

California Fiscal Recovery Financing Authority
March 16, 2004

Agenda Item #3:

This Authority has brought an action in the Sacramento County Superior Court entitled *California Fiscal Recovery Financing Authority v. All Persons Interested in the Matter of the Validity of the Fiscal Recovery Bonds to be Issued and a Trust Agreement to be Entered Into by the California Fiscal Recovery Financing Authority; Certain Ancillary Agreements and a Fund Agreement Related to the Fiscal Recovery Bonds; and Certain Proceedings and Matters Related Thereto*. The court has issued an order establishing a trial date in this matter of April 5, 2004, and, in relation thereto has established dates by which discovery must be exchanged by the parties to this matter, beginning on March 12, 2004.

On March 2, 2004, Proposition 57 was reportedly adopted by a majority of the electorate. Proposition 57 will establish an alternative method of financing the accumulated budget deficit currently authorized to be financed by bonds to be issued by this Authority. It is expected that the results of the March 2, 2004, election will be certified by the Secretary of State, and that Proposition 57 will be officially determined to have been adopted by the electorate. However, it is not expected that such certification will take place prior to April 5, 2004.

The Attorney General seeks guidance as to how to proceed with the above-described action during this certification period. This guidance must be provided immediately in order to protect the public interest by avoiding judicial waste and expense to the Authority.