rate to pay for general obligation bonds issued to finance capital projects. In most cases, a "double majority" of voters in a district is required to approve the additional property tax levy. Orrick will review the district's financing priorities and draft the ballot measure, the notice of election, and the project list. Our goal is to craft measures that will meet all legal requirements, attract sufficient votes to pass, and preserve flexibility for the future. Orrick will coordinate with district officials and other parties to the financing to ensure that all election deadlines are met, and will advise district officials on appropriate and legal campaign behavior and spending practices.

THE ORRICK DIFFERENCE

DEPTH. The size of our bond practice in Oregon and across the nation provides extraordinary depth of legal knowledge, including familiarity with the relevant laws and cases, unsurpassed federal tax expertise, and experience handling IRS enforcement actions.

DEDICATION. For over a century, Orrick has dedicated itself to being the premier bond counsel firm in the nation. The lawyers who are a part of our bond practice in Oregon have played a unique role in writing many of the statutes that govern municipal bond financing in Oregon today.

SERVICE. Our Portland-based bond lawyers and project managers will provide personal, one-on-one attention, while drawing on the resources and expertise of more than 100 public finance professionals. Simply stated, you work closely with the Orrick lawyers you hire.

LOCAL OPTION LEVIES:

Another way for a school or community college district to levy property taxes beyond its Measure 50 permanent maximum rate limit is to request voter approval of temporary taxing authority known as a “local option levy.” Local option levies are not available for education service districts. Subject to certain limitations, revenue generated by a local option levy is excluded from the calculation of local revenue so that aid from the State is not reduced. A local option levy is limited to five years if used for operations and 10 years if used for capital projects. In many cases, bonds that are payable from proceeds of a local option levy can be issued by a district to finance capital projects. Like additional tax levies for general obligation bonds, in most cases, voters in a district must approve a local option levy by a “double majority.” Orrick will help the district identify the availability of a local option levy, draft the notice for election and, if applicable, prepare all documentation necessary to issue bonds.

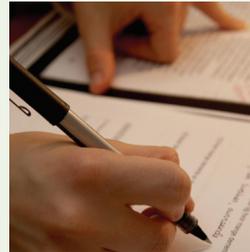
FULL FAITH AND CREDIT OBLIGATIONS:

Oregon school and community college districts can issue full faith and credit obligations to pay for a broad range of capital projects, including acquisition of land and equipment, as well as renovations and remodels of schools. These obligations are generally repaid from any legally available revenue source of a district. No voter approval is necessary for this type of financing, making them attractive alternatives for some districts. Orrick will draft all the legal documents, including the financing agreement, the escrow agreement, and the approving resolutions. We will coordinate with the trustee, your financial advisor and the bond insurer, if applicable, in the negotiation of the proper terms of the financing documents.



BRIDGE FINANCING/BOND AND GRANT ANTICIPATION NOTES:

More and more districts are finding that their urgent construction projects cannot afford to wait for anticipated State grants, or for assessed valuation to grow enough to pay for projects. Delayed construction also usually means increased costs. Orrick can help identify mechanisms to bring needed construction dollars sooner, including grant anticipation notes, bond anticipation notes, and bridge financing through specially structured leases, financing agreements and certificates of participation. Orrick attorneys have created several other financing structures and even drafted new laws to help our clients meet this problem head on.



QZABS (QUALIFIED ZONE ACADEMY BONDS):

As counsel on California's largest QZAB issue ever, which financed over 60 projects including two charter schools for the Los Angeles Unified School District, Orrick helped launch this novel financing technique. We have continued pioneering this technique in Oregon, serving as counsel on one of the first QZAB issues in the State, delivered by the Cascade School District.



OPEB (OTHER POST-EMPLOYMENT BENEFITS):

Orrick is a leader in the effort to establish financing programs for other post-employment benefits (other than pension), particularly health benefits, including options for dealing with GASB 45, the use of OPEB trusts of various kinds, and financing structures similar to pension obligation bonds plus several alternatives.

ONGOING ADVICE:

The investment and arbitrage/rebate professionals of BondLogistix LLC, a wholly-owned Orrick subsidiary, can help boost interest earnings and reduce compliance costs, adding value to your bonds even after they're issued. BondLogistix can also administer annual continuing disclosure filings, required for nearly all new and outstanding bond issues.

FEES

Our fees are competitive with other bond counsel firms in Oregon. Usually we charge a fixed fee that is contingent and payable only after the election is successful or bonds, notes or certificates are issued. This way, the district does not need to tap precious general funds before bond funds become available. If an alternative fee arrangement is desired, we can be very flexible in working with the district. Our fee structures are simple and straightforward so there are no surprises, additional charges, mysterious amounts, unspecified incidental costs or the like. You will know what your bond counsel fees are from the beginning.

CONCLUSION

Long-term relationships are important to each of us at Orrick and critical to our 140 years of success as a firm. We are very interested in serving as your district's bond counsel, now and for the future. We can confidently say that because of Orrick's resources, our position as the nation's leading bond counsel, and our consistent dedication to the practice of municipal finance, Orrick is positioned to provide your district the excellent services it deserves.



CONTACT US

Our Portland-based attorneys serve as bond counsel to school, community college and education service districts throughout Oregon.

DOUGLAS GOE

503-943-4810 • dgoe@orrick.com

Doug Goe has acted as bond counsel to state agencies, local governments and school districts throughout Oregon and the Pacific Northwest for more than 22 years. He has served as bond counsel to numerous school districts and community colleges, including issues for the Bethel, Cascade, Grants Pass and Redmond districts. Doug currently serves as a member of the Executive Committee of the Classroom Law Project.

MICHAEL SCHRADER

503-943-4840 • mschrader@orrick.com

Mike Schrader has practiced in the area of municipal finance law for over 17 years. He regularly serves as bond counsel and underwriter's counsel on a variety of bond issues for governmental issuers, including financings for the Gladstone School District and Clatsop Community College and work as underwriter's counsel for several Oregon pension obligation bond issues. He currently serves on the Board of Children First for Oregon.

CHRISTINE CADMAN

503-943-4860 • ccadman@orrick.com

Christine has served as bond counsel, underwriter's counsel and disclosure counsel for school district financings in Oregon and California, including tax and revenue anticipation notes, general obligation bonds and pooled financings.

SHERRI GRAVES

503-943-4811 • sgraves@orrick.com

Sherri Graves has worked as a project manager in Oregon for more than 25 years. She has particular expertise in the area of school district and community college finance.

SCOTT SCHICKLI

503-943-4830 • sschickli@orrick.com

Scott Schickli has practiced public finance tax law for more than 25 years, and for more than a dozen years in the Pacific Northwest. He has represented virtually every type of entity permitted to borrow funds on a tax-exempt basis. Scott has advised numerous Oregon school districts, community college districts and education service districts concerning the federal tax requirements associated with the issuance of tax-exempt bonds. He also represents issuers before the IRS in connection with the increasing number of audits challenging the tax-exempt status of interest on bonds.

CHRISTINE REYNOLDS

503-943-4821 • cereynolds@orrick.com

Chris Reynolds has served as bond counsel to a wide range of Oregon public entities, including general obligation bond issues for the Redmond, Cascade and Grants Pass school districts. Before joining Orrick in 2003, she served as a clerk to the Oregon Tax Court.

GREG BLONDE

503-943-4823 • gblonde@orrick.com

Greg Blonde has practiced public finance law for several years and joined Orrick's Portland office in 2006. He has experience representing a variety of public agencies, including school districts and community colleges in connection with tax-exempt bond issuances.

LEE HELGERSON

503-943-4824 • lhelgerson@orrick.com

Lee serves as project manager for state agency, local government and school district financings. Prior to joining Orrick, Lee served as debt analyst for the Oregon State Treasury and had primary responsibility for the administration of the Oregon School Bond Guaranty Program.

Our project managers coordinate the activities and responsibilities of the various working group members and assist in drafting documents, preparing final transcripts and effecting a smooth and efficient transaction from inception through closing.

ABOUT THE FIRM

Public Finance
Securities Litigation
Compensation and Benefits
Corporate
Mergers and Acquisitions
Real Estate
Tax

Bankruptcy and Debt
Restructuring
Global Finance
Structured Finance
Antitrust and Competition
Employment Law
Intellectual Property
Litigation

Orrick, Herrington & Sutcliffe LLP is an international law firm with lawyers in North America, Europe and Asia. Orrick has maintained a substantial practice in the area of public finance for nearly a century. Orrick has been ranked first in the country for most of the last ten years in total volume of financings for which it served as bond counsel. The strength of Orrick's public finance practice is enhanced by the capabilities of other departments of the firm, including Governmental Affairs, Litigation, Real Estate, Bankruptcy and Corporate. Orrick's full service capabilities ensure that its municipal clients receive the most comprehensive legal services. Orrick's public finance attorneys are located in Portland, Seattle, San Francisco, Los Angeles, Sacramento, New York and Washington, D.C. From these offices, Orrick serves as bond counsel for issuers in more than 40 states, several territories and other countries.

For more information, please visit www.orrick.com.

Orrick, Herrington & Sutcliffe LLP
1120 NW Couch Street, Suite 200 • Portland, OR 97209
tel 503-943-4800 • fax 503-943-4801

LOS ANGELES NEW YORK ORANGE COUNTY
PORTLAND SACRAMENTO SAN FRANCISCO
SEATTLE SILICON VALLEY WASHINGTON DC



WWW.ORRICK.COM