

Application of Proceeds of Series 2008A Bonds

Building Fund. A portion of the proceeds from the sale of the Series 2008A Bonds will be deposited into an account established under the Resolution and known as the “Sweetwater Union High School District General Obligation Bonds, Election of 2006, Series 2008A Building Fund” (the “Building Fund”). Amounts on deposit in the Building Fund, and interest thereon, will be kept separate and apart from other District funds and used solely for the purposes for which the Series 2008A Bonds are being issued and, if necessary, for the payment of permissible costs of issuance.

Debt Service Fund. Any net premium received by the District from the sale of the Series 2008A Bonds (which is not used to pay costs of issuance), as well as *ad valorem* taxes collected by the County in accordance with the laws of the State of California and the Resolution, will be deposited and kept separate and apart in the Debt Service Fund. See also, “TAX BASE FOR REPAYMENT OF THE BONDS” herein. The amounts on deposit in the Debt Service Fund and, to the extent not required to satisfy rebate obligations of the District pursuant to the Resolution and Section 148 of the Internal Revenue Code of 1986, as amended, the interest thereon will be used only for payment of principal of and interest on the Series 2008A Bonds when due. If, after payment in full of all outstanding Series 2008A Bonds, there remain any moneys on deposit in the Debt Service Fund, such amounts will be transferred to the General Fund of the District to be applied in accordance with applicable law.

Rebate Fund. The Internal Revenue Code of 1986, as amended and the Treasury Regulations promulgated thereunder (the “Code”) includes provisions that relate to tax-exempt obligations, such as the Series 2008A Bonds, including, among other things, permitted uses and investment of the proceeds of the Series 2008A Bonds and the rebate of certain net arbitrage earnings from the investment of such proceeds to the United States Treasury in accordance with the provisions of Section 148 of the Code. The District has agreed to establish and create the “Sweetwater Union High School District General Obligations Bonds, Series A, Rebate Fund (“Rebate Fund”) when and if necessary to comply with the provisions of Section 148 of the Code. If the Rebate Fund is created, the District will deposit funds, to be kept separate and distinct from all other District funds, in amounts sufficient to satisfy any rebate payments applicable to the Series 2008A Bonds. Payments from the Rebate Fund will be made in accordance with the requisite provisions of the Code. Amounts on deposit in the Rebate Fund will be invested in compliance with the limitations of the Code.

Authorized Investments. Pursuant to the Resolution, “Authorized Investments” means the San Diego County Investment Pool (or other investment pools of the County into which the District may lawfully invest its funds), the Local Agency Investment Fund (“LAIF”), any investment authorized pursuant to Sections 16429.1, 53601 of the California Government Code, or shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code which invests exclusively in investments permitted by Section 53635 of the Government Code, or guaranteed investment contracts, float contracts or other investment products (provided that such investments comply with the requirements of applicable State law and with Section 148 of the Code and with the requirements of the Bond Insurer, if any).

In accordance with Education Code Section 41001, school districts in the State maintain substantially all operating funds in the treasuries of the counties within which they are located. Each county, including the County, is required to invest such funds in accordance with Government Code Sections 53601 and 53635 and in accordance with its own investment policies. See “SAN DIEGO COUNTY INVESTMENT POOL” below.