MAGIS ADVISORS
public finance consulting

March 19, 2012 (Revised)

Ms. Denise Whittaker
Interim Superintendent/President
Palo Verde Community College District
One College Drive
Blythe, CA 92225

Re: Financial Advisory Services for Partial Defeasance and/or Repurchase of Certain Outstanding Indebtedness

Dear Ms. Whitaker:

We would be pleased to welcome the Palo Verde Community College District (which we refer to herein as the "District") as a client of Magis Advisors. This letter proposes and, upon execution of this letter (or alternatively, the District's preferred form of agreement), will confirm the basic business arrangements between the District and Magis to provide financial review, consulting and advisory services related to a debt reduction plan involving the District's existing Series 2007 Certificates of Participation, issued in July 2008 to convert the District's prior 2007 issue, originally sold as "auction rate" securities. The 2007 issue was used for capital improvements; the 2008 offering added $9.8 million of new money proceeds for the acquisition or construction of a Fine Arts Performing Complex and an additional $4.4 million to pay interest carry charges pending completion of the new facility. We understand that the preponderance of the costs of the new facility was paid from state funds derived from a sale of bonds issued on behalf of the Community College System. We understand that presently there are about $31.995 million of the 2008 offering outstanding.

The District's desires to reconfigure the economics of the existing borrowing arrangement by reducing, defeasing or repurchasing all or a part of the outstanding issue. You have asked us to undertake a review and analysis of the feasibility of this approach, and to create a tactical plan to accomplish it, if deemed feasible. You have asked that we report to you, and perhaps the District Board of Trustees, on our findings and recommendations.

The District's management consultant, Mr. Chandu M. Brahmbhatt, has explained the general nature of the matter to me and I represent that that I have appropriate credentials and experience to offer an objective, independent analysis of this matter. You have had the opportunity to investigate and verify my credentials, and you agree that I am qualified to perform the services described in this agreement.

Our understanding of the work to be performed is described in more detail in Exhibit A, Scope of Work, attached to this letter. In this letter the terms "we" and "us" mean Magis Advisors and the term "you" means the Palo Verde Community College District and/or the elected directors and their respective employees, executives, and other qualified designees (including Mr. Brahmbhatt), as the context dictates.

1301 Dove Street, Suite 380
Newport Beach, California 92660
Telephone: (949) 428-8363
www.magisadvisors.com

Our engagement should begin with a mutual understanding of your expectations, and should always be characterized by full and candid communications between us during the course of the engagement. We endeavor from the beginning to establish a relationship with you built on trust and commitment to objective and impartial analysis of the matter you have submitted to us.

I will be the person primarily responsible for delivering services to you on this matter. My telephone number is (949) 428-8363. Our office hours are 9:00 a.m. to 5:00 p.m., Monday through Thursday, 9:00 a.m. to 4:00 p.m., Fridays, with major holidays observed. The office is generally staffed during those hours and should an urgent matter arise in my absence, the office staff will be happy to locate me. In the occasional event that no one is available in the office, there is a voice mail system for leaving me messages in my absence. I check that voice mail frequently when I am not in the office. For your use in urgent situations, my cell phone number is (949) 246-7564, and my home telephone number is (949) 458-2291. My e-mail address, which is available to me remotely, is tim@magisadvisors.com. It is my practice to return all calls within 24 hours.

We propose to handle this work on an hourly basis, with a minimum and maximum boundary for our charges. Our fees are based on the amount of time devoted to the matter by me or by our staff on your behalf. There will be occasions when I may involve others in our firm to assist in the delivery of required services and the time of those persons will be billed at the applicable rates discussed below. Each employee of the firm has an hourly billing rate, and that rate times the number of hours devoted to your matter, measured to the nearest tenth of one hour, will be the basis for determining our fees for services. Please see the attached Hourly Rate Schedule, attached as Exhibit B, for specific rates.

In addition to the fees for services, we will also expect to be reimbursed for out of pocket expenses or disbursements made on your behalf. Please see Billing and Payment Terms, attached as Exhibit C, for more detail on expense recovery and billing matters.

For reports or discussions given at District Board of Trustees meetings, I require a four-hour minimum charge, which includes time while I am waiting to give such reports and for time taken by the Board of Trustees for breaks or meals, as well as for time spent actually giving such reports. This minimum charge does not include travel time, which is charged separately.

Our compensation for this engagement is not dependent upon particular findings, or on the outcome of any particular transaction, nor on any contractual arrangement between you and any other person or party. Specifically, our engagement does not require you to use our services for any other element of the contemplated transaction.

By executing this agreement, the District agrees to: (a) furnish us with all relevant information about the matter to enable us to analyze and make an informed opinion on the matter; (b) be clear and complete in communications with us; and, (c) remain responsible for

payment of our fees. Additional matters relevant to the work we will perform are discussed in Exhibit D, General Conditions.

We have attached, as Exhibit E, a Good Faith Estimate of Cost of our work. We both understand that our work may involve activities costing less or more than the amount shown in that exhibit. Nevertheless, by executing this agreement, the District is committing only to the minimum and maximum fees of $8,500 and $12,000, respectively, as described in Exhibit E.

We are unaware of any conflicts of interest that would prevent us from fulfilling our responsibilities to the District under this engagement. Please review Exhibit F, Conflict of Interest Disclosure, and Exhibit G: Disclosure Statement on Fees, beginning on page 10 of this letter for important information about such conflicts.

If this letter meets with your approval and fairly describes the work you wish us to perform, please sign the enclosed copy where indicated and return it to me. We are looking forward to working with you and your team on this important project.

Very truly yours,

MAGIS ADVISORS

Timothy J. Schaefer
Principal Owner

We have read this engagement letter and the attachments referenced below and agree to its terms, effective as of the date on which Magis Advisors first provided services to us.

Date: _____, 2012

PALO VERDE COMMUNITY COLLEGE DISTRICT

By: _____

Its: _____

Attachment:

Exhibit A: Scope of Work....Page 5 of 12
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Exhibit A: Scope of Work

In January 2007, the District issued its 2007 Certificates of Participation as "auction rate" certificates in the amount of $18.6 million. The 2007 Certificates were scheduled to be repaid on a single term maturity of January 1, 2037. Proceeds of the 2007 Certificates were to be used to finance certain costs associated with the acquisition and development of a new physical education center, a new education center and a new computer system and other upgrade, repairs, removals, and scheduled maintenance projects. Taken together, these improvements were estimated to cost $14.0 million. In addition, because the 2007 projects were to be constructed after the borrowing, the interest carry charges on the 2007 Certificates were funded (capitalized) from bond proceeds—they were borrowed as part of the issue.

Municipal auction rate securities are municipal bonds with interest rates that are periodically re-set through auctions, typically every 7, 14, 28, or 35 days. Municipal auction rate securities are usually issued with maturities of 30 years, but the maturities can range from five years to perpetuity. Municipal auction-rate securities are auctioned at par so the return on the investment to the investor and the cost of financing to the issuer between auction dates is determined by the interest rate set through the auctions. The interest rate is set through a process in which bids with successively higher rates are accepted until all of the securities in the auction are sold. The final rate at which all of the securities are sold is the "clearing rate" that applies to all of the securities of an offering until the next auction occurs. If there are not enough bids to cover the securities for sale, then the auction "fails," the issuer pays a predetermined rate that is generally well above-market rates, and the current holders continue to hold the securities. Beginning in late 2007, hundreds of auctions for municipal auction-rate securities failed to obtain sufficient bids to establish a clearing rate. As a result, these programs were the subject of extensive litigation between investors, broker-dealer firms and the Securities and Exchange Commission. Many of these cases have been settled and tens of billions of dollars in settlements have been negotiated between the broker-dealer firms and investors.

We understand that the District refinanced the 2007 auction rate securities in July 2008 by converting the issue to a fixed rate issue. In addition to the $18.7 million required to convert the principal amount of the 2007 auction rate issue, the District added $9.8 million of new projects to the 2008 offering, along with another $4.4 million of funded interest for that issue. Accordingly, the total amount of debt outstanding is now about $32 million, including the added carry charges and transaction costs.

Presently, the District's ongoing need for reduced debt service requirements, and the District's desire to reconfigure the economics of the existing arrangement have triggered the need for an independent review of the effectiveness of repurchasing, defeasing or redeeming the outstanding 2008 Certificates. That is the essence of our engagement.

To familiarize ourselves with the situation, we will review the following materials:

1. The use of proceeds for the original 2007 auction rate issue;

2. The status of the proceeds of the additional funds raised in the 2008 offering;
3. The status of the funded interest accounts for each issue;
4. Confirm the amounts held by the District and the trustee/fiscal agent for each of the issues;
5. Obtain secondary trading prices for the outstanding 2008 issue;
6. Identify the major owners of the 2008 issue; and,
7. Obtain or develop such other data as you may make available to us that you deem germane to our investigation of the facts presented.

We expect that our work will involve one or more of the following tasks or activities:

ACTIVITY OR TASK 1. We will initiate our work by familiarizing ourselves with the unique characteristics of the Certificates, the offering process, IRS tax-compliance issues, tax covenants given by the District in the 2007 and 2008 issues, and such other relevant information necessary to offer sound advice based on industry-standard, consistently applied, best practices.

ACTIVITY OR TASK 2. We will confer with you, other consultants, and other interested parties, as you may direct, in order to develop a full understanding of the District's financial needs, the available funds (both operating and capital) that might be used to repurchase or pay down the existing Certificates, to assist in your formulation of a coordinated response to the economic and financial questions posed by the proposed buyout.

ACTIVITY OR TASK 3. We will furnish you with our professional observations as to the reasonableness of the financial effects of exercising the repurchase options, including a review of the probable reduction in debt service cost the District would realize. We will comment on the reasonableness of these elements as judged against the usual and customary practice in the municipal finance field.

ACTIVITY OR TASK 4. We will attend meetings and/or participate in telephone conferences for explanation of our findings to you, your colleagues, the District Board of Trustees, or other stakeholders that you may identify to us.

ACTIVITY OR TASK 5. Upon your written direction, we will prepare a report detailing the results of our findings and the methodology used in our determination of the reasonableness of the findings and recommendations presented to the District. Such a report will be developed with your specific input as to the questions to be answered and the level of detail of the specific recommendation(s).

Exhibit B: Hourly Rate Schedule

Each employee of our firm is required to complete and file detailed timekeeping records for establishing charges to the client, or cost of the services, regardless of the payment arrangement with the client. The billing rate assigned to each individual in the firm is our estimate of the relative experience, knowledge level, and particular skill of the individual, and is based on periodic surveys of the market for individuals possessing the talents and skills of our employees. Our hourly billing rates are, necessarily, a benchmark, and are not the sole determinant of the value we bring to each client matter. Other determinants are specialized subject matter expertise, unusual delivery requirements, the size and scope of the undertaking and the organizational elements required to properly deliver the requested services.

Personnel	Hourly Rate
Principal Owner/President	$ 300
Vice Presidents	225
Senior Associates	160
Associates	130
Analysts	90
Administrative/Secretarial	70

We charge our time in increments of one-tenth of an hour, with a two-tenths minimum for any activity.

For reports, findings or recommendations given at District Board of Trustees meetings, I require a four-hour minimum charge, which includes time while I am waiting, and for time taken by the Board of Trustees for breaks or meals, as well as for time spent actually giving such reports, findings or recommendations. This minimum charge does not include travel time, which is charged separately. Travel time is charged "portal to portal" on a "one-way" basis.

The rates shown above are in effect as of January 1, 2012. These rates reviewed annually and are adjusted effective January 1 of each year. Increases are generally limited to the rate of change in our costs, if any.

Exhibit C: Billing and Payment Terms

This is NOT a retainer arrangement. Our services will be performed on an hourly basis with billings to you occurring monthly, or at such other times as we may mutually agree upon as the work proceeds. If you do not request or direct us to perform services, there is no charge. However, we have proposed both a minimum and maximum amount of charges for our time in order to give you assurances that the cost of our services is manageable and remains under the District's control. The amounts of those minimum and maximum charges are set forth in Exhibit E, below.

Generally, our billing occurs monthly, on or about the last day of the month in which the services were provided. We provide an itemized invoice setting forth a detailed description of the services provided and the names and hourly rates of the individuals performing such services.

We also charge separately for costs incurred by us at your request, or on your behalf. Examples of this include, but are not limited to, the following: materials or services you request that are provided by third-party vendors; telephone conference services; out-of-town travel and meals; publication of legal notices; filing or official fees; printing of official documents; and, similar disbursements. In the case of particularly large disbursements, we may request an advance for these items.

In addition, we add a charge of 6% of the fee amount billed (net of other costs or disbursements) to cover our own expenses associated with certain items related to your work which are not practical to track on an individual basis. These items include, but are not limited to, volume-based data services, photocopying and printing charges, records retention, and minor office supplies.

Payment for our services is expected within 25 days of the date of our invoice.

Exhibit D: General Conditions

You agree that neither Magis' oral reports, recommendations nor any written report submitted by Magis will be used for any purpose other than that described in this engagement letter. Any use or reliance for any other purpose, by you or third parties, is inconsistent with our understanding and the intent of this agreement.

Without limiting the generality of the foregoing, no reference to Magis' name or portions of Magis' report may be made in any prospectus or other securities related document distributed to third parties without Magis' prior written consent. (Such references create securities law exposure and will usually be subject to additional charges).

You and Magis agree that this assignment pertains to a discrete matter, and that our undertaking this assignment would not provide a basis for precluding our future services to others (after completion of this engagement) adverse to you on matters that are not substantially related to this assignment.

No opinion is intended to be expressed by Magis about matters that require legal or specialized expertise, investigation, or knowledge beyond that customarily employed by consultants engaged in financial and municipal advisory activities equivalent to those proposed herein.

Magis may gather certain information from third parties, including commercial data providers, that we consider customary, appropriate and reliable for the specified assignment. You agree to supplement this information as necessary by advising Magis of any non-evident or

unexpected material conditions that, to the best of your knowledge and belief, might affect Magis' rendering of the requested services and the conclusions reached by Magis.

Magis will perform its services in a professional manner in accordance with prevailing industry standards. To the extent permitted by law, Magis agrees to defend, indemnify, and hold the District, its officers, employees, and agents harmless from (i) any and all claims under workers' compensation acts and other employee benefit acts with respect to Magis' employees arising out of Magis' services under this engagement; and (ii) any liability for damages or injuries which arise from or are directly connected with the negligence or failure to perform professional services or other obligations of this engagement, or caused or claim to be caused by the negligence of Magis, its officers, employees, or agents, and all expenses of investigating and defending against same. Notwithstanding the forgoing, this indemnification shall not include any liability resulting from the negligence, or willful misconduct of the District, its officers, employees, or agents. This indemnification does not apply to any third parties.

Any dispute that arises under or with respect to this agreement shall in the first instance be the subject of informal negotiations between the District and Magis. The period for informal negotiations shall not exceed thirty days from the time the dispute arises. The dispute shall be considered to have arisen when one party sends the other a written notice of a dispute. If the dispute remains unsettled after this thirty day period, the parties may elect to resolve the matter by mediation pursuant to the mediation rules of the American Arbitration Association. If the claim or controversy is not settled by mediation, the claim or controversy may then be submitted to arbitration on the written request of one party served on the other. The dispute shall then be submitted to arbitration in accordance with the commercial rules and regulations of the American Arbitration Association and the provisions of the California Arbitration Act (California Code of Civil Procedure sections 1280 through 1294.2). The arbitration shall take place in a location mutually agreed upon by the parties. The parties may propose arbitrators from JAMS, ADR, ARC, or any independent arbitrator/neutral person for dispute resolution. No arbitration shall include by way of consolidation or joinder any parties or entities not a party to this agreement without the express written consent of the District, Magis, and any party or entity sought to be joined with an express reference to this provision. Any party or entity joined in the arbitration, after mutual consent, shall be bound by this provision. The decree or judgment of an award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof.

The obligations of Magis are solely corporate obligations, and no officer, employee, director, agent, shareholder or controlling person of Magis shall be subject to any personal liability whatsoever to any person, nor will any such claim be asserted by or on behalf of any party to this agreement or any person relying on Magis' report.

Either party may terminate this arrangement upon fifteen (15) days written notice to the other. Termination shall become effective fifteen (15) days following the date the other party receives any such notice. In the event of such a termination, you agree to promptly reimburse Magis for all fees, costs, expenses or disbursements accrued or incurred as of the effective date of the termination.

This agreement shall be interpreted in accordance with the laws of the State of California.

This engagement letter and its attachments constitute and embody the entire agreement relating to the subject matter hereof, and there are no other agreements or understandings, written or oral, in effect between the us relating to the subject matter hereof.

If any provision of this engagement letter and its attachments is held by a court or arbitrator to be invalid, illegal, or unenforceable, the remaining provisions hereof shall in no way be affected and shall remain in full force and effect.

Exhibit E: Good Faith Estimate of Cost

In order to enable the District to plan for the expenses associated with our engagement, this is a "good faith" estimate of $8,500 to $12,000 to complete this assignment.

We require a minimum fee of $8,500 to marshal our resources and to assure that we have developed enough information to establish a reasonable basis for an opinion. This is the minimum earned fee, regardless of the amount of time we spend on this matter. The higher number, $12,000, is a "cap" on our costs. If our time charged to the matter is less than the "cap," then the District is only obligated to the actual hourly charges or the minimum fee, whichever is greater.

Exhibit F: Conflict of Interest Disclosure

As a matter of business philosophy, Magis is independent. Preservation of that independence demands that we avoid any entanglements (personal or corporate) with parties that may have economic connections or influence over our clients' financings. Upon our founding, we adopted a corporate Code of Conduct that specifically prohibits such relationships. The Code establishes guiding principles for the prevention of conflicts of interest and requires high transparency of our economic interests to our clients. Please let us know if you would like a copy of the Code. Specific application of the relevant sections of the Code pertaining to conflicts of interest, regulatory matters and disclosures are presented next.

As a matter of firm policy, the firm's owners file California Fair Political Practices Act Form 700, "Statement of Economic Interest," in all of the jurisdictions we serve. Upon your engagement of us, we will promptly file Form 700 with the District or such other person in your organization designated to receive such reports.

Magis is not aware at this time of any conflict of interest that would preclude Magis from providing services to you in this engagement in an impartial, objective manner. However, should Magis become aware of any such undiscovered conflict during the course of this engagement, upon reasonable notice to you, Magis may withdraw from and terminate the engagement at that time. In that event, you agree to pay and/or reimburse Magis for all fees, out-of-pocket expenses, and disbursements, accrued or incurred, as of the date of such withdrawal.

Magis is a state-registered investment advisor and we are required to maintain and regularly update certain information as a condition of that registration. The law requires that we make certain disclosures when soliciting investment advisory business, including advice related to the investment of proceeds of borrowing transactions. These disclosure obligations may be met by tendering a copy of the advisor's registration statement. The Scope of Work does not contemplate such activities. Accordingly, a copy of our Form ADV, Part II (the disclosure section of our registration statement) is not attached, but is available upon request. Additional background information about Magis and its employees is also available on the internet at www.adviserinfo.sec.gov. Once at that site, you can search for more information about Magis by using a unique identifying number (called a "CRD number"). Magis' CRD number is 148720.

Magis is required under the recently enacted Dodd-Frank Wall Street Reform and Consumer Protection Act to register with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board as a "municipal advisor," as that term is defined in the Dodd-Frank Act. Our registration number with the SEC is 866-00026-00; our registration with the MSRB is #K0125. Please advise us if you require a copy of our registration information.

Exhibit G: Disclosure Statement on Fees

In addition to the registration requirement mentioned above, the Dodd-Frank Act establishes a "fiduciary duty" on municipal advisors. The Municipal Securities Rulemaking Board has been delegated the responsibility to establish certain rules applicable to municipal advisors, including rules designed to identify business practices that might result in conflicts of interest in the municipal advisor/client relationship. This disclosure discusses fee arrangements and how they may present conflicts of interest for municipal advisors, such as Magis. You are encouraged to select a form of compensation that best meets your needs and the agreed upon scope of services after a careful review of the following information.

FORMS OF COMPENSATION & POTENTIAL CONFLICTS

The forms of compensation for municipal advisors vary according to the nature of the engagement and requirements of the client, among other factors. Various forms of compensation may present actual or potential conflicts of interest because they may create an incentive for the advisor to recommend one course of action over another if it is more beneficial to the advisor to do so. This discussion describes various forms of compensation, the potential conflicts that may be embedded in such compensation, and the timing of payments to the advisor.

FIXED FEE, NON-CONTINGENT

Under a fixed fee form of compensation, the municipal advisor is paid a fixed amount established at the outset of the transaction. The amount is usually based upon an analysis by the client and the advisor of, among other things, the expected duration and complexity of the transaction and the agreed-upon scope of work that the advisor will perform. This form of

compensation presents a potential conflict of interest because, if the transaction requires more work than originally contemplated, the advisor may suffer a loss. Thus, the advisor may recommend less time-consuming alternatives, or fail to do a thorough analysis of alternatives. There may be additional conflicts of interest if the municipal advisor's fee is contingent upon the successful completion of a financing, as described below.

HOURLY FEE

Under an hourly fee form of compensation, the municipal advisor is paid an amount equal to the number of hours worked by the advisor at an agreed-upon hourly billing rate. This form of compensation presents a potential conflict of interest if the client and the advisor do not agree on a reasonable maximum amount at the outset of the engagement, because the advisor does not have a financial incentive to recommend alternatives that would result in fewer hours worked. In some cases, an hourly fee may be applied against a retainer (e.g., a retainer payable monthly), in which case it is payable whether or not a financing closes. Alternatively, it may be contingent upon the successful completion of a financing, in which case there may be additional conflicts of interest, as described below.

CONTINGENT FIXED FEE

Under a contingent fee form of compensation, payment of an advisor's fee is dependent upon the successful completion of a financing or other transaction. Although this form of compensation may be customary for the client, it presents a conflict because the advisor may have an incentive to recommend unnecessary financings or financings that are disadvantageous to the client. For example, when facts or circumstances arise that could cause the financing or other transaction to be delayed or fail to close, an advisor may have an incentive to discourage a full consideration of such facts and circumstances, or to discourage consideration of alternatives that may result in the cancellation of the financing or other transaction.

RETAINER FEE

Under a retainer agreement, fees are paid to a municipal advisor periodically (e.g., monthly) and are not contingent upon the completion of a financing or other transaction. Fees paid under a retainer agreement may be calculated on a fixed fee basis (e.g., a fixed fee per month regardless of the number of hours worked) or an hourly basis (e.g., a minimum monthly payment, with additional amounts payable if a certain number of hours worked is exceeded). A retainer agreement does not present the conflicts associated with a contingent fee arrangement (described above).

VOLUME-BASED FEE

Under this form of compensation, the municipal advisor's fee is based upon a percentage of the principal amount of an issue of securities (e.g., bonds) or, in the case of a derivative, the present value of, or notional amount and term of the derivative. This form of compensation may present a conflict of interest because the advisor may have an incentive to advise the client to increase the size of the securities issue or modify the derivative for the purpose of increasing the advisor's compensation.