

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

750A



FROM: Treasurer-Tax Collector

SUBMITTAL DATE:
January 14, 2010

SUBJECT: Resolution No. 2010-040 - Val Verde Unified School District General Obligation Bonds, 2008 Election, 2010 Series B (Vote on Separately)

RECOMMENDED MOTION: That your Honorable Board approve and adopt Resolution No. 2010-040, Authorizing the Issuance and Sale of Val Verde Unified School District General Obligation Bonds, 2008 Election, 2010 Series B in a Maximum Aggregate Principal Amount not to Exceed \$13,440,000.

BACKGROUND: Education Code Section 15140 requires that general obligation bonds of a school district be offered for sale by the Riverside County Board of Supervisors, when the Riverside County Superintendent of Schools has jurisdiction over that district, and when the district wishes to offer its bonds via a negotiated sale. Although California law permits a board of supervisors to opt out of that requirement, this Board has not adopted the necessary enabling resolution. At the same time the County Treasurer has taken the position that school districts should not be negotiating the sale of bonds without his participation.

(Continued on page 2)

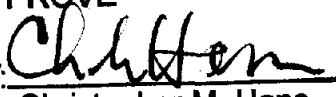
FORM APPROVED COUNTY COUNSEL
BY: DALE A. GARDNER 1/13/10
DATE: 1/13/10
Departmental Concurrence



Don Kent, Treasurer - Tax Collector

FINANCIAL DATA	Current F.Y. Total Cost:	\$ 0	In Current Year Budget:	n/a
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	n/a
	Annual Net County Cost:	\$ 0	For Fiscal Year:	n/a
SOURCE OF FUNDS: n/a				Positions To Be Deleted Per A-30 <input type="checkbox"/>
				Requires 4/5 Vote <input type="checkbox"/>

C.E.O. RECOMMENDATION:

APPROVE
BY: 

Christopher M. Hans

County Executive Office Signature

Dep't Recomm.: Consent Policy
Per Exec. Ofc.: Consent Policy

Prev. Agn. Ref.: | **District:** 5 | **Agenda Number:**

3.55

Date: January 14, 2010
From: Treasurer-Tax Collector
Subject: Resolution No. 2010-040
Page 2

The Riverside County Superintendent of Schools has jurisdiction over the Val Verde Unified School District (the "District") which is planning to issue and sell bonds via a negotiated sale. Therefore the Education Code provides that the Riverside County Board of Supervisors is responsible for issuing and selling these District bonds, via a negotiated sale, on behalf of the District. To that end, the District's Board of Trustees adopted a resolution requesting this Board to sell the District's general obligation bonds in an aggregate principal amount not to exceed \$13,440,000.

An election was held on June 3, 2008, pursuant to paragraph (3) of subdivision (b) of Section 1 of Article XIII A and subdivision (b) of Section 18 of Article XVI of the California Constitution and Section 15266 of the Education Code which codifies, in part, Proposition 39. During that election, a measure authorizing the District to incur general obligation bonded indebtedness in an aggregate principal amount not to exceed \$43,440,000 was approved by more than 55% of the qualified voters voting on the measure.

On July 29, 2008, the Board of Supervisors adopted Resolution 2008-347 authorizing the issuance and sale of the first series of bonds by the County on behalf of the District under the June 3, 2008 voter-approved measure. Resolution No. 2010-040 will authorize the issuance and sale of the second and final series under that authorization.

Resolution No. 2010-040 authorizes the issuance and sale of Val Verde Unified School District General Obligation Bonds, 2008 Election, 2010 Series B (the "Series B Bonds") in an aggregate principal amount not to exceed \$13,440,000 as requested by the District. The Series B Bonds are being issued in order to (1) reimburse certain State matching funds used for capital purposes as described in the projects list approved at the election; to finance the acquisition, construction and improvement of certain capital facilities identified in the projects list; and to pay certain costs of issuance. All expenditures are subject to the review of a citizens' oversight committee appointed by the District's Board of Trustees.

These bonds represent general obligations of the District; these bonds do not constitute a debt or obligation of the County. No part of any fund of the County is pledged or obligated to the payment of these bonds.

The Office of County Counsel has reviewed Resolution No. 2010-040 and has approved it as to form.

RESOLUTION OF THE BOARD OF SUPERVISORS OF
THE COUNTY OF RIVERSIDE, CALIFORNIA,
AUTHORIZING THE ISSUANCE AND SALE OF
GENERAL OBLIGATION BONDS, 2008 ELECTION, 2010 SERIES B
OF THE VAL VERDE UNIFIED SCHOOL DISTRICT
IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED
THIRTEEN MILLION FOUR HUNDRED FORTY THOUSAND DOLLARS

FORM APPROVED COUNTY COUNSEL
BY: *[Signature]* 11/2/10
DALE A. GARDNER DATE

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RESOLUTION NO. 2010-040

**RESOLUTION OF THE BOARD OF SUPERVISORS OF
THE COUNTY OF RIVERSIDE, CALIFORNIA,
AUTHORIZING THE ISSUANCE AND SALE OF
GENERAL OBLIGATION BONDS, 2008 ELECTION, 2010 SERIES B
OF THE VAL VERDE UNIFIED SCHOOL DISTRICT
IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED
THIRTEEN MILLION FOUR HUNDRED FORTY THOUSAND DOLLARS**

WHEREAS, a duly called election was held within the Val Verde Unified School District (the "District"), County of Riverside (the "County"), on June 3, 2008, and thereafter canvassed pursuant to law; and

WHEREAS, at such election, there was submitted to and approved by more than the requisite 55% of the qualified electors of the District a question as to the issuance and sale of general obligation bonds of the District for various purposes set forth in the ballot submitted to the voters, in the maximum principal amount of \$43,440,000, payable from the levy of an *ad valorem* tax against the taxable property in the District (the "Authorization"); and

WHEREAS, Section 15140 of the Education Code of the State of California (the "Education Code") requires that general obligation bonds of a district shall be offered for sale by the board of supervisors of the county, the county superintendent of which has jurisdiction over such district, as soon as possible following receipt of a resolution adopted by the governing board of such district; and

WHEREAS, the Riverside County Superintendent of Schools has jurisdiction over the District; and

WHEREAS, the County has heretofore issued \$30,000,000 aggregate principal amount of general obligations bonds on behalf of the District under the Authorization; and

WHEREAS, the County Board has received a resolution (the "District Resolution") of the Board of Education (the "District Board") requesting the issuance of the second and final series of such bonds within the Authorization in an aggregate principal amount

FORM APPROVED COUNTY COUNSEL
BY: DALE A. GARDNER 1/13/10 DATE

1 not to exceed thirteen million four hundred forty thousand dollars (\$13,440,000) (the "Bonds") in
2 order to finance and refinance the acquisition, construction and improvement of District facilities;

3 **NOW THEREFORE, IT IS ORDERED** by the Board of Supervisors of the
4 County as follows:

5 SECTION 1. Definitions. The following terms shall for all purposes of this
6 Resolution have the following meanings:

7 "Accreted Value" shall mean with respect to any Capital Appreciation Bond, as of
8 any date of calculation, the sum of the Principal Amount thereof and the interest accreted thereto
9 as of such date of calculation, accreted and compounded from the date of initial issuance at the
10 stated accretion rate thereof on each February 1 and August 1, or as otherwise stated in the
11 Contract of Purchase, assuming in any such semiannual period that such Accreted Value
12 increases in amounts on the basis of a 360-day year of twelve 30-day months.

13 "Authorized Investments" shall mean legal investments authorized by
14 Section 53601 of the Government Code of the State of California, as in effect on the date such
15 investments are made, and shall specifically include the County Investment Pool, guaranteed
16 investment contracts, repurchase agreements and reverse repurchase agreements lawful for the
17 investment of surplus funds of the District under and pursuant to clause (i) of said Section 53601.

18 "Authorizing Law" shall mean, collectively, (i) Chapter 2, Part 10, Division 1,
19 Title 1.5 of the Education Code of the State of California (commencing with Section 15264), as
20 amended, and (ii) Article XIII A of the California Constitution.

21 "Board" shall mean the Board of Supervisors of the County.

22 "Bond Obligation" shall mean from time to time as of the date of calculation, with
23 respect to any Current Interest Bond, the Principal Amount thereof and, with respect to any
24 Capital Appreciation Bond, the Accreted Value thereof.

25 "Bond Insurance" shall mean a policy of bond insurance, providing for the
26 payment of the Principal of and interest on the Bonds, or any portion thereof, when due for
27 payment.

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1 “Bond Insurer” shall mean the issuer of the Bond Insurance, if purchased pursuant
2 to Section 40 hereof.

3 “Bond Register” shall mean the books referred to in Section 15 of this Resolution.

4 “Bonds” shall mean the Val Verde Unified School District General Obligation
5 Bonds, 2008 Election, 2010 Series B, issued and delivered pursuant to this Resolution.

6 “Bond Year” shall mean the twelve-month period commencing August 1 in any
7 year and ending on the last day of July in the next succeeding year, both dates inclusive, or as
8 otherwise set forth in the Contract of Purchase; provided, however, that the first Bond Year shall
9 commence on the day the Bonds are issued and shall end on July 31, 2010, both dates inclusive,
10 or as otherwise set forth in the Contract of Purchase.

11 “Building Fund” shall mean the General Obligation Building Fund, 2008 Election,
12 2010 Series B of the District established by the Superintendent of Schools at the direction of the
13 District and administered by the County Office of Education.

14 “Business Day” shall mean a day that is not a Saturday, Sunday or a day on which
15 banking institutions in the State or the State of New York and the New York Stock Exchange are
16 authorized or required to be closed.

17 “Capital Appreciation Bonds” shall mean the Bonds designated as such in
18 Section 10 of this Resolution.

19 “Chair of the Board of Supervisors” shall mean the Chair, Chairperson or
20 Chairman of the Board of Supervisors of the County of Riverside.

21 “Code” shall mean the Internal Revenue Code of 1986, as amended.

22 “Continuing Disclosure Agreement” shall mean the Continuing Disclosure
23 Agreement of the District for the benefit of the Owners of the Bonds.

24 “Contract of Purchase” shall mean the Contract of Purchase by and among the
25 County, the District and the Underwriters relating to the Bonds.

26 “Costs of Issuance” shall mean all of the costs of issuing the Bonds, including but
27 not limited to, all printing and document preparation expenses in connection with this Resolution,
28 the Bonds and the Official Statement pertaining to the Bonds and any and all other agreements,

1 instruments, certificates or other documents prepared in connection therewith; financial advisory
2 fees; underwriter's discount; rating agency fees and related travel expenses; auditor's fees;
3 CUSIP service bureau charges; legal fees and expenses of counsel with respect to the financing;
4 the initial fees and expenses of the Paying Agent; fees for credit enhancement relating to the
5 Bonds, if any; and other fees and expenses incurred in connection with the issuance of the Bonds
6 or the implementation of the financing for the Projects, to the extent such fees and expenses are
7 approved by the District.

8 “County” shall mean the County of Riverside, California.

9 “County Office of Education” shall mean the Office of Education of the County
10 and such other persons as may be designated by the County Office of Education to perform the
11 operational and disbursement functions hereunder.

12 “Current Interest Bonds” shall mean the Bonds designated as such in Section 9 of
13 this Resolution.

14 “Debt Service” shall have the meaning given to that term in Section 19(c) of this
15 Resolution.

16 “Debt Service Fund” shall mean the Debt Service Fund established pursuant to
17 Section 19(a) of this Resolution.

18 “Depository” shall mean DTC and its successors and assigns or if (a) the then
19 Depository resigns from its functions as securities depository of the Bonds, or (b) the County
20 discontinues use of the Depository pursuant to this Resolution, any other securities depository
21 which agrees to follow procedures required to be followed by a securities depository in
22 connection with the Bonds and which is selected by the Treasurer.

23 “District” shall mean the Val Verde Unified School District.

24 “DTC” shall mean The Depository Trust Company, New York, New York, and its
25 successors and assigns.

26 “Excess Earnings Fund” shall mean the Excess Earnings Fund established
27 pursuant to Section 20 of this Resolution.

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1 “Fiscal Year” shall mean the twelve-month period commencing on July 1 of each
2 year and ending on the following June 30 or any other fiscal year in effect for the District.

3 “Information Services” shall mean Financial Information, Inc.’s “Daily Called
4 Special Service,” 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention:
5 Editor; Moody’s “Municipal and Government,” 7 World Trade Center, 250 Greenwich Street,
6 New York, New York 10007, Attention: Municipal News Reports; and Xcitek’s “Called Bond
7 Service,” 5 Hanover Square, New York, New York, 10004, Attention: Bond Redemption Group;
8 provided, however, in accordance with then current guidelines of the Securities and Exchange
9 Commission, Information Services shall mean such other organizations providing information
10 with respect to called bonds as the County may designate in a certificate of the County delivered
11 to the Paying Agent.

12 “Interest Payment Date” shall mean with respect to (i) any Current Interest Bond,
13 February 1 and August 1 in each year, or as otherwise specified in the Contract of Purchase,
14 commencing on the date specified in the Contract of Purchase, and (ii) any Capital Appreciation
15 Bond, the maturity or earlier redemption date thereof.

16 “Maturity Amount” shall mean the Accreted Value of any Capital Appreciation
17 Bond on its maturity date.

18 “Moody’s” shall mean Moody’s Investors Service, its successors and assigns,
19 except that if such corporation shall no longer perform the functions of a securities rating agency
20 for any reason, the term “Moody’s” shall be deemed to refer to any other nationally recognized
21 securities rating agency selected by the District.

22 “Nominee” shall mean the nominee of the Depository which may be the
23 Depository, as determined from time to time by the Depository.

24 “Outstanding” when used with reference to the Bonds, shall mean, as of any date,
25 Bonds theretofore issued or thereupon being issued under this Resolution except:

26 (i) Bonds canceled at or prior to such date;

27 (ii) Bonds in lieu of or in substitution for which other Bonds shall have been
28 delivered pursuant to Section 14 hereof,

1 (iii) Bonds for the payment or redemption of which funds or eligible securities
2 in the necessary amount shall have been set aside (whether on or prior to the maturity or
3 redemption date of such Bonds), in accordance with Section 39 of this Resolution.

4 "Owner" shall mean the registered owner, as indicated in the Bond Register, of
5 any Bond.

6 "Participant" shall mean a member of or participant in the Depository.

7 "Paying Agent" shall mean U.S. Bank National Association, or its successors or
8 assigns, acting in the capacity of paying agent, registrar, authenticating agent and transfer agent
9 for the Bonds.

10 "Pledged Moneys" shall have the meaning given to that term in Section 18 of this
11 Resolution.

12 "Principal" or "Principal Amount" shall mean, as of any date of calculation, with
13 respect to (i) any Current Interest Bond, the principal amount thereof, and (ii) any Capital
14 Appreciation Bond, the Accreted Value thereof.

15 "Principal Payment Date" shall mean August 1 in each year, or as otherwise
16 specified in the Contract of Purchase, commencing on the date specified in the Contract of
17 Purchase.

18 "Projects" shall have the meaning given to that term in Section 7 of this
19 Resolution.

20 "Project Costs" shall mean all of the expenses of and incidental to the construction
21 and/or acquisition of the Projects, including Costs of Issuance.

22 "Record Date" shall mean the close of business on the fifteenth calendar day of the
23 month next preceding an Interest Payment Date.

24 "Regulations" shall mean the regulations of the United States Department of the
25 Treasury proposed or promulgated under Sections 103 and 141 through 150 of the Code which by
26 their terms are effective with respect to the Bonds and similar Treasury Regulations to the extent
27 not inconsistent with Sections 103 and 141 through 150 of the Code, including regulations
28 promulgated under Section 103 of the Internal Revenue Code of 1954, as amended.

1 “Resolution” shall mean this Resolution.

2 “S&P” shall mean Standard & Poor’s, a division of the McGraw-Hill Companies,
3 its successors and assigns, except that if such corporation shall no longer perform the functions of
4 a securities rating agency for any reason, the term “S&P” shall be deemed to refer to any other
5 nationally recognized securities rating agency selected by the District.

6 “Securities Depositories” shall mean The Depository Trust Company, 55 Water
7 Street, New York, New York 10041, Fax (212) 855-1000 or 7320; and, in accordance with then
8 current guidelines of the Securities and Exchange Commission, such other addresses and/or such
9 other securities depositories as the County may designate in a certificate of the County delivered
10 to the Paying Agent.

11 “State” shall mean the State of California.

12 “Superintendent of Schools” shall mean the Superintendent of Schools of the
13 County.

14 “Supplemental Resolution” shall mean any resolution supplemental to or
15 amendatory of this Resolution, adopted by the County in accordance with Section 36 or
16 Section 37 hereof.

17 “Tax Exemption Certificate” shall mean the Tax Exemption Certificate of the
18 District delivered in connection with the issuance of the Bonds.

19 “Transfer Amount” shall mean, with respect to (i) any Outstanding Current
20 Interest Bond, the aggregate Principal Amount thereof, and (ii) any Outstanding Capital
21 Appreciation Bond, the Maturity Amount thereof.

22 “Treasurer” shall mean the Treasurer and Tax Collector of the County or any
23 authorized deputy thereof.

24 “Underwriter” shall mean Piper Jaffray & Co.

25 SECTION 2. Rules of Construction. Words of the masculine gender shall be
26 deemed and construed to include correlative words of the feminine and neuter genders, and vice
27 versa. Except where the context otherwise requires, words importing the singular shall include

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1 the plural and vice versa, and words importing persons shall include firms, associations and
2 corporations, including public bodies, as well as natural persons.

3 SECTION 3. Authority for this Resolution. This Resolution is adopted pursuant
4 to the provisions of the Authorizing Law.

5 SECTION 4. Resolution to Constitute Contract. In consideration of the purchase
6 and acceptance of any and all of the Bonds authorized to be issued hereunder by those who shall
7 own the same from time to time, this Resolution shall be deemed to be and shall constitute a
8 contract among the County, the District and the Owners from time to time of the Bonds; and the
9 pledge made in this Resolution shall be for the equal benefit, protection and security of the
10 Owners of any and all of the Bonds, all of which, regardless of the time or times of their issuance
11 or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds
12 over any other thereof.

13 SECTION 5. Approval of Contract of Purchase. The Treasurer, or his deputy, and
14 such other officers of the County as shall be authorized by the Board, in consultation with the
15 Underwriter and bond counsel and such officers of the District as shall be authorized by the
16 District Board, are hereby authorized and directed to issue and deliver the Bonds and to establish
17 the final Principal Amount thereof, provided, however, that such combined Principal Amount (in
18 one or more series) shall not exceed the maximum aggregate Principal Amount of \$13,440,000.
19 The form of the Contract of Purchase attached hereto as Exhibit B is hereby approved. The
20 Treasurer, or his deputy, and such other officers of the County as may be authorized by the Board
21 are, and each of them acting alone is, authorized and directed to execute and deliver the Contract
22 of Purchase for and in the name and on behalf of the County, with such additions, changes or
23 corrections therein as the officer executing the same on behalf of the County may approve, in his
24 discretion, as being in the best interests of the County and the District, such approval to be
25 conclusively evidenced by such officer's execution thereof, and any other documents required to
26 be executed thereunder, and to deliver the same to the Underwriter. The Treasurer, or his deputy,
27 and such other officers of the County as may be authorized by the Board are, and each of them
28 acting alone hereby is, in consultation with such authorized officers of the District, authorized and

1 directed to negotiate with the Underwriter the interest rates on the Bonds and the purchase price
2 of the Bonds to be paid by the Underwriter, which purchase price shall reflect an Underwriters'
3 discount of not to exceed one percent (1.0%) (not including original issue discount or any costs of
4 issuance to be paid by the Underwriter) of the Principal Amount thereof. The interest rate on the
5 Bonds shall not exceed twelve percent (12%) per annum. Final terms of the Bonds shall be as set
6 forth in the Contract of Purchase.

7 SECTION 6. Authorization of Officers. The officers of the County and their
8 authorized representatives are, and each of them acting alone is, hereby authorized to execute any
9 and all documents and do and perform any and all acts and things, from time to time, consistent
10 with this Resolution and necessary or appropriate to carry the same into effect and to carry out its
11 purpose.

12 SECTION 7. Use of Bond Proceeds. Bonds of the District shall be issued in the
13 name and on behalf of the District in an aggregate Principal Amount not to exceed \$13,440,000
14 for the reimbursement of State matching funds and for the financing of the acquisition,
15 construction and improvement of District facilities for some or all of the purposes authorized at
16 the June 3, 2008, Election, the bond proposition and Project List approved at which shall be
17 incorporated herein by this reference as though fully set forth in this Resolution (the "Projects").
18 The County makes no assurances regarding the use of the proceeds of the Bonds.

19 SECTION 8. Designation and Form; Payment.

20 (a) An issue of Bonds of one or more series entitled to the benefit, protection
21 and security of this Resolution is hereby authorized in an aggregate Principal Amount not to
22 exceed \$13,440,000. Such Bonds shall be general obligations of the District, payable as to
23 Principal, premium, if any, and interest from *ad valorem* taxes to be levied upon all of the taxable
24 property in the District. The Bonds shall be designated "Val Verde Unified School District
25 General Obligation Bonds, 2008 Election, 2010 Series B" with such additional series designations
26 as may be necessary or advisable in order to market the Bonds, as set forth in the Contract of
27 Purchase. The Bonds may be issued as Current Interest Bonds and/or Capital Appreciation Bonds
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1 and shall be subject to redemption as further set forth in the Contract of Purchase, pursuant to this
2 Resolution.

3 (b) The forms of the Bonds shall be substantially in conformity with the
4 standard forms of registered school district bonds, copies of which are attached hereto as
5 Exhibit A-1 and Exhibit A-2 and incorporated herein by this reference.

6 (c) Principal, premium, if any, and interest with respect to any Bond are
7 payable in lawful money of the United States of America. Principal or Accreted Value and
8 premium, if any, is payable upon surrender thereof at maturity or earlier redemption at the office
9 designated by the Paying Agent in Los Angeles, California.

10 SECTION 9. Description of Current Interest Bonds.

11 (a) The Bonds issued as Current Interest Bonds shall be issued in fully
12 registered form, without coupons, in denominations of \$5,000 or any integral multiple thereof,
13 provided that one such Bond may be in an irregular denomination. The Current Interest Bonds
14 shall be dated and shall mature on the dates, in the years and in the Principal Amounts, and
15 interest shall be computed at the rates, set forth in the Contract of Purchase.

16 (b) Interest on each Current Interest Bond shall accrue from its dated date as
17 set forth in the Contract of Purchase. Interest on Current Interest Bonds shall be computed using
18 a year of 360 days comprised of twelve 30-day months and shall be payable on each Interest
19 Payment Date to the Owner thereof as of the close of business on the Record Date. Interest with
20 respect to each Current Interest Bond will be payable from the Interest Payment Date next
21 preceding the date of registration thereof, unless (i) it is registered after the close of business on
22 any Record Date and before the close of business on the immediately following Interest Payment
23 Date, in which event interest with respect thereto shall be payable from such following Interest
24 Payment Date; or (ii) it is registered prior to the close of business on the first Record Date, in
25 which event interest shall be payable from its dated date; provided, however, that if at the time of
26 registration of any Current Interest Bond interest with respect thereto is in default, interest with
27 respect thereto shall be payable from the Interest Payment Date to which interest has previously
28 been paid or made available for payment. Payments of interest on the Current Interest Bonds will

1 be made on each Interest Payment Date by check or draft of the Paying Agent sent by first-class
2 mail, postage prepaid, to the Owner thereof on the Record Date, or by wire transfer to any Owner
3 of \$1,000,000 or more of such Current Interest Bonds, to the account specified by such Owner in
4 a written request delivered to the Paying Agent on or prior to the Record Date for such Interest
5 Payment Date; provided, however, that payments of defaulted interest shall be payable to the
6 person in whose name such Current Interest Bond is registered at the close of business on a
7 special record date fixed therefor by the Paying Agent which shall not be more than 15 days and
8 not less than ten days prior to the date of the proposed payment of defaulted interest.

9 SECTION 10. Description of Capital Appreciation Bonds.

10 (a) The Bonds issued as Capital Appreciation Bonds shall be issued in fully
11 registered form in any denominations of their Principal Amounts but shall reflect denominations
12 of \$5,000 Maturity Amount or any integral multiple thereof, except that one such Bond may
13 reflect an irregular denomination. The Capital Appreciation Bonds shall be dated the date of their
14 issuance, shall be issued in the aggregate Principal Amounts, shall mature on the dates, in the
15 years and in the Maturity Amounts, and shall accrete interest at the accretion rates, all as set forth
16 in the Contract of Purchase.

17 (b) Interest on each Capital Appreciation Bond, if any, shall be compounded
18 semiannually on February 1 and August 1 of each year until maturity, or as otherwise set forth in
19 the Contract of Purchase, commencing on the date set forth in the Contract of Purchase, computed
20 using a year of 360 days comprised of twelve 30-day months and shall be payable only at
21 maturity as part of its Maturity Amount or at earlier redemption at its Accreted Value.

22 SECTION 11. Book-Entry System.

23 (a) The Bonds shall be initially issued in the form of a separate single fully
24 registered Bond (which may be typewritten) for each of the maturities of the Bonds within each
25 series. Upon initial issuance, the ownership of each such Bond certificate shall be registered in
26 the Bond Register in the name of the Nominee as nominee of the Depository. Except as provided
27 in subsection (c) hereof, all of the Outstanding Bonds shall be registered in the Bond Register in
28 the name of the Nominee and the Bonds may be transferred, in whole but not in part, only to the

1 Depository, to a successor Depository or to another nominee of the Depository or of a successor
2 Depository. Each Bond certificate shall bear a legend substantially to the following effect:
3 "UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF
4 THE DEPOSITORY (AS DEFINED IN THE RESOLUTION) TO THE BOND REGISTRAR
5 FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND
6 ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS
7 IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AND
8 ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS
9 REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY), ANY
10 TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR
11 TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF,
12 CEDE & CO., HAS AN INTEREST HEREIN."

13 With respect to Bonds registered in the Bond Register in the name of the Nominee,
14 the County and the District shall have no responsibility or obligation to any Participant or to any
15 person on behalf of which such a Participant holds a beneficial interest in the Bonds. Without
16 limiting the immediately preceding sentence, the County and the District shall have no
17 responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the
18 Nominee or any Participant with respect to any beneficial ownership interest in the Bonds, (ii) the
19 delivery to any Participant, beneficial owner or any other person, other than the Depository, of
20 any notice with respect to the Bonds, including any redemption notice, (iii) the selection by the
21 Depository and the Participants of the beneficial interests in the Bonds to be redeemed in part, or
22 (iv) the payment to any Participant, beneficial owner or any other person, other than the
23 Depository, of any amount with respect to Principal of, premium, if any, and interest on the
24 Bonds. The County and the District may treat and consider the person in whose name each Bond
25 is registered in the Bond Register as the absolute Owner of such Bond for the purpose of payment
26 of Principal of, premium, if any, and interest on such Bond, for the purpose of giving Redemption
27 Notices and other notices with respect to such Bond, and for all other purposes whatsoever,
28 including, without limitation, registering transfers with respect to the Bonds.

1 The Paying Agent shall pay all Principal of, premium, if any, and interest on the
2 Bonds only to the respective Owners, as shown in the Bond Register, and all such payments shall
3 be valid hereunder with respect to payment of Principal of, premium, if any, and interest on the
4 Bonds to the extent of the sum or sums so paid. No person other than a Bond Owner, as shown in
5 the Bond Register, shall receive a Bond evidencing the obligation to make payments of Principal
6 of, premium, if any, and interest, pursuant to this Resolution. Upon delivery by the Depository to
7 the Paying Agent and the County of written notice to the effect that the Depository has
8 determined to substitute a new nominee in place of the Nominee, and subject to the provisions
9 hereof with respect to Record Dates, the word Nominee in this Resolution shall refer to such new
10 nominee of the Depository.

11 (b) If at any time the Depository notifies the County and the District that it is
12 unwilling or unable to continue as Depository with respect to the Bonds or if at any time the
13 Depository shall no longer be registered or in good standing under the Securities Exchange Act or
14 other applicable statute or regulation and a successor Depository is not appointed by the Treasurer
15 within 90 days after the County and the District receive notice or become aware of such
16 condition, as the case may be, subsection (a) hereof shall no longer be applicable and the
17 Treasurer shall issue new bonds representing the Bonds as provided below. In addition, the
18 County and the District may determine at any time that the Bonds shall no longer be represented
19 by book-entry securities and that the provisions of subsection (a) hereof shall no longer apply to
20 the Bonds. In any such event the Treasurer shall execute and deliver certificates representing the
21 Bonds as provided below. Certificates issued in exchange for book-entry securities pursuant to
22 this subsection (b) shall be registered in such names and delivered in such denominations as the
23 Depository shall instruct the County and the District. The Treasurer shall then deliver certificated
24 securities representing the new bonds to the persons in whose names such Bonds are so
25 registered.

26 If the County and the District determine to replace the Depository with another
27 qualified securities depository, the County and the District shall prepare or cause to be prepared a
28 new fully registered book-entry security for each of the maturities of Bonds, registered in the

1 name of such successor or substitute securities depository or its nominee, or make such other
2 arrangements as are acceptable to the County, the District and such securities depository and not
3 inconsistent with the terms of this Resolution.

4 (c) Notwithstanding any other provision of this Resolution to the contrary, so
5 long as any Bond is registered in the name of the Nominee, all payments with respect to principal
6 or Accreted Value of, premium, if any, and interest on such Bond and all notices with respect to
7 such Bond shall be made and given, respectively, as provided in the Representation Letter or as
8 otherwise instructed by the Depository.

9 (d) The initial Depository under this Resolution shall be DTC. The initial
10 Nominee shall be Cede & Co., as nominee of DTC.

11 SECTION 12. Execution of the Bonds.

12 (a) The Bonds shall be executed in the name of the District by the County by
13 the manual or facsimile signature of the Chair of the Board of Supervisors of the County and the
14 manual or facsimile signature of the Treasurer, and shall be countersigned by the manual or
15 facsimile signature of the Clerk of the Board or by a deputy of either of such officers. The
16 County's seal (or a facsimile thereof) shall be impressed, imprinted, engraved or otherwise
17 reproduced on each Bond. In case any one or more of the officers who shall have signed or
18 sealed any of the Bonds shall cease to be such officer before the Bonds so signed and sealed shall
19 have been issued by the County on behalf of the District, such Bonds may, nevertheless, be
20 issued, as herein provided, as if the persons who signed or sealed such Bonds had not ceased to
21 hold such offices. Any of the Bonds may be signed and sealed on behalf of the County by such
22 persons as at the time of the execution of such Bonds shall be duly authorized to hold or shall
23 hold the proper offices in the County, although at the date borne by the Bonds such persons may
24 not have been so authorized or have held such offices.

25 (b) The Bonds shall bear thereon a certificate of authentication executed
26 manually by the Paying Agent. Only such Bonds as shall bear thereon such certificate of
27 authentication duly executed by the Paying Agent shall be entitled to any right or benefit under
28 this Resolution and no Bond shall be valid or obligatory for any purpose until such certificate of

1 authentication shall have been duly executed by the Paying Agent. Such certificate of the Paying
2 Agent upon any Bond shall be conclusive evidence that the Bond so authorized has been duly
3 authenticated and delivered under this Resolution and that the Owner thereof is entitled to the
4 benefit of this Resolution.

5 SECTION 13. Transfer and Exchange. The transfer of any Bond may be
6 registered upon surrender of such Bond to the Paying Agent. Such Bond shall be endorsed or
7 accompanied by delivery of the written instrument of transfer shown in Exhibit A-1 or A-2
8 hereto, duly executed by the Owner or his duly authorized attorney, and payment of such
9 reasonable transfer fees as the Paying Agent may establish. Upon such registration of transfer, a
10 new Bond or Bonds, of like tenor and maturity in the same Transfer Amount and in authorized
11 denominations, will be executed and delivered to the transferee in exchange therefor.

12 The Paying Agent shall deem and treat the person in whose name any Outstanding
13 Bond shall be registered upon the Bond Register as the absolute Owner of such Bond, whether the
14 Principal, premium, if any, or interest with respect to such Bond shall be overdue or not, for the
15 purpose of receiving payment of Principal, premium, if any, and interest with respect to such
16 Bond and for all other purposes, and any such payments so made to any such Owner or upon his
17 order shall be valid and effective to satisfy and discharge the liability upon such Bond to the
18 extent of the sum or sums so paid, and the County, the District or the Paying Agent shall not be
19 affected by any notice to the contrary.

20 Bonds may be exchanged at the office of the Paying Agent for Bonds of like tenor,
21 maturity and Transfer Amount of other authorized denominations. All Bonds surrendered in any
22 such exchange shall thereupon be cancelled by the Paying Agent. The Paying Agent may charge
23 the Owner a reasonable sum for each new Bond executed and delivered upon any exchange
24 (except in the case of the first exchange of any Bond in the form in which it is originally
25 delivered, for which no charge shall be imposed) and the Paying Agent may require the payment
26 by the Owner requesting such exchange of any tax or other governmental charge required to be
27 paid with respect to such exchange.

28

1 The Paying Agent shall not be required to register the transfer or exchange of any
2 Bond (i) during the period beginning at the close of business on any Record Date through the
3 close of business on the immediately following Interest Payment Date, or (ii) that has been called
4 or is subject to being called for redemption, during a period beginning at the opening of business
5 15 days before any selection of Bonds to be redeemed through the close of business on the
6 applicable redemption date, except for the unredeemed portion of any Bond to be redeemed only
7 in part.

8 SECTION 14. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond
9 shall become mutilated, the Paying Agent, at the expense of the Owner, shall deliver a new Bond
10 of like date, interest rate, maturity, Transfer Amount, series and tenor as the Bond so mutilated in
11 exchange and substitution for such mutilated Bond, upon surrender and cancellation thereof. All
12 Bonds so surrendered shall be cancelled. If any Bond shall be destroyed, stolen or lost, evidence
13 of such destruction, theft or loss may be submitted to the Paying Agent and if such evidence is
14 satisfactory to the Paying Agent that such Bond has been destroyed, stolen or lost, and upon
15 furnishing the Paying Agent with indemnity satisfactory to the Paying Agent and complying with
16 such other reasonable regulations as the Paying Agent may prescribe and paying such expenses as
17 the Paying Agent may incur the Paying Agent shall, at the expense of the Owner, execute and
18 deliver a new Bond of like date, interest rate, maturity, Transfer Amount and tenor in lieu of and
19 in substitution for the Bond so destroyed, stolen or lost. Any new Bonds issued pursuant to this
20 Section 14 in substitution for Bonds alleged to be destroyed, stolen or lost shall constitute original
21 additional contractual obligations on the part of the District, whether or not the Bonds so alleged
22 to be destroyed, stolen or lost are at any time enforceable by anyone, and shall be equally secured
23 by and entitled to equal and proportionate benefits with all other Bonds issued under this
24 Resolution in any moneys or securities held by the Paying Agent for the benefit of the Owners of
25 the Bonds.

26 SECTION 15. Bond Register. The Paying Agent shall keep or cause to be kept at
27 its office sufficient books for the registration and registration of transfer of the Bonds. Upon
28 presentation for registration of transfer, the Paying Agent shall, as above provided and under such

1 reasonable regulations as it may prescribe subject to the provisions hereof, register or register the
2 transfer of the Bonds, or cause the same to be registered or cause the registration of the same to
3 be transferred, on such books.

4 SECTION 16. Unclaimed Money. All money which the Paying Agent shall have
5 received from any source and set aside for the purpose of paying or redeeming any of the Bonds
6 shall be held in trust for the respective Owners of such Bonds, but any money which shall be so
7 set aside or deposited by the Paying Agent and which shall remain unclaimed by the Owners of
8 such Bonds for a period of one year after the date on which any payment or redemption with
9 respect to such Bonds shall have become due and payable shall be transferred to the general fund
10 of the District; provided, however, that the Paying Agent, before making such payment, shall
11 cause notice to be mailed to the Owners of such Bonds, by first class mail, postage prepaid after a
12 date in said notice, which date shall not be less than 90 days prior to the date of such payment, to
13 the effect that said money has not been claimed and that after a date named therein, any
14 unclaimed balance of said money then remaining will be transferred to the general fund of the
15 District. Thereafter, the Owners of such Bonds shall look only to the General Fund of the District
16 for payment of such Bonds.

17 SECTION 17. Application of Proceeds. Upon the sale of the Bonds, the
18 Treasurer shall deposit or cause to be deposited the proceeds of the Bonds into the fund
19 established for the account of the District and designated as the "Val Verde Unified School
20 District General Obligation Building Fund, 2008 Election, 2010 Series B" which shall be
21 administered by the County Office of Education for the account of the District and which shall be
22 kept separate and apart from all other accounts held hereunder. The District shall, from time to
23 time, disburse amounts from the Building Fund to pay or reimburse the costs of the Project.
24 Amounts in the Building Fund shall be invested so as to be available for the aforementioned
25 disbursements. The District shall keep a written record of disbursements from the Building Fund.
26 The County makes no assurance regarding the use of proceeds of the Bonds.

1 Any amounts that remain in the Building Fund upon completion of the Projects
2 shall be transferred to the Debt Service Fund to be used to pay the Principal of, premium, if any,
3 and interest on the Bonds, subject to any conditions set forth in the Tax Exemption Certificate.

4 SECTION 18. Payment and Security for the Bonds. The Board shall annually at
5 the time of making the levy of taxes for County purposes, levy a continuing direct *ad valorem* tax
6 for the Fiscal Year upon the taxable property in the District in an amount at least sufficient,
7 together with moneys on deposit in the Debt Service Fund and available for such purpose, to pay
8 the Principal of, premium, if any, and interest on each Bond as each becomes due and payable in
9 the next succeeding Bond Year. The tax levy may include an allowance for an annual reserve,
10 established for the purpose of avoiding fluctuating tax levies. The County, on behalf of the
11 District, hereby pledges as security for the Bonds and the interest thereon, and shall deposit or
12 cause to be deposited in the District's Debt Service Fund, the proceeds from the levy of the
13 aforementioned tax which the County receives (the "Pledged Moneys"). The Pledged Moneys
14 shall be used to pay the Principal of, premium, if any, and interest on the Bonds when and as the
15 same shall become due and payable. The Bonds are the general obligations of the District and do
16 not constitute an obligation of the County except as provided in this Resolution. No part of any
17 fund or account of the County is pledged or obligated to the payment of the Bonds or the interest
18 thereon.

19 SECTION 19. Debt Service Fund.

20 (a) The County shall deposit or cause to be deposited any accrued interest and
21 any original issue premium received by the County from the sale of the Bonds in the fund
22 established for the account of the District and designated as the "Val Verde Unified School
23 District, General Obligation Bonds, 2008 Election, 2010 Series B, Debt Service Fund" (the "Debt
24 Service Fund") to be administered by the County and used only for the payment of the Principal
25 of, premium, if any, and interest on the Bonds.

26 (b) All Pledged Moneys shall be deposited upon collection by the County into
27 the Debt Service Fund and used for the payment of the Principal of, premium, if any, and interest
28 on the Bonds.

1 (c) The County shall transfer or cause to be transferred from the Debt Service
2 Fund to the Paying Agent, an amount, in immediately available funds, sufficient to pay all the
3 Principal of, premium, if any, and interest on the Bonds (collectively, the "Debt Service") on such
4 Interest Payment Date. Debt Service on the Bonds shall be paid by the Paying Agent in the
5 manner provided by law for the payment of Debt Service.

6 (d) The District shall cause moneys to be transferred to the extent needed to
7 comply with the Tax Exemption Certificate. Any amounts on deposit in the Debt Service Fund
8 when there are no longer any Bonds Outstanding shall be transferred to the general fund of the
9 District.

10 SECTION 20. Establishment and Application of Excess Earnings Fund. The
11 District shall establish a special fund designated "Val Verde Unified School District General
12 Obligation Bonds, 2008 Election, 2010 Series B Excess Earnings Fund" (the "Excess Earnings
13 Fund") which shall be administered by the County Office of Education for the account of the
14 District and which shall be kept separate and apart from all other funds and accounts held
15 hereunder. The District shall deposit, or cause to be deposited, moneys from the Building Fund to
16 the Excess Earnings Fund in accordance with the provisions of the Tax Exemption Certificate.
17 Amounts on deposit in the Excess Earnings Fund shall only be applied to payments made to the
18 United States or otherwise transferred to other accounts or funds established hereunder in
19 accordance with the Tax Exemption Certificate.

20 SECTION 21. Payments of Costs of Issuance. The District may pay, or cause to
21 be paid, Costs of Issuance using proceeds of the Bonds.

22 SECTION 22. Establishment of Additional Funds and Accounts. If at any time it
23 is deemed necessary or desirable by the District, the County Office of Education may establish
24 additional funds under this Resolution and/or accounts within any of the funds or accounts
25 established hereunder.

26 SECTION 23. Redemption. The Bonds shall be subject to redemption as
27 provided in the Contract of Purchase.

28

1 SECTION 24. Selection of Bonds for Redemption. Whenever provision is made
2 in this Resolution or in the Contract of Purchase for the redemption of the Bonds and less than all
3 Outstanding Bonds are to be redeemed, the Paying Agent, upon written instruction from the
4 District given at least 60 days prior to the date designated for such redemption, shall select Bonds
5 for redemption in such order as the District may direct, or, in the absence of such direction, in
6 inverse order of maturity within a series. Within a maturity, the Paying Agent shall select Bonds
7 for redemption by lot. Redemption by lot shall be in such manner as the Paying Agent shall
8 determine; provided, however, that the portion of any Current Interest Bond to be redeemed in
9 part shall be in the Principal Amount of \$5,000 or any integral multiple thereof and the portion of
10 any Capital Appreciation Bond to be redeemed in part shall be in the Maturity Amount of \$5,000
11 or any integral multiple thereof.

12 SECTION 25. Notice of Redemption. When redemption is authorized or required
13 pursuant to this Resolution or the Contract of Purchase, the Paying Agent, upon written
14 instruction from the District given at least 60 days prior to the date designated for such
15 redemption, shall give notice (a "Redemption Notice") of the redemption of the Bonds. Such
16 Redemption Notice shall specify: (a) the Bonds or designated portions thereof (in the case of
17 redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of
18 redemption, (c) the place or places where the redemption will be made, including the name and
19 address of the Paying Agent, (d) the redemption price or Accreted Value, (e) the CUSIP numbers
20 (if any) assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed
21 in whole or in part and, in the case of any Bond to be redeemed in part only, the Principal
22 Amount or Accreted Value, as appropriate, of such Bond to be redeemed, and (g) the original
23 issue date, interest rate or accretion rate and stated maturity date of each Bond to be redeemed in
24 whole or in part. Such Redemption Notice shall further state that on the specified date there shall
25 become due and payable upon each Bond or portion thereof being redeemed the redemption price,
26 together with the interest accrued to the redemption date in the case of Current Interest Bonds,
27 and that from and after such date interest with respect thereto shall cease to accrue or accrete and
28 be payable.

1 The Paying Agent shall take the following actions with respect to such
2 Redemption Notice:

3 (a) At least 30 but not more than 45 days prior to the redemption date, such
4 Redemption Notice shall be given to the respective Owners of Bonds designated for redemption
5 by first class mail, postage prepaid, at their addresses appearing on the Bond Register.

6 (b) In the event that the Bonds shall no longer be held in book-entry only form,
7 at least two days before the date of the notice required by clause (a) of this Section, such
8 Redemption Notice shall be given by (i) first class mail, postage prepaid, (ii) telephonically
9 confirmed facsimile transmission, or (iii) overnight delivery service, to each of the Securities
10 Depositories.

11 (c) In the event that the Bonds shall no longer be held in book-entry only form,
12 at least two days before the date of notice required by clause (a) of this Section, such Redemption
13 Notice shall be given by (i) first class mail, postage prepaid, or (ii) overnight delivery service, to
14 one of the Information Services.

15 Neither failure to receive any Redemption Notice nor any defect in any such
16 Redemption Notice so given shall affect the sufficiency of the proceedings for the redemption of
17 the affected Bonds. Each check issued or other transfer of funds made by the Paying Agent for
18 the purpose of redeeming Bonds shall bear the CUSIP number identifying, by series and maturity,
19 the Bonds being redeemed with the proceeds of such check or other transfer.

20 SECTION 26. Partial Redemption of Bonds. Upon the surrender of any Bond
21 redeemed in part only, the Paying Agent shall execute and deliver to the Owner thereof a new
22 Bond or Bonds of like tenor and maturity and of authorized denominations equal in Transfer
23 Amounts to the unredeemed portion of the Bond surrendered. Such partial redemption shall be
24 valid upon payment of the amount required to be paid to such Owner, and the County and the
25 District shall be released and discharged thereupon from all liability to the extent of such
26 payment.

27 SECTION 27. Effect of Notice of Redemption. Notice having been given as
28 aforesaid, and the moneys for the redemption (including the interest to the applicable date of

1 redemption) having been set aside for the payment of their redemption price, the Bonds to be
2 redeemed shall become due and payable on such date of redemption.

3 If on such redemption date, money for the redemption of all the Bonds to be
4 redeemed as provided in Section 24 hereof, together with interest to such redemption date, shall
5 be held by the Paying Agent so as to be available therefor on such redemption date, and if notice
6 of redemption thereof shall have been given as aforesaid, then from and after such redemption
7 date, interest with respect to the Bonds to be redeemed shall cease to accrue and become payable.
8 All money held by or on behalf of the Paying Agent for the redemption of Bonds shall be held in
9 trust for the account of the Owners of the Bonds so to be redeemed.

10 All Bonds paid at maturity or redeemed prior to maturity pursuant to the
11 provisions of Sections 24, 25 and 26 shall be cancelled upon surrender thereof and delivered to or
12 upon the order of the County and the District. All or any portion of a Bond purchased by the
13 County or the District shall be cancelled by the Paying Agent upon written notice by the County
14 or the District given to the Paying Agent.

15 SECTION 28. Paying Agent, Appointment and Acceptance of Duties.

16 (a) The Board and the Treasurer hereby consent to and confirm the
17 appointment of U.S. Bank National Association to act as Paying Agent for the Bonds under this
18 Resolution. All fees and expenses incurred for services of the Paying Agent shall be the sole
19 responsibility of the District. The Paying Agent, if other than the Treasurer acting as Paying
20 Agent, shall have a corporate trust office in Los Angeles, California.

21 (b) Unless otherwise provided, the office of the Paying Agent designated by
22 the Paying Agent shall be the place for the payment of Principal of, premium, if any, and interest
23 on the Bonds.

24 SECTION 29. Liability of Paying Agent. The Paying Agent makes no
25 representations as to the validity or sufficiency of this Resolution or of any Bonds issued
26 hereunder or as to the security afforded by this Resolution, and the Paying Agent shall incur no
27 liability in respect hereof or thereof.

28

1 SECTION 30. Evidence on Which Paying Agent May Act. The Paying Agent,
2 upon receipt of any notice, resolution, request, consent, order, certificate, report, opinion, bond, or
3 other paper or document furnished to it pursuant to any provision of this Resolution, shall
4 examine such instrument to determine whether it conforms to the requirements of this Resolution
5 and shall be protected in acting upon any such instrument believed by it to be genuine and to have
6 been signed or presented by the proper party or parties. The Paying Agent may consult with
7 counsel, who may or may not be counsel to the County or the District, and the opinion of such
8 counsel shall be full and complete authorization and protection in respect of any action taken or
9 suffered by it under this Resolution in good faith and in accordance therewith.

10 SECTION 31. Compensation. The District shall pay to the Paying Agent from
11 time to time reasonable compensation for all services rendered under this Resolution, and also all
12 reasonable expenses, charges, counsel fees and other disbursements, including those of its
13 attorneys, agents, and employees, incurred in and about the performance of their powers and
14 duties under this Resolution. In no event shall the County be required to expend its own funds
15 hereunder.

16 SECTION 32. Ownership of Bonds Permitted. The Paying Agent or the
17 Underwriter may become the Owner of any Bonds.

18 SECTION 33. Resignation or Removal of Paying Agent and Appointment of
19 Successor.

20 (a) The Paying Agent initially appointed hereunder may resign from service as
21 Paying Agent and the County may remove such Paying Agent or any subsequent Paying Agent.
22 Without further action by the District, if at any time the Paying Agent shall resign or be removed,
23 the Treasurer shall appoint a successor Paying Agent, which shall be a bank or trust company
24 doing business in and having a corporate trust office in Los Angeles, California, with at least
25 \$50,000,000 in net assets. The Paying Agent shall keep accurate records of all funds
26 administered by it and of all Bonds paid and discharged by it. Such records shall be provided,
27 upon reasonable request, to the County in a format mutually agreeable to the Paying Agent and
28 the County. Such successor Paying Agent shall signify the acceptance of its duties and

1 obligations hereunder by executing and delivering to the County and the District, a written
2 acceptance thereof. Resignation or removal of the Paying Agent shall be effective upon
3 appointment and acceptance of a successor Paying Agent.

4 (b) In the event of the resignation or removal of the Paying Agent, such Paying
5 Agent shall pay over, assign and deliver any moneys held by it as Paying Agent to its successor,
6 or, if there is no successor, the Treasurer.

7 SECTION 34. Investment of Certain Funds. Moneys held in all funds and
8 accounts established hereunder shall be invested and reinvested by the Treasurer in Authorized
9 Investments to the fullest extent practicable as shall be necessary to provide moneys when needed
10 for payments to be made from such funds or accounts. Nothing in this Resolution shall prevent
11 any investment securities acquired as investments of funds held hereunder from being issued or
12 held in book-entry form on the books of the Department of the Treasury of the United States. All
13 investment earnings on amounts on deposit in the Building Fund, the Excess Earnings Fund and
14 the Debt Service Fund shall remain on deposit in such funds.

15 SECTION 35. Valuation and Sale of Investments. Obligations purchased as an
16 investment of moneys in any fund or account shall be deemed at all times to be a part of such
17 fund or account. Profits or losses attributable to any fund or account shall be credited or charged
18 to such fund or account. In computing the amount in any fund or account created under the
19 provisions of this Resolution for any purpose provided in this Resolution, obligations purchased
20 as an investment of moneys therein shall be valued at cost, plus, where applicable, accrued
21 interest.

22 SECTION 36. Supplemental Resolutions With Consent of Owners. This
23 Resolution, and the rights and obligations of the County, the District and of the Owners of the
24 Bonds issued hereunder, may be modified or amended at any time by a Supplemental Resolution
25 adopted by the County with the written consent of Owners owning at least 60% in aggregate
26 Bond Obligation of the Outstanding Bonds, exclusive of Bonds, if any, owned by the County or
27 the District; provided, however, that if Bond Insurance is purchased and so long as the Bond
28 Insurance Policy is in effect, and provided that the Bond Insurer complies with its obligations

1 thereunder, the Bond Insurer shall be deemed to be the sole Owner of the Bonds for purposes of
2 the foregoing sentence. Notwithstanding the foregoing, no such modification or amendment
3 shall, without the express consent of the Owner of each Bond affected, reduce the Principal
4 Amount of any Bond, reduce the interest rate payable thereon, advance the earliest redemption
5 date thereof, extend its maturity or the times for paying interest thereon or change the monetary
6 medium in which Principal and interest is payable, nor shall any modification or amendment
7 reduce the percentage of consents required for amendment or modification thereof or hereof. No
8 such Supplemental Resolution shall change or modify any of the rights or obligations of any
9 Paying Agent without its written assent thereto. Notwithstanding anything herein to the contrary,
10 no such consent shall be required if the Owners are not directly and adversely affected by such
11 amendment or modification.

12 SECTION 37. Supplemental Resolutions Effective Without Consent of Owners.

13 For any one or more of the following purposes and at any time or from time to time, a
14 Supplemental Resolution of the County may be adopted, which, without the requirement of
15 consent of the Owners, shall be fully effective in accordance with its terms:

16 (a) To add to the covenants and agreements of the County or the District in
17 this Resolution, other covenants and agreements to be observed by the County or the District
18 which are not contrary to or inconsistent with this Resolution as theretofore in effect;

19 (b) To add to the limitations and restrictions in this Resolution, other
20 limitations and restrictions to be observed by the County or the District which are not contrary to
21 or inconsistent with this Resolution as theretofore in effect;

22 (c) To confirm as further assurance, any pledge under, and the subjection to
23 any lien or pledge created or to be created by this Resolution, of any moneys, securities or funds,
24 or to establish any additional funds, or accounts to be held under this Resolution;

25 (d) To cure any ambiguity, supply any omission, or cure to correct any defect
26 or inconsistent provision in this Resolution; or
27
28

1 (e) To amend or supplement this Resolution in any other respect, provided
2 such Supplemental Resolution does not, in the opinion of nationally recognized bond counsel,
3 adversely affect the interests of the Owners.

4 SECTION 38. Effect of Supplemental Resolution. Any act done pursuant to a
5 modification or amendment so consented to shall be binding upon the Owners of all the Bonds
6 and shall not be deemed an infringement of any of the provisions of this Resolution, whatever the
7 character of such act may be, and may be done and performed as fully and freely as if expressly
8 permitted by the terms of this Resolution, and after consent relating to such specified matters has
9 been given, no Owner shall have any right or interest to object to such action or in any manner to
10 question the propriety thereof or to enjoin or restrain the County or the District or any officer or
11 agent of either from taking any action pursuant thereto.

12 SECTION 39. Defeasance. If all Outstanding Bonds shall be paid and discharged
13 in any one or more of the following ways:

14 (1) by well and truly paying or causing to be paid the Principal of and interest
15 on all Bonds Outstanding, as and when the same become due and payable;

16 (2) by depositing with the Paying Agent, in trust, at or before maturity, cash
17 which, together with the amounts then on deposit in the Debt Service Fund plus the
18 interest to accrue thereon without the need for further investment, is fully sufficient to pay
19 all Bonds Outstanding on their redemption date or at maturity thereof, including any
20 premium and all interest thereon, notwithstanding that any Bonds shall not have been
21 surrendered for payment; or

22 (3) by depositing with an institution to act as escrow agent selected by the
23 District and which meets the requirements of serving as Paying Agent pursuant to
24 Section 33, in trust, lawful money or noncallable direct obligations issued by the United
25 States Treasury (including State and Local Government Series Obligations) or obligations
26 which are unconditionally guaranteed by the United States of America and permitted
27 under Section 149(b) of the Code and Regulations which, in the opinion of nationally
28 recognized bond counsel, will not impair the exclusion from gross income for federal

1 income tax purposes of interest on the Bonds, in such amount as will, together with the
2 interest to accrue thereon without the need for further investment, be fully sufficient, in
3 the opinion of a verification agent, to pay and discharge all Bonds Outstanding at maturity
4 thereof, including any premium and all interest thereon, notwithstanding that any Bonds
5 shall not have been surrendered for payment;

6 then all obligations of the County, the District and the Paying Agent under this Resolution with
7 respect to all Outstanding Bonds shall cease and terminate, except only the obligation of the
8 Paying Agent to pay or cause to be paid to the Owners of the Bonds all sums due thereon, and the
9 obligation of the District to pay to the Paying Agent amounts owing to the Paying Agent under
10 Section 31 hereof.

11 SECTION 40. Bond Insurance. All or a portion of the Bonds may be sold with
12 Bond Insurance or other form of credit enhancement, if the Treasurer, in consultation with the
13 Underwriter, the District and the District's financial advisor, determines that the savings to the
14 District resulting from the purchase of such Bond Insurance exceeds the cost thereof.

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The foregoing resolution was, on the 26th day of January, 2010, adopted by the Board of Supervisors of the County of Riverside.

NANCY ROMERO,
Clerk of the Board of Supervisors
of the County of Riverside

By: _____
Deputy

APPROVED AS TO FORM:
Pamela J. Walls,
County Counsel

By: _____
Deputy

EXHIBIT A-1

FORM OF CURRENT INTEREST BOND

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AS DEFINED IN THE RESOLUTION) TO THE BOND REGISTRAR FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

UNITED STATES OF AMERICA

STATE OF CALIFORNIA

VAL VERDE UNIFIED SCHOOL DISTRICT
(COUNTY OF RIVERSIDE)

GENERAL OBLIGATION BOND, 2008 ELECTION, 2010 SERIES B

\$ _____

No. _____

Interest Rate:

Maturity Date:

Dated Date:

CUSIP:

_____%

August 1, 20__

_____, 2010

REGISTERED OWNER:

PRINCIPAL AMOUNT:

The VAL VERDE UNIFIED SCHOOL DISTRICT (the "District") of the County of Riverside, State of California, for value received, hereby acknowledges itself indebted and promises to pay to the Registered Owner set forth above the Principal Amount set forth above, on the Maturity Date set forth above, together with interest thereon from the dated date set forth above until the Principal Amount hereof shall have been paid or provided for, in accordance with the Resolution hereinafter referred to, at the interest rate set forth above. Interest on this Bond is payable on August 1, 2010, and semiannually thereafter on the first day of February and August (each, an "Interest Payment Date") in each year to the registered owner hereof from the Interest Payment Date next preceding the date on which this Bond is registered (unless it is registered after the close of business on the fifteenth calendar day of the month preceding any Interest Payment Date (a "Record Date") and before the close of business on the immediately following Interest Payment Date, in which event it shall bear interest from such following Interest Payment Date, or unless this Bond is registered prior to the close of business on July 15, 2010, in which event it shall bear interest from its date; provided, however, that if at the time of registration of this Bond interest with respect hereto is in default, interest with respect hereto shall be payable

from the Interest Payment Date to which interest has previously been paid or made available for payment). The Principal Amount hereof is payable at the office of U.S. Bank National Association, as initial paying agent (the "Paying Agent"), in Los Angeles, California. The interest hereon is payable by check or draft mailed by first class mail to each registered owner, at his address as it appears on the registration books kept by the Paying Agent as of the Record Date.

[The Bonds of this issue are comprised of \$_____ Principal Amount of Current Interest Bonds, of which this Bond is a part (a "Current Interest Bond") and \$_____ Principal Amount of Capital Appreciation Bonds.] This Bond is issued by the County of Riverside (the "County") in the name of and on behalf of the District under and in accordance with the provisions of (i) Title 1.5, Division 1, Part 10, Chapter 1.5 of the California Education Code (commencing with Section 15264) (the "Act") and (ii) Article XIII A of the California Constitution, and pursuant to a resolution adopted by the Board of Education of the District on January 12, 2010, and that certain "Resolution of the Board of Supervisors of the County of Riverside, California Authorizing the Issuance and Sale of General Obligation Bonds, 2008 Election, 2010 Series B, of the Val Verde Unified School District in an Aggregate Principal Amount Not to Exceed \$13,440,000" adopted by the Board of Supervisors of the County on _____, 2010 (collectively, the "Resolution"). Reference is hereby made to the Resolution, a copy of which is on file at the office of the Treasurer of the County, for a description of the terms on which the Bonds are delivered, and the rights thereunder of the registered owners of the Bonds and the rights and duties of the Paying Agent, the County and the District, to all of the provisions of which the registered owner of this Bond, by acceptance hereof, assents and agrees. All capitalized terms used but not otherwise defined herein shall have the respective meanings set forth in the Resolution. The Bonds were authorized by a vote of more than 55% of the qualified electors of the District voting on the proposition at an election held therein to determine whether such Bonds should be issued.

This Bond is a general obligation of the District, payable as to both Principal and interest from ad valorem taxes which, under the laws now in force, may be levied without limitation as to rate or amount upon all of the taxable property in the District. Neither the payment of the Principal of this Bond, or any part thereof, nor any interest or premium hereon constitute a debt, liability or obligation of the County.

This Bond is issued in fully registered form and is nonnegotiable. Registration of this Bond is transferable by the registered owner hereof, in person or by his attorney duly authorized in writing, at the aforesaid offices of the Paying Agent, but only in the manner, subject to the limitations, and upon payment of the charges, provided in the Resolution and upon surrender and cancellation of this Bond. Upon such registration of transfer, a new Bond or Bonds, of like tenor and maturity in the same Transfer Amount and in authorized denominations will be issued to the transferee in exchange herefor. The District, the County and the Paying Agent may treat the registered owner hereof as the absolute owner hereof for all purposes, whether or not this Bond shall be overdue, and shall not be affected by any notice to the contrary.

The Current Interest Bonds maturing on or before August 1, 20__, are not subject to redemption prior to their stated maturity dates. The Current Interest Bonds maturing on and after August 1, 20__, may be redeemed before maturity, at the option of the District, from any

source of available funds, in whole or in part on any date on or after August 1, 20__ at the following redemption prices (expressed as a percentage of principal amount of the Current Interest Bonds called for redemption), together with interest accrued thereon to the date of redemption:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
August 1, 20__ through July 31, 20__	102%
August 1, 20__ through July 31, 20__	101
August 1, 20__ through July 31, 20__	100

The Current Interest Bonds maturing on August 1, 20__, are subject to mandatory sinking fund redemption, in part by lot, on August 1 in each of the years and in the principal amounts set forth in the following schedule, at a redemption price of par, plus accrued interest to the date fixed for redemption:

<u>Mandatory Sinking Fund Payment Date (August 1)</u>	<u>Mandatory Sinking Fund Payment</u>
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Whenever provision is made for the redemption of Bonds and less than all outstanding Bonds are to be redeemed, the Paying Agent, upon written instruction from the District given at least 60 days prior to the Interest Payment Date designated for such redemption, shall select Bonds for redemption in such order as the District may direct, or, in the absence of such direction, in inverse order of maturity within a series. Within a maturity, the Paying Agent shall select Bonds for redemption by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine; provided, however, that the portion of any Current Interest Bond to be redeemed in part shall be in the Principal Amount of \$5,000 or any integral multiple thereof and the portion of any Capital Appreciation Bond to be redeemed in part shall be in the Maturity Amount of \$5,000 or any integral multiple thereof.

The rights and obligations of the County and of the owners of the Bonds may be modified or amended at any time by a supplemental resolution adopted by the County with the written consent of owners of at least 60% in aggregate Bond Obligation of the Outstanding Bonds, exclusive of Bonds, if any, owned by the County or the District; provided, however, that no such modification or amendment shall, without the express consent of the registered owner of each Bond affected, reduce the Principal Amount of any Bond, reduce the interest rate payable thereon, extend its maturity or the times for paying interest thereon or change the monetary medium in which the Principal and interest is payable, nor shall any modification or amendment reduce the percentage of consents required for amendment or modification hereof.

A supplemental resolution of the County may be adopted, which, without the requirement of consent of the registered owners, shall be fully effective in accordance with its terms: (1) to add to the covenants and agreements of the County in the Resolution, other

covenants and agreements to be observed by the County or the District which are not contrary to or inconsistent with the Resolution as theretofore in effect; (2) to add to the limitations and restrictions in the Resolution, other limitations and restrictions to be observed by the County or the District which are not contrary to or inconsistent with the Resolution as theretofore in effect; (3) to confirm as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by the Resolution, of any moneys, securities or funds, or to establish any additional funds or accounts to be held under the Resolution; (4) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Resolution; or (5) to amend or supplement the Resolution in any other respect, provided such supplemental resolution does not, in the opinion of nationally recognized bond counsel, adversely affect the interests of the owners.

If this Bond is called for redemption and the Principal Amount of this Bond plus premium, if any, and accrued interest due with respect hereto are duly provided therefor as specified in the Resolution, then interest shall cease to accrue with respect hereto from and after the date fixed for redemption.

This Bond shall not become valid or obligatory for any purpose until the Certificate of Authentication hereon endorsed shall have been dated and executed manually by the Paying Agent.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED, that an election was duly and legally called, held and conducted, and the notices thereof duly given, and the results thereof canvassed and declared in accordance with the provisions of the Act and that all of the proceedings of the Board of Education of the District and of the Board of Supervisors of the County in the matter of the issuance of this Bond were regular and in strict accordance with the provisions of the Act and of the Constitution of the State of California, and that the total bonded indebtedness of the District, including the issue of which this Bond is a part, does not exceed any limit prescribed by said Act.

IN WITNESS WHEREOF, the County of Riverside has caused this Bond to be executed on behalf of the District and in their official capacities by the manual or facsimile signature of the Chairman of the Board of Supervisors of the County and the Treasurer and Tax Collector of the County, and to be countersigned by the manual or facsimile signature of the Clerk of the Board of Supervisors of the County, and has caused the seal of the County to be affixed hereto as of the date stated above.

COUNTY OF RIVERSIDE

By: _____
Chairman of the Board of Supervisors

Countersigned:

By: _____
Clerk of the Board of Supervisors

By: _____
Treasurer and Tax Collector

[SEAL]

The following Certificate of Authentication shall be printed on each Bond:

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Resolution of the Board of Supervisors of the County of Riverside.

DATED: _____, 2010

U.S. BANK NATIONAL ASSOCIATION, as
Paying Agent

By: _____
Authorized Officer

FORM OF ASSIGNMENT

FOR VALUE RECEIVED, the undersigned registered owner hereby sells, assigns and transfers unto

Name of Transferee: _____

Address for Payment of Interest: _____

Social Security Number or other Tax Identification No.: _____

the within-mentioned Bond and hereby irrevocably constitutes and appoints attorney, to transfer the same on the books of the Paying Agent with full power of substitution in the premises.

Registered Owner

Dated:

NOTICE: The signature on this Assignment must correspond with the name as written on the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever.

Signature _____
guaranteed

[Bank, Trust Company or Firm]

By _____
Authorized Officer

NOTICE: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

EXHIBIT A-2

FORM OF CAPITAL APPRECIATION BOND

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AS DEFINED IN THE RESOLUTION) TO THE BOND REGISTRAR FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

UNITED STATES OF AMERICA

STATE OF CALIFORNIA

VAL VERDE UNIFIED SCHOOL DISTRICT
(COUNTY OF RIVERSIDE)

GENERAL OBLIGATION BOND, 2008 ELECTION, 2010 SERIES B

\$ _____

No. _____

Accretion Rate: Maturity Date: Dated Date: CUSIP:

_____% August 1, 20__ _____, 2010

REGISTERED OWNER:

PRINCIPAL AMOUNT:

MATURITY AMOUNT:

The VAL VERDE UNIFIED SCHOOL DISTRICT of the County of Riverside (the "District"), State of California, for value received, hereby acknowledges itself indebted and promises to pay to the Registered Owner set forth above the Maturity Amount set forth above, on the Maturity Date set forth above. Interest on this Bond with respect to the Principal Amount hereof will accrue, commencing February 1, 2010, at the Accretion Rate per annum shown above from the Dated Date shown above and will accrete and be compounded semiannually on February 1 and August 1 of each year until maturity, computed using a year of 360 days comprised of twelve 30-day months and shall be payable only at maturity as part of the Maturity Amount or the Accreted Value. The Accreted Value hereof is payable at the office of U.S. BANK NATIONAL ASSOCIATION, as initial paying agent (the "Paying Agent"), in Los Angeles, California.

[The Bonds of this issue are comprised of \$ _____ of Principal Amount of Capital Appreciation Bonds of which this Bond is a part (a "Capital Appreciation Bond") and

§ _____ Principal Amount of Current Interest Bonds.] This Bond is issued by the County of Riverside (the "County") in the name of and on behalf of the District under and in accordance with the provisions of (i) Title 1.5, Division 1, Part 10, Chapter 2 of the California Education Code (commencing with Section 15264 (the "Act")) and (ii) Article XIII A of the California Constitution, and pursuant to a resolution adopted by the Board of Education of the District on January 12, 2010, and that certain "Resolution of the Board of Supervisors of the County of Riverside, California Authorizing the Issuance and Sale of General Obligation Bonds, 2008 Election, 2010 Series B, of the Val Verde Unified School District in an Aggregate Amount Not to Exceed \$13,440,000" adopted by the Board of Supervisors of the County on _____, 2010 (collectively, the "Resolution"). Reference is hereby made to the Resolution, a copy of which is on file at the office of the Treasurer of the County, for a description of the terms on which the Bonds are delivered, and the rights thereunder of the registered owners of the Bonds and the rights and duties of the Paying Agent, the County and the District, to all of the provisions of which the registered owner of this Bond, by acceptance hereof, assents and agrees. All capitalized terms used but not otherwise defined herein shall have the respective meanings set forth in the Resolution. The Bonds were authorized by a vote of more than 55% of the qualified electors of the District voting on the proposition at an election held therein to determine whether such Bonds should be issued.

This Bond is a general obligation of the District, payable as to Maturity Amount from *ad valorem* taxes which, under the laws now in force, may be levied without limitation as to rate or amount upon all of the taxable property in the District. Neither the payment of the Accreted Value of this Bond, or any part hereof, nor any premium hereon constitute a debt, liability or obligation of the County.

This Bond is issued in fully registered form and is nonnegotiable. Registration of this Bond is transferable by the registered owner hereof, in person or by his attorney duly authorized in writing, at the aforesaid offices of the Paying Agent, but only in the manner, subject to the limitations, and upon payment of the charges, provided in the Resolution and upon surrender and cancellation of this Bond. Upon such registration of transfer, a new Bond or Bonds, of like tenor and maturity in the same Transfer Amount and in authorized denominations will be issued to the transferee in exchange herefor. The District, the County and the Paying Agent may treat the registered owner hereof as the absolute owner hereof for all purposes, whether or not this Bond shall be overdue, and shall not be affected by any notice to the contrary.

The Capital Appreciation Bonds maturing on or before August 1, 20__, are not subject to redemption prior to their stated maturity dates. The Capital Appreciation Bonds maturing on and after August 1, 20__, may be redeemed before maturity, at the option of the District, from any source of available funds, in whole or in part on any date on or after August 1, 20__ at the following redemption prices (expressed as a percentage of principal amount of the Capital Appreciation Bonds called for redemption), together with interest accrued thereon to the date of redemption:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
August 1, 20__ through July 31, 20__	102%
August 1, 20__ through July 31, 20__	101
August 1, 20__ through July 31, 20__	100

[The Capital Appreciation Bonds are subject to mandatory redemption prior to their maturity date, by lot, at the Accreted Value thereof, on each August 1, in the years and in an amount equal to the aggregate Accreted Values set forth below:]

Redemption Date <u>(August 1)</u>	Accreted Value <u>To Be Redeemed</u>
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The rights and obligations of the County and of the owners of the Bonds may be modified or amended at any time by a supplemental resolution adopted by the County with the written consent of owners of at least 60% in aggregate Bond Obligation of the Outstanding Bonds, exclusive of Bonds, if any, owned by the County or the District; provided, however, that no such modification or amendment shall, without the express consent of the registered owner of each Bond affected, reduce the Principal Amount of any Bond, reduce the interest rate payable thereon, extend its maturity or the times for paying interest thereon, or change the monetary medium in which the Principal and interest is payable, nor shall any modification or amendment reduce the percentage of consents required for amendment or modification hereof.

A supplemental resolution of the County may be adopted, which, without the requirement of consent of the registered owners, shall be fully effective in accordance with its terms: (1) to add to the covenants and agreements of the County in the Resolution, other covenants and agreements to be observed by the County which are not contrary to or inconsistent with the Resolution as theretofore in effect; (2) to add to the limitations and restrictions in the Resolution, other limitations and restrictions to be observed by the County which are not contrary to or inconsistent with the Resolution as theretofore in effect; (3) to confirm as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by the Resolution, of any moneys, securities or funds, or to establish any additional funds or accounts to be held under the Resolution; (4) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Resolution; or (5) to amend or supplement the Resolution in any other respect, provided such supplemental resolution does not, in the opinion of nationally recognized bond counsel, adversely affect the interests of the owners.

If this Bond is called for redemption and the Accreted Value, without premium, is duly provided therefor as specified in the Resolution, then interest shall cease to accrete with respect hereto from and after the date fixed for redemption.

This Bond shall not become valid or obligatory for any purpose until the Certificate of Authentication hereon endorsed shall have been dated and executed manually by the Paying Agent.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED, that an election was duly and legally called, held and conducted, and the notices thereof duly given, and the results thereof canvassed and declared in accordance with the provisions of the Act and that all of the proceedings of the Board of Trustees of the District and of the Board of Supervisors of the

County in the matter of the issuance of this Bond were regular and in strict accordance with the provisions of the Act and of the Constitution of the State of California, and that the total bonded indebtedness of the District, including the issue of which this Bond is a part, does not exceed any limit prescribed by said Act.

IN WITNESS WHEREOF, the County of Riverside has caused this Bond to be executed on behalf of the District and in their official capacities by the manual or facsimile signature of the Chairman of the Board of Supervisors of the County and the Treasurer and Tax Collector of the County, and to be countersigned by the manual or facsimile signature of the Clerk of the Board of Supervisors of the County, and has caused the seal of the County to be affixed hereto as of the date stated above.

COUNTY OF RIVERSIDE

By: _____
Chairman of the Board of Supervisors

Countersigned:

By: _____
Clerk of the Board of Supervisors

By: _____
Treasurer and Tax Collector

[SEAL]

The following Certificate of Authentication shall be printed on each Bond:

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Resolution of the Board of Supervisors of the County of Riverside.

DATED: _____, 2010

U.S. BANK NATIONAL ASSOCIATION, as
Paying Agent

By: _____
Authorized Officer

FORM OF ASSIGNMENT

FOR VALUE RECEIVED, the undersigned registered owner hereby sells, assigns and transfers unto

Name of Transferee: _____

Address for Payment of Interest: _____

Social Security Number or other Tax Identification No.: _____

the within-mentioned Bond and hereby irrevocably constitutes and appoints attorney, to transfer the same on the books of the Paying Agent with full power of substitution in the premises.

Registered Owner

Dated:

NOTICE: The signature on this Assignment must correspond with the name as written on the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever.

Signature _____
guaranteed

[Bank, Trust Company or Firm]

By _____
Authorized Officer

NOTICE: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

EXHIBIT B
FORM OF CONTRACT OF PURCHASE

§ _____
**VAL VERDE UNIFIED SCHOOL DISTRICT
COUNTY OF RIVERSIDE, CALIFORNIA
GENERAL OBLIGATION BONDS
2008 ELECTION, 2010 SERIES A**

CONTRACT OF PURCHASE

_____, 2010

Board of Education
Val Verde Unified School District
975 West Morgan Street
Perris, California 92571

County of Riverside
Board of Supervisors
4080 Lemon Street
Riverside, CA 92501

Ladies and Gentlemen:

The undersigned (the "Underwriter") offers to enter into this Contract of Purchase (the "Purchase Contract") with the County of Riverside, California (the "County"), and the Val Verde Unified School District, (the "District"), which, upon your acceptance hereof, will be binding upon the District, the County and the Underwriter. This offer is made subject to the written acceptance of this Purchase Contract by the County and the District and delivery of such acceptance to us at or prior to 11:59 p.m., California Time, on the date hereof.

1. **Purchase and Sale of the Bonds.** Upon the terms and conditions and in reliance upon the representations, warranties and agreements herein set forth, the Underwriter hereby agrees to purchase from the County for reoffering to the public, and the County hereby agrees to sell in the name and on behalf of the District to the Underwriter for such purpose, all (but not less than all) of \$ _____ in aggregate principal of the District's General Obligation Bonds, 2008 Election, 2010 Series A (the "Bonds"). The Bonds shall bear interest at the rates, and shall mature in the years shown on Exhibit A hereto, which is incorporated herein by this reference.

2. **Closing.** At 8:00 a.m., California Time, on _____, 2010, or at such other time or on such other date as shall have been mutually agreed upon by the Underwriter, the County and the District (the "Closing"), the County and the District shall cause to be delivered to the Underwriter, through the facilities of The Depository Trust Company ("DTC"), New York, New York, or at such other place as the parties hereto may mutually agree upon, the Bonds in fully registered book-entry form, duly executed and registered in the name of Cede & Co., as

nominee of DTC, and at the offices of Fulbright & Jaworski L.L.P., in Los Angeles, California, the other documents hereinafter mentioned; and the Underwriter will accept such delivery and pay the purchase price. The purchase price shall be paid by wire transfer to the County in immediately available funds, of \$ _____ (being equal to the aggregate initial amount of the Bonds, [less net original issue discount] [plus net original issue premium] of \$ _____, less an Underwriter's discount of \$ _____, [less the bond insurance premium of \$ _____,] and less costs of issuance of \$ _____ to be paid by the Underwriter at the direction of the District from the original issue premium).

3. The Bonds. The Bonds shall be dated their date of delivery and are subject to redemption as set forth in Appendix A hereto. In all other respects the Bonds shall be as described in, and shall be issued and secured pursuant to the provisions of the Resolution of the District adopted on _____, 2010 (the "District Resolution") and the Resolution of the Board of Supervisors of the County adopted _____, 2010 (the "County Resolution" and collectively with the District Resolution, the "Resolutions") and Title 1, Division 1, Part 10, Chapter 1.5 of the Education Code of the State of California (commencing at Section 15264) (the "Act"). All capitalized terms used herein without definition shall have the meanings given to them in the County Resolution.

The Bonds shall be executed and delivered under and in accordance with the provisions of this Purchase Contract and the Resolutions. The Bonds shall be in book-entry form, shall bear CUSIP numbers, shall be in fully registered form, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York; the Bonds shall initially be in authorized denominations of \$5,000 principal amount, or any integral multiple thereof.

4. Use of Documents. The District and the County hereby authorize the Underwriter to use, in connection with the offer and sale of the Bonds, this Purchase Contract and an Official Statement (defined below), the Resolutions and all information contained herein and therein and all of the documents, certificates or statements furnished by the District or the County to the Underwriter in connection with the transactions contemplated by this Purchase Contract.

5. Public Offering of the Bonds. The Underwriter agrees to make a bona fide public offering of all the Bonds at the initial public offering price or yield to be set forth on the inside cover page of the Official Statement. Subsequent to such initial public offering, the Underwriter reserves the right to change such initial public offering price or yield as it deems necessary in connection with the marketing of the Bonds.

6. Review of Official Statement. The Underwriter hereby represents that it has received and reviewed the Preliminary Official Statement with respect to the Bonds, dated _____, 2010 (the "Preliminary Official Statement"). The District represents that it deems the Preliminary Official Statement to be final, except for either revisions or additions to the offering price(s), interest rate(s), yield(s) to maturity, selling compensation, aggregate principal amount, principal amount per maturity, delivery date, rating(s) and other terms of the Bonds which depend upon the foregoing as provided in and pursuant to Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended

(the "Rule"). The Underwriter agrees that prior to the time the final Official Statement relating to the Bonds is available, the Underwriter will send to any potential purchaser of the Bonds, upon the request of such potential purchaser, a copy of the most recent Preliminary Official Statement. Such Preliminary Official Statement shall be sent by first class mail (or other equally prompt means) not later than the first business day following the date upon which each such request is received.

7. **Representations, Warranties and Agreements of the District.** The District hereby represents, warrants and agrees with the Underwriter that:

(a) Due Organization. The District is a unified school district duly organized and validly existing under the laws of the State of California, with the power to issue the Bonds pursuant to the Act.

(b) Due Authorization. (i) At or prior to the Closing, the District will have taken all action required to be taken by it to authorize the issuance and delivery of the Bonds; (ii) the District has full legal right, power and authority to enter into this Purchase Contract, to adopt the District Resolution, to perform its obligations under each such document or instrument, and to carry out and effectuate the transactions contemplated by this Purchase Contract and the District Resolution; (iii) the execution and delivery or adoption of, and the performance by the District of the obligations contained in the Bonds, the District Resolution and this Purchase Contract have been duly authorized and such authorization shall be in full force and effect at the time of the Closing; (iv) this Purchase Contract constitutes a valid and legally binding obligation of the District; and (v) the District has duly authorized the consummation by it of all transactions contemplated by this Purchase Contract.

(c) Consents. No consent, approval, authorization, order, filing, registration, qualification, election or referendum, of or by any court or governmental agency or public body whatsoever is required in connection with the issuance, delivery or sale of the Bonds or the consummation of the other transactions effected or contemplated herein or hereby, except for such actions as may be necessary to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and jurisdictions of the United States as the Underwriter may reasonably request.

(d) No Conflicts. To the best knowledge of the District, the issuance of the Bonds, and the execution, delivery and performance of this Purchase Contract, the District Resolution and the Bonds, and the compliance with the provisions hereof do not conflict with or constitute on the part of the District a violation of or default under, the Constitution of the State of California or any existing law, charter, ordinance, regulation, decree, order or resolution and do not conflict with or result in a violation or breach of, or constitute a default under, any agreement, indenture, mortgage, lease or other instrument to which the District is a party or by which it is bound or to which it is subject.

(e) Litigation. Except as described in the Preliminary Official Statement, as of the time of acceptance hereof no action, suit, proceeding, hearing or investigation is

pending in which service of process has been completed against the District or, to the best knowledge of the District, threatened against the District: (i) in any way affecting the existence of the District or in any way challenging the respective powers of the several offices or of the titles of the officials of the District to such offices; or (ii) seeking to restrain or enjoin the sale, issuance or delivery of any of the Bonds, the application of the proceeds of the sale of the Bonds, or the pledge thereof, or the levy of any taxes contemplated by the Resolutions or in any way contesting or affecting the validity or enforceability of the Bonds, this Purchase Contract or the Resolutions or contesting the powers of the District or the Resolutions or this Purchase Contract; or (iii) in which a final adverse decision could (a) materially adversely affect the operations of the District or the consummation of the transactions contemplated by this Purchase Contract or the Resolutions, (b) declare this Purchase Contract to be invalid or unenforceable in whole or in material part, or (c) adversely affect the exclusion of the interest paid on the Bonds from gross income for federal income tax purposes and the exemption of such interest from California personal income taxation.

(f) No Other Debt. Between the date hereof and the Closing, without the prior written consent of the Underwriter, neither the District directly, nor the County on behalf of the District at the District's request, will have issued in the name and on behalf of the District any bonds, notes or other obligations for borrowed money except for such borrowings as may be described in or contemplated by the Official Statement.

(g) Continuing Disclosure. The District will undertake, pursuant to the District Resolution and a Continuing Disclosure Agreement, to provide certain annual financial information and notices of the occurrence of certain events, if material. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the final Official Statement. The District has never failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events with respect to the last five years.

(h) Certificates. Any certificates signed by any officer of the District and delivered to the Underwriter shall be deemed a representation and warranty by the District to the Underwriter, but not by the person signing the same, as to the statements made therein.

(i) Internal Revenue Code. The District has complied with the Internal Revenue Code of 1986, as amended, with respect to the Bonds.

(j) Official Statement Accurate and Complete. The Preliminary Official Statement, at the date thereof, did not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. At the date hereof and on the Closing Date, the final Official Statement did not and will not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. The District makes no representation or warranty as to the information

contained in or omitted from the Preliminary Official Statement or the Final Official Statement in reliance upon and in conformity with information furnished in writing to the District by or on behalf of the Underwriter through a representative of the Underwriter specifically for inclusion therein.

8. **Representations, Warranties and Agreements of the County.** The County hereby represents, warrants and agrees with the Underwriter that:

(a) Due Organization. The County is a political subdivision duly organized and validly existing under the laws of the State of California, with the power to issue the Bonds pursuant to the Act.

(b) Due Authorization. (i) At or prior to the Closing, the County will have taken all action required to be taken by it to authorize the issuance and delivery of the Bonds; (ii) the County has full legal right, power and authority to enter into this Purchase Contract, to adopt the County Resolution, to issue and deliver the Bonds to the Underwriter on behalf of the District and to perform its obligations under each such document or instrument, and to carry out and effectuate the transactions contemplated by this Purchase Contract and the County Resolution; (iii) the execution and delivery or adoption of, and the performance by the County of the obligations contained in the Bonds, the County Resolution and this Purchase Contract have been duly authorized and such authorization shall be in full force and effect at the time of the Closing; (iv) this Purchase Contract constitutes a valid and legally binding obligation of the County; and (v) the County has duly authorized the consummation by it of all transactions contemplated by this Purchase Contract.

(c) Consents. No consent, approval, authorization, order, filing, registration, qualification, election or referendum, of or by any court or governmental agency or public body whatsoever is required in connection with the issuance, delivery or sale of the Bonds or the consummation of the other transactions effected or contemplated herein or hereby, or which have not been taken or obtained; except for such actions as may be necessary to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and jurisdictions of the United States as the Underwriter may reasonably request, provided, however, that the County shall not be required to subject itself to service of process in any jurisdiction in which it is not so subject as of the date hereof.

(d) No Conflicts. To the best knowledge of the County, the issuance of the Bonds, the execution, delivery and performance of this Purchase Contract, the County Resolution and the Bonds, and the compliance with the provisions hereof do not conflict with or constitute on the part of the County a violation of or default under, the Constitution of the State of California or any existing law, charter, ordinance, regulation, decree, order or resolution and do not conflict with or result in a violation or breach of, or constitute a default under, any agreement, indenture, mortgage, lease or other instrument to which the County is a party or by which it is bound or to which it is subject.

(e) Litigation. Except as described in the Preliminary Official Statement, as of the time of acceptance hereof, based on the advice of County Counsel, no action, suit, proceeding, hearing or investigation is pending or in which service of process has been completed against the County to the best knowledge of the County, threatened against the County: (i) in any way affecting the existing of the County or in any way challenging the respective powers of the several offices or of the titles of the officials of the County to such offices; or (ii) seeking to restrain or enjoin the sale, issuance or delivery of any of the Bonds, the application of the proceeds of the sale of the Bonds, or the pledge thereof, or the levy of any taxes contemplated by the County Resolution, or in any way contesting or affecting the validity or enforceability of the Bonds, this Purchase Contract or the County Resolution or contesting the powers of the County or their authority with respect to the Bonds, the County Resolution or this Purchase Contract; or (iii) in which a final adverse decision could (a) materially adversely affect the operations of the County or the consummation of the transactions contemplated by this Purchase Contract or the County Resolution; or (b) declare this Purchase Contract to be invalid or unenforceable in whole or in material part.

(f) No Other Debt. Between the date hereof and the Closing, without the prior written consent of the Underwriter, the County will not have issued in the name and on behalf of the District any bonds, notes or other obligations for borrowed money except for such borrowing as may be described in or contemplated by the Official Statement.

(g) Certificates. Any certificates signed by any officer of the County and delivered to the Underwriter shall be deemed a representation and warranty by the County to the Underwriter, but not by the person signing the same, as to the statements made therein.

9. **Covenants of the County and the District.** The County and the District respectively covenant and agree with the Underwriter and in the case of Section 9(e) below with the owners of the Bonds that:

(a) Securities Laws. The County and the District will furnish such information, execute such instruments, and take such other action in cooperation with, and at the expense of, the Underwriter if and as the Underwriter may reasonably request in order to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and jurisdictions, provided, however, that the County and the District shall not be required to consent to service of process in any jurisdiction in which they are not so subject as of the date hereof;

(b) Application of Proceeds. The District will apply the proceeds from the sale of the Bonds for the purposes specified in the District Resolution;

(c) Official Statement. The District hereby agrees to deliver or cause to be delivered to the Underwriter, not later than the seventh (7th) business day following the date this Purchase Contract is signed, copies of a final Official Statement substantially in the form of the Preliminary Official Statement, with only such changes therein as shall have been accepted by

the Underwriter and the District (such Official Statement with such changes, if any, and including the cover page and all appendices, exhibits, maps, reports and statements included therein or attached thereto being called the "Official Statement") in such reasonable quantities as may be requested by the Underwriter not later than five (5) business days following the date this Purchase Contract is signed, in order to permit the Underwriter to comply with paragraph (b) (4) of the Rule and with the rules of the Municipal Securities Rulemaking Board. The District hereby authorizes the Underwriter to use and distribute the Official Statement in connection with the offering and sale of the Bonds;

(d) Subsequent Events. The District hereby agrees to notify the Underwriter of any event or occurrence that may affect the accuracy or completeness of any information set forth in the Official Statement relating to the District until the date which is twenty-five (25) days following the Closing; and

(e) Amendments to Official Statement. For a period of twenty-five (25) days after the Closing or until such time (if earlier) as the Underwriter shall no longer hold any of the Bonds for sale, the District will not adopt any amendment of or supplement to the Official Statement to which, promptly after having been furnished with a copy, the Underwriter shall reasonably object in writing or which shall be disapproved by the Underwriter; and if any event relating to or affecting the District shall occur as a result of which it is necessary, in the opinion of the Underwriter, to amend or supplement the Official Statement in order to make the Official Statement not misleading in light of the circumstances existing at the time it is delivered to a purchaser, forthwith prepare and furnish (at the expense of the District) a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance reasonably satisfactory to the Underwriter) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to a purchaser, not misleading.

10. **Conditions to Closing**. The Underwriter has entered into this Purchase Contract in reliance upon the representations and warranties of the County and the District contained herein and the performance by the District of its obligations hereunder, both as of the date hereof and as of the date of Closing. The Underwriter's obligations under this Purchase Contract are and shall be subject at the option of the Underwriter, to the following further conditions at the Closing:

(a) Representations True. The representations and warranties of the County and the District contained herein shall be true, complete and correct in all material respects at the date hereof and at and as of the Closing, as if made at and as of the Closing, and the statements made in all certificates and other documents delivered to the Underwriter at the Closing pursuant hereto shall be true, complete and correct in all material respects on the date of the Closing; and the County and the District shall be in compliance with each of the agreements made by it in this Purchase Contract;

(b) Obligations Performed. At the time of the Closing, (i) the Official Statement, this Purchase Contract, the District Resolution and the County Resolution

shall be in full force and effect and shall not have been amended, modified or supplemented except as may have been agreed to in writing by us; (ii) all actions under the Act which, in the opinion of Fulbright & Jaworski L.L.P., bond counsel ("Bond Counsel"), shall be necessary in connection with the transactions contemplated hereby, shall have been duly taken and shall be in full force and effect; and (iii) the County and the District shall perform or have performed all of their obligations required under or specified in the District Resolution, the County Resolution, this Purchase Agreement or the Official Statement to be performed at or prior to the Closing;

(c) Adverse Rulings. No decision, ruling or finding shall have been entered by any court or governmental authority since the date of this Purchase Contract (and not reversed on appeal or otherwise set aside), or to the best knowledge of the County or the District, be threatened which has any of the effects described in Section 8(e) or 9(e) hereof or contesting in any way the completeness or accuracy of the Official Statement;

(d) Marketability. Between the date hereof and the Closing, the market price or marketability or the ability of the Underwriter to enforce contracts for the sale of the Bonds, at the initial offering prices set forth in the Official Statement, shall not have been materially adversely affected in the reasonable judgment of the Underwriter (evidenced by a written notice to the County and the District terminating the obligation of the Underwriter to accept delivery of and pay for the Bonds) by reason of any of the following:

(1) legislation enacted or introduced in the Congress or recommended for passage by the President of the United States, or a decision rendered by a court established under Article III of the Constitution of the United States or by the United States Tax Court, or an order, ruling, regulation (final, temporary or proposed) or official statement issued or made:

(i) by or on behalf of the United States Treasury Department, or by or on behalf of the Internal Revenue Service, with the purpose or effect, directly or indirectly, of causing inclusion in gross income for purposes of federal income taxation of the interest received by the owners of the Bonds; or

(ii) by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction over the subject matter thereof, to the effect that the Bonds, or obligations of the general character of the Bonds, including any and all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended;

(2) the declaration of war, engagement in or escalation of major military hostilities by the United States or the occurrence of any other national

emergency or calamity relating to the effective operation of the government or the financial community in the United States;

(3) the declaration of a general banking moratorium by federal, New York or California authorities, or the general suspension of trading on any national securities exchange;

(4) the imposition by the New York Stock Exchange, other national securities exchange, or any governmental authority, of any material restrictions not now in force with respect to the Bonds, or obligations of the general character of the Bonds, or securities generally, or the material increase of any such restrictions now in force, including those relating to the extension of credit by, or the charge to the net capital requirements of, the Underwriter;

(5) an order, decree or injunction of any court of competent jurisdiction, or order, filing, regulation or official statement by the Securities and Exchange Commission, or any other governmental agency issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, as contemplated hereby or by the Official Statement, is or would be in violation of the federal securities laws, as amended and then in effect;

(6) the withdrawal or downgrading of any rating of the District's outstanding indebtedness by a national rating agency;

[(7) the withdrawal or downgrading of any rating or credit outlook of the Insurer by a national rating agency; or]

(8) any event occurring, or information becoming known which, in the reasonable judgment of the Underwriter, makes untrue in any material adverse respect any statement or information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

(e) Delivery of Documents. At or prior to the date of the Closing, the Underwriter shall receive three copies of the following documents, in each case dated as of the Closing Date and satisfactory in form and substance to the Underwriter:

(1) Bond Opinion. An approving opinion of Bond Counsel, as to the validity and tax-exempt status of the Bonds, dated the date of the Closing, addressed to the County and the District substantially in the form attached as APPENDIX A to the Preliminary Official Statement;

(2) Reliance Letter. A reliance letter from Bond Counsel to the effect that the Underwriter may rely upon the approving opinion described in (e)(1) above;

(3) Supplemental Opinion. A supplemental opinion, dated the Closing Date and addressed to the Underwriter, of Bond Counsel to the effect that (i) this Purchase Contract and the Continuing Disclosure Agreement have been duly authorized, executed and delivered by the District and, assuming due authorization, execution and delivery by the other respective parties thereto, constitute the legal, valid and binding agreements of the District, enforceable in accordance with their respective terms, except as the same may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights, by equitable principles, by the exercise of judicial discretion in appropriate cases and by the limitations on remedies against school districts in the State of California; provided, however, that no opinion as to the enforceability of any indemnification, contribution, choice of law, penalty or waiver provisions therein; (ii) the Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Resolutions are exempt from qualification under the Trust Indenture Act of 1939, as amended; and (iii) the statements contained in the Official Statement on the cover and under the captions "THE BONDS" (other than under the captions "—Book-Entry Only System," "SECURITY FOR THE BONDS" and "TAX MATTERS" and APPENDIX A to the Official Statement, insofar as such statements purport to summarize certain provisions of the Bonds, the Resolutions and the final approving opinion of Bond Counsel, are fair and accurate;

(4) Disclosure Counsel Opinion. An opinion, dated the Closing Date and addressed to the Underwriter, of Fulbright & Jaworski, L.L.P., to the effect that (i) the Bonds are exempt from the registration requirements of the Securities Act of 1933, as amended, and the County Resolution is exempt from qualification under the Trust Indenture Act of 1939, as amended; and (ii) without having undertaken to determine independently the accuracy or completeness of the statements contained in the Official Statement, but on the basis of their participation in conferences with representatives of the District, the County, the Underwriter and others, and their examination of certain documents, nothing has come to their attention which has led them to believe that the Official Statement as of its date and as of the Closing Date contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (except that no opinion or belief need be expressed as to any financial or statistical data contained in the Official Statement);

(5) [Reserved];

(6) Certificate of the County. A certificate signed by an appropriate official of the County to the effect that (i) such official is authorized to execute this Purchase Contract, (ii) the representations, agreements and warranties of the County herein are true and correct in all material respects as of the date of Closing, (iii) the County has complied with all the terms of the County Resolution and this Purchase

Contract to be complied with by the County prior to or concurrently with the Closing and such documents are in full force and effect, and (iv) the Bonds being delivered on the date of the Closing to the Underwriter under this Purchase Contract substantially conform to the descriptions thereof contained in the County Resolution;

(7) Certificate of the District. A certificate signed by an appropriate official of the District to the effect that (i) such official is authorized to execute this Purchase Contract, (ii) the representations, agreements and warranties of the District herein are true and correct in all material respects as of the date of Closing, (iii) the District has complied with all the terms of the District Resolution and this Purchase Contract to be complied with by the District prior to or concurrently with the Closing and such documents are in full force and effect, (iv) such District official has reviewed the Official Statement and on such basis certifies that the Official Statement does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, (v) the Bonds being delivered on the date of the Closing to the Underwriter under this Purchase Contract substantially conform to the descriptions thereof contained in the District Resolution, and (vi) no further consent is required to be obtained for the inclusion of the District's audited financial statements, including the accompanying accountant's letter, for Fiscal Year 2008/09 in the Official Statement;

(8) Tax Exemption. A Tax Exemption certificate of the District in form satisfactory to Bond Counsel;

(9) District Resolution. A certificate, together with fully executed copies of the District Resolution, of the Clerk of the District Board of Trustees to the effect that:

(i) such copies are true and correct copies of the District Resolution; and

(ii) the District Resolution was duly adopted and has not been modified, amended, rescinded or revoked and is in full force and effect on the date of the Closing.

(10) County Resolution. An originally executed copy of the adopted County Resolution, together with a Board letter;

(11) County Counsel Opinion. An opinion of Counsel to the County in the form attached hereto as Appendix B;

(12) Official Statement. Certificates of the appropriate officials of the District evidencing their determinations respecting the Preliminary Official Statement in accordance with the Rule;

[(13) Ratings. Evidence as of the Closing Date satisfactory to the Underwriter that the Bonds have received, at a minimum, a rating of “____” from Standard & Poor’s Ratings Services (“S&P”), assuming delivery of the Insurance Policy, and underlying rating of “____” from S&P without regard to the Insurance Policy, and that such ratings have not been revoked or downgraded;]

[(14) Bond Insurance. An executed municipal bond insurance policy (the “Policy”) of _____ (the “Insurer”), insuring the scheduled payment of principal of and interest on the Bonds, substantially in the form attached as APPENDIX E of the Official Statement;]

[(15) Opinion of Counsel to Insurer. An opinion of counsel to the Insurer, dated as of the date of Closing, addressed to the Underwriter, the District and the County in form and substance acceptable to counsel to the Underwriter, substantially to the effect that: (i) the Insurer has been duly incorporated and is validly existing and in good standing under the laws of the State of its incorporation; (ii) the Policy constitutes the legal, valid and binding obligation of the Insurer enforceable in accordance with its terms, subject, as to enforcement, to bankruptcy, insolvency, reorganization, rehabilitation and other similar laws of general applicability relating to or affecting creditors’ and/or claimants’ rights against insurance companies and to general equity principles; and (iii) the information contained in the Official Statement under the caption “BOND INSURANCE” does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;]

(16) Continuing Disclosure Agreement. An executed copy of the Continuing Disclosure Agreement, substantially in the form presented in the Official Statement as APPENDIX C thereto;

(17) Form 8038-G. Evidence that the federal tax information Form 8038-G has been prepared for filing;

(18) Notice of Final Sale. A copy of the Notice of Final Sale required to be delivered to the California Debt and Investment Advisory Commission pursuant to Section 8855 of the California Government Code; and

(19) Other Documents. Such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter may reasonably request to evidence compliance (i) by the County and the District with legal requirements, (ii) the truth and accuracy, as of the time of Closing, of the representations of the County and the District herein contained, (iii) the truth and accuracy, as of the time of Closing, of the Official Statement and (iv) the due performance or satisfaction by the County and the District at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the District.

(f) Termination. Notwithstanding anything to the contrary herein contained, if for any reason whatsoever the Bonds shall not have been delivered by the District to the Underwriter prior to the close of business on _____, 2010, then the obligation to purchase Bonds hereunder shall terminate and be of no further force or effect except with respect to the obligations of the District and the Underwriter under Section 12 hereof.

If the County and/or the District shall be unable to satisfy the conditions to the Underwriter's obligations contained in this Purchase Contract or if the Underwriter's obligations shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract may be canceled by the Underwriter at, or at any time prior to, the time of Closing. Notice of such cancellation shall be given to the County and the District in writing, or by telephone or telegraph, confirmed in writing. Notwithstanding any provision herein to the contrary, the performance of any and all obligations of the County and the District hereunder and the performance of any and all conditions contained herein for the benefit of the Underwriter may be waived by the Underwriter in writing at its sole discretion.

11. **Conditions to Obligations of the County and the District.** The performance by the County and the District of their obligations is conditioned upon (i) the performance by the Underwriter of its obligations hereunder; and (ii) receipt by the District and the Underwriter of opinions and certificates being delivered at the Closing by persons and entities other than the County and the District.

12. **Expenses.** To the extent the transactions contemplated by this Contract of Purchase are consummated, the District shall request the Underwriter to pay all costs of issuance of the Bonds, but only from original issue premium, including but not limited to the following costs of issuance: (i) the cost of the preparation and reproduction of the Resolutions; (ii) the fees and disbursements of Bond Counsel; (iii) the cost of the preparation, printing and delivery of the Bonds; (iv) the fees, if any, for Bond ratings, including all necessary travel expenses (including those of the Underwriter); (v) the cost of the printing and distribution of the Preliminary Official Statement and the Official Statement; (vi) the initial fees, if any, of the Paying Agent; (vii) the bond insurance premium, if any; and (viii) all other fees and expenses incident to the issuance and sale of the Bonds. In the event that following payment of the expenses set forth above, there is any portion of such amount remaining with the Underwriter, the Underwriter shall remit such remaining amount to the District and the District shall deposit such amount into the Debt Service Fund. At the time that all costs of issuance are paid, the Underwriter shall provide the District with a complete accounting of such payments and any amounts remaining after all payments have been made. To the extent the transactions contemplated by this Contract of Purchase are not consummated, the District shall pay any costs associated with the Bonds.

The Underwriter shall pay all out-of-pocket expenses of the Underwriter, including the California Debt and Investment Advisory Commission fee, travel and other expenses (except those expressly provided above) without limitation.

13. **Notices.** Any notice or other communication to be given under this Purchase Contract (other than the acceptance hereof as specified in the first paragraph hereof) may be

given by delivering the same in writing if to the District or County, to the address first written above, or if to the Underwriter, to Piper Jaffray & Co., 2321 Rosecrans Ave., Suite 3200, El Segundo, CA 90245.

14. **Parties in Interest; Survival of Representations and Warranties.** This Purchase Contract when accepted by the County and the District in writing as heretofore specified shall constitute the entire agreement among the County, the District and the Underwriter. This Purchase Contract is made solely for the benefit of the County, the District and the Underwriter (including the successors or assigns of the Underwriter). No person shall acquire or have any rights hereunder or by virtue hereof. All your representations, warranties and agreements of the County and the District in this Purchase Contract shall survive regardless of (a) any investigation or any statement in respect thereof made by or on behalf of the Underwriter, (b) delivery of and payment by the Underwriter for the Bonds hereunder, and (c) any termination of this Purchase Contract.

15. **Execution in Counterparts.** This Purchase Contract may be executed in several counterparts each of which shall be regarded as an original and all of which shall constitute but one and the same document.

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16. **Applicable Law.** This Purchase Contract shall be interpreted, governed and enforced in accordance with the law of the State of California applicable to contracts made and performed in such State.

Very truly yours,

PIPER JAFFRAY & CO.

By: _____
Authorized Representative

The foregoing is hereby agreed to
and accepted as of the date first
above written:

**VAL VERDE UNIFIED SCHOOL
DISTRICT**

By _____
Title: _____
Time of Execution: _____

COUNTY OF RIVERSIDE

By: _____
Title: _____
Time of Execution: _____

APPENDIX A

Maturity Schedule

**Maturity Date
(August 1)**

**Original
Par Amount**

**Interest
Rate**

**Price or
Yield**

Redemption Provisions

Optional Redemption. The Bonds maturing on or before August 1, 20___, are not subject to redemption prior to their stated maturity dates. The Bonds maturing on and after August 1, 20___, may be redeemed before maturity, at the option of the District, from any source of available funds, in whole or in part on any date on or after August 1, 20__ at the principal amount thereof, together with interest accrued thereon to the date of redemption, without premium.

APPENDIX B

OPINION OF COUNTY COUNSEL

Board of Education
Val Verde Unified School District
975 West Morgan Street
Perris, California 92571

Piper Jaffray & Co.
2321 Rosecrans Ave., Suite 3200
El Segundo, CA 90245

**§ _____
VAL VERDE UNIFIED SCHOOL DISTRICT
COUNTY OF RIVERSIDE, CALIFORNIA
GENERAL OBLIGATION BONDS, 2008 ELECTION
2010 SERIES A**

Ladies and Gentlemen:

The opinion is rendered and delivered in connection with the issuance by the Board of Supervisors of the County of Riverside (the "County") on behalf of the Val Verde Unified School District (the "District") of \$ _____ aggregate principal amount of bonds designated "Val Verde Unified School District General Obligation Bonds, 2008 Election, 2010 Series A" (the "Bonds"). The Bonds are being issued pursuant to a resolution of the Board of Supervisors of the County of Riverside adopted _____, 2010 (the "County Resolution"), at the request of the District made pursuant to a resolution adopted _____, 2010, by the Board of Trustees of the District (the "District Resolution").

In rendering this opinion, we have examined the County Resolution, the Contract of Purchase dated _____, 2010 (the "Purchase Contract"), among the District, the County and Piper Jaffray & Co., as underwriter, and such other documents, records and instruments and made such investigations of law and fact as we have deemed necessary to render the opinions expressed herein.

Based upon the foregoing, and solely with respect to the laws of the State of California (the "State"), we are of the opinion, as of the date hereof, that:

1. The County is a political subdivision duly organized and validly existing under the Constitution and the laws of the State of California.
2. The County Resolution approving and authorizing the execution and delivery of the Purchase Contract and the issuance of the Bonds was duly adopted at a meeting of the governing body of the County which was called and held pursuant to law and with all public notice required

by law and at which a quorum was present and acting at the time of adoption, has not been modified, amended, rescinded or revoked and is in full force and effect on the date hereof.

3. To the best of our knowledge, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending or threatened against the County (a) affecting the existence of the County or the titles of its officers who have acted with respect to the proceedings for issuance and sale of the Bonds to their respective offices; (b) seeking to prohibit, restrain or enjoin the execution of the Purchase Contract or the issuance of the Bonds or in any way contesting or affecting the validity or enforceability of the Bonds, the Purchase Contract or the County Resolution; (c) contesting the powers of the County or its authority to enter into, adopt or perform its obligations under the County Resolution or the Purchase Contract; or (d) seeking to restrain or enjoin the levy or collection of tax revenues pledged for payment of the Bonds.

4. The Purchase Contract has been duly authorized, executed and delivered by the County and the Bonds have been duly authorized by the County, executed by the County on behalf of the District and delivered by the County and, assuming due authorization, execution and delivery by the other parties thereto, the Purchase Contract constitutes the legal, valid and binding agreement of the County enforceable against the County in accordance with its terms.

With respect to the opinions we have expressed above, enforcement of the rights and obligations under the County Resolution, the Purchase Contract and the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws affecting the enforcement of creditors' rights generally, by the application of equitable principles if equitable remedies are sought, and by limitations on legal remedies imposed in actions against public entities in the State. We express no opinion as to the availability of equitable remedies in connection with enforcement of the County Resolution, the Purchase Contract or the Bonds.

Very truly yours,

**VAL VERDE UNIFIED SCHOOL DISTRICT
Perris , California 92571**

RESOLUTION NO. 09-10-20

**RESOLUTION AUTHORIZING ISSUANCE OF NOT TO EXCEED
\$14,500,000 OF VAL VERDE UNIFIED SCHOOL DISTRICT
GENERAL OBLIGATION BONDS, 2008 ELECTION, 2010 SERIES B
AND ORDERING CERTAIN ACTIONS IN CONNECTION THEREWITH**

WHEREAS, the issuance of not to exceed \$43,440,000 aggregate principal amount of general obligation bonds (the "Authorization") of the Val Verde Unified School District (the "District"), County of Riverside (the "County"), State of California, was authorized at an election (the "Election") held in said District on June 3, 2008, the proceeds of which are to be used for the financing and refinancing of the furnishing, equipping, acquisition, construction and improvement of certain capital facilities of the District; and

WHEREAS, the Registrar-Recorder of the County has certified to the effect that the official canvass of returns for the Election reflected that more than 55% of the votes cast on the District's bond measure submitted to the voters at the Election (the "Measure") were cast in favor of the Measure, and such results have previously been entered in the minutes of this Board of Education (the "District Board"); and

WHEREAS, Section 15140(a) of the Education Code of the State of California (the "State") authorizes the Board of Supervisors of the County (the "County Board") to borrow funds through the issuance of bonds under the Authorization in the name and on behalf of the District, pursuant to a resolution adopted by the District; and

WHEREAS, \$30,000,000 aggregate principal amount of general obligations bonds have previously been issued by the County on behalf of the District under the Authorization; and

WHEREAS, the District has previously received State matching funds which were used for capital purposes as described in the Measure approved at the Election and in the official Project List included therewith (the "Projects");

WHEREAS, the State has demanded reimbursement of a certain amount of State matching funds heretofore received by the District for Project purposes; and

WHEREAS, it now appears to this District Board that financial market conditions are favorable for the issuance and sale of not to exceed \$14,500,000 in one or more series of bonds of the Authorization to be used to reimburse a portion of said State matching funds received by the District; and

WHEREAS, this District Board hereby determines that such bonds should be offered at this time, in one or more series, and requests the County Board to offer such bonds for sale;

PRELIMINARY OFFICIAL STATEMENT DATED JANUARY __, 2010

RATING:
S&P: "___"

(See "RATING" herein.)

NEW ISSUE — BOOK-ENTRY ONLY

In the opinion of Fulbright & Jaworski L.L.P., Los Angeles, California, Bond Counsel, under existing law, interest on the Bonds is exempt from personal income taxes of the State of California, and, assuming continuing compliance after the date of initial delivery of the Bonds with certain covenants contained in the Resolutions authorizing the Bonds and subject to the matters set forth under "TAX MATTERS" herein, interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions will be excludable from the gross income of the owners thereof pursuant to section 103 of the Internal Revenue Code of 1986, as amended, to the date of initial delivery of the Bonds, and will not be included in computing the alternative minimum taxable income of the Owners thereof. See "TAX MATTERS" herein.

\$14,500,000*

**VAL VERDE UNIFIED SCHOOL DISTRICT
(County of Riverside, California)
General Obligation Bonds
2008 Election, 2010 Series B**

Dated: Date of Delivery

Due: August 1, as shown on the inside cover.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION. CAPITALIZED TERMS USED ON THIS COVER PAGE NOT OTHERWISE DEFINED SHALL HAVE THE MEANINGS SET FORTH HEREIN.

The Bonds are authorized by an election held within the Val Verde Unified School District (the "District") on June 3, 2008 (the "Authorization"), as more fully described herein under the caption "INTRODUCTION." The Bonds are being issued in order (i) to reimburse State matching funds used for the acquisition, construction and improvement of certain public school facilities for the District, (ii) to finance the acquisition, construction and improvement of certain public school facilities for the District and (iii) to pay certain costs of issuance, as more fully described herein under the caption "THE PROJECT." The Bonds are the second and final series of bonds to be issued under the Authorization.

The Bonds are being issued in fully registered form without coupons and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds described herein under the caption "THE BONDS – Book-Entry Only System."

The Bonds will mature on the dates and in the amounts and bear interest at the rates shown on the inside cover hereof. Interest on the Bonds is payable commencing [August 1, 2010], and semiannually thereafter on February 1 and August 1 of each year. See "THE BONDS" herein.

Principal of and interest on the Bonds is payable directly to DTC by U.S. Bank National Association, as Paying Agent for the Bonds. Upon receipt of payments of principal and interest, DTC is obligated in turn to remit such principal and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Bonds, as described herein.

The Bonds are subject to redemption as provided herein. See "THE BONDS – Redemption" herein.

The Bonds are general obligations of the District. The Board of Supervisors of the County of Riverside has the power and is obligated to levy a tax for each fiscal year upon the taxable property of the District in an amount at least sufficient, together with other moneys available for such purpose, to pay the principal of and interest and premium, if any, on each Bond as the same become due and payable. See "SECURITY FOR THE BONDS."

MATURITY SCHEDULE
on inside cover.

The Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval as to their legality by Fulbright & Jaworski L.L.P., Los Angeles, California, Bond Counsel. Certain legal matters will be passed upon for the County by the Office of County Counsel of the County of Riverside. Certain legal matters will be passed upon for the Underwriter by Nossaman LLP, Irvine, California. It is anticipated that the Bonds will be available for delivery in New York, New York, for deposit through the facilities of The Depository Trust Company on or about February __, 2010.

PIPER JAFFRAY & CO.

Dated: February __, 2010

* Preliminary; subject to change.

MATURITY SCHEDULE

Maturity Date
(August 1)

Principal
Amount

Interest Rate

Yield

CUSIP No.
(91882R)⁽¹⁾

\$

⁽¹⁾ Copyright 2010, American Bankers Association. CUSIP data herein is provided by Standard and Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. The CUSIP number is provided for convenience of reference only. Neither the District nor the Underwriter takes any responsibility for the accuracy of such CUSIP number.

No dealer, broker, salesperson or other person has been authorized by the District, the County or the Underwriter to provide any information or to make any representations other than as contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the District, the County or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly described herein, are intended solely as such and are not to be construed as a representation of facts.

The information set forth herein has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement contains statements which, to the extent they are not recitations of historical fact, constitute "forward looking statements." In this respect, the words "estimate," "project," "anticipate," "expect," "intend," "believe," and similar expressions are intended to identify forward looking statements. A number of important factors affecting the District's business and financial results could cause actual results to differ materially from those stated in the forward looking statements. Except as provided in the Continuing Disclosure Agreement, the District does not plan to issue any updates or revisions to those forward looking statements if or when its expectations or the events, conditions or circumstances on which such statements are based occur or do not occur.

Although certain information set forth in this Official Statement has been provided by the County of Riverside, the County of Riverside has not approved this Official Statement and is not responsible for the accuracy or completeness of the statements contained in this Official Statement except for the information set forth under the caption "THE RIVERSIDE COUNTY POOLED SURPLUS INVESTMENTS."

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER OR SELL THE BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF. THE PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

VAL VERDE UNIFIED SCHOOL DISTRICT
(County of Riverside, California)

District Board of Education

Wraymond Sawyerr, President
Marla D. Kirkland, Vice President
Stacey L. Guzman, Member
D. Shelly Yarbrough, Member
Freddy R. DeLeon, Member

District Administrators

Alan Jensen, Ed.D., Superintendent
Michael F. Boyd, M.A.T., Deputy Superintendent, Business Services

SPECIAL SERVICES

Bond and Disclosure Counsel

Fulbright & Jaworski L.L.P.
Los Angeles, California

Underwriter

Piper Jaffray & Co.
El Segundo, California

Financial Advisor

Fieldman Rolapp & Associates
Irvine, California

Paying Agent

U.S. Bank National Association
Los Angeles, California

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\$14,500,000*
VAL VERDE UNIFIED SCHOOL DISTRICT
(COUNTY OF RIVERSIDE, CALIFORNIA)
GENERAL OBLIGATION BONDS
2008 ELECTION, 2010 SERIES B

INTRODUCTION

The Val Verde Unified School District (the "District") proposes to have the Board of Supervisors (the "County Board") of the County of Riverside (the "County") issue in the name and on behalf of the District \$14,500,000 aggregate principal amount of its General Obligation Bonds, 2008 Election, 2010 Series B (the "Bonds"), under and pursuant to a bond authorization (the "Authorization") for the issuance and sale of \$43,440,000 aggregate principal amount of general obligation bonds approved by more than 55% of the voters of the District voting at an election held on June 3, 2008 (the "Election"). The Bonds are the second and final series of bonds issued under the Authorization. Following the issuance of the Bonds, no general obligation bonds under the Authorization will remain to be issued. All general obligation bonds of the District are issued on a parity with one another.

The Bonds are being issued in order (i) to reimburse certain State matching funds used for capital purposes as described in the project list (the "Project List") approved at the Election, (ii) to finance the acquisition, construction and improvement of certain public school facilities for the District described in the Project List, and (iii) to pay certain costs of issuance, as more fully described herein. See "THE PROJECT" below.

The District serves an area of approximately 67 square miles located in Riverside County, including portions of the Cities of Moreno Valley and Perris and adjacent areas of unincorporated Riverside County, and has an enrollment of approximately 19,504 students. The District currently operates fourteen elementary schools, four middle schools, two high schools, one continuation high school, one opportunity school and one preschool. Additional information on the District is included under the captions "DISTRICT FINANCIAL INFORMATION" and "VAL VERDE UNIFIED SCHOOL DISTRICT" herein and in "APPENDIX B – Val Verde Unified School District Audited Financial Statements for Fiscal Year Ended June 30, 2009."

THE BONDS

Authority for Issuance and Security for the Bonds

The Bonds are general obligations of the District. The Bonds are being issued by the County Board in the name and on behalf of the District under the provisions of Title 1, Division 1, Part 10, Chapter 1.5 of the Education Code of the State of California (commencing at Section 15264) (the "Education Code") and pursuant to a resolution of the Board of Education of the District (the "District Board") adopted January 12, 2009 (the "District Resolution") and of the County Board adopted on January 19, 2009 (the "Bond Resolution").

The County Board is empowered and obligated annually to levy *ad valorem* taxes for the payment of the principal and interest on the Bonds upon all property subject to taxation within the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates). See "DISTRICT FINANCIAL INFORMATION" herein.

* Preliminary; subject to change.

Purpose of Issue

The net proceeds of the Bonds will be used to refinance State matching funds that were used for capital purposes and to finance additional capital improvements specified in the Project List approved with the District bond proposition submitted at the Election, including rehabilitating inadequate heating, ventilation, sewer, drainage and safety/security systems; upgrading school technology; replacing portables with permanent classrooms; and renovating, acquiring, constructing and equipping classrooms and schools. See "THE PROJECT" below.

Description of the Bonds

The Bonds will be issued in denominations of \$5,000 or any integral multiple thereof, and will mature on the dates and in the amounts and bear interest at the rates per annum, all as set forth on the inside cover page of this Official Statement.

Prospective purchasers should be aware that the Bonds are not subject to acceleration.

The Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Owners or registered owners shall mean Cede & Co. as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds.

So long as Cede & Co. is the registered owner of the Bonds, principal of and interest or premium, if any, on the Bonds are payable by wire transfer or New York Clearing House or equivalent next-day funds or by wire transfer of same day funds by U.S. Bank National Association, as paying agent (the "Paying Agent"), to Cede & Co., as nominee for DTC. DTC is obligated, in turn, to remit such amounts to the DTC Participants (as defined herein) for subsequent disbursement to the Beneficial Owners. Payments of principal and premium, if any, for any Bonds shall be made only upon the surrender of such Bonds to the Paying Agent. See "Book-Entry Only System" herein.

Payment of the Bonds

Interest on the Bonds is payable on [August 1, 2010], and semiannually thereafter on February 1 and August 1 of each year, computed on the basis of a 360-day year of twelve 30-day months. Each Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless it is authenticated as of a day during the period after the fifteenth day of the month preceding an Interest Payment Date (the "Record Date") to that Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless it is authenticated on or before July 15, 2010, in which event it shall bear interest from the date of issuance of the Bonds; provided, that if at the time of authentication of any Bond, interest is in default on any outstanding Bond, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on the outstanding Bonds. The Bonds are issuable in denominations of \$5,000 or any integral multiple thereof. The Bonds mature on August 1 in the years and amounts set forth on the inside cover page hereof.

The interest on the Bonds is payable in lawful money to the person whose name appears on the bond registration books of the Paying Agent as the registered owner thereof as of the close of business on any Record Date, whether or not such day is a business day, such interest to be paid by check or draft mailed on such Interest Payment Date to such registered owner at such registered owner's address as it appears on such registration books or at such address as the registered owner may have filed with the Paying Agent for that purpose. The interest payments on the Bonds may be made by federal fund wire transfer to any registered owner of at least \$1,000,000 of Outstanding Bonds who has requested in writing

such method of payment of interest on such Bonds prior to the close of business on the applicable Record Date.

Estimated Sources and Uses of Funds

The proceeds of the Bonds are expected to be applied as follows:

Sources of Funds

Principal Amount	\$
Net Original Issue Premium	
Total Sources	

Uses of Funds

Deposit to Building Fund
Deposit to Debt Service Fund
Costs of Issuance ⁽¹⁾
Total Uses

⁽¹⁾ Includes Underwriter's discount, legal and rating fees, fees of the Financial Advisor, Paying Agent and other costs of issuance.

Redemption

The Bonds are subject to redemption as follows:

Optional Redemption of Bonds

The Bonds maturing on or before August 1, 20___, are not subject to redemption prior to their stated maturity dates. The Bonds maturing on and after August 1, 20___, may be redeemed before maturity, at the option of the District, from any source of available funds, in whole or in part on any date on or after August 1, 20___ at the principal amount thereof, together with interest accrued thereon to the date of redemption, without premium.

Selection of Bonds for Redemption

Whenever provision is made for the redemption of Bonds and less than all outstanding Bonds are to be redeemed, the Paying Agent, upon written instruction from the District given at least 60 days prior to the date designated for such redemption, shall select Bonds for redemption in such order as the District may direct, or, in the absence of such direction, in inverse order of maturity within a series. Within a maturity, the Paying Agent shall select Bonds for redemption by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine; *provided, however*, that the portion of any Bond to be redeemed in part shall be in the Principal Amount of \$5,000 or any integral multiple thereof.

Notice of Redemption

When redemption is authorized or required pursuant to the Bond Resolution, the Paying Agent, upon written instruction from the District given at least 60 days prior to the date designated for such redemption, shall give notice (a "Redemption Notice") of the redemption of the Bonds. Such Redemption Notice shall specify: (a) the Bonds or designated portions thereof (in the case of any Bond to be redeemed in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the

redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the Principal Amount, of such Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part. Such Redemption Notice shall further state that on the specified date there shall become due and payable upon each Bond or portion thereof being redeemed the redemption price, together with the interest accrued to the redemption date, and that from and after such date, interest with respect thereto shall cease to accrue and be payable.

The Paying Agent shall take the following actions with respect to such Redemption Notice: (i) at least 30 but not more than 45 days prior to the redemption date, such Redemption Notice shall be given to the respective Owners of Bonds designated for redemption by first class mail, postage prepaid, at their addresses appearing on the Bond Register; (ii) in the event that the Bonds shall no longer be held in book-entry form, at least two days before the date of the notice required by clause (i) above, such Redemption Notice shall be given by (1) registered or certified mail, postage prepaid, (2) telephonically confirmed facsimile transmission, or (3) overnight delivery service, to each of the Securities Depositories (described in the Bond Resolution); and (iii) in the event that the Bonds shall no longer be held in book-entry only form, at least two days before the date of notice required by clause (i) of this Section, such Redemption Notice shall be given by (1) first class mail, postage prepaid, or (2) overnight delivery service, to one of the Information Services.

Neither failure to receive any Redemption Notice nor any defect in any such Redemption Notice so given shall affect the sufficiency of the proceedings for the redemption of the affected Bonds. Each check issued or other transfer of funds made by the Paying Agent for the purpose of redeeming Bonds shall bear or include the CUSIP number (if any) identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

Partial Redemption of Bonds

Upon the surrender of any Bond redeemed in part only, the Paying Agent shall execute and deliver to the Owner thereof a new Bond or Bonds of like tenor, and maturity and of authorized denominations equal in transfer amounts to the unredeemed portion of the Bond surrendered. Such partial redemption shall be valid upon payment of the amount required to be paid to such Owner, and the County and the District shall be released and discharged thereupon from all liability to the extent of such payment.

Effect of Notice of Redemption

Notice having been given as required in the Bond Resolution, and the moneys for redemption (including the interest to the applicable date of redemption) having been set aside in the District's Debt Service Fund, the Bonds to be redeemed shall become due and payable on such date of redemption.

If on such redemption date, money for the redemption of all the Bonds to be redeemed, together with interest to such redemption date, shall be held by the Paying Agent so as to be available therefor on such redemption date, and if notice of redemption thereof shall have been given, then from and after such redemption date, interest with respect to the Bonds to be redeemed shall cease to accrue and become payable. All money held by or on behalf of the Paying Agent for the redemption of Bonds shall be held in trust for the account of the Owners of the Bonds so to be redeemed.

All Bonds paid at maturity or redeemed prior to maturity shall be cancelled upon surrender thereof and delivered to or upon the order of the County and the District. All or any portion of a Bond purchased by the County or the District shall be cancelled by the Paying Agent upon written notice by the County or the District given to the Paying Agent.

Transfer and Exchange

Any Bond may be exchanged for Bonds of like maturity and principal amount upon presentation and surrender at the principal office of the Paying Agent, together with a request for exchange signed by the Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred on the Bond Register only upon presentation and surrender of such Bond at the principal office of the Paying Agent together with an assignment executed by the Owner or a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent shall complete, authenticate and deliver a new Bond or Bonds of any authorized denomination or denominations requested by the Owner equal to the principal amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

Debt Service Schedule

The following table summarizes the debt service requirements of the District for the Bonds:

<u>Year Ending</u> <u>August 1</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Debt Service</u>
	\$	\$	\$
TOTAL	\$	\$	\$

Defeasance

If all Outstanding Bonds shall be paid and discharged in any one or more of the following ways:

(a) by well and truly paying or causing to be paid the principal amount of, and interest on all Bonds outstanding, as and when the same become due and payable;

(b) by depositing with the Paying Agent, in trust, at or before maturity, cash, which, together with amounts then on deposit in the Debt Service Fund, together with interest to accrue thereon without the need for further investment, is fully sufficient to pay all Bonds outstanding at maturity thereof, including any premium notwithstanding that any Bonds shall not have been surrendered for payment; or

(c) by irrevocably depositing with an institution to act as escrow agent selected by the District and approved by the County and which meets the requirements for serving as Paying Agent pursuant to the Bond Resolution, in trust, lawful money or noncallable direct obligations issued by the United States Treasury (including State and Local Government Series Obligations) or obligations which are unconditionally guaranteed by the United States of America and permitted under Section 149(b) of the Internal Revenue Code of 1986, as amended, which, in the opinion of nationally recognized bond counsel, will not impair the exclusion from gross income for federal income tax purposes of interest on the Bonds, in such amount as will, together with the interest to accrue thereon without need for further investment, be fully sufficient, in the opinion of a verification agent satisfactory to the County, to pay and discharge all

Bonds outstanding at maturity thereof, including any premium and all interest thereon, notwithstanding that any Bond shall not have surrendered for payment;

then all obligations of the County, the District and the Paying Agent under the Bond Resolution with respect to all Outstanding Bonds shall cease and terminate, except only the obligation of the Paying Agent to pay or cause to be paid to the Owners of the Bonds all sums due thereon, and the obligation of the District to pay to the Paying Agent amounts owing to the Paying Agent under the Bond Resolution.

Book-Entry Only System

The Bonds will be issued under a book entry system, evidencing ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof, with no physical distribution of Bonds made to the public. DTC will act as depository for the Bonds, which will be immobilized in their custody. The Bonds will be registered in the name of Cede & Co., as nominee for DTC. For further information regarding DTC and the book entry system, see APPENDIX D hereto.

THE PROJECT

The District previously used State matching funds for the projects described in the District's Project List approved at the Election, which includes rehabilitating inadequate heating, ventilation, sewer, drainage and safety/security systems; upgrading school technology; replacing portables with permanent classrooms; and renovating, acquiring, constructing and equipping classrooms and schools. The proceeds of the Bonds will be used to refinance certain of those State matching funds. Additionally, a portion of the Bond proceeds will be used to finance the acquisition, construction and improvement of certain additional public school facilities from the Project List.

SECURITY FOR THE BONDS

The Bonds are general obligations of the District, and the Board of Supervisors of the County of Riverside has the power and is obligated to levy and collect *ad valorem* taxes upon all property within the District subject to taxation by the District, without limitation as to rate or amount (except certain personal property which is taxable at limited rates) for payment of the principal of and interest on the Bonds. The Bonds do not constitute a debt or obligation of the County. No part of any fund of the County is pledged or obligated to the payment of the Bonds.

DISTRICT FINANCIAL INFORMATION

District Reports and Certification

State law requires each school district to certify at two points during the fiscal year whether or not it is able to meet its financial obligations for the remainder of such fiscal year, the first for the period ending October 31 and the second for a period ending January 31. Such certifications and a report shall be filed with the County Superintendent of Schools within forty-five days after the close of the period being reported and, to the extent required, to the State Controller and the Superintendent of Public Instruction.

California Assembly Bill 1200 ("A.B. 1200"), effective January 1, 1992, tightened the budget development process and interim financial reporting for school districts, enhancing the authority of the county schools superintendents' offices and establishing guidelines for emergency State aid apportionments. Many provisions affect District operations directly, while others create a foundation from which outside authorities (primarily state and county school officials) may impose actions on the District. Under the provisions of A.B. 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of

the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The county office of education reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the remainder of the fiscal year or subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years. Each certification is based on then-current projections.

The District filed its 2008-09 Second Interim Financial Report with the Riverside County Office of Education (the "RCOE"), with financial information available as of January 31, 2009, with a negative certification within the meaning of Section 42133 of the Education Code of the State due to increased General Fund expenditures resulting from amounts owed to the State as a result of the material inaccuracy finding by the State Board of Allocation as well as a decline in Developer Fees which had, in previous years, been used to make debt service payments on certain outstanding lease purchase obligations, which debt service payments in 2008-09 have been charged to the General Fund.

The District subsequently filed an End of the Year Financial Report (the "Third Interim Report") which shows an excess of revenues and transfers over expenditures resulting from the agreement by the State to structure the District's repayment obligations such that no further payment is due in 2008-09 and the transfer in to the General Fund of certain accrued and unappropriated amounts on hand. The Third Interim Report would have an underlying positive certification; however, the Third Interim Report is not a report that receives certification. The District's certification will not be changed from negative, if such change is warranted, until the RCOE reviews the District's 2009-10 budget which was filed with the RCOE on or about June 30, 2009.

Copies of the District's reports and certifications, as well as audited financial statements, may be obtained upon request from the District's Business Office at 975 West Morgan Street, Perris, California 92571. A fee may be imposed for copying, mailing and handling.

District Organization

The Val Verde Unified School District was formed by unification on July 1, 1991 to provide educational services to residents in and to the north side of the City of Perris, plus the southeast side of the City of Moreno Valley, and an unincorporated area of Riverside County. The Cities of Moreno Valley and Perris are located approximately 5 and 8 miles, respectively, southeast of the City of Riverside in Riverside County, California, generally along U.S. Interstate 215. The District services an area of approximately 67 square miles within Riverside County. The District's 23 schools and other facilities comprise approximately 1,685,593 square feet of building area.

Facilities, Staff and Enrollment

The District currently operates fourteen elementary schools, four middle schools, two high schools, one continuation high school, one opportunity school and one preschool. It is administered by a Board of Education whose members and officers are shown below:

District Board of Education

<u>Name</u>	<u>Position</u>	<u>Term Ending</u>
Wraymond Sawyerr	President	2010
Marla D. Kirkland	Vice President	2010
Stacey L. Guzman	Member	2012
D. "Shelly" Yarbrough	Member	2010
Freddy R. De Leon	Member	2012

As of May 6, 2009, the District employed 955 full-time certificated employees and 351 full-time classified employees. The District also employs part-time or temporary employees. [UPDATE]

Population within the District has grown each year since 1997. Enrollment was rising steadily until the 2008-09 Fiscal Year. The following table provides a summary of population and school enrollment growth in the City of Perris, the City of Moreno Valley, the District and the County of Riverside from Fiscal Year 2003-04 through Fiscal Year 2008-09.

Val Verde Unified School District Population and School Enrollment Figures 2003-04 through 2008-09

<u>Fiscal Year</u>	<u>Population City of Perris</u>	<u>Population City of Moreno Valley⁽¹⁾</u>	<u>Population County of Riverside⁽¹⁾</u>	<u>Enrollment in District⁽²⁾</u>
2003-04	41,912	157,355	1,803,742	13,447
2004-05	44,705	165,742	1,882,812	15,346
2005-06	47,326	175,262	1,962,801	17,293
2006-07	50,701	180,603	2,034,840	18,922
2007-08	53,605	183,860	2,088,322	19,547
2008-09	54,323	186,301	2,107,653	19,172

Sources: ⁽¹⁾ California State Department of Finance.

⁽²⁾ District's Statistical Records – October Enrollment for Fiscal Year.

The District's record of Average Daily Attendance ("ADA") since Fiscal Year 2003-04, as well as a projection for 2009-10, are set forth in the table below:

**Val Verde Unified School District
Total Average Daily Attendance**

<u>Fiscal Year</u>	<u>Average Daily Attendance</u>
2003-04	12,889
2004-05	14,686
2005-06	16,428
2006-07	17,756
2007-08	18,329
2008-09	18,273
2009-10*	18,146

* Estimated
Source: The District.

Significant Accounting Policies and Audited Financial Statements

The California State Department of Education imposes by law uniform financial reporting and budgeting requirements for K-12 school districts. Financial transactions are accounted for in accordance with the California School Accounting Manual. Vavrinek, Trine, Day & Co., L.L.P., Rancho Cucamonga, California, serve as independent auditors to the District and their report for Fiscal Year Ended June 30, 2009 are attached hereto as APPENDIX B.

The following tables contain accounting data abstracted from financial statements prepared by the District's independent auditors, Vavrinek, Trine, Day & Co., L.L.P., Rancho Cucamonga, California.

Val Verde Unified School District
Historical Statement of Revenues, Expenditures and Changes
in General Fund Balances
Fiscal Years Ending June 30, 2007 through June 30, 2009

	<u>Fiscal Year</u> <u>2006-07</u>	<u>Fiscal Year</u> <u>2007-08</u>	<u>Fiscal Year</u> <u>2008-09</u>
REVENUES			
Revenue Limit Sources	\$105,822,074	\$112,419,295	
Federal Sources	6,130,284	6,479,650	
Other State Sources	19,385,370	18,291,855	
Other Local Sources	<u>10,036,558</u>	<u>10,999,643</u>	
Total Revenues	\$141,374,286	\$148,190,443	
EXPENDITURES			
Current			
Instruction	\$ 89,001,362	\$ 93,615,283	
Instruction-related Activities:			
Supervision of instruction	2,592,254	2,616,811	
Instructional library, media and technology	1,163,696	1,299,767	
School site administration	10,024,789	10,036,669	
Pupil Services:			
Home-to-school transportation	2,079,425	3,307,037	
Food services	--	109	
All other pupil services	8,618,410	8,659,523	
General administration:			
Data processing	1,365,144	1,598,101	
All other general administration	8,076,517	6,560,124	
Plant services	17,771,010	16,393,177	
Facility acquisition and construction	963	--	
Ancillary Services	1,290,820	1,109,494	
Other outgo	(12,389)	--	
Debt Service			
Principal	1,304,551	230,342	
Interest and Other	<u>75,947</u>	<u>30,877</u>	
Total Expenditures	\$143,352,499	\$145,457,314	
Excess (Deficiency) of Revenues	\$ (1,978,213)	\$ 2,733,129	
Over Expenditures			
Other Financing Sources (Uses)			
Transfer in	7,934,000	1,121,169	
Other sources	--	--	
Transfers out	(3,202,236)	(4,467,290)	
Other uses	--	--	
Net Financing Sources (Uses)	<u>\$ 4,731,764</u>	<u>\$ (3,346,121)</u>	
NET CHANGE IN FUND BALANCE	2,753,551	(612,992)	
Fund Balance – Beginning	<u>4,331,022</u>	<u>7,084,573</u>	
Fund Balance – Ending	<u>\$ 7,084,573</u>	<u>\$ 6,471,581</u>	

Source: Audited Financial Statement of the District.

District Budget

State law requires school districts to maintain a balanced budget in each fiscal year. The State Department of Education imposes a uniform budgeting and accounting format for school districts.

Under current law, a school district governing board must file with the county superintendent of schools a tentative budget by July 1 in each fiscal year and an adopted budget by September 8 of each

fiscal year. After approval of the adopted budget, the school district's administration may submit budget revisions for governing board approval.

School districts in California must also conduct a review of their budgets according to certain standards and criteria established by the State Department of Education. A written explanation must be provided for any element in the budget that does not meet the established standards and criteria. The district superintendent or designee must certify that such a review has been conducted and the certification, together with the budget review checklist and a written narrative, must accompany the budget when it is submitted to the governing board for approval. The balanced budget requirement makes appropriations reductions necessary to offset any revenue shortfalls.

Furthermore, county superintendent of schools offices are required to review district budgets, complete the budget review checklist and conduct an analysis of any budget item that does not meet the established standards. A copy of the completed checklist, together with any comments or recommendations, must be provided to the district and its governing board by November 1. By November 30, every district must have an adopted and approved budget, or the county superintendent of schools will impose one.

Presented on the following page are the District's Adopted Budgets for Fiscal Year 2007-08, 2008-09 and 2009-10. The District adopted its budget for the 2009-10 Fiscal Year on June 30, 2009.

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**Val Verde Unified School District
General Fund Adopted Budgets
Fiscal Year 2007-08 through 2009-10**

	<u>Fiscal Year 2007-08</u>	<u>Fiscal Year 2008-09</u>	<u>Fiscal Year 2009-10</u>
REVENUES:			
Revenue Limit Sources	\$114,781,168	\$113,968,806	\$100,950,688
Federal Revenues	5,991,822	6,396,602	9,055,088
Other State Revenues	14,021,046	13,563,249	11,299,686
Other Local Revenues	<u>9,134,803</u>	<u>8,523,662</u>	<u>9,014,242</u>
Total Revenues	\$143,928,839	\$142,452,319	\$130,319,704
EXPENDITURES:			
Certificated Salaries	\$ 70,419,386	\$ 70,148,677	\$ 64,985,606
Classified Salaries	22,073,707	20,091,571	18,221,952
Employee Benefits	24,923,570	24,587,453	23,046,923
Books and Supplies	10,141,057	9,958,095	7,085,686
Services and Operating Expenditures	15,148,777	15,788,980	17,051,614
Capital Outlay	94,045	28,948	0
Other Outgo	2,258,155	1,307,316	4,897,013
Transfers of Indirect/Direct Support Costs	<u>(681,031)</u>	<u>(574,722)</u>	<u>(524,101)</u>
Total Expenditures	\$144,377,666	\$141,336,268	\$133,874,693
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES:	(448,827)	(1,116,051)	(3,554,489)
OTHER FINANCING SOURCES/(USES):			
Operating Transfers In	0	0	0
Operating Transfers Out	(500,000)	(500,000)	0
Other Sources	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources/(Uses)	\$ (500,000)	\$ (500,000)	\$ 0
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES:	\$ (948,827)	\$ 616,051	\$
FUND BALANCE, BEGINNING OF YEAR:	\$ 5,862,790	\$ 7,517,472	\$ 10,021,078
FUND BALANCE, END OF YEAR:	\$ 4,913,963	\$ 8,133,523	\$ 6,466,590

Source: The District.

Collective Bargaining

The District has concluded negotiations with the Val Verde Teachers Association (“VVTA”) for 2008-09. The District has concluded negotiations with the California School Employees Association (“CSEA,” and together with VVTA, the “Associations”) for 2008-09. The District and the Associations have negotiated a health and welfare benefits cap of \$8,120 for full-time VVTA members and \$8,420 for full-time CSEA members for 2008-09. The District and VVTA and CSEA have agreed not to fund a COLA for 2008-09. Negotiations for 2009-10 are currently underway.

Assessed Valuation

As required by State law, the District utilizes the services of the County for the assessment and collection of taxes for District purposes. District taxes are collected at the same time and on the same tax rolls as are County, City and other special district taxes.

California law exempts \$7,000 of the full cash value of an owner-occupied dwelling, but this exemption does not result in any loss of revenue to local entities, since an amount equivalent to the taxes which would have been payable on such exempt values is paid by the State.

The law provides, among other things, for accelerated recognition and taxation of increases in real property assessed valuation upon change in ownership of property or completion of new construction. Accordingly, each K-12 school district is to receive, on a timely basis and in proportion to its average daily attendance (“ADA”), allocations of revenue from such accelerated taxation remaining after allocations to each redevelopment agency in the county and, in accordance with various apportionment factors, to the county, the county superintendent of schools, each community college district, each city and each special district within the county.

In fiscal year 2009-10, the District’s total net secured and unsecured assessed valuation before accounting for the redevelopment increment is \$5,447,132,180. Shown in the following table is the net assessed valuation of property in the District over the past five fiscal years.

**Val Verde Unified School District
Assessed Valuations
Fiscal Years 2005-06 through 2009-10**

<u>Year</u>	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total Before Redv. Increment</u>	<u>Total After Redv. Increment</u>
2005-06	3,599,964,730	1,386,402	122,545,961	3,723,897,093	3,175,667,074
2006-07	4,965,987,225	1,830,690	168,410,314	5,136,228,229	4,296,103,543
2007-08	6,211,499,405	1,330,306	196,903,682	6,409,733,393	5,187,598,633
2008-09	6,337,202,769	1,330,306	221,015,348	6,559,548,423	5,120,579,034
2009-10	5,246,709,448	- ⁽¹⁾	200,422,732	5,447,132,180	- ⁽¹⁾

⁽¹⁾ Data Unavailable.

Source: California Municipal Statistics, Inc. (fiscal years 2005-06 through 2007-08); County of Riverside, Auditor-Controller’s Office (Fiscal Year 2009-10).

Economic and other factors beyond the District’s control, such as economic recession, deflation of land values, a relocation out of the District or financial difficulty or bankruptcy by one or more major property taxpayers, or the complete or partial destruction of taxable property caused by, among other eventualities, earthquake, flood or other natural disaster, could cause a reduction in the assessed value of

taxable property in the District and, all other factors being equal, necessitate a corresponding increase in the annual tax rate applied with respect to general obligation bonds issued by the District.

Tax Rates, Levies, Collections and Delinquencies

Taxes are levied for each fiscal year on taxable real and personal property as of the preceding February 1. Real property which changes ownership or is newly constructed is revalued at the time the change occurs or the construction is completed. The current year property tax rate is applied to the reassessed value, and the taxes are then adjusted by a proration factor that reflects the portion of the remaining tax year for which taxes are due. The annual tax rate is based on the amount necessary to pay all obligations payable from *ad valorem* taxes and the assessed value of taxable property in a given year. Economic and other factors beyond the District's control, such as a general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, toxic dumping, etc., could cause a reduction in the assessed value of taxable property within the District.

For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing real property the taxes on which are a lien sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year, and become delinquent on December 10 and April 10, respectively. A penalty of ten percent attaches immediately to all delinquent payments. Properties on the secured roll with respect to which taxes are delinquent become tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of a penalty of 1.5% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then may be sold at public auction by the County Treasurer and Tax Collector.

Property taxes on the unsecured roll are due as of the February 1 lien dates and become delinquent on August 31. A ten percent penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5 p.m. on October 31, an additional penalty of 1.5% attaches to them on the first day of each month until paid. The County has four ways of collecting delinquent unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a judgment in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

The Board of Supervisors of the County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 et seq. of the California Revenue and Taxation Code. This alternative method is used for distribution of the *ad valorem* property tax revenues. Under the Teeter Plan, each entity levying property taxes in the County may draw on the amount of uncollected secured taxes credited to its fund, in the same manner as if the amount credited had been collected. The District participates in the Teeter Plan, and thus receives 100% of secured property taxes levied in exchange for foregoing any interest and penalties collected on delinquent taxes.

The Teeter Plan is to remain in effect unless the Board of Supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors shall receive a petition for its discontinuance joined in by resolutions adopted by

two thirds of the participating revenue districts in the County, in which event the Board of Supervisors is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. In the event that the Teeter Plan were terminated, receipt of revenue of *ad valorem* taxes in the District would depend upon the collections of the *ad valorem* property taxes and delinquency rates experienced with respect to the parcels within the District.

So long as the Teeter Plan remains in effect, the District's receipt of revenues with respect to the levy of *ad valorem* property taxes will not be dependent upon actual collections of the *ad valorem* property taxes by the County.

The table below shows the tax rates for Tax Rate Area No. 21-388 of the District for fiscal year 2008-09 and 2009-10.

**VAL VERDE UNIFIED SCHOOL DISTRICT
TYPICAL TOTAL TAX RATE (TRA 21-388)**

	<u>2008-09</u>	<u>2009-10</u>
General Tax Rate	1.00000	1.00000
Val Verde Unified School District	.03189	.04089
Riverside City Community College District	.01254	.01242
Metropolitan Water District	.00430	.00430
Eastern Municipal Water District I.D. U-22	<u>.00700</u>	<u>.03000</u>
Total Tax Rate	1.05573	1.08761

Source: California Municipal Statistics, Inc.

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The following table sets forth the largest local secured taxpayers for fiscal year 2009-10.

**Val Verde Unified School District
Largest 2009-10 Local Secured Taxpayers**

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>Assessed Valuation</u>	<u>Total (1)</u>
1.	Ross Dress for Less Inc.	Industrial	\$ 133,249,266	2.54%
2.	Walgreen Co.	Industrial	131,416,197	2.51
3.	DB Rreef Perris CA Inc.	Industrial	126,266,476	2.41
4.	Lowes HIW Inc.	Industrial	91,637,077	1.75
5.	Ridge Perris I & II	Industrial	83,287,328	1.59
6.	Wachovia Development Corp.	Industrial	75,120,231	1.43
7.	Boulder Springs Venture	Residential Development	70,658,454	1.35
8.	Majestic Freeway Business Center	Industrial	52,064,163	0.99
9.	Knickerbocker Prop Inc.	Apartments	49,451,923	0.94
10.	First Industrial	Industrial	47,549,366	0.91
11.	SP4 Heacock LP	Industrial	47,154,744	0.90
12.	DHL Express USA Inc.	Industrial	43,586,392	0.83
13.	FR Cal 3 Day Street	Vacant	35,292,000	0.67
14.	Centex Homes	Residential Development	32,061,143	0.61
15.	Deutsche Bank National Trust Co.	Residential Properties	29,373,381	0.56
16.	Industrial Prop Fund VIII	Industrial	28,766,731	0.55
17.	Indian Avenue	Industrial	27,182,226	0.52
18.	Moreno Valley Industrial	Industrial	24,290,218	0.46
19.	FR Cal Indian Avenue	Vacant	24,070,354	0.46
20.	CSIP WR Moreno Valley	Industrial	<u>21,840,590</u>	<u>0.42</u>
			<u>\$1,174,318,260</u>	<u>22.40%</u>

(1) 2009-10 Local Secured Assessed Valuation: \$5,242,153,341

Source: California Municipal Statistics, Inc.

Retirement Systems[UPDATE]

The District participates in the State Teachers' Retirement System ("STRS"). This plan basically covers all full-time certificated and some classified District employees. The District's employer contribution to STRS was \$5,689,694 for Fiscal Year 2006-07 \$6,105,060 for Fiscal Year 2007-08, was \$5,935,728 for Fiscal Year 2008-09 and is budgeted to be \$5,407,218 for Fiscal Year 2009-10.

The District also participates in the State Public Employees' Retirement System ("CalPERS"). This plan covers all classified personnel who are employed four or more hours per day. The District's employer contribution to CalPERS was \$2,145,276 for Fiscal Year 2006-07, \$1,983,379 for Fiscal Year 2008-09 and is budgeted to be \$1,931,123 for Fiscal Year 2009-10.

Both CalPERS and STRS are operated on a statewide basis and, based on available information, STRS has unfunded liabilities, while CalPERS has net assets available in excess of total pension/award benefit obligations: (Additional funding of STRS by the State and the inclusion of adjustments to such State contributions based on consumer price changes were provided for in 1979 Statutes, Chapter 282.) The amounts of the pension/award benefit obligation (CalPERS) or actuarially accrued liability (STRS) will vary from time to time depending upon actuarial assumptions, rates of return on investments, salary scales, and levels of contribution. The District is unable to predict what the amount of liabilities will be in the future, or the amount of the contributions which the District may be required to make.

Post Employment Benefits

In June 2004, the Governmental Accounting Standards Board ("GASB") Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*, in June 2004. The pronouncement will require employers providing healthcare benefits to retirees to recognize and account for the costs for providing these benefits on an accrual basis and provide footnote disclosure on the progress toward funding the benefits. The implementation date for this pronouncement will be staggered in three phases based upon the entity's annual revenues, similar to the implementation for GASB Statement No. 34 and 35. GASB Statement No. 45 became effective for the District for the fiscal year ending June 30, 2009.

School districts should establish a reserve fund and annually transfer sufficient funds to this reserve in order to pay for retiree employment benefits other than pensions ("Health & Welfare Benefits"), for the period of time agreed in union contracts. Employees who are eligible to receive Health & Welfare Benefits while in retirement must meet specific criteria, *i.e.*, age and years with the District. Currently certificated criteria are currently 55 years old and 10 years with the District and on July 1, 2011 will change to 60 years old and 15 years with the District. Classified criteria are 55 years old and 10 years with the District. Management criteria are 50 years old and 15 years with the District. At June 30, 2008, 29 employees met those eligibility requirements and the District contributes the COBRA medical rate for the retiree only until age 65. Expenditures for post-employment benefits are currently recognized on a pay-as-you-go basis, as premiums are paid. During fiscal year 2007-08, expenditures of \$127,508 were recognized for retirees' healthcare benefits. Based on an actuarial study completed on February 6, 2007, the District's annual actuarially required contribution is \$726,049. The actuarial study also indicated that the District had an unfunded actuarial accrued liability ("UAAL") of \$4,149,385. In 2006-07, the District deposited \$1,500,000 in an Irrevocable Trust for post-employment benefits and in 2007-08 and 2008-09 the District did not deposit any moneys into such Irrevocable Trust. The Irrevocable Trust had a balance of \$1,377,874 as of June 30, 2009. The District is in the process of determining the impact that the implementation of GASB 45 will have on the government-wide statement of net assets and activities.

Insurance

The District maintains various insurance programs, the majority of which are partially or entirely self-insured, while smaller and/or specialized types of coverage are placed with commercial insurance carriers including excess property coverage for loss due to fire.

The District is a member of the Riverside Schools Risk Management Authority public entity risk pool, a self-insured Joint Powers Authority (JPA) for its Workers' Compensation Program, a member of the Riverside County Insurance Authority self-insured JPA for Property and Liability Insurance, and a member of the Riverside County Employer/Employee Partnership self-insured JPA for Health and Welfare Insurance. The relationships between the District, the pools and the JPAs is such that they are not a component unit of the District for financial reporting purposes.

The District has budgeting and financial reporting requirements independent of member units and their financial statements are not presented in the District's audited financial statements. Fund transactions between the District and the entities are included in the District financial statements. Audited financial statements are available from the respective entities. See APPENDIX B - "VAL VERDE UNIFIED SCHOOL DISTRICT AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2009."

District Debt

Set forth below is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics Inc. and dated January 1, 2010. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representations in connection therewith. The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

The first column in the table identifies each public agency that has outstanding debt as of the date of the report and whose territory overlaps the District in whole or in part. Column 2 shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in column 3, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

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**Val Verde Unified School District
Schedule of Direct and Overlapping Bonded Debt**

2009-10 Assessed Valuation: \$5,442,156,298
 Redevelopment Incremental Valuation: 1,280,922,018
 Adjusted Assessed Valuation: \$4,161,234,280

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 1/1/10</u>
Metropolitan Water District	0.230%	\$ 674,878
Eastern Municipal Water District Improvement District No. U-8	0.058	2,794
Eastern Municipal Water District Improvement District No. U-9	69.423	2,147,253
Eastern Municipal Water District Improvement District No. U-22	44.130	2,191,937
Riverside City Community College District	7.072	9,525,709
Val Verde Unified School District	100.	29,770,000⁽¹⁾
Val Verde Unified School District Community Facilities District	100.	50,678,000
Eastern Municipal Water District Community Facilities District No. 2003-25, Improvement Area D	100.	3,785,000
City of Perris Community Facilities Districts	64.345-100.	111,944,687
County Community Facilities Districts	85.907-100.	<u>21,442,814</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$232,163,072
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Riverside County General Fund Obligations	2.741%	\$ 20,338,123
Riverside County Pension Obligations	2.741	10,473,087
Riverside County Board of Education Certificates of Participation	2.741	198,448
Val Verde Unified School District Certificates of Participation	100.	86,045,000
City of Moreno Valley Certificates of Participation	19.771	<u>15,768,361</u>
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$132,823,019
Less: Riverside County self-supporting obligations		431,740
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$132,391,279
 GROSS COMBINED TOTAL DEBT		
		\$364,986,091⁽²⁾
NET COMBINED TOTAL DEBT		
		\$364,554,351

- (1) Excludes general obligation bonds to be sold.
 (2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2009-10 Assessed Valuation:
Direct Debt (\$29,770,000)0.55%
 Total Overlapping Tax and Assessment Debt4.27%

Ratios to Adjusted Assessed Valuation:
Combined Direct Debt (\$115,815,000)2.78%
 Gross Combined Total Debt8.77%
 Net Combined Total Debt8.76%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/09: \$0

Source: California Municipal Statistics, Inc.

Long-Term Obligations [UPDATE]

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2007</u>	<u>Due in</u> <u>One Year</u>
Certificates of participation					
2005 Series B Refunding	\$63,310,000	\$ -	\$17,810,000	\$45,500,000	\$1,080,000
2006 Series A	31,335,000	-	24,715,000	6,620,000	-
2007 Series A ⁽¹⁾	-	37,625,000	-	37,625,000	-
2007 Series B ⁽¹⁾	-	46,800,000	-	46,800,000	200,000
Capital Leases	1,791,825	-	1,304,551	487,274	230,342
Assessments Payable	-	12,504,792	-	12,504,792	2,251,645
Golden Handshake	<u>350,721</u>	<u>-</u>	<u>29,944</u>	<u>320,777</u>	<u>137,861</u>
	<u>\$96,787,546</u>	<u>\$96,929,792</u>	<u>\$43,859,495</u>	<u>\$149,857,843</u>	<u>\$3,899,848</u>

⁽¹⁾ In July 2007, the District defeased \$35,500,000 in principal amount of 2007 Series A Certificates. The remaining 2007 Series A and 2007 Series B Certificates were prepaid on May 14, 2008 and May 16, 2008, respectively, with the proceeds of the District's Variable Rate Demand Refunding Certificates of Participation, 2008 Series A. Payments of Capital Lease obligations are made in the General Fund. Payments for Golden Handshake are made from the General Fund.
Source: The District.

Assessments Payable [UPDATE]

On September 28, 2007, the State Allocation Board declared assessments payable totaling \$12,504,792 principal amount. At June 30, 2008, the remaining unpaid assessment was \$10,253,147 principal amount.

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest to</u> <u>Maturity</u>	<u>Total</u>
2009	\$ 2,369,923	\$ 538,598	\$ 2,908,521
2010	2,494,415	414,106	2,908,521
2011	2,625,447	283,074	2,908,521
2012	<u>2,763,362</u>	<u>145,159</u>	<u>2,908,521</u>
	<u>\$10,253,147</u>	<u>\$1,380,937</u>	<u>\$11,634,084</u>

Golden Handshake [UPDATE]

In prior years, the District adopted an early retirement incentive program, pursuant to Education Code Section 22714 and 44929, whereby the service credit to eligible employees is increased by two years. As a result of this early retirement incentive program, the District expects to incur \$ ___ in additional costs that will be repaid over three years as follows:

<u>Year Ending</u> <u>June 30,</u>	
2010	\$32,777
2011	
2012	-
Total	\$ -

Bonded Debt – Community Facilities District (CFD) Special Tax Bonds [UPDATE]

The bonds issued by certain Community Facilities Districts established by the District (the "CFD Bonds") are not obligations of the District. The CFD Bonds, the interest thereon, and any premiums on the redemption of any of the CFD Bonds are not an indebtedness of the District, the State of California, or any of its political subdivisions. Neither the faith and credit nor the general taxing power of the CFD, the

District, the County, the State of California, or any political subdivision thereof is pledged to the payment of the CFD Bonds, which are payable from the proceeds of an annual special tax levied on and collected from property within the respective CFDs according to the rate and method of apportionment determined by a formula approved by the qualified electors of the CFDs and by the Board of Education of the District. The CFD Bonds are secured only by a first pledge of all revenues derived from the net special taxes and the moneys deposited in certain funds held under their respective fiscal agent agreements.

<u>CFD</u>	<u>Original Issue</u>	<u>CFD Bonds Outstanding Beginning of 2007-08 Year</u>	<u>Redeemed</u>	<u>CFD Bonds Outstanding End of 2008-09 Year</u>
1998 Series A	\$ 7,180,000	\$ 4,525,000	\$ 495,000	\$ 4,030,000
2003-1 Citation Area No. 1	1,984,000	1,968,000	34,000	1,934,000
2003-2 John Laing Homes	2,975,000	2,875,000	50,000	2,825,000
2003 Refunding	29,450,000	26,785,000	765,000	26,020,000
2003-1 Meritage Area No. 2	2,751,000	2,751,000	46,000	2,705,000
2002-1 Boulder Springs Area A	16,440,000	16,440,000	20,000	16,420,000
		<u>\$55,344,000</u>	<u>\$1,410,000</u>	<u>\$53,934,000</u>

Source: The Underwriter and the Financial Advisor.

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Major Employers

The County is host to a diverse mix of major employers representing industries ranging from manufacturing to hospitals as well as casinos, schools and government offices. The following table lists the major employers within the County.

COUNTY OF RIVERSIDE MAJOR EMPLOYERS 2009

<u>Employer</u>	<u>Product/Service</u>	<u>Number of Employees</u>
Riverside City Council	Government Offices-City, Village & TWP	10,000 plus
Corrections Dept	State Government-Correction Institutions	1,000-4,999
Crossroads Truck Dismantling	Automobile Wrecking (WHLS)	1,000-4,999
Desert Sands Unified School District	Schools	1,000-4,999
Eisenhower Medical Ctr	Hospitals	1,000-4,999
Eisenhower Medical Ctr	Laboratories-Medical	1,000-4,999
Fantasy Springs Resort Casino	Bowling Centers	1,000-4,999
Handsome Rewards	Internet & Catalog Shopping	1,000-4,999
Hemet Valley Medical System	Hospitals	1,000-4,999
Hub International of CA Ins	Insurance	1,000-4,999
JW Marriott-Desert Springs Resort	Hotels & Motels	1,000-4,999
Kaiser Permanente	Physicians & Surgeons	1,000-4,999
La Quinta Resort & Club	Resorts	1,000-4,999
Morongo Casino Resort & Spa	Casinos	1,000-4,999
Mountain & Dunes Golf Courses	Golf Courses-Private	1,000-4,999
Pechanga Development Corp	Casinos	1,000-4,999
Riverside Community Hospital	Hospitals	1,000-4,999
Riverside County Regional Med	Hospitals	1,000-4,999
Riverside Forklift Training	Trucks-Industrial (Wholesale)	1,000-4,999
Robertson's Ready Mix	Concrete-Ready Mixed	1,000-4,999
Starcrest of California	Internet & Catalog Shopping	1,000-4,999
Starcrest Products-California	Gift Shops	1,000-4,999
Sun World Intl LLC	Fruits & Vegetables-Growers & Shippers	1,000-4,999
University of Cal-Riverside	Schools-Universities & Colleges Academic	1,000-4,999
Watson Pharmaceuticals Inc	Marketing Programs-Services	1,000-4,999

Source: California Employment Development Department: Labor Market Information, Major Employers in Other Counties.

Financial Statements

The District's financial statements are prepared on a modified accrual basis of accounting in accordance with generally accepted accounting principles as set forth by the National Council on Governmental Accounting.

Funds and Accounting Groups used by the District are categorized as follows:

Governmental Funds
General Fund
Special Revenue Funds
Capital Projects Funds

Fiduciary Funds
Expendable Trust Funds

Account Group
General Long-Term Debt Account Group

Proprietary Fund
Internal Service Funds

The General Fund of the District, as shown herein, is a combined fund comprised of moneys which are unrestricted and available to finance the legally authorized activities of the District not financed by restricted funds and moneys which are restricted to specific types of programs or purposes. General Fund revenues shown thereon are derived from such sources as taxes, aid from other government agencies, charges for current services and other revenue.

The financial statements included herein were prepared by the District using information from the Annual Financial Reports which are prepared by the Directors of Accounting for the District and audited by independent certified public accountants each year. The District's audited financial statements for the year ended June 30, 2007 are attached hereto as APPENDIX B. Copies of the audited report are available from the District upon request to the District at the District offices; a fee may be imposed for copying, shipping and handling.

Budgets of District

The fiscal year of the District begins on the first day of July of each year and ends on the 30th day of June of the following year. The District adopts on or before July 1 of each year a fiscal line-item budget setting forth expenditures in priority sequence so that appropriations during the fiscal year can be adjusted if revenues do not meet projections.

The District is required by provisions of the California Education Code to maintain a balanced budget each year, where the sum of expenditures plus the ending fund balance cannot exceed the revenues plus the carry-over fund balance from the previous year. The California State Department of Education imposes a uniform budgeting format for each school district in the State.

State Emergency Loan Program

The California Education Code provides that a school district which determines during a fiscal year that its revenues are less than the amount necessary to meet its current year expenditure obligations may request an emergency apportionment from the State through the State Superintendent of Public Instruction (the "State Superintendent") subject to certain conditions.

The District is not currently participating in the emergency loan program.

FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA

Major Revenues

The Treasurer and Tax Collector of the County of Riverside (the "Treasurer") manages, in accordance with California Government Code Section 53600 *et seq.*, funds deposited with the Treasurer by County school and community college districts, various special districts and some cities. State law generally requires that all moneys of the County, school districts and certain special districts be held in the County's Treasury Pool as described below. The composition and value of investments under

management in the Treasury Pool vary from time to time, depending on cash flow needs of the County and the other public agencies invested in the Treasury Pool, the maturity or sale of investments, purchase of new securities and fluctuations in interest rates generally.

School district principal revenues consist of guaranteed State moneys, *ad valorem* property taxes and funds received from the State in the form of categorical aid under ongoing programs of local assistance. All State aid is subject to the appropriation of funds in the State's annual budget. Decreases in State revenues may affect appropriations made by the legislature to the school district.

Each school district receives a portion of the local property taxes that are collected within its district boundaries. This amount is compared to the total revenue limit; the balance is received in the form of state aid. Therefore, the sum of the property taxes and state aid equal the district's revenue limit. Districts which receive the minimum amount of state aid are known as "Basic Aid" districts.

School districts in the State have historically received most of their income under a formula known as the State revenue limit. This apportionment, which is funded by State general fund moneys and local property taxes (and in the case of community college districts, certain other local revenues), is allocated to the school districts based on the ADA of the school districts for either the current or preceding school year. Generally, such apportionments will amount to the difference between the school district's revenue limit and the district's local property tax allocation. Revenue limit calculations are adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type (*i.e.*, all unified school districts, all high school districts or all elementary school districts).

A small part of a school district's budget is from local sources other than property taxes, such as interest income, donations and sales of property. The rest of a school district's budget comes from categorical funds provided exclusively by the State and federal government. These funds are to be used for specific programs and typically cannot be used for any other purpose. The California lottery is another source of funding for school districts, providing approximately 3% of a school district's budget. Every school district receives the same amount of lottery funds per pupil from the State; however, these are not categorical funds as they are not for particular programs or children. The initiative authorizing the lottery mandates the funds be used for instructional purposes, and prohibits their use for capital purposes.

The State revenue limit was first instituted in 1973-74 to provide a mechanism to calculate the amount of general purpose revenue a school district is entitled to receive from state and local sources. Prior to 1973-74, taxpayers in districts with low property values per pupil paid higher tax rates than taxpayers in districts with high property values per pupil. However, despite higher tax rates, less was spent per pupil in districts with low property values per pupil than districts with high property values per pupil. Thus, the State revenue limit helps to alleviate the inequities between the two types of districts.

The State revenue limit is calculated three times a year for each school district. The first calculation is performed for the February 20th First Principal Apportionment, the second calculation for the June 25th Second Principal Apportionment, and the final calculation for the end of the year Annual Principal Apportionment. Calculations are reviewed by the county and submitted to the State Department of Education to review the calculations for accuracy, calculate the amount of state aid owed to such school district and notify the State Controller of the amount, who then distributes the state aid.

The calculation of the amount of state aid a school district is entitled to receive each year is basically a five-step process. First, the prior year State revenue limit per ADA is established, with recalculations as are necessary for adjustments for equalization or other factors. Second, the adjusted prior year state revenue limit per ADA is inflated according to formulas based on the implicit price deflator for government goods and services and the statewide average State revenue limit per ADA for school districts. Third, the current year's State revenue limit per ADA for each school district is

multiplied by such school district's ADA for either the current or prior year. Fourth, revenue limit additions are calculated for each school district if such school district qualified for the additions. Add-ons include the necessary small school district adjustments, meals for needy pupils and small school district transportation, and are added to the State revenue limit for each qualifying school district. Finally, local property tax revenues are deducted from the State revenue limit to arrive at the amount of state aid based on the State revenue limit to which each school district is entitled for the current year.

Ad Valorem Property Taxes

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1, effective with the lien date of January 1, 1997. However, upon a change in ownership of property or completion of new construction, State law permits an accelerated recognition and taxation of increases in real property assessed valuation (known as a "floating lien date"). For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed property secured by a lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

The County levies a 1% property tax on behalf of all taxing agencies in the County. The taxes collected are allocated on the basis of a formula established by State law enacted in 1979. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of "situs" growth in assessed value (new construction, change of ownership, inflation) prorated among the jurisdictions which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county-wide or less than city-wide special and school districts. In addition, the County levies and collects additional approved property taxes and assessments on behalf of any taxing agency within the County.

Property taxes on the secured roll are due in two installments, on November 1 and February 1. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a ten percent penalty attaches to any delinquent payment. In addition, property on the secured roll secured by the assessee's fee ownership of land with respect to which taxes are delinquent is declared tax-defaulted on or about June 30. Those properties on the secured roll that become tax-defaulted on June 30 of the fiscal year that are not secured by the assessee's fee ownership of land are transferred to the unsecured roll and are then subject to the Treasurer's enforcement procedures (*i.e.*, seizures of money and property, liens and judgments). Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus costs and redemption penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted property is subject to sale by the Treasurer.

Property taxes on the unsecured roll are currently due as of the January 1 lien date prior to the commencement of a fiscal year and become delinquent, if unpaid, on August 31. A ten percent penalty attaches to delinquent taxes on property on the unsecured roll and an additional penalty of one and one-half percent per month begins to accrue on November 1. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for recordation in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements, bank accounts or possessory interests belonging or assessed to the taxpayer.

Proposition 98

General. In 1988, California voters approved Proposition 98, an initiative that amended Article XVI of the State Constitution and provided specific procedures to determine a minimum guarantee

for annual grade kindergarten to 14 ("K-14") funding. The constitutional provision links the K-14 funding formulas to growth factors that are also used to compute the State appropriations limit. Proposition 111 (Senate Constitutional Amendment 1), adopted in June 1990, among other things, revised certain funding provisions of Proposition 98 relating to the treatment of revenues in excess of the State spending limit and added a third funding "test" to calculate the annual funding guarantee. This third calculation is operative in years in which general fund tax revenue growth is weak. The amendment also specified that under Test 2 (see below), the annual cost of living adjustment ("COLA") for the minimum guarantee would be the change in California's per-capita personal income, which is the same COLA used to make annual adjustments to the State appropriations limit (Article XIII B).

Calculating Minimum Funding Guarantee. There are currently three tests which determine the minimum level of K-14 funding. Test 1 guarantees that K-14 education will receive at least the same funding share of the State general fund budget it received in 1986-87. Initially, that share was just over 40 percent. Because of the major shifts of property tax from local government to community colleges and K-12 which began in 1992-93 and increased in 1993-94, the percentage dropped to 33.0%.

Under implementing legislation (AB 198 and SB 98 of 1989), each segment of public education (K-12 districts, community college districts, and direct elementary and secondary level instructional services provided by the State of California) has separately calculated amounts under the Proposition 98 tests. The base year for the separate calculations is 1989-90. Each year, each segment is entitled to the greater of the amounts separately computed for each under Test 1 or 2. Should the calculated amount Proposition 98 guarantee (K-14 aggregated) be less than the sum of the separate calculations, then the Proposition 98 guarantee amount shall be prorated to the three segments in proportion to the amount calculated for each. This statutory split has been suspended in every year beginning with 1992-93. In those years, community colleges received less than was required from the statutory split.

Test 2 provides that K-14 education will receive as a minimum, its prior-year total funding (including State general fund and local revenues) adjusted for enrollment growth ("ADA") and per-capita personal income COLA.

A third formula, established pursuant to Proposition 111 as "Test 3," provides an alternative calculation of the funding base in years in which State per-capita General Fund revenues grow more slowly than per-capita personal income. When this condition exists, K-14 minimum funding is determined based on the prior-year funding level, adjusted for changes in enrollment and COLA where the COLA is measured by the annual increase in per-capita general fund revenues, instead of the higher per-capita personal income factor. The total allocation, however, is increased by an amount equal to one-half of one percent of the prior-year funding level as a funding supplement.

In order to make up for the lower funding level under Test 3, in subsequent years K-14 education receives a maintenance allowance equal to the difference between what should have been provided if the revenue conditions had not been weak and what was actually received under the Test 3 formula. This maintenance allowance is paid in subsequent years when the growth in per-capita State tax revenue outpaces the growth in per-capita personal income.

The enabling legislation to Proposition 111, Chapter 60, Statutes of 1990, (SB 88, Garamendi), further provides that K-14 education shall receive a supplemental appropriation in a Test 3 year if the annual growth rate in non-Proposition 98 per-capita appropriations exceeds the annual growth rate in per-pupil total spending.

State Assistance

The following discussion of the California State budget has been obtained from publicly available information which the District believes to be reliable; however neither District nor the Underwriter

guaranty the accuracy or completeness of this information and have not independently verified such information. *Additional information regarding State budgets is available at various State-maintained websites, including www.dof.ca.gov.* These websites are not incorporated herein by reference and neither the District nor the Underwriter make any representation as to the accuracy of the information provided therein.

Budget Reform and 2009 Budget Act. On November 6, 2008, the Governor called a special session of the State Legislature and announced a plan to address a projected revenue shortfall for fiscal year 2008-09, estimated as of December 10, 2008 to be approximately \$14.8 billion, as well as substantial shortfalls in future fiscal years. This legislative special session ended without a resolution. Coinciding with the swearing-in of the new Legislature on December 1, 2008, the Governor declared a fiscal emergency for the State, allowing him to call several Proposition 58 legislative special sessions to address the shortfall.

On February 19, 2009, the State Legislature passed a budget-balancing reform signed by Governor Schwarzenegger on February 20, 2009 (the "2009 Budget Act"), intended to close the State's projected \$41.6 billion deficit through June of 2010. The 2009 Budget Act enacted nearly five months ahead of the constitutional deadline, along with a number of accompanying measures, was designed to reduce the deficit forecasts and to achieve budget solutions for both the 2008-09 and 2009-10 fiscal years. The Department of Finance has reported that California's chronic and cyclic budget crises are largely attributable to the use of higher than normal revenues to create permanent, ongoing spending commitments and tax cuts. The 2009 Budget Act and accompanying legislation are designed to end this cycle by preventing government from spending revenue above the long-term trend line and by creating a substantial Rainy Day fund of up to 12.5 percent of General Fund revenue for use only during times when revenue is insufficient to fund a moderate, population-and-inflation-based growth in spending. Certain of these reforms, to be effective, were required to be approved as constitutional amendments by qualified voters voting at an election on May 19, 2009. See "May Revision to 2009 Budget Act" below.

Features of the 2009 Budget Act and accompanying legislation as they pertain to education funding and programs include the following:

- **Proposition 98 Reduction.** An expenditure reduction of \$8.4 billion in Proposition 98 funding included in the 2009 Budget Act reflected the reduction in the Proposition 98 minimum guarantee that resulted from the severe decline in General Fund revenues. In order to protect classroom funding during the financial downturn, the 2009 Budget Act included \$3.24 billion of deferrals from the 2008-09 fiscal year to July of the 2009-10 fiscal year from school district revenue limits, K-3 class size reduction and community college apportionment payments.
- **Allocation of Proposition 98 Funding.** The 2009 Budget Act contained reductions and changes in the way the total Proposition 98 funding was allocated to various programs: (a) eliminated the \$286.9 million cost-of-living adjustment (COLA) included in the 2008 Budget Act; (b) reduced \$943.8 million to school district and county office of education revenue limits in 2008-09, and made an additional reduction to revenue limits of \$267.5 million in 2009-10; and (c) reduced \$1,211.3 million from most all K-12 categorical programs, which consisted of a reduction of \$943.8 million in 2008-09, and an additional reduction of \$267.5 million in 2009-10. In order to increase school districts' flexibility to accommodate these reductions, the 2009 Budget Act provided 100-percent flexibility for 42 of the 61 categorical programs.
- **Long-term Funding for Education.** The severe decline in the State's General Fund revenues impacted K-14 funding by dramatically reducing the Proposition 98 guarantee. In the long term, given the manner in which Proposition 98 is tied to General Fund

revenues, the guarantee would return to historical levels. The 2009 Budget Act recognized the need to plan for this transition over a number of years by scheduling increases in K-14 funding as part of the budget reform package. This mechanism used one-half of the annual 3-percent General Fund transfer into the "Rainy Day" fund to provide education over a period of several years.

- **Educational Categorical Flexibility.** To assist school districts manage their budgets during these economic times, the 2009 Budget Act and accompanying legislation provided relief in connection with 42 categorical programs. This flexibility was provided through fiscal year 2012-13, allowing school districts to shift funds to meet their highest priority needs. In addition, 2009 Budget Act and accompanying legislation proposed to significantly reduce the penalties associated with K-3 Class Size Reduction through 2011-12, allowing districts to retain up to 70 percent of funding if pupil-to-teacher ratios increase more than 25 to 1, which provided greater local flexibility. This proposal did not include programs that are protected under federal law or that were approved through a voter initiative. The most notable programs in this category included Special Education, Child Nutrition, Child Care and the After School Education and Safety Program.
- **Higher Education.** The \$793.8 million reduction in higher education funding reflected: (a) an ongoing reduction beginning in the current year to achieve the 10-percent reduction initially proposed in the Governor's Proposed 2008-09 Budget (\$132.2 million in both years), (b) elimination of the Higher Education Compact-related increases scheduled for the budget year (\$427.6 million), (c) elimination of the anticipated budget year increase to restart state contributions to University of California's retirement system (\$95.7 million) including legislative elimination of the proposed \$20 million partial year start-up proposed by the Administration, and (d) legislative elimination of proposed new cohorts of nursing and medical enrollments for the budget year (\$6.1 million). The 2009 Budget Act included unallocated reductions, through a veto, of \$255 million each from the University of California and California State University. The additional reductions were offset by funding intended for restoration from the State Fiscal Stabilization Fund under the Federal American Recovery and Reinvestment Act of 2009.

Additional reductions featured in the 2009 Budget Act and accompanying legislation in other programs included reductions in Medi-Cal and Supplemental Security Income/State Supplementary Payment spending, California Work Opportunities and Responsibility to Kids programs, certain other mental health and health and human services programs, as well as reductions in State employee compensation. Legislation accompanying the 2009 Budget Act included measures designed to help stimulate the State's economy through changes in the manner in which corporate taxes are calculated, a temporary new job creation credit for small businesses under personal income and corporate tax laws, a trailer bill creating a home buyers' credit against personal income tax liability, and measures to authorize state and local transportation agencies to seek private sector financing to build transportation projects in addition to those financed with public funds.

May Revision to the 2009 Budget Act. On May 14, 2009, the office of the Governor proposed its May revision to the 2009 Budget Act (the "May Revision"). The May Revision proposed additional solutions to address growing revenue losses and expenditure increases experienced by the State since the passage of the 2009 Budget Act. The May Revision projected that, absent corrective action, State expenditures would exceed revenues by approximately \$15.4 billion through the current fiscal year and fiscal year 2009-10. To address this projected deficit, the May Revision proposed \$2 billion in expenditure reductions and revenue increases for fiscal year 2008-09 and \$12.5 billion of such solutions for fiscal year 2009-10, coupled with a \$889 million reduction to the \$2.1 billion reserve approved as part of the 2009 Budget Act. With respect to K-12 education funding, the proposed solutions included reductions in Proposition 98 funding of \$1 billion fiscal year 2008-09 and \$2 billion in fiscal year

2009-10. The May Revision also acknowledged that the 2009 Budget Act included approximately \$6 billion of solutions subject to voter approval at the May 19, 2009 special election, including the securitization of future State Lottery revenues and diversion of tax revenues to general fund purposes that were previously dedicated by voter initiative to childhood development and mental health services. However, on May 19, 2009, five of the six proposed Statewide ballot measures failed to pass. Failure to secure voter approval for these measures increased the projected deficit by the amount of approximately \$6 billion. Accordingly, in response to worsening revenue projections and the May 19, 2009 special election results, the May Revision proposed the following budgetary measures, among numerous others:

Revenues: the acceleration of state income tax withholding (\$1.7 billion) and personal and corporation estimated tax payments (\$610 million) and sale of a portion of the State Compensation Insurance Fund (\$1.0 billion).

Expenditures: a reduction to K-14 education funding (Proposition 98) by \$1.5 billion in 2008-09 and by \$2.97 billion in 2009-10 and a reduction of \$1.02 billion from 2008-09 California State University and University of California funding. A deferral of K-14 education funding of \$115 million from the fiscal year 2008-09 to fiscal year 2009-10 and a deferral of K-14 education funding of \$1.7 billion from fiscal year 2009-10 to fiscal year 2010-11.

Borrowing: diversion of \$1.98 billion in local property tax revenues to the State, to be repaid within three years under Proposition 1A of 2004.

Additional changes included spending cuts, revenue enhancements, and shifting revenues and expenditures between programs. On May 26, 2009, the Governor released an update to the May Revision that included an additional \$5.5 billion in spending reductions, and on May 29, 2009, the Governor released a further update to the May Revision that included an additional \$2.8 billion in budget solutions, including a reduction of \$680 million in Proposition 98 appropriations in fiscal year 2009-10 if revenues do not meet a certain threshold. For further details regarding the May Revision, please see the summary thereof published by the California State Department of Finance (the "May Revision Report"). The May Revision Report may be found at www.dof.ca.gov. This website is not incorporated herein by reference and neither the District nor the Underwriter makes any representation as to the accuracy of the information provided therein.

LAO Overview of May Revision. The LAO pointed out that the May Revision proposals included major spending reductions and efforts for long-term State efficiencies and savings and that by acting promptly, rejecting the Governor's revenue anticipation warrants proposal, and reducing reliance on certain of the Governor's proposals, the State Legislature could return the budget to balance, prevent another State cash crunch, and preserve core funding for what it deems to be the State's long-term priorities. To accomplish these goals, the LAO believes that the State Legislature must cut lower-priority programs substantially or eliminate them and, to address significant budget deficits forecast in future years, the State Legislature also needs to begin work on measures that further improve the efficiency of State services in future fiscal years. With regard to K-14 education, the following features were included in the May Revision:

Minimum Guarantee for K-14 Education. From levels assumed in February 2009, the administration estimated that the Proposition 98 minimum guarantee had fallen by \$1.6 billion in 2008-09 and \$3.8 billion in 2009-10. The Governor's May Revision reduced Proposition 98 funding in both years to these lower levels.

Additional Cuts to K-14 Education. The largest current-year proposal in the May Revision was a \$1.3 billion decrease in general purpose funding for K-12 school districts, a revenue limit reduction of 3.7 percent (for a total cut of 6.4 percent when combined with earlier 2008-09 reductions). The May Revision provided for revenue limits to be reduced an additional \$387 million in 2009-10 (for a total cut

of 8.1 percent when combined with earlier reductions). For California Community Colleges ("CCC"), the May Revision reduced support for categorical programs by \$85 million in 2008-09 and an additional \$249 million in 2009-10, equating to a cumulative reduction of almost 50 percent. In addition, for 2009-10, the administration proposed to reduce enrollment growth from 3 percent to 1 percent (\$127 million savings) and lowered the funding rate for recreational courses (\$120 million savings).

Additional Deferrals. The May Revision included two additional K-14 deferrals. Under the administration's plan, \$115 million in 2008-09 community college apportionment payments would be deferred until 2009-10 and \$1.7 billion in 2009-10 K-12 revenue limits payments would be deferred until 2010-11. These deferrals represented approximately one-third of the administration's proposed May Revision K-14 solutions.

Additional Flexibility. To assist school districts and CCCs in responding to the 2009 Budget Act, the May Revision included two major new flexibility proposals. For K-12 school districts, the administration proposed changing state law to provide school districts with the option of reducing instructional time the equivalent of up to 7.5 days a year for the next three years. For CCCs, the administration proposed to consolidate the vast majority of the existing 22 CCC categorical programs into a block grant (similar to the "flex item" created for K-12 school districts in the 2009 Budget Act). Under the block grant approach, community colleges no longer would need to adhere to underlying requirements with respect to financial allocations. They would have discretion to shift funding among existing categorical programs or away from these programs to other priorities.

Federal Stimulus Funding. The May Revision reduced funding for K-12 education by \$2.8 billion and CCC by \$820 million over the 2008-09 and 2009-10 period. These program reductions would be mitigated by the federal economic stimulus funding available to the State. For K-12 education, the State would receive approximately \$6.3 billion in federal stimulus funding over this period. As a result, compared to the February 2009 funding level, K-12 funding, on average, would increase by about \$600 per pupil. Compared to the earlier September 2008-09 Budget Act level, however, per pupil K-12 funding would fall by about \$250, or roughly 3 percent. The impact on a particular district would depend on the amount of federal stimulus funding it receives. As some stimulus funding (such as Title I funding) is not distributed to every district, programmatic effects would vary across districts. Under the May Revision, CCCs would also receive a small amount of federal stimulus funding to partially mitigate proposed cuts.

Community College Fees. The LAO notes that the Federal government recently expanded the tax credits available to CCC students and that by increasing CCC fees, the State could take advantage of this federal aid and mitigate hundreds of millions of dollars of the Governor's proposed reductions without substantially affecting most students and their families.

LAO Recommendations. In connection with the Proposition 98 proposal set forth in the May Revision, the LAO recommended the State Legislature achieve the same level of General Fund savings as the May Revision by reducing spending to the minimum guarantee. Yet, to achieve these savings, the LAO recommended making more targeted reductions based on the merits of individual programs and avoiding additional deferrals. In addition, the LAO recommended the State Legislature work with the Governor to explore additional flexibility options. The LAO believed the May Revision missed several opportunities to eliminate existing programs that are duplicative, inefficient, ineffective, or over-budgeted, and that approximately ten existing categorical programs fall into this category (as well as many education mandates). For example, the LAO recommended the State Legislature eliminate a childcare extended day and the California Technology Assistance Project, among others. The LAO pointed out that the May Revision includes \$1.8 billion in new K-14 deferrals which, together with already existing K-14 deferrals, provides that the State would be deferring \$6.3 billion in K-14 payments from 2009-10 into 2010-11. Accordingly, the LAO suggested that the administration was expecting school districts to run a program in 2009-10 that the State could not afford and that another sizeable

deferral could make many districts, especially small districts with small cash cushions, more susceptible to becoming insolvent. Moreover, the LAO advised against planning for deferrals even before a fiscal year has begun.

While the LAO believed that the Governor's estimate of the budget problem that needed to be addressed, namely the \$21.3 billion projected deficit, was reasonable, the LAO's updated estimates of General Fund revenues and expenditures differed somewhat from the administration's, indicating that the problem may be larger by about \$3 billion. In March 2009, the LAO projected that the State faced huge operating shortfalls in future years even after the adoption of the 2009 Budget Act. The LAO estimated that the May Revision proposals would leave the General Fund with an imbalance between resources and expenditures of greater than \$15 billion in 2010-11, with the annual shortfall rising even more in the subsequent three fiscal years. A complete copy of the LAO overview of the May Revision is posted by the Office of the Legislative Analyst at www.lao.ca.gov. This website is not incorporated herein by reference and neither the District nor the Underwriter make any representation as to the accuracy of the information provided therein.

Revised 2009-10 Budget. On July 29, 2009, Governor Schwarzenegger signed a package of bills (the "Revised 2009-10 Budget") that revised the 2009 Budget Act. The 2009 Budget Act included \$36 billion in budgetary measures at a time when the General Fund budget gap was estimated to be \$42 billion. The Revised 2009-10 Budget includes an additional \$24 billion to address the further deterioration of the State's fiscal situation as identified in the May Revision. The \$60 billion Revised 2009-10 Budget addresses the largest budget gap faced by the State, both in dollar amount and in the percent of General Fund revenues it represents. The largest contributor to the budget gap is the reduction in the baseline revenue forecast for fiscal years 2008-09 and 2009-10. This reduction is due in large part to the economic recession. In May 2008, the Department of Finance forecasted the output of the State's economy (as measured by personal income) to be \$1.589 trillion in 2008, \$1.655 trillion in 2009 and \$1.739 trillion in 2010.

Key components of the Revised 2009-10 Budget pertaining to K-12 education include the following:

Proposition 98. While Proposition 98's minimum education funding guarantee was not suspended in the Revised 2009-2010 Budget, it includes a reduction of \$1.6 billion from Proposition 98 in the fiscal year ended June 30, 2009, which in turn reduced the funding base for fiscal year 2009-10. The Revised 2009-10 Budget also recognizes a maintenance factor of \$11.2 billion that would restore funding to schools in future years. The total reduction in Proposition 98 funding in fiscal years 2008-09 and 2009-10 is \$5.7 billion, which is in addition to cuts made in September, 2008 and in February, 2009, including \$1.6 billion in fiscal year 2008-09 school funding for schools that was appropriated but not received by K-12 school districts or county offices of education; \$2.4 billion from fiscal year 2009-10 general purpose spending for local educational agencies; and \$1.7 billion in revenues that have been deferred from fiscal year 2009-10 into fiscal year 2010-11.

Class Size Reduction. The Revised 2009-10 Budget includes reduced penalties associated with K-3 Class Size Reduction, allowing school districts to retain up to 70 percent of funding if pupil-to-teacher ratios increase more than 25 to 1. Classroom funding has also been preserved to some extent in fiscal year 2009-10 by measures including \$1.8 billion in payments are deferred from the 2009-10 fiscal year to August of the 2010-11 fiscal year from school district revenue limits and community college apportionments and \$850 million in General Fund savings achieved by transferring additional property tax funding to schools.

Quality Education Investment Act. The Revised 2009-10 Budget includes \$450 million in federal funds to be set aside to backfill a reduced appropriation for K-12 schools that receive funding under the

Quality Education Investment Act; that amounts to an even deeper cut, since that money will not be available for its intended purpose of assisting high-priority schools.

Cash Deferrals. Due to State cash flow shortfalls, approximately \$2 billion in K-12 payments for 2009-10 will be moved from scheduled payment dates in the first few months of the 2009-10 fiscal year to December of 2009 and January of 2010. In addition, the payment schedule for K-12 apportionment funding and categorical funding will be revised to distribute five percent of total payments in each of July and August and nine percent in each of the remaining months. This will allow for an even distribution of funding to schools and more predictable outflows from the state General Fund.

School Year. The Revised 2009-10 Budget package also authorizes school districts to reduce the school year from 180 days to 175, allowing each district to make this reduction in the school year.

Instructional Materials. The Revised 2009-10 Budget includes a four-year suspension of the requirement for school districts to purchase instructional materials within 24 months of adoption of those materials by the State Board of Education.

Basic Aid Districts. The Revised 2009-10 Budget reduces categorical programs to basic aid school districts by \$80 million.

LAO Overview of Revised 2009-10 Budget and LAO Five-Year Forecast. The LAO issued its overview of the Revised 2009-10 Budget on October 6, 2009. After considering both the February and July 2009 budget packages (including the Governor's line-item vetoes), the LAO noted that the 2009-10 State spending plan included total State budget expenditures of \$110 billion from the General Fund and special funds and that spending from these funds in fiscal year 2009-10 is projected to be \$20 billion, 15 percent less than in fiscal year 2007-08. In addition, the LAO pointed out that the Revised 2009-10 Budget assumed spending from bond funds of nearly \$10 billion as the State continues to allocate moneys from the \$43 billion bond package approved at the November 2006 election and that while State expenditures decline in fiscal year 2009-10, Federal funds spending will increase dramatically (the Federal stimulus funding provided by the American Recovery and Reinvestment Act ("ARRA") being largely responsible for the increase in spending from Federal funds from \$56 billion in fiscal year 2007-08 to \$77 billion in fiscal year 2008-09 and an estimated fiscal year \$94 billion in fiscal year 2009-10).

On November 18, 2009, the LAO released its five-year fiscal forecast for California which suggests that the State's budget problems will outlast the current recession and projects that the State faces a \$21 billion eighteen-month budget deficit, a shortfall mostly attributable to optimistic revenue projections in the 2009 Budget Act, failed budget solutions, such as selling the State Comp Insurance Fund, higher than expected prison costs, expiration of temporary tax increases and implementation of new tax cuts, an increase in the Proposition 98 funding guarantee by \$1 billion in fiscal year 2009-10 and 'sunsetting' of State fiscal stabilization funds from the Federal government. The LAO projects that fiscal year 2010-11 will be a "flat" revenue year for the State, although \$5 billion in temporary taxes will sunset, and while fiscal year 2011-12 should see an organic increase in revenues of \$5.5 billion, \$9 billion in temporary taxes will expire, causing a net reduction in State revenues. This reduction in revenues, combined with required repayments to local governments and workload increases, creates a sustained budget problem for the State that reduces any hope that the State will recover without very significant further cuts or increased taxes.

With regard to K-14 education, for fiscal year 2009-10, the LAO projects an increase in the Proposition 98 minimum guarantee of approximately \$1 billion above the July, 2009 budget appropriation. In fiscal years 2010-11 and 2011-12, the LAO projects consecutive years of decline in the Proposition 98 funding requirement and recommends options for the State to address the increase in fiscal year 2009-10 Minimum Guarantee including suspension of the Proposition 98 minimum guarantee and maintaining the existing funding level which would achieve \$1 billion in fiscal year 2009-10 budget

savings. Assuming the State fully funds the Proposition 98 minimum guarantee in fiscal year 2009–10, the LAO projects a small decrease in the funding requirement in fiscal year 2010–11, with a larger drop in fiscal year 2011–12, largely a result of projected declines in State revenues due to the phase-out of the temporary tax increases adopted as part of the February, 2009, budget agreement. The LAO points out that reductions to education spending in fiscal years 2008–09 and 2009–10 were tempered by the flow of \$6 billion in federal funding from the ARRA, which helped prevent additional reductions to school district budgets. The LAO believes that if the State funds K-14 education at the minimum level in fiscal years 2010–11 and 2011–12 and does not “backfill” these ARRA funds, K-14 districts will face even more difficulty as they experience decreases in Federal funding.

A complete copy of the Revised 2009-10 Budget is posted at www.ebudget.ca.gov. This website is not incorporated herein by reference and neither the District nor the Underwriter make any representation as to the accuracy of the information provided therein. In addition, it is impossible for the District to predict what further actions might be taken by the State Legislature and the Governor to address the State's very severe budget challenges or to determine the exact impact the current budget or any such actions will have on the District or on State revenues available for the District's purposes.

Future State Budgets. Under State law, the State Legislature is required to adopt its budget by June 15 of each year for the upcoming fiscal year, with approval by the Governor to occur on June 30. The State Legislature failed to pass a State budget for fiscal year 2008-09 until September 23, 2008. Accordingly, State payments were held until the 2008-09 State Budget was adopted, including those scheduled to be made to school districts under Proposition 98 and receipt of State categorical funds by the District were delayed until the State budget was adopted for the 2008-09 fiscal year. The events leading to the inability of the State Legislature to pass a budget in a timely fashion are not unique, and the District cannot predict what circumstances may cause a similar failure in future years. In each year where the State budget lags adoption of the District's budget, it will be necessary for the District's staff to review the consequences of the changes, if any, at the State level from the proposals in the Governor's May Revision for that year, and determine whether the District's budget will have to be revised.

The State has in past years experienced budgetary difficulties and has balanced its budget by requiring local political subdivisions to fund certain costs theretofore borne by the State. No prediction can be made as to whether the State will take further measures which would, in turn, adversely affect the District. Further State actions taken to address its budgetary difficulties could have the effect of reducing District support indirectly, and the District is unable to predict the nature, extent or effect of such reductions.

The District cannot predict whether the State will continue to encounter budgetary difficulties in the current or future fiscal years. The District also cannot predict the impact future State Budgets will have on District finances and operations or what actions the State Legislature and the Governor may take to respond to changing State revenues and expenditures. Current and future State Budgets will be affected by national and State economic conditions and other factors which the District cannot control.

In addition, the District cannot predict the effect that the general economic conditions within the State and the State's budgetary problems may have in the future on the District budget or operations.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIII A of the California Constitution. Article XIII A of the California Constitution limits the amount of any *ad valorem* tax on real property, to one percent of the full cash value thereof, except

that additional *ad valorem* taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness. Article XIII A defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment." The full cash value may be increased at a rate not to exceed two percent per year to account for inflation.

Article XIII A has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster and in other minor or technical ways.

Legislation Implementing Article XIII A. Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The one percent property tax is automatically levied by the County and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1989.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the two percent annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "status." Any such allocation made to a local agency continues as part of its allocation in future years.

Article XIII B of the California Constitution. In 1979, an initiative added Article XIII B to the State Constitution ("Article XIII B"). Under Article XIII B, the State and each local governmental entity has an annual "appropriations limit" and is not permitted to spend certain moneys that are called "appropriations subject to limitation" (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the appropriations limit. Article XIII B does not affect the appropriations of moneys that are excluded from the definition of "appropriations subject to limitation," including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the appropriations limit is to be based on certain 1978-79 expenditures, and is to be adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIII B, if these entities' revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years. However, in the event that a school district's revenues exceed its spending limit, the district may, in any fiscal year, increase its appropriations limit to equal its spending by borrowing appropriations limit from the State, provided the State has sufficient excess appropriations limit in such year.

Article XIII C and Article XIII D of the California Constitution. The so-called "Right to Vote on Taxes Act" ("Proposition 218") was approved by the voters in 1996. Proposition 218 added Articles XIII C and XIII D to the State Constitution, which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges. Among other things, Article XIII C establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes); prohibits special purpose government agencies such as school districts from levying general taxes; and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote. Article XIII C also provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIII A of the California Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4.

Article XIIC also provides that the initiative power shall not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. The State Constitution and the laws of the State impose a mandatory, statutory duty on a county treasurer-tax collector to levy a property tax sufficient to pay debt service on general obligation bonds coming due in each year. The initiative power cannot be used to reduce or repeal the authority and obligation to levy such taxes which are pledged as security for payment of general obligation bonds or to otherwise interfere with performance of the mandatory, statutory duty of the District and the County with respect to such taxes which are pledged as security for payment of the general obligation bonds. Legislation adopted in 1997 provides that Article XIIC shall not be construed to mean that any owner or beneficial owner of a municipal security assumes the risk of or consents to any initiative measure which would constitute an impairment of contractual rights under the contracts clause of the U.S. Constitution.

Article XIID deals with assessments and property-related fees and charges. Article XIID explicitly provides that nothing in Article XIIC or XIID shall be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development; however it is not clear whether the initiative power is therefore unavailable to repeal or reduce developer and mitigation fees imposed by the District. Developer fees imposed by the District are neither pledged nor available to pay the Certificates.

Proposition 62. In 1986, California voters adopted Proposition 62, a statutory initiative which amended the California Government Code by the addition of Sections 53720-53730. Proposition 62 requires that (i) any local tax for general governmental purposes (a "general tax") must be approved by a majority vote of the electorate; (ii) any local tax for specific purposes (a "special tax") must be approved by a two-thirds vote of the electorate; (iii) any general tax must be proposed for a vote by two-thirds of the legislative body; and (iv) proceeds of any tax imposed in violation of the vote requirements must be deducted from the local agency's property tax allocation. Provisions applying Proposition 62 retroactively from its effective date to 1985 are unlikely to be of any continuing importance; certain other restrictions were already contained in the Constitution.

Most of the provisions of Proposition 62 were affirmed by the 1995 California Supreme Court decision in *Santa Clara County Local Transportation Authority v. Guardino*, which invalidated a special sales tax for transportation purposes because fewer than two-thirds of the voters voting on the measure had approved the tax. Following the California Supreme Court's decision upholding Proposition 62, several actions were filed challenging taxes imposed by public agencies since the adoption of Proposition 62, which was passed in November 1986. On June 4, 2001, the California Supreme Court released its decision in one of these cases, *Howard Jarvis Taxpayers Association v. City of La Habra, et al.* ("La Habra"). In this case, the court held that public agency's continued imposition and collection of a tax is an ongoing violation, upon which the statute of limitations period begins anew with each collection. The court also held that, unless another statute or constitutional rule provided differently, the statute of limitations for challenges to taxes subject to Proposition 62 is three years. Accordingly, a challenge to a tax subject to Proposition 62 may only be made for those taxes received within three years of the date the action is brought.

Although by its terms, Proposition 62 applies to school districts, the District has not experienced any substantive adverse financial impact as a result of the passage of this initiative or the Santa Clara or La Habra decisions and believes that any impact experienced by the District will not adversely effect the ability of the District to make payments with respect to the Certificates.

Proposition 98. In 1988, California voters approved Proposition 98, a combined initiative, constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act"). The Accountability Act changed State funding of public education below the university level, and the operation of the State's Appropriations Limit, primarily by

guaranteeing State funding for K-12 school districts and community college districts (collectively, "K-14 districts").

Under Proposition 98 (as modified by Proposition 111, which was enacted on June 5, 1990), K-14 districts are guaranteed the greater of (a) in general, a fixed percent of the State's General Fund (the "State General Fund") revenues ("Test 1"), (b) the amount appropriated to K-14 schools in the prior year, adjusted for changes in the cost-of-living (measured as in Article XIII B by reference to State per capita personal income) and enrollment ("Test 2"), or (c) a third test, which would replace Test 2 in any year when the percentage growth in per capita State General Fund revenues from the prior year plus one-half of one percent is less than the percentage growth in State per capita personal income ("Test 3"). Under Test 3, schools would receive the amount appropriated in the prior year adjusted for changes in enrollment and per capita State General Fund revenues, plus an additional small adjustment factor. If Test 3 is used in any year, the difference between Test 3 and Test 2 would become a "credit" to schools which would be the basis of payments in future years when per capita State General Fund revenue growth exceeds per capita personal income growth. Legislation adopted prior to the end of the 1988-89 fiscal year, implementing Proposition 98, determined the K-14 districts' funding guarantee under Test 1 to be 40.3% of the State General Fund tax revenues, based on 1986-87 appropriations. However, that percentage has been adjusted to 35% to account for a subsequent redirection of local property taxes whereby a greater proportion of education funding now comes from local property taxes.

Proposition 98 permits the State Legislature by a two-thirds vote of both houses, with the Governor's concurrence, to suspend the K-14 districts' minimum funding formula for a one-year period. In the fall of 1989, the Legislature and the Governor utilized this provision to avoid having 40.3% of revenues generated by a special supplemental sales tax enacted for earthquake relief go to K-14 districts. Proposition 98 also contains provisions transferring certain State tax revenues in excess of the Article XIII B limit to K-14 districts.

Application of Proposition 98. The application of Proposition 98 and other statutory regulations has become increasingly difficult to predict accurately in recent years. One major reason is that Proposition 98 minimum funding levels under Test 1 and Test 2 are dependent on State General Fund revenues. In past fiscal years, the State made actual allocations to K-14 districts based on an assumption of State General Fund revenues at a level above that which was ultimately realized. In such years, the State has considered the amounts appropriated above the minimum as a loan to K-14 districts, and has deducted the value of these loans from future years' estimated Proposition 98 minimum funding levels. The State determined that there were loans to K-14 districts of \$1.3 billion during fiscal year 1990-91, \$1.1 billion during fiscal year 1991-92, \$1.3 billion during fiscal year 1992-93 and \$787 million during fiscal year 1993-94. These loans have been combined with the K-14 1992-93 loans into one loan totaling \$1.760 billion. The State proposed that repayment of this loan would be from future years' Proposition 98 entitlements, and would be conditioned on maintaining current funding levels per pupil for K-12 schools.

In 1992, a lawsuit, *California Teachers' Association et al. v. Gould*, was filed, which challenged the validity of the off-budget loans. As part of the negotiations leading to the 1995-96 Budget Act, an agreement was reached to settle this case. The agreement provides that both the State and K-14 districts share in the repayment of prior years' emergency loans to schools. Of the total \$1.76 billion in loans, the State will repay \$935 million, while K-14 districts will repay \$825 million. The State share of the repayment will be reflected as expenditures above the current Proposition 98 base calculation. The K-14 districts' share of the repayment will count as appropriations that count toward satisfying the Proposition 98 guarantee, and thus are treated as from "below" the current base. Repayments are spread over the eight-year period of 1994-95 through 2001-02 to mitigate any adverse fiscal impact. In April 1996, a court settlement was reached and \$360 million in appropriations from the 1995-96 fiscal year was disbursed to districts in August 1996.

Substantially increased State General Fund revenues, above initial budget projections, in the fiscal years 1994-95 and thereafter have resulted or will result in retroactive increases in Proposition 98 appropriations from subsequent fiscal years' budgets. Because of the State's increasing revenues, per-pupil funding at the K-12 level has increased by about 42% from the level in place from 1991-92 through 1993-94. A significant amount of the "extra" Proposition 98 moneys in the last few years has been allocated to special programs, most particularly an initiative to allow each classroom from grades K-3 to have no more than 20 pupils by the end of the 1997-98 school year. There are also new initiatives to improve reading skills and to upgrade technology in high schools, as well as numerous programs approved by the State Budget Act for Fiscal Year 1999-2000 and proposed for Fiscal Year 2001-02. The economy of the State has slowed and the State is experiencing severe budget shortfalls. For a discussion of State funding of the District, see "FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA" herein.

Proposition 39. On November 7, 2000, California voters approved Proposition 39, called the "Smaller Classes, Safer Schools and Financial Accountability Act" (the "Smaller Classes Act") which amends Section 1 of Article XIII A, Section 18 of Article XVI of the California Constitution and Section 47614 of the California Education Code and allows an alternative means of seeking voter approval for bonded indebtedness by 55 percent of the vote, rather than the two-thirds majority required under Section 18 of Article XVI of the Constitution. The 55 percent voter requirement applies only if the bond measure submitted to the voters includes, among other items: (1) a restriction that the proceeds of the bonds may be used for "the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities," (2) a list of projects to be funded and a certification that the school district board has evaluated "safety, class size reduction, and information technology needs in developing that list" and (3) that annual, independent performance and financial audits will be conducted regarding the expenditure and use of the bond proceeds.

Section 1(b)(3) of Article XIII A has been added to except from the one percent *ad valorem* tax limitation under Section 1(a) of Article XIII A of the Constitution levies to pay bonds approved by the 55 percent of the voters, subject to the restrictions explained above.

The Legislature enacted AB 1908, Chapter 44, which became effective upon passage of Proposition 39 and amends various sections of the Education Code. Under amendments to Section 15268 and 15270 of the Education Code, the following limits on *ad valorem* taxes apply in any single election: (1) for a school district, indebtedness shall not exceed \$30 per \$100,000 of taxable property, (2) for a unified school district, indebtedness shall not exceed \$60 per \$100,000 of taxable property, and (3) for a community college district, indebtedness shall not exceed \$25 per \$100,000 of taxable property. Finally, AB 1908 requires that a citizens' oversight committee must be appointed who will review the use of the bond funds and inform the public about their proper usage.

Proposition 1A. Proposition 1A (SCA 4), proposed by the Legislature in connection with the 2004-05 Budget Act and approved by the voters in November 2004, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the State Legislature. Proposition 1A provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses of the State Legislature and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the Vehicle

License Fee rate from 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning June 1, 2009, to suspend State mandates affecting cities, counties and special districts, schools or community colleges, excepting mandates relating to employee rights, in any year that the State does not fully reimburse local governments for their costs of compliance with such mandates.

Future Initiatives. Article XIII A, Article XIII B, Article XIII C, Article XIII D and Propositions 62, 98 and 39 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting District revenues or the District's ability to expend revenues.

THE RIVERSIDE COUNTY POOLED SURPLUS INVESTMENTS

The following information concerning the Riverside County Pooled Surplus Investments Fund has been provided by the Treasurer and Tax Collector of Riverside County and has not been confirmed or verified by the District nor the Underwriter. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date.

The Treasurer and Tax Collector (the "Treasurer") of Riverside County has the delegated authority to invest funds on deposit in the County Treasury (the "Treasury Pool"). As of September, 2009, investments in the Treasury Pool were held for local agencies including school districts, community college districts, special districts and discretionary depositors such as cities and independent districts.

Decisions on the investment of funds in the Treasury Pool are made by the County Investment Officer in accordance with established policy, with certain transactions requiring the Treasurer's prior approval. Riverside County investment decisions are governed by California Government Code Section 53601, *et seq.*, which governs legal investments by local agencies in the State of California, and by an Investment Policy developed by the Treasurer and adopted by the Riverside County Board of Supervisors on an annual basis.

The Treasurer prepares a monthly Report of Investments (the "Investment Report") summarizing the status of the Treasury Pool, including the current market value of all investments. This report is submitted monthly to the Board of Supervisors for formal action to approve it. According to the Investment Report prepared for September 30, 2009, the September 30, 2009 book value of the Treasury Pool was approximately \$5.19 billion and the corresponding market value was approximately \$5.22 billion.

An internal controls system for monitoring cash accounting and investment practices is in place. The Treasurer's Compliance Auditor, who operates independently from the Investment Officer, reconciles cash and investments to fund balances daily. This office also reviews each investment trade for accuracy and compliance with the Board-adopted Investment Policy. The County Auditor-Controller's Office performs similar cash and investment reconciliations on a quarterly basis and regularly reviews investment transactions for conformance with the approved policies. Additionally, the County's outside independent auditor annually accounts for all investments.

As of September 30, 2009, approximately 4.30% of the pool investments were scheduled to mature between 30 and 90 days, with a weighted average maturity of 1.04 years for the entire portfolio. The following table identifies the types of securities held by the Treasury Pool as of September 30, 2009.

<u>Type of Investment</u>	<u>Amount</u>
Federal Agency	\$3,754,884,960
Cash Equivalent and Money Market Funds	703,946,000
Commercial Paper	--
Negotiable CD's	--
Medium Term Notes	292,234,602
Municipal Bonds	117,910,322
Certificates of Deposit	--
Bond - U.S. Treasury	<u>250,779,500</u>
Local Agency Obligations	<u>102,309,000</u>
Total:	\$5,222,064,384

Effective January 1, 1996, Section 27131 of the Government Code required all counties investing surplus funds to establish a County Treasury Oversight Committee. The Board of Supervisors approved the establishment of an oversight committee in accordance with that Section. The Committee is required to review and monitor for compliance the investment policies prepared by the Treasurer.

LEGAL MATTERS

The legal opinion of Fulbright & Jaworski L.L.P., Bond Counsel to the District attesting to the validity of the Bonds, will be supplied to the original purchasers of the Bonds without charge. Bond Counsel will receive compensation contingent upon the sale and delivery of the Bonds. Fulbright & Jaworski L.L.P. is also serving as Disclosure Counsel to the District.

TAX MATTERS

The delivery of the Bonds is subject to delivery of the opinion of Bond Counsel, to the effect that interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Bonds (the "Code"), of the owners thereof pursuant to section 103 of the Code, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof. The delivery of the Bonds is also subject to the delivery of the opinion of Bond Counsel, based upon existing provisions of the laws of the State of California that interest on the Bonds is exempt from personal income taxes of the State of California. The form of Bond Counsel's anticipated opinion is included as APPENDIX A. The statutes, regulations, rulings, and court decisions on which such opinions will be based are subject to change.

In rendering the foregoing opinions, Bond Counsel will rely upon the representations and certifications of the District made in a certificate of even date with the initial delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance with the provisions of the Resolution by the District subsequent to the issuance of the Bonds. The Tax Certificate contains covenants by the District with respect to, among other matters, the use of the proceeds of the Bonds and the facilities and equipment financed or refinanced therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, if required, the calculation and payment to the United States Treasury of any "arbitrage profits" and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, State or local tax consequences under present law, or proposed legislation, resulting from the

receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, Owners of an interest in a financial asset securitization investment trust, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the District described above. No ruling has been sought from the Internal Revenue Service (the "Service") or the State of California with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the Service or the State of California. The Service has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures, the Service is likely to treat the District as the "taxpayer," and the Owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the District may have different or conflicting interests from the Owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Tax Accounting Treatment of Discount and Premium on Certain Bonds

The initial public offering of certain of the Bonds (the "Discount Bonds") may be less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. Such original issue discount accruing on a Discount Bond is treated as interest excluded from the gross income of the owner thereof for federal income tax purposes and exempt from California personal income tax. Original issue discount on any Discount Bond purchased at such initial offering price and pursuant to such initial offering will accrue on a semiannual basis over the term of the Discount Bond on the basis of a constant yield method and, within each semiannual period, will accrue on a ratable daily basis. The amount of original issue discount on such a Bond accruing during each period is added to the adjusted basis of such Discount Bond to determine taxable gain upon disposition (including sale, redemption or payment on maturity) of such Discount Bond. The Code includes certain provisions relating to the accrual of original issue discount in the case of purchasers of the Discount Bonds who purchase the Discount Bonds other than at the initial offering price and pursuant to the initial offering. Any person considering purchasing a Discount Bond should consult his or her own tax advisors with respect to the tax consequences of ownership of bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering and at the original offering price, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such bonds under federal individual and corporate alternative minimum taxes.

The initial offering price (as furnished by the Underwriter) of certain Bonds (the "Premium Bonds"), may be greater than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that at least ten percent of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year

by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity. Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium with respect to the Premium Bonds for federal income purposes and with respect to the state and local tax consequences of owning Premium Bonds.

CONTINUING DISCLOSURE

In accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission, the District will enter into a Continuing Disclosure Agreement on or prior to the sale of the Bonds in which the District will undertake (the "Continuing Disclosure Agreement"), for the benefit of the beneficial Owners of the Bonds, to provide audited financial statements of the District and certain other information to Municipal Securities Rulemaking Board, or any other repository then recognized by the Securities and Exchange Commission, at the times and in the manner set forth in the Continuing Disclosure Agreement. The District was late in filing its annual report for certain fiscal years with respect to its previous continuing disclosure undertakings, but has subsequently filed all required portions of such reports and is now current on all filings required pursuant to its previous continuing disclosure undertakings. The form of Continuing Disclosure Agreement is attached to this Official Statement as APPENDIX C.

LEGALITY FOR INVESTMENT

Under provisions of the California Financial Code, the Bonds are legal investments for commercial banks in California to the extent that the Bonds, in the informed opinion of the investing bank, are prudent for the investment of funds of depositors. Under provisions of the California Government Code, the Bonds are eligible to secure deposits of public moneys in California.

RATING

Standard & Poor's, a Division of McGraw-Hill Companies ("S&P") has assigned its municipal bond rating of "___" to the Bonds. Such rating reflects only the views of the rating agency, and any explanation of the significance of such rating may be obtained as follows: Standard & Poor's, a Division of McGraw-Hill Companies, 55 Water Street, 45th Floor, New York, New York 10041. There can be no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

UNDERWRITING

The Bonds are being purchased by Piper Jaffray & Co. (the "Underwriter"). The Underwriter has agreed, subject to certain conditions, to purchase the Bonds at a purchase price of \$ _____ (reflecting an aggregate principal amount of \$ _____, plus original issue premium of \$ _____, less an Underwriter's discount of \$ _____, less \$ _____ for payment of certain costs of issuance). The purchase contract provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the purchase agreement, the approval of certain legal matters by counsel and certain other conditions.

The Underwriter may offer and sell the Bonds to certain dealers and others at prices or yields lower than the offering prices or yields stated on the inside cover page. The offering prices may be changed from time to time by the Underwriter.

NO LITIGATION

No litigation is pending concerning the validity of the Bonds, and the District's certificate to that effect will be furnished to purchasers at the time of the original delivery of the Bonds. No litigation is pending and the District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the District's ability to receive *ad valorem* taxes or to collect other revenues or contesting the District's ability to issue the Bonds or to pay the principal and interest thereon.

OTHER INFORMATION

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statements of the contents thereof. Copies of the Resolution are available upon request from the Superintendent, Val Verde Unified School District, 975 West Morgan Street, Perris, California 92571. The District may impose a fee for copying, mailing and handling.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not be construed as a contract or agreement between the District and the purchasers or owners of any of the Bonds.

The execution and delivery of this Official Statement has been duly authorized by the District.

VAL VERDE UNIFIED SCHOOL DISTRICT

By: _____
Superintendent

APPENDIX A

FORM OF BOND COUNSEL OPINION

February __, 2010

Board of Supervisors
County of Riverside
County Administrative Center
4080 Lemon Street
Riverside, California 92510

Board of Education
Val Verde Unified School District
975 West Morgan Street
Perris, California 92571

Re: \$ _____ Val Verde Unified School District General Obligation Bonds,
2008 Election, 2010 Series B

Ladies and Gentlemen:

We have acted as bond counsel for the Val Verde Unified School District, County of Riverside, State of California (the "District"), in connection with the issuance by the Board of Supervisors of the County of Riverside (the "County Board") of \$ _____ aggregate principal amount of the District's General Obligation Bonds, 2008 Election, 2010 Series B (the "Bonds"), in the name and on behalf of the District. The Bonds are issued pursuant to Title 1, Division 1, Part 10, Chapter 1 of the Education Code of the State of California (commencing at Section 15264), as amended, that certain resolution adopted by the Board of Education of the District on January __, 2010 (the "District Resolution") and that certain resolution adopted by the County Board on January __, 2010 (the "Bond Resolution," and together with the District Resolution, the "Resolutions"). All terms used herein and not otherwise defined shall have the meanings given to them in the Resolutions.

As bond counsel, we have examined copies certified to us as being true and complete copies of the proceedings of the District for the authorization and issuance of the Bonds, including the Resolution and the Tax Exemption Certificate of the District, dated the date hereof (the "Tax Certificate"). Our services as bond counsel were limited to an examination of such proceedings and to the rendering of the opinions set forth below. In this connection, we have also examined such certificates of public officials and officers of the District as we have considered necessary for the purposes of this opinion.

Certain agreements, requirements and procedures contained or referred to in the Resolutions, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, defeasance of Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our

engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by any parties other than the District. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolutions and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Resolutions and the Tax Certificate may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public entities in the State of California. We express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the foregoing documents. We express no opinion and make no comment with respect to the sufficiency of the security or the marketability of the Bonds. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute valid and binding obligations of the District, payable as to principal and interest from the proceeds of a levy of *ad valorem* taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.

2. The District Resolution has been duly adopted and constitutes a valid and binding obligation of the District.

3. The County Resolution has been duly adopted and constitutes a valid and binding obligation of the County.

4. It is further our opinion, based upon the foregoing, that pursuant to section 103 of the Internal Revenue Code of 1986, as amended and in effect on the date hereof (the "Code"), and existing regulations, published rulings, and court decisions thereunder, and assuming continuing compliance with the provisions of the Resolution and in reliance upon representations and certifications of the District made in the Tax Certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Bonds, when the Bonds are delivered to and paid for by the initial purchasers thereof, interest on the Bonds (1) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof.

In our opinion, under existing law, interest on the Bonds is exempt from personal income taxes of the State of California.

We express no other opinion with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain S corporations with subchapter C earnings and profits, certain foreign corporations doing business in the United States, owners of an interest in a

FASIT, individuals otherwise qualifying for the earned income tax credit, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Respectfully submitted,

APPENDIX B

VAL VERDE UNIFIED SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2009

APPENDIX C

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "Disclosure Agreement") is executed and delivered by the Val Verde Unified School District (the "District") in connection with the execution and delivery of \$_____ aggregate principal amount of the District's General Obligation Bonds, 2010 Election, 2008 Series B (the "Bonds"). The Bonds are being issued pursuant to a resolution adopted by the Board of Supervisors of the County of Riverside on January __, 2010 (the "County Resolution"). Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the County Resolution.

In consideration of the execution and delivery of the Bonds by the District and the purchase of such Bonds by the Underwriter described below, the District hereby covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the District for the benefit of the Bondholders and in order to assist Piper Jaffray & Co. (the "Underwriter") in complying with Rule 15c2-12(b)(5) (the "Rule") adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

SECTION 2. Additional Definitions. In addition to the above definitions and the definitions set forth in the County Resolution, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 4 and 5 of this Disclosure Agreement.

"Bondholder" or "Holder" means any holder of the Bonds or any beneficial owner of the Bonds so long as they are immobilized with DTC.

"Designated Material Event" means any of the events listed in Section 6(a) of this Disclosure Agreement.

"Dissemination Agent" shall mean any Dissemination Agent, or any alternate or successor Dissemination Agent, designated in writing by the Superintendent (or otherwise by the District), which Agent has evidenced its acceptance in writing. Initially, and in the absence of the specific designation of a successor or alternate Dissemination Agent, the Dissemination Agent shall be U.S. Bank National Association.

"Material Events Disclosure" means dissemination of a notice of a Material Event as set forth in Section 6.

"MSRB" shall mean the Municipal Securities Rulemaking Board, through its electronic municipal market access system, which can be found at <http://emma.msrb.org/>, or any repository of disclosure information that may be designated by the Securities and Exchange Commission for purposes of the Rule.

"Repository" shall mean the MSRB.

SECTION 3. CUSIP Numbers and Final Official Statement. The CUSIP Numbers for the Bonds have been assigned. The Final Official Statement relating to the Bonds is dated _____, 2009 ("Final Official Statement").

SECTION 4. Provision of Annual Reports.

(a) The District shall cause the Dissemination Agent, not later than 240 days after the end of the District's fiscal year (currently ending June 30), commencing with the report for the fiscal year ending June 30, 2010, to provide to each Repository an Annual Report which is consistent with the requirements of Section 5 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 5 of this Disclosure Agreement; provided that the audited financial statements of the District may be submitted, when and if available, separately from the balance of the relevant Annual Report.

(b) If the District is unable to provide to the Repositories an Annual Report by the date required in paragraph (a) above, the District shall send a notice to each Repository in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine the name and address of each Repository each year prior to the date established hereunder for providing the Annual Report; and

(ii) if the Dissemination Agent is other than the District or an official of the District, the Dissemination Agent shall file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 5. Content of Annual Report. The District's Annual Report shall contain or incorporate by reference the following:

(a) Financial information including the general purpose financial statements of the District for the preceding Fiscal Year, prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. If audited financial information is not available by the time the Annual Report is required to be filed pursuant to Section 4(a) hereof, the financial information included in the Annual Report may be unaudited, and the District will provide audited financial information to each Repository as soon as practical after it has been made available to the District.

(b) Operating data, including the following information with respect to the District's preceding Fiscal Year (to the extent not included in the audited financial statements described in paragraph (a) above):

(i) Outstanding indebtedness and lease obligations;

(ii) General fund budget and actual results;

(iii) Enrollment and revenue limit information, or equivalent information, as may be reasonably available;

(iv) Assessed valuations; and

(v) Largest local secured taxpayers.

(c) Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the MSRB or to the Securities and Exchange Commission. If the document

incorporated by reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each other document so incorporated by reference.

SECTION 6. Reporting of Designated Material Events.

(a) The District agrees to provide or cause to be provided, in a timely manner to the MSRB notice of the following events with respect to the Bonds, if material:

- (i) Principal, Accreted Value and interest payment delinquencies.
- (ii) Nonpayment-related defaults.
- (iii) Unscheduled draws on any debt service reserves reflecting financial difficulties.
- (iv) Unscheduled draws on any credit enhancements reflecting financial difficulties.
- (v) Substitution of or failure to perform by any credit provider.
- (vi) Adverse tax opinions or events affecting the tax-exempt status of the Bonds.
- (vii) Modifications to rights of security holders.
- (viii) Bond calls (other than mandatory, scheduled redemptions, not otherwise contingent upon the occurrence of an event).
- (ix) Defeasances.
- (x) Release, substitution or sale of any property securing the repayment of the Bonds.
- (xi) Rating changes.

SECTION 7. Termination of Reporting; Obligation. The District's obligations under this Disclosure Agreement shall terminate when the District is no longer an obligated person with respect to the Bonds, as provided in the Rule, upon the defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 8. Dissemination Agent. The Superintendent may, from time to time, appoint or engage an alternate or successor Dissemination Agent to assist in carrying out the District's obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

The Dissemination Agent shall be entitled to the protections, limitations from liability, immunities and indemnities provided to the Paying Agent as set forth in the County Resolution which are incorporated by reference herein. The Dissemination Agent agrees to perform only those duties of the Dissemination Agent specifically set forth in the Agreement, and no implied duties, covenants or obligations shall be read into this Agreement against the Dissemination Agent.

The Dissemination Agent shall have no duty or obligation to review the Annual Report nor shall the Dissemination Agent be responsible for filing any Annual Report not provided to it by the District in a timely manner in a form suitable for filing. In accepting the appointment under this Agreement, the Dissemination Agent is not acting in a fiduciary capacity to the registered holders or beneficial owners of the Bonds, the District, or any other party or person.

The Dissemination Agent may consult with counsel of its choice and shall be protected in any action taken or not taken by it in accordance with the advice or opinion of such counsel. No provision of this Agreement shall require the Dissemination Agent to risk or advance or expend its own funds or incur any financial liability. The Dissemination Agent shall have the right to resign from its duties as Dissemination Agent under this Agreement upon thirty days' written notice to the District. The Dissemination Agent shall be entitled to compensation for its services as Dissemination Agent and reimbursement for its out-of-pocket expenses, attorney's fees, costs and advances made or incurred in the performance of its duties under this Agreement in accordance with its written fee schedule provided to the District, as such fee schedule may be amended from time to time in writing. The District agrees to indemnify and hold the Dissemination Agent harmless from and against any cost, claim, expense, cost or liability related to or arising from the acceptance of and performance of the duties of the Dissemination Agent hereunder, provided the Dissemination Agent shall not be indemnified to the extent of its willful misconduct or negligence. The obligations of the District under this Section shall survive the termination or discharge of this Agreement and the Bonds.

SECTION 9. Amendment. Notwithstanding any other provision of this Disclosure Agreement, the District may amend this Disclosure Agreement under the following conditions provided no amendment to this Agreement shall be made that affects the rights, duties or obligations of the Dissemination Agent without its written consent:

(a) The amendment may be made only in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the obligated person, or type of business conducted;

(b) This Disclosure Agreement, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment does not materially impair the interests of Holders, as determined either by parties unaffiliated with the District or another obligated person (such as the Bond Counsel) or by the written approval of the Bondholders; provided, that the Annual Report containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

SECTION 10. Additional Information. If the District chooses to include any information from any document or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Agreement, the District shall have no obligation under this Disclosure Agreement to update such information or to include it in any future disclosure or notice of occurrence of a Designated Material Event.

Nothing in this Disclosure Agreement shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Designated Material Event, in addition to that which is required by this Disclosure Agreement.

SECTION 11. Default. The District shall give notice to the MSRB of any failure to provide the Annual Report when the same is due hereunder, which notice shall be given prior to July 1 of that year. In the event of a failure of the District to comply with any provision of this Disclosure Agreement, any Bondholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an event of

default under the County Resolution, and the sole remedy under this Disclosure Agreement in the event of any failure of the District to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the District, the Dissemination Agent, the Underwriter and Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. Governing Law. This Disclosure Agreement shall be governed by the laws of the State, applicable to contracts made and performed in such State.

Dated: _____, 2010

VAL VERDE UNIFIED SCHOOL DISTRICT

By: _____

Alan Jensen, Ed.D.
Superintendent

ACCEPTED:

U.S. BANK NATIONAL ASSOCIATION,
as Dissemination Agent

By: _____

Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Val Verde Unified School District

Name of Issue: \$ _____ General Obligation Bonds, 2008 Election, 2010 Series B

Date of Issuance: _____, 2010

NOTICE IS HEREBY GIVEN that the above-named Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 4(a) of the Continuing Disclosure Agreement dated _____, 2010. The Issuer anticipates that the Annual Report will be filed by _____.

Dated: _____

[ISSUER/DISSEMINATION AGENT]

By: _____

APPENDIX D

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedure" of DTC to be followed in dealing with DTC Participants are on file with DTC.

General

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. *The foregoing internet addresses are included for reference only, and the information on these internet sites is not incorporated by reference herein.*

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of

the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District (or the Paying Agent on behalf thereof) as soon as possible after the Record Date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Principal, Maturity Value, premium, if any, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, Maturity Value, premium, if any, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). Discontinuance of use of the system of book-entry transfers through

DTC may require the approval of DTC Participants under DTC's operational arrangements. In that event, printed certificates for the Bonds will be printed and delivered.

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Discontinuation of Book-Entry Only System; Payment to Beneficial Owners

In the event that the book-entry system described above is no longer used with respect to the Bonds, the following provisions will govern the payment, transfer and exchange of the Bonds.

The principal, Maturity Value of the Bonds and any premium and interest upon the redemption thereof prior to the maturity will be payable in lawful money of the United States of America upon presentation and surrender of the Bonds at the office of the Paying Agent, initially located in Los Angeles, California. Interest on the Bonds will be paid by the Paying Agent by check or draft mailed to the person whose name appears on the registration books of the Paying Agent as the registered owner, and to that person's address appearing on the registration books as of the close of business on the Record Date. At the written request of any registered owner of at least \$1,000,000 in aggregate principal, payments shall be wired to a bank and account number on file with the Paying Agent as of the Record Date.

Any Bond may be exchanged for Bonds of any authorized denomination upon presentation and surrender at the office of the Paying Agent, initially located in Los Angeles, California, together with a request for exchange signed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred only on the Bond registration books upon presentation and surrender of the Bond at such office of the Paying Agent together with an assignment executed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent shall complete, authenticate and deliver a new Bond or Bonds of any authorized denomination or denominations requested by the owner equal in the aggregate to the unmaturing principal amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

Neither the District nor the Paying Agent will be required to exchange or transfer any Bond during the period from the Record Date through the next Interest Payment Date.