

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

153
A



FROM: Don Kent, Treasurer-Tax Collector

SUBMITTAL DATE:
April 10, 2014

SUBJECT: Resolution No. 2014-095 – Val Verde Unified School District Fiscal Year 2013-2014 Tax and Revenue Anticipation Notes, Series A (Vote on Separately) District 5/5 [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Approve and adopt Resolution No. 2014-095 providing for the issuance and sale of Tax and Revenue Anticipation Notes for the Val Verde Unified School district (the "District") in a principal amount not to exceed \$23,000,000.

BACKGROUND:

Summary

Government Code Section 53853 provides that a school district's tax and revenue anticipation notes are to be issued by the Board of Supervisors of Riverside County when the Riverside County Superintendent of Schools has jurisdiction over that district. The Riverside County Superintendent of Schools has jurisdiction over the District, therefore the District has requested, by resolution, that the Board of Supervisors issue Val Verde Unified School District Fiscal Year 2013-2014 Tax and Revenue Anticipation Notes, Series A on behalf of the District. The District requests the issuance of the Notes to fund its short-term operating cash requirements during the 2013-2014 fiscal year. (Continued on Page 2.)

Don Kent
Treasurer-Tax Collector

FORM APPROVED COUNTY COUNSEL
BY: DALE A. GARDNER DATE: 4/17/14
Departmental Concurrence

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost:	POLICY/CONSENT (per Exec. Office)
COST	\$ 0	\$ 0	\$ 0	\$ 0	Consent <input type="checkbox"/> Policy <input checked="" type="checkbox"/>
NET COUNTY COST	\$ 0	\$ 0	\$ 0	\$ 0	

SOURCE OF FUNDS: N/a

Budget Adjustment: No
For Fiscal Year: 2013-2014

C.E.O. RECOMMENDATION:

APPROVE

BY:

Karen L. Johnson

County Executive Office Signature

MINUTES OF THE BOARD OF SUPERVISORS

- Positions Added
- Change Order
- A-30
- 4/5 Vote

Prev. Agn. Ref.:

District: 5/5

Agenda Number:

3-76

**SUBMITTAL TO THE BOARD OF SUPERVISORS, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA
FORM 11: Resolution No. 2014-095 – Val Verde Unified School District Fiscal Year 2013-2014 Tax
and Revenue Anticipation Notes, Series A (Vote on Separately)**

DATE: April 10, 2014

PAGE: 2 of 2

BACKGROUND:

Summary (continued)

Resolution No. 2014-095 authorizes the issuance and sale of Val Verde Unified School District 2013-2014 Tax and Revenue Anticipation Notes, Series A in a principal amount not to exceed \$23,000,000. Issuance of the Notes will provide funds for the District to meet Fiscal Year 2013-2014 general fund expenditures. While expenditures generally occur evenly throughout the fiscal year, cash receipts occur unevenly. As a result, the general fund cash balance, absent Note proceeds, tends to show a deficit during parts of the fiscal year. The Notes are being issued to solve that cash flow problem.

The District has pledged certain of its unrestricted revenues to be received or accrued during the 2013-2014 fiscal year for the repayment of the Notes. When issued, the notes will represent a general obligation of the District. The Notes will not constitute an obligation of the County. No funds of the County are pledged to the repayment of the Notes.

The Office of County Counsel has reviewed Resolution No. 2014-095 and has approved it as to form.

Impact on Citizens and Businesses

Issuance of the Notes will be beneficial to the citizens who reside within the District because the District will have the necessary funds to provide educational services without disruption due to cash flow problems.

ATTACHMENTS (if needed, in this order):

- 1) Resolution No. 2014-095
- 2) Contract of Purchase
- 3) District Resolution
- 4) Preliminary Official Statement

RESOLUTION NO. 2014-095

**RESOLUTION OF THE BOARD OF SUPERVISORS OF RIVERSIDE COUNTY
PROVIDING FOR THE ISSUANCE OF VAL VERDE UNIFIED SCHOOL DISTRICT
(COUNTY OF RIVERSIDE, STATE OF CALIFORNIA) 2013-14 TAX AND REVENUE
ANTICIPATION NOTES, SERIES A**

WHEREAS, pursuant to Section 53850 *et seq.* of the Government Code of the State of California (the "Act") contained in Article 7.6 thereof, entitled "Temporary Borrowing," that provides for temporary borrowing by certain local agencies, on or after the first day of any fiscal year (being July 1), a school district may borrow money by issuing notes for any purpose for which the school district is authorized to expend moneys, including but not limited to current expenses, capital expenditures, and the discharge of any obligation or indebtedness of the school district; and

WHEREAS, Section 53853 of the Act provides that such notes must be issued in the name of the school district by the board of supervisors of a county, the county superintendent of which has jurisdiction over the school district, as soon as possible following the receipt of a Resolution of the governing board of the school district requesting the borrowing; and

WHEREAS, the Riverside County (the "County") Superintendent of Schools has jurisdiction over the Val Verde Unified School District (the "District"), and this Board of Supervisors of the County (the "County Board") has received a Resolution of the Board of Education of the District (the "District Board"), being the governing board of the District, adopted on April 1, 2014, entitled "RESOLUTION OF THE BOARD OF EDUCATION OF THE VAL VERDE UNIFIED SCHOOL DISTRICT AUTHORIZING THE ISSUANCE OF 2013-14 TAX AND REVENUE ANTICIPATION NOTES, SERIES A, FOR SAID DISTRICT AND REQUESTING THE BOARD OF SUPERVISORS OF RIVERSIDE COUNTY TO ISSUE SAID NOTES" (the "District Resolution") which District Resolution requests the borrowing of not exceeding Twenty-Three Million Dollars (\$23,000,000) at an interest rate not to exceed the

FORM APPROVED COUNTY COUNSEL
BY: Dale A. Gardner DATE: 4/17/14

1 maximum rate per annum allowed by law, through the issuance by the County Board of 2013-14
2 Tax and Revenue Anticipation Notes, Series A (the "Notes") in the name of the District; and

3 **WHEREAS**, such Notes are payable on such date that is not later than thirteen months
4 after the date of issue, and such Notes shall be payable only from the District's revenue received
5 during or attributable to fiscal year 2013-14; and

6 **WHEREAS**, pursuant to Section 53856 of the Act, the District may pledge any taxes,
7 income, revenue, cash receipts or other moneys deposited in inactive or term deposits (but
8 excepting certain moneys encumbered for a special purpose); and the District Resolution specifies
9 that certain unrestricted revenues that will be received by the District for the General Fund of the
10 District during or attributable to fiscal year 2013-14 are pledged for the payment of the Notes;
11 and

12 **WHEREAS**, the Notes shall be a general obligation of the District, and to the extent not
13 paid from the taxes, income, revenue, cash receipts and other moneys of the District pledged for
14 the payment thereof, shall be paid with interest thereon from any other moneys of the District
15 lawfully available therefor, as required by Section 53857 of the Act, and shall not in any way be
16 payable from County moneys; and

17 **WHEREAS**, the Notes shall be issued in denominations of \$5,000 or integral multiples
18 thereof, as permitted by Section 53854 of the Act; shall be issued on a date to be designated, as
19 permitted by Section 53853 of the Act; and shall be in the form and executed in the manner
20 prescribed in the District Resolution and herein, as required by Section 53853 of the Act; and

21 **WHEREAS**, the County Board has no independent knowledge of but accepts the
22 determination by the District that said \$23,000,000 maximum principal amount of Notes to be
23 issued by the County Board in fiscal year 2013-14 does not exceed eighty-five percent (85%) of
24 the estimated amount of the uncollected taxes, income, revenue (including but not limited to
25 revenue from state and federal governments), cash receipts and other moneys of the District
26 which will be available for the payment of the Notes and interest thereon, as required by
27 Section 53858 of the Act; and

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1 **WHEREAS**, the District has determined that the Notes will not be outstanding after a
2 period ending thirteen months after the date on which such Notes are issued and such Notes that
3 are issued on a tax-exempt basis will not be issued in an amount greater than the maximum
4 anticipated cumulative cash flow deficit to be financed by the anticipated tax or other revenue
5 sources for the period for which such taxes or other revenues are anticipated and during which
6 such Notes are outstanding, all as provided in Section 1.103-14(c) of the Income Tax Regulations
7 of the United States Treasury;

8 **NOW, THEREFORE**, the Board of Supervisors of Riverside County hereby resolves as
9 follows:

10 Section 1. Authorization of Issuance of Notes: Terms Thereof; Paying Agent. The
11 County Board hereby authorizes the issuance, in the name of the District, of not to exceed
12 \$23,000,000 aggregate principal amount of Notes under Sections 53850 *et seq.* of the Act,
13 designated “Val Verde Unified School District, Riverside County, State of California, 2013-14
14 Tax and Revenue Anticipation Notes, Series A” that may be issued as either taxable or tax-
15 exempt notes, or both, and shall be numbered from 1 consecutively upward in order of issuance;
16 to be in the denominations of \$5,000 or integral multiples thereof; to be dated the date of delivery
17 thereof; to mature (without option of prior prepayment) either within 364 days from said date of
18 delivery, or if such date is not a day on which banks in New York or California are open for
19 business, on the last day such banks are open for business prior to such date, or some later date as
20 set forth in the official statement pertaining to the Notes (the “Official Statement”), but in no
21 event later than thirteen months after the date of issuance (on a 30-day month/360-day year
22 basis); and unless otherwise provided for in the Contract of Purchase (hereinafter defined), to bear
23 interest, payable on or before the twelve-month anniversary following the date of issuance and/or
24 at maturity and computed on a 30-day month/360-day year basis, at the rate or rates determined at
25 the time of sale thereof, but not in excess of the maximum interest rate per annum allowed by
26 law. Both the principal of and interest on the Notes shall be payable, only upon surrender thereof,
27 in lawful money of the United States of America at the office of U.S. Bank National Association,
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1 which is hereby designated to be the paying agent for the Notes (in such capacity, the “Paying
2 Agent”), to the registered owners thereof (the “Owners”). This Board hereby approves payment
3 of reasonable fees and expenses of the Paying Agent to be made by the District as they shall
4 become due and payable.

5 Section 2. Form of Notes. The Notes shall be issued in registered form and shall be
6 substantially in the form and substance set forth in Exhibit A attached hereto and by reference
7 incorporated herein, the blanks in said form to be filled in with appropriate words and figures.
8 The Notes shall be initially registered in the name of “Cede & Co.” as nominee of The Depository
9 Trust Company, and shall be evidenced by one note in the full principal amount of the Notes.
10 The Depository Trust Company is hereby appointed depository for the Notes (the “Depository”).
11 Registered ownership may not thereafter be transferred except as set forth in Section 4 hereof.

12 Section 3. Transfer and Exchange of Notes. In the event the Notes are no longer
13 registered in the name of “Cede & Co.,” the registration of any Note may, in accordance with its
14 terms, be transferred, upon the registration books kept by the Paying Agent for such purpose, by
15 the person in whose name it is registered, in person or by his or her duly authorized attorney,
16 upon surrender of such note for cancellation, accompanied by delivery of a written instrument of
17 transfer, duly executed in a form approved by the Paying Agent.

18 Whenever any Note shall be surrendered for registration or transfer, the Paying Agent
19 shall execute and deliver a new Note, for a like aggregate principal amount. The Paying Agent
20 shall require the Owner requesting such registration of transfer to pay any tax or other
21 governmental charge required to be paid with respect to such transfer. The Paying Agent may
22 require the Owner requesting such registration of transfer to pay such additional reasonable
23 charge as may be necessary to cover customary expenses incurred and fees charged by the Paying
24 Agent with respect to such registration of transfer. The Paying Agent may treat the registered
25 owner of any Note as the absolute Owner thereof for all purposes whatsoever in accordance with
26 this Resolution, and the Paying Agent shall not be affected by any notice to the contrary.

1 Subject to the provisions of Section 4 hereof, Notes may be exchanged at the office of the
2 Paying Agent for a like aggregate principal amount of Notes in other authorized denominations.
3 The Paying Agent shall require the payment by the Owner requesting such exchange of any tax or
4 other governmental charge required to be paid with respect to such exchange. The District may
5 require the Owner requesting such exchange to pay such additional reasonable charge as may be
6 necessary to cover customary expenses incurred and fees charged by the Paying Agent with
7 respect to such exchange.

8 Section 4. Use of Depository.

9 (A) The Notes may be initially registered as provided in Section 2 hereof.
10 Registered ownership of the Notes, or any portion thereof, may not thereafter be transferred
11 except:

12 (i) To any successor of Cede & Co., as nominee of The Depository
13 Trust Company, or to any substitute depository designated pursuant to clause (ii) of this Section 4
14 (a “substitute depository”); provided, that any successor of Cede & Co., as nominee of The
15 Depository Trust Company or a substitute depository, shall be qualified under any applicable
16 laws to provide the services proposed to be provided by it;

17 (ii) To any substitute depository not objected to by the Paying Agent,
18 upon (1) the resignation of The Depository Trust Company or its successor (or any substitute
19 depository or its successor) from its functions as depository, or (2) a determination by the District
20 to substitute another depository for The Depository Trust Company (or its successor) because The
21 Depository Trust Company or its successor (or any substitute depository or its successor) is no
22 longer able to carry out its functions as depository; provided, that any such substitute depository
23 shall be qualified under any applicable laws to provide the services proposed to be provided by it;
24 or

25 (iii) To any person as provided below, upon (1) the resignation of The
26 Depository Trust Company or its successor (or substitute depository or its successor) from its
27 functions as depository, or (2) a determination by the County, the District or the Paying Agent to
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1 remove The Depository Trust Company or its successor (or any substitute depository or its
2 successor) from its functions as depository.

3 (B) In the case of any transfer pursuant to clause (i) or clause (ii) of subsection
4 (A) of this Section 4, upon receipt of the outstanding Notes by the Paying Agent, together with a
5 request of the District to the Paying Agent, a new note shall be executed and delivered in the
6 aggregate principal amount of the Notes registered in the name of such successor or such
7 substitute depository, or their nominees, as the case may be, all as specified in such request of the
8 District. In the case of any transfer pursuant to clause (iii) of subsection (A) of this Section 4,
9 upon receipt of the outstanding Notes by the Paying Agent together with a request of the District
10 to the Paying Agent, new Notes shall be executed and delivered in such denominations numbered
11 in the manner determined by the Paying Agent and registered in the names of such persons as are
12 requested in such a request of the District; provided the Paying Agent shall not be required to
13 deliver such new Notes within a period less than sixty (60) days from the date of receipt of such a
14 request of the District. Thereafter, Notes shall be transferred pursuant to Section 3 hereof.

15 (C) The Paying Agent shall be entitled to treat the person in whose name any
16 Note is registered as the Owner thereof for all purposes of this Resolution and any applicable
17 laws, notwithstanding any notice to the contrary received by the Paying Agent, the District or the
18 County; and the Paying Agent shall have no responsibility for transmitting payments to,
19 communication with, notifying, or otherwise dealing with any beneficial owners of the Notes and
20 neither the County, the District nor the Paying Agent will have any responsibility or obligations,
21 legal or otherwise, to the beneficial owners or to any other party, including The Depository Trust
22 Company or its successor (or substitute depository or its successor), except for the Owner of any
23 Notes.

24 (D) So long as the outstanding Notes are registered in the name of Cede & Co.
25 or its registered assigns, the Paying Agent shall cooperate with Cede & Co., as sole registered
26 Owner, or its registered assigns in effecting payment of the principal of and interest on the Notes
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1 by arranging for payment in such manner that funds for such payments are properly identified and
2 are made immediately available on the date they are due.

3 Section 5. Deposit of Note Proceeds. The moneys so borrowed shall be deposited in the
4 General Fund of the District.

5 Section 6. Payment of Notes.

6 (A) Source of Payment. The principal amount of the Notes, together with the
7 interest thereon, shall be payable from taxes, income, revenue, cash receipts and other moneys
8 which are received by the District during or are attributable to fiscal year 2013-14 and which are
9 available therefor, and are not payable from moneys of the County. The Notes shall be a general
10 obligation of the District, and to the extent the Notes are not paid from the Pledged Revenues
11 defined below, the Notes shall be paid with interest thereon from any other moneys of the District
12 lawfully available therefor, as provided in the District Resolution and by law. Notwithstanding
13 anything to the contrary contained herein or in any document mentioned herein or related to the
14 Notes, the County shall not have any monetary liability hereunder or by reason hereof or in
15 connection with the transactions contemplated hereby and the Notes shall be payable solely from
16 the moneys of the District available therefor as set forth in this Section and in Section 4 of the
17 District Resolution. Further, the County shall have no responsibility for or liability as a result of
18 the use of the proceeds of the sale of the Notes.

19 (B) Pledged Revenues. As security for the payment of the principal of and
20 interest on the Notes, as provided in the District Resolution, the District has pledged unrestricted
21 revenues received in or allocable to fiscal year 2013-14 in such amounts and in such months as
22 determined upon pricing of the Notes as shall be sufficient to pay principal of and interest on the
23 Notes through maturity (such pledged amounts being hereinafter called the "Pledged Revenues").
24 The term "unrestricted revenues" shall mean taxes, income, revenue, cash receipts, and other
25 money of the District as provided in Section 53856 of the Act, which are intended as receipts for
26 the General Fund of the District and which are generally available for the payment of current
27 expenses and other obligations of the District.

1 The principal of the Notes and the interest thereon shall be a first lien and charge against
2 and shall be payable from the first moneys received by the District from such Pledged Revenues,
3 as provided by law.

4 In the event that there are insufficient unrestricted revenues received by the District to
5 permit the deposit into the Repayment Fund of the full amount of Pledged Revenues to be
6 deposited from unrestricted revenues in any month, then the amount of such deficiency shall be
7 satisfied and made up from any other moneys of the District lawfully available for the repayment
8 of the principal of the Notes and the interest thereon.

9 (C) Deposit of Pledged Revenues. The Pledged Revenues shall be held (in
10 accordance with the District Resolution) in a special fund designated as the “Val Verde Unified
11 School District, (County of Riverside, State of California), 2013-14 Tax and Revenue
12 Anticipation Notes, Series A Repayment Fund” (herein called the “Repayment Fund”) and
13 applied as directed in this Resolution. Any moneys accounted for in the Repayment Fund shall be
14 for the benefit of the holders of the Notes, and until the Notes and all interest thereon are paid or
15 until provision has been made for the payment of the Notes at maturity with interest to maturity,
16 the moneys accounted for in the Repayment Fund shall be applied only for the purposes for which
17 the Repayment Fund is created.

18 (D) Disbursement and Investment of Moneys in Repayment Fund. From the
19 date this Resolution takes effect, all Pledged Revenues shall, when received, be deposited into the
20 Repayment Fund. After such date as the amount of Pledged Revenues deposited in the
21 Repayment Fund shall be sufficient to pay in full the principal of and interest on the Notes, when
22 due, any moneys in excess of such amount remaining in or accruing to the Repayment Fund shall
23 be transferred to the General Fund of the District upon the request of the District. On the maturity
24 date of the Notes, the moneys in the Repayment Fund shall be used, to the extent necessary, to
25 pay the principal of and interest on the Notes. Moneys in the Repayment Fund shall be invested
26 in accordance with the provisions of the District Resolution.

1 Section 7. Execution of Notes. The Chairman is hereby authorized to sign the Notes
2 manually or by facsimile signature; the Treasurer, or a designated deputy thereof, is hereby
3 authorized to sign the Notes manually; and the Clerk of the County Board (the "Clerk") is hereby
4 authorized to countersign the Notes manually or by facsimile signature; the Clerk is hereby
5 authorized to affix the seal of the County Board thereto by printed copy or facsimile impression
6 thereof; and said officers are hereby authorized to cause the blank spaces thereof to be filled in as
7 may be appropriate.

8 Section 8. Approval of Contract of Purchase. The Notes shall be sold by negotiated sale.
9 The form of Contract of Purchase for the Notes, substantially in the form presented to this
10 meeting and on file with the Clerk is hereby approved. The Treasurer or the Treasurer's designee
11 is hereby authorized to execute and deliver the Contract of Purchase on behalf of the County, and
12 the Treasurer is hereby authorized and requested to acknowledge such Contract of Purchase, if
13 necessary, such approval to be conclusively evidenced by his or her execution and delivery
14 thereof. The Treasurer or the Treasurer's designee, is hereby authorized to specify the maximum
15 principal amount of Notes in the Contract of Purchase, not to exceed \$23,000,000, based solely
16 and exclusively on the District's determination, in consultation with Bond Counsel and its
17 Financial Advisor, of such maximum principal amount, and to enter into and execute the Contract
18 of Purchase with the Underwriter named therein (the "Underwriter") upon the terms and
19 conditions set forth in the District Resolution and this Resolution.

20 Section 9. Delivery of Notes. The proper officers of the County Board are hereby
21 authorized and directed to deliver the Notes to the Underwriter. All actions heretofore taken by
22 the officers and agents of the County with respect to the sale and issuance of the Notes are hereby
23 approved, confirmed and ratified, and the officers of the County are hereby authorized and
24 directed, for and in the name and on behalf of the County, to do any and all things and take any
25 and all actions and execute and deliver any and all certificates, agreements and other documents
26 which they, or any of them, may deem necessary or advisable in order to consummate the lawful
27 issuance and delivery of the Notes in accordance with this Resolution and the District Resolution.

1 Section 10. Further Actions Authorized. It is hereby covenanted that the County, and its
2 appropriate officials, have duly taken all proceedings necessary to be taken by them, and will take
3 any additional proceedings necessary to be taken by them, for the levy, collection and
4 enforcement of the secured property taxes pledged under the District Resolution in accordance
5 with the law and for carrying out the provisions of the District Resolution and of this Resolution.

6 In addition, notwithstanding any other provision herein, the provisions of this Resolution
7 may be amended by the Contract of Purchase.

8 Section 11. Investment of Note Proceeds. Notwithstanding anything to the contrary
9 contained herein, the proceeds of the Notes shall be pledged to the payment of the Notes in the
10 event and to the extent sufficient Pledged Revenues of the District and other legally available
11 revenues are not deposited into the Repayment Fund. In addition to investments in the
12 Treasurer’s Pooled Investment Fund, pursuant to Section 53601 of the Government Code of the
13 State of California, the following are hereby designated as additional authorized investments for
14 the proceeds of the Notes: (i) a guaranteed investment contract with a financial institution or
15 insurance company which has or its guarantor has at the date of execution thereof one or more
16 outstanding issues of unsecured, uninsured and unguaranteed debt obligations or a claims paying
17 ability rated not lower than the second highest rating category (without regard to subcategories)
18 by Standard & Poor’s Rating Services, a Standard & Poor’s Financial Services LLC and Moody’s
19 Investors Service (in which case, the Superintendent or the Assistant Superintendent of the
20 District shall execute a certificate of indemnity holding the Treasurer and the County, its officers,
21 employees and servants harmless and indemnifying them from any costs, liabilities, claims or
22 damages, including but not limited to attorneys’ fees, caused by or arising from the investment of
23 the funds in such an instrument, or, alternatively, a written agreement to pay for any costs,
24 liabilities, claims or damages, including but not limited to attorneys’ fees, to the Treasurer, the
25 County, its officers, employees and servants, caused by or arising from the investment of the
26 funds in such an instrument); or (ii) the Local Agency Investment Fund administered by the State
27 of California.
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Note proceeds shall be invested as directed by the District. To the extent that moneys invested or held by the County hereunder are subject to arbitrage rebate, neither the County nor any officer or employee of the County shall assume hereunder or under the provisions of any rebate certificate any duty or obligation to make the actual calculations of arbitrage rebate liability of the District, or to pay any such rebate or any penalties in regard thereto if the District miscalculates or fails to pay or cause such rebate or such penalties to be paid.

Section 12. Limited Liability of County. Notwithstanding anything to the contrary contained herein, in the Notes or in any other document mentioned herein or used in connection herewith, the County, County Board, officers, employees and agents shall have no responsibility with respect to the Preliminary Official Statement or the Official Statement, or any of the information contained therein, or by reason thereof. Furthermore, the County, County Board, officers, employees and agents hereby disclaim any responsibility under Rule 15c2-12 of the Securities and Exchange Commission (the "Rule") with respect to the Notes because the County is not an "obligated person" pursuant to the Rule.

Section 13. Recitals. All the recitals in this Resolution above are true and correct and this County Board so finds, determines and represents.

The foregoing Resolution was, on the ____ day of _____, 2014, adopted by the Board of Supervisors of the County of Riverside.

KECIA HARPER-IHEM,
Clerk of the Board of Supervisors
of the County of Riverside

By: _____
Deputy

**EXHIBIT A
FORM OF NOTE**

UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AS DEFINED IN THE RESOLUTION) TO THE PAYING AGENT OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE 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.

REGISTERED

REGISTERED

No. 1

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VAL VERDE UNIFIED SCHOOL DISTRICT
(COUNTY OF RIVERSIDE, STATE OF CALIFORNIA)
2013-14 TAX AND REVENUE ANTICIPATION NOTE, SERIES A[-1 (Tax-Exempt)][[-2
(Federally Taxable)]

<u>Rate of Interest:</u>	<u>Dated Date:</u>	<u>Maturity Date:</u>	<u>CUSIP:</u>
%	_____, 2014	_____, 2014	_____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____ DOLLARS

FOR VALUE RECEIVED, the Val Verde Unified School District (the "District"), County of Riverside, State of California, acknowledges itself indebted to and promises to pay the Registered Owner identified above, or registered assignee, at the office of U.S. Bank National Association, as paying agent (the "Paying Agent"), the Principal Amount specified above in lawful money of the United States of America, on the Maturity Date set forth above, together with interest thereon at the Rate of Interest per annum set forth above, in like lawful money of the United States of America from the date hereof until payment in full of said principal sum. Both the principal of and interest on this Note shall be payable only upon surrender of this Note as the same shall fall due; provided, however, no interest shall be payable for any period after maturity during which the Registered Owner fails to properly present this Note for payment.

It is hereby certified, recited and declared that this Note is one of an authorized issue of Notes in the aggregate principal amount of _____ Dollars (\$ _____) all of

like date, tenor and effect, made, executed and given pursuant to and by authority of a Resolution of the Board of Supervisors of Riverside County duly passed and adopted on April 22, 2014 (the "Resolution") and a Resolution of the Board of Education of the District duly passed and adopted on April 1, 2014, under and by authority of Article 7.6 (commencing with Section 53850) of Chapter 4, Part 1, Division 2, Title 5, California Government Code, and that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Note have existed, happened and been performed in regular and due time, form and manner as required by law, and that this Note, together with all other indebtedness and obligations of the District, does not exceed any limit prescribed by the Constitution or statutes of the State of California.

The principal amount of the Notes, together with the interest thereon, shall be payable from taxes, income, revenue, cash receipts and other moneys that are received by the District during or are attributable to fiscal year 2013-14. As security for the payment of the principal of and interest on the Notes, the District has pledged an amount equal to one hundred percent (100%) of the principal amount of the Notes from the unrestricted revenues received by the District in the month ending July 31, 2014 that are attributable to fiscal year 2013-14 plus an amount sufficient to pay interest on the Notes and any deficiency in the amount required to be deposited (such pledged amounts being hereinafter called the "Pledged Revenues"); and the principal of the Notes and the interest thereon shall constitute a first lien and charge thereon and shall be payable from the Pledged Revenues, and to the extent not so paid shall be paid from any other moneys of the District lawfully available therefor. The Notes are general obligations of the District and do not represent a debt or obligation of the County of Riverside.

This Note is transferable by the Registered Owner hereof in person or by his attorney duly authorized in writing at the office 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 Note. Upon such transfer a new Note or Notes of authorized denominations and for the same aggregate principal amount will be issued to the transferees in exchange herefor.

The County, the District and the Paying Agent may deem and treat the Registered Owner hereof as the absolute owner hereof for the purpose of receiving payment of or on account of principal hereof and interest due hereon and for all other purposes, and neither the County, the District nor the Paying Agent shall be affected by any notice to the contrary.

IN WITNESS WHEREOF, Riverside County has caused this Val Verde Unified School District, Riverside County, State of California, 2013-14 Tax and Revenue Anticipation Notes, Series A[-1 (Tax-Exempt)][[-2 (Federally Taxable)] to be executed by the Chairman of its Board of Supervisors and by the Clerk of its Board of Supervisors by facsimile signature and countersigned by the Treasurer and Tax Collector by manual signature and has caused a facsimile of its official seal to be impressed or printed hereon this ___ day of _____, 2014.

RIVERSIDE COUNTY

By: _____ [Facsimile Signature] _____
Chairman of the Board of Supervisors

By: _____ [Manual Signature] _____
Treasurer and Tax Collector

(SEAL)

Countersigned

By: _____ [Signature] _____
Clerk of the Board of Supervisors

CERTIFICATE OF AUTHENTICATION

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

DATED: _____, 2014

U.S. BANK NATIONAL ASSOCIATION, as
Paying Agent

By: _____
Authorized Officer

ASSIGNMENT

For value received the undersigned do(es) hereby sell, assign and transfer unto the _____ within-mentioned registered Note and hereby irrevocably constitute(s) and appoint(s) _____ attorney, to transfer the same on the books of the Paying Agent with full power of substitution in the premises.

Dated: _____

Signature Guaranteed by:

NOTE: Signature(s) must be guaranteed by an eligible guarantor institution.

NOTE: The signature to the assignment must correspond to the name as it appears upon the face of this Note in every particular, without any alteration or change whatsoever.

\$ _____
VAL VERDE UNIFIED SCHOOL DISTRICT
(COUNTY OF RIVERSIDE, STATE OF CALIFORNIA)
2013-14 TAX AND REVENUE ANTICIPATION NOTES
SERIES A

consisting of

<p>\$ _____ VAL VERDE UNIFIED SCHOOL DISTRICT (County of Riverside, State of California) 2013-14 Tax and Revenue Anticipation Notes Series A-1 (Tax-Exempt)</p>	<p>\$ _____ VAL VERDE UNIFIED SCHOOL DISTRICT (County of Riverside, State of California) 2013-14 Tax and Revenue Anticipation Notes Series A-2 (Federally Taxable)</p>
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CONTRACT OF PURCHASE

_____, 2014

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 "Contract of Purchase") with the County of Riverside, California (the "County") and the Val Verde Unified School District (the "District"). This offer is made subject to written acceptance by the County and the District prior to 11:59 p.m., Pacific Standard Time, on the date hereof, and, upon such acceptance, this Contract of Purchase will be binding upon the District, the County and the Underwriter.

1. Purchase and Sale of the Notes. 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 on behalf of the District for reoffering to the public, and the District hereby agrees to sell to the Underwriter for such purpose, all (but not less than all) of the District's 2013-14 Tax and Revenue Anticipation Notes, Series A consisting of the Val Verde

Unified School District 2013-14 Tax and Revenue Anticipation Notes, Series A-1 (Tax-Exempt) (the "Tax-Exempt Notes") in the aggregate principal amount of \$_____ and Val Verde Unified School District 2013-14 Tax and Revenue Anticipation Notes, Series A-2 (Federally Taxable) (the "Taxable Notes," and, together with the Tax-Exempt, the "Notes"). The aggregate purchase price to be paid by the Underwriter for the Tax-Exempt Notes shall be \$_____, being the principal amount of the Tax-Exempt Notes, plus net original issue premium of \$_____, and less an Underwriter's discount of \$_____. The aggregate purchase price to be paid by the Underwriter for the Taxable Notes shall be \$_____, being the principal amount of the Tax-Exempt Notes and less an Underwriter's discount of \$_____.

2. The Notes. The Notes shall be dated their date of issuance, shall mature on September 1, 2014, and are being issued under a resolution adopted by the Board of Education of the District (the "District Resolution") and the Resolution of the Board of Supervisors of the County (the "County Resolution" and collectively with the District Resolution, the "Resolutions"), in full conformity with the Constitution and laws of the State of California (the "State") including Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the California Government Code (the "Act"), as amended and supplemented. The Tax-Exempt Notes will bear interest at the rate of _____% per annum, priced to yield _____%, and the Taxable Notes will bear interest at the rate of ____%. The Notes will be registered initially in the name of "Cede & Co." as nominee of The Depository Trust Company ("DTC") in New York, New York, the securities depository for the Notes.

3. Use of District Documents. The District has delivered to the Underwriter copies of its Preliminary Official Statement dated _____, 2014 (the "Preliminary Official Statement"). As of its date, such Preliminary Official Statement has been "deemed final" by the District for purposes of Securities and Exchange Commission Rule 15c2-12 (the "Rule"), except for information permitted to be omitted by said Rule. The District agrees to deliver to the Underwriter a final Official Statement, dated the date hereof (the "Official Statement") within 7 business days from the date hereof and in sufficient time to accompany any confirmations requesting payment sent to purchasers of the Notes. The number of copies of the Official Statements so delivered will be sufficient to comply with the requirements of paragraph (b)(4) of the Rule and the Rules of the Municipal Securities Rulemaking Board (the "MSRB"). The District has approved the distribution by the Underwriter of the Official Statement and the District hereby authorizes the Underwriter to use, in connection with the offering and sale of the Notes, the Official Statement and the Resolutions and all information contained herein and therein and all other documents, agreements, certificates or statements furnished by the District to the Underwriter or entered into in connection with the transactions contemplated by this Contract of Purchase.

The District will undertake, pursuant to a Continuing Disclosure Certificate (the "Continuing Disclosure Certificate"), to provide notices of the occurrence of certain events, following the date of the delivery of the Notes. A description of such undertaking is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement.

4. Public Offering of the Notes. The Underwriter agrees to make a bona fide public offering of the Notes at the price to yield set forth in Paragraph 2 above. The Underwriter may offer and sell the Notes to certain dealers and banks at prices lower than the public offering price stated in Paragraph 2 above said public offering price may be changed from time to time by the Underwriter.

The District and the County acknowledge and agree that: (i) the primary role of the Underwriter is to purchase securities for resale to investors in an arms-length commercial transaction among the District, the County and the Underwriter and that the Underwriter has financial and other interests that differ from those of the District or the County, (ii) the Underwriter is not acting as a municipal advisor, financial advisor or fiduciary to the District, the County or any other person or entity and has not assumed any advisory or fiduciary responsibility to the District or the County with respect to the transaction contemplated hereby and the discussions, undertakings and proceedings leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the District or the County on other matters), (iii) the only obligations the Underwriter has to the District or the County with respect to the transaction contemplated hereby expressly are set forth in this Contract of Purchase, except as otherwise provided by applicable rules and regulations of the SEC or the rules of the MSRB, and (iv) the District and the County have consulted their own legal, accounting, tax, financial and other advisors, as applicable, to the extent they have deemed appropriate in connection with the transaction contemplated herein. The County and the District acknowledge that they have previously provided the Underwriter with an acknowledgement of receipt of the Underwriter's required disclosure under Rule G-17 of the MSRB.

5. Closing. At 8:00 a.m., Pacific Standard Time, on _____, 2014, or at such other time and on such other date as shall have been mutually agreed upon by the District, the County and the Underwriter (the "Issue Date"), the District will deliver to the Underwriter, through the facilities of DTC, the Notes in registered form duly executed and other documents hereinafter mentioned, and the Underwriter will accept such delivery and pay the purchase price thereof in immediately available funds to the order of the District (the "Closing").

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

(A) The District is a unified school district, organized and existing pursuant to the Constitution and laws of the State of California (the "State"), and has all requisite right, power and authority to conduct its business, to adopt the District Resolution, to request the issuance of the Notes and to execute this Contract of Purchase and the Continuing Disclosure Certificate (collectively, the "District Documents"), and to perform its obligations under each such document or instrument, and to carry out and effectuate the transactions contemplated by the District Documents.

(B) (i) At or prior to the Closing, the District will have taken all actions required to be taken by it to authorize the issuance and delivery of the Notes; (ii) the execution and delivery of the Notes and the District Documents, the adoption by the

District of the District Resolution, and the performance by the District of the obligations contained in the District Documents, have been duly authorized and such authorization will be in full force and effect at the time of the Closing; (iii) this Contract of Purchase has been duly executed and delivered and constitutes the valid and legally binding obligation of the District enforceable against the District in accordance with its terms, except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws in effect for the protection of debtors and by application of general principles of equity; (iv) the Board of Education of the District (the "District Board") has duly authorized the consummation by the District of all transactions contemplated by the District Documents and the District Resolution; and (v) the District has authorized and approved the Preliminary Official Statement and the Official Statement and the distribution thereof by the Underwriter.

(C) No consent, approval, authorization, license, order, filing, registration, qualification, election or referendum, of or by any person, organization, State court or State governmental agency or public body whatsoever is required for the consummation of the transactions contemplated hereby, except for such actions as have been taken or as may be necessary to qualify the Notes 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 designate (except that the District shall not be responsible for the failure to comply with any such laws or regulations with regard to Blue Sky).

(D) Except as otherwise disclosed in the Official Statement, to the best knowledge of the District, based upon reasonable inquiry, as of the time of acceptance hereof, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before any State court or public body, pending or threatened against the District: (i) in any way affecting the existence of the District or in any way challenging the respective powers of the District or the entitlement of the officials of the District to their respective offices; or (ii) seeking to restrain or enjoin the sale, issuance or delivery of any of the Notes, the application of the proceeds of the sale of the Notes, or the collection of revenues or taxes of the District pledged or to be pledged or available to pay the principal of and interest on the Notes, or the pledge thereof, or in any way contesting the validity of the Notes or the District Documents, or contesting the powers or authority of the District with respect to the Notes or the District Documents; or (iii) in which a final adverse decision would (a) materially adversely affect the consummation of the transactions contemplated by the District Documents, or (b) declare the District Documents to be invalid or unenforceable in whole or in material part.

(E) As of the date thereof, the Preliminary Official Statement with respect to the information therein regarding the District did 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 the light of the circumstances under which they were made, not misleading, except for information permitted to be omitted therefrom by the Rule.

(F) As of the date thereof, the Official Statement with respect to the information therein regarding the District does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. If between the date of the Official Statement and the Closing (i) any event shall occur or any pre-existing fact or condition shall become known which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the District shall promptly notify the Underwriter thereof, and (ii) if in the reasonable opinion of the Underwriter and the District, such event, fact or condition requires the preparation and publication of a supplement or amendment to the Official Statement, the District will at its expense supplement or amend the Official Statement in a form and in a manner jointly approved by the Underwriter and the District, which approval shall not be unreasonably withheld.

(G) The District undertakes that, for a period beginning with the day on which the Notes are delivered to the Underwriter and ending on the earlier of (i) the 25th day following the end of the underwriting period, as defined in the Rule under the Securities Exchange Act of 1934, as amended or (ii) 90 days following Closing, it will (a) apprise the Underwriter of all material developments, if any, occurring with respect to the District and (b) if determined by the District or requested by the Underwriter, prepare a supplement to the Official Statement in respect of any such material event. The period described in the preceding sentence shall be reduced to twenty-five (25) days if the Official Statement has been deposited with the MSRB and is available from such depository upon request. The Underwriter hereby agrees to use its best efforts to deposit the Official Statement with the MSRB so that such period will be reduced to twenty-five (25) days. Unless otherwise notified in writing by the Underwriter, the District may assume that the end of the underwriting period occurs on the date when the District delivers the Notes to the Underwriter.

(H) Between the date hereof and the Closing, without the prior written consent of the Underwriter, the District will not have issued any bonds, notes or other obligations for borrowed money except as may be described in or contemplated by the Official Statement.

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

(J) The District will punctually pay or cause to be paid the principal of and interest to become due on the Notes in strict conformity with the terms of the Resolutions and the Notes and it will faithfully observe and perform all of the conditions, covenants and requirements of the Notes and the District Documents.

(K) The District will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter if and as the Underwriter may reasonably request in order (i) to qualify the Notes for offering 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 designate and (ii) to determine the eligibility of the Notes for investment under the laws of such states and other jurisdictions and will, if requested by the Underwriter, use its best efforts to continue such qualifications in effect so long as required for distribution of the Notes; provided that the District shall not be required to pay any fees in connection with the foregoing or to subject itself to service of process in any jurisdiction in which it is not presently so subject.

(L) Between the date hereof and the Closing, the District will not modify or amend the District Resolution without the prior written consent of the Underwriter.

(M) The District will enter into the Continuing Disclosure Certificate in order to provide the information required therein. Based on a review of its prior undertakings under the Rule, and except as disclosed in the Official Statement, the District has not failed to comply in all material respects with a continuing disclosure undertaking under the Rule during the previous five years.

(N) The Notes will be issued only under and within the limits of the Act, and, as such, are general obligations of the District, but payable only out of certain taxes, income, revenue, cash receipts and other moneys to be received by the District attributable to the District's 2013-14 fiscal year.

(O) There has been no material adverse change in the financial condition of the District since June 30, 2013, except as described in the Official Statement.

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

(A) 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 Notes pursuant to the Act.

(B) (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 Notes; (ii) the County has full legal right, power and authority to enter into this Contract of Purchase, to adopt the County Resolution, to issue and deliver the Notes 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 Contract of Purchase and the County Resolution; (iii) the execution and delivery or adoption of, and the performance by the County of the obligations contained in the Notes, the County Resolution and this Contract of Purchase have been duly authorized and such authorization shall be in full force and effect at the time of the Closing; (iv) this Contract

of Purchase constitutes a valid and legally binding obligation of the County except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws in effect for the protection of debtors and by application of general principles of equity; and (v) the County has duly authorized the consummation by it of all transactions contemplated by this Contract of Purchase.

(C) 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 Notes 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 Notes 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) To the best knowledge of the County, the issuance of the Notes, the execution, delivery and performance of this Contract of Purchase, the County Resolution and the Notes, 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 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) 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 existence 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 Notes, the application of the proceeds of the sale of the Notes, or the pledge of District revenues thereof, or the County Resolution, or in any way contesting or affecting the validity or enforceability of the Notes, this Contract of Purchase or the County Resolution or contesting the powers of the County or their authority with respect to the Notes, the County Resolution or this Contract of Purchase; 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 Contract of Purchase or the County Resolution; (b) declare this Contract of Purchase to be invalid or unenforceable in whole or in material part; or (c) adversely affect the exclusion of the interest paid on the Notes from gross income for federal income tax purposes and the exemption of such interest from California personal income taxation.

(F) 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 any such borrowing as may be described in or contemplated by the Official Statement.

(G) 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.

8. Conditions to Obligations of Underwriter at Closing. The Underwriter has entered into this Contract of Purchase in reliance upon the representations and warranties of the District and the County contained herein and the performance by the District and the County of their respective obligations hereunder, as of the date hereof and as of the Closing. The obligation of the Underwriter to purchase the Notes at the Closing is subject to the following further conditions, any or all of which can be waived by the Underwriter in writing:

(A) The representations and warranties of the District and the County contained herein shall be true 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 and otherwise pursuant hereto shall be true and correct in all material respects at and as of the Closing;

(B) At and as of the Closing (i) the Official Statement, this Contract of Purchase, the Continuing Disclosure Certificate and the Resolutions shall be in full force and effect and shall not have been amended, modified or supplemented except as may have been jointly agreed to in writing by the District, the County and the Underwriter; (ii) all actions under the Act which, in the opinion of Nixon Peabody LLP, 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 District and the County shall perform or have performed all of their respective obligations required under or specified in the Resolutions or this Contract of Purchase to be performed at or prior to the Closing;

(C) To the best knowledge of the District, based on reasonable inquiry, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court or public body, is pending or threatened against the District which has any of the effects described in Paragraph 6(D) hereof or contesting in any way the completeness or accuracy of the Official Statement, and to the best knowledge of the County, based on reasonable inquiry, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court or public body, is pending or threatened against the County which has any of the effects described in Paragraph 7(E) hereof or contesting in any way the completeness or accuracy of the Official Statement;

(D) No order, decree or injunction of any court of competent jurisdiction, nor any order, ruling or regulation of the Securities and Exchange Commission, has been issued or made with the purpose or effect of prohibiting the issuance, offering or sale of the Notes as contemplated hereby and no legislation has been enacted, or a bill favorably reported for adoption, or a decision by any court rendered, or a ruling, regulation, proposed regulation or official statement by or on behalf of the Securities and Exchange Commission or other governmental agency having jurisdiction of the subject matter has been made or issued, to the effect that the Notes or any other securities of the District, the County or of any similar body of the type contemplated herein are not exempt from the registration, qualification or other requirements of the Securities Act and as then in effect, or of the Trust Indenture Act of 1939, as amended and as then in effect; and

(E) At or prior to the Closing, the Underwriter shall have received a copy of the following documents in each case dated at and as of the Closing and satisfactory in form and substance to the Underwriter:

(1) An approving opinion of Bond Counsel as to the Notes substantially in the form attached to the Official Statement as APPENDIX B, addressed to the District and the County, and upon which the Underwriter may rely;

(2) A supplemental opinion of Bond Counsel, addressed to the Underwriter, to the effect that:

(i) the Contract of Purchase has been duly executed and delivered by the District and the County and is a valid and binding agreement of the District and the County, except as enforcement may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or 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 limitations on legal remedies against public entities in the State and except that no opinion need be expressed with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability;

(ii) the statements contained in the Official Statement in the sections thereof entitled "THE NOTES," "TAX MATTERS," and APPENDIX B, excluding any material that may be treated as included under such captions by cross-reference, insofar as such statements expressly summarize certain provisions of the Resolutions and the Notes and the form and content of the approving opinion, are accurate in all material respects; and

(iii) the Notes are not subject to the registration requirements of Securities Act of 1933, as amended, and the Resolutions are exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

(3) A certificate signed by an appropriate official of the District to the effect that (i) such official is authorized to execute this Contract of Purchase, (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 Contract of Purchase 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 Notes being delivered on the date of the Closing to the Underwriter under this Contract of Purchase 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 the 2012-13 fiscal year in the Official Statement;

(4) A certificate of the Clerk of the District Board, together with a fully executed copy of the District Resolution, to the effect that (i) such copy is a true and correct copy 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 at and as of the Closing, except for amendments, if any, adopted with the consent of the Underwriter;

(5) A certificate signed by an appropriate official of the County to the effect that (i) such official is authorized to execute this Contract of Purchase, (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 Contract of Purchase 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 Contract of Purchase substantially conform to the descriptions thereof contained in the County Resolution;

(6) A certificate of the Clerk of the Board of Supervisors of the County, together with a fully executed copy of the County Resolution, to the effect that (i) such copy is a true and correct copy of the County Resolution; and (ii) the County Resolution was duly adopted and has not been modified, amended,

rescinded or revoked and is in full force and effect at and as of the Closing, except for amendments, if any, adopted with the consent of the Underwriter;

(7) A tax-exemption certification from the District in form and substance satisfactory to Bond Counsel, signed by an official of the District, relating to the Tax-Exempt Notes;

(8) Evidence from Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") that the Notes have been rated "____," and that such rating continues in effect as of the Closing;

(9) One executed original of each of the documents and such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter or Bond Counsel may reasonably request in order to evidence compliance by the District with legal requirements, the truth and accuracy, at and as of the Closing, of the representations, warranties and agreements of the District herein contained and the statements contained in the Official Statement, and the due performance and satisfaction by 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;

(10) An opinion, dated the Closing Date and addressed to the District, the County and the Underwriter, of Nixon Peabody LLP, to the effect that, 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 (excluding any information relating to DTC and its book-entry system, the County Investment Pool, financial and statistical data included therein and assumptions with respect thereto and information set forth in the appendices to the Official Statement); and

(11) A certificate in form and substance acceptable to the Underwriter and its counsel, dated the date of the Preliminary Official Statement, of Applied Best Practices LLC, Irvine, California in connection with the prior continuing disclosure obligations of the School District.

(12) Such additional certificates, instruments and other documents as the Underwriter may reasonably deem necessary.

9. Termination of Obligations of Underwriter. If the District or the County shall be unable to satisfy the conditions set forth in Section 8 to the obligations of the Underwriter contained in this Contract of Purchase, the obligations of the Underwriter under this Contract of Purchase may be terminated by the Underwriter by notice to the District and the County at, or at any time prior to, the Closing. Notwithstanding any provision herein to the contrary, the performance of any and all conditions contained herein for the benefit of the Underwriter may be waived by the Underwriter in writing in its sole discretion.

The Underwriter shall also have the right to terminate, in its sole discretion, its obligations under this Contract of Purchase, by notice to the District and the County at, or at any time prior to the Closing, if between the date hereof and the Closing:

(i) any event occurs or information becomes known, which, in the reasonable professional judgment of the Underwriter, makes untrue any statement of a material fact set forth in the Official Statement or results in an omission to state a material fact necessary to make the statements made therein, in light of the circumstances under which they are made, not misleading;

(ii) the market for the Notes or the market price for the Notes shall have been materially and adversely affected, in the reasonable professional judgment of the Underwriter, by (a) legislation enacted by the Congress of the United States, or passed by either House of Congress or favorably reported for passage to either House of Congress by any Committee of such House to which such legislation has been referred for consideration, or formally proposed, or introduced on the floor of either House of Congress, or by the legislature of the State of California or by the United States Tax Court, or a ruling, order, or regulation (final, temporary or proposed) made by the Treasury Department of the United States or the Internal Revenue Service or other federal or State Court or other authority, which would have the effect of changing, directly or indirectly, the federal income tax consequences, as applicable, or State income tax consequences of interest on obligations of the general character of the Notes in the hands of the holders thereof, or (b) any new outbreak or escalation of hostilities or other national calamity or crisis in the financial markets of the United States which has a material adverse effect on the market price of the Notes, or (c) a general suspension of trading on the New York Stock Exchange, or of fixing of minimum or maximum prices of trading on the New York Stock Exchange, or of fixing of minimum or maximum prices for trading or maximum ranges for prices for securities on the New York Stock Exchange, whether by virtue of a determination by that Exchange or by order of the Securities and Exchange Commission or any other governmental authority having jurisdiction, or (d) a general banking moratorium declared by either federal or State of New York authorities having jurisdiction;

(iii) additional material restrictions not in force or being enforced as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange which in the reasonable professional judgment of the Underwriter, materially and adversely affect the market price for the Notes;

(iv) the commencement of any action, suit or proceeding described in Paragraphs 6(D) or 7(E) hereof which, in the reasonable professional judgment of the Underwriter, materially adversely affects the market price of the Notes, or

(v) any rating or credit outlook regarding the Notes or other obligations of the District or County by a national rating agency shall have been withdrawn or downgraded, or

(vi) 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.

10. Conditions to Obligations of the District. The performance by the District and the County of their respective obligations under this Contract of Purchase with respect to issuance, sale and delivery of the Notes to the Underwriter is conditioned upon (i) the performance by the Underwriter of its obligations hereunder; and (ii) receipt by the District, the County and the Underwriter of opinions and certificates being delivered at or prior to the Closing by persons and entities other than the District or the County.

11. Expenses. (A) The District shall bear all expenses incident to the performance of its obligations hereunder, including but not limited to: (i) the cost of the preparation and reproduction of the Resolutions; (ii) the fees and disbursements of Bond Counsel and Disclosure Counsel; (iii) the fees for rating the Notes; and (iv) the cost of printing and distribution of the Preliminary Official Statement and the Official Statement. To the extent the Underwriter pays any of the foregoing expenses and fees on behalf of the District, the District shall reimburse the Underwriter at the Closing. The District shall pay any expenses incident to the performance of its obligations hereunder from the proceeds of the Notes. The Underwriter's gross spread includes fees and expenses of DTC and CUSIP Bureau costs and fees.

(B) The Underwriter shall bear all of its own expenses and fees incident to the purchase and resale of the Notes and costs of qualifying the Notes for sale under the Blue Sky laws of any state.

12. Notices. Any notice or other communication to be given under this Contract of Purchase (other than the acceptance hereof as specified in the first paragraph hereof) shall be given by telephone or telex, confirmed in writing, or by delivering the same in writing, if to the District or County, to the address first written above, or if to the Underwriter, to Stifel, Nicolaus & Company, Incorporated, 515 South Figueroa Street, Suite 1800, Los Angeles, California 90071 Attention: Public Finance.

13. Parties in Interest: Survival of Representations and Warranties. This Contract of Purchase when accepted by the District in writing as specified herein shall constitute the entire agreement among the District, the County and the Underwriter and is made solely for the benefit

of the District, the County and the Underwriter (including their respective successors and assigns). No other person shall acquire or have any right hereunder or by virtue hereof. The obligations of the District or the County arising out of its representations and warranties in this Contract of Purchase shall not be affected by any investigation made by or on behalf of the Underwriter.

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

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15. Applicable Law. This Contract of Purchase shall be interpreted under, governed by and enforced in accordance with the laws of the State of California.

Very truly yours,

**STIFEL, NICOLAUS & COMPANY,
INCORPORATED**

By _____
Managing Director

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: _____
Treasurer-Tax-Collector
Time of Execution: _____

VAL VERDE UNIFIED SCHOOL DISTRICT
Perris, CA 92571

RESOLUTION NO. 13-14-25

**RESOLUTION OF THE BOARD OF EDUCATION OF THE VAL VERDE
UNIFIED SCHOOL DISTRICT AUTHORIZING THE ISSUANCE OF
2013-14 TAX AND REVENUE ANTICIPATION NOTES, SERIES A, FOR
SAID DISTRICT AND REQUESTING THE BOARD OF SUPERVISORS
OF THE COUNTY OF RIVERSIDE TO ISSUE SAID NOTES**

WHEREAS, pursuant to Sections 53850 *et seq.* of the Government Code of the State of California (the "Act") contained in Article 7.6 thereof, entitled "Temporary Borrowing" that provides for temporary borrowing by certain local agencies on or after the first day of any fiscal year (being July 1), Val Verde Unified School District (the "District") may borrow money by issuing notes for any purpose for which the District is authorized to use and expend moneys, including but not limited to current expenses, capital expenditures, investment and reinvestment and the discharge of any obligation or indebtedness of the District; and

WHEREAS, Section 53853 of the Act provides that such notes must be issued in the name of the District by the Board of Supervisors (the "County Board") of Riverside County (the "County"), the County Superintendent of Schools (the "County Superintendent") of which has jurisdiction over the District, as soon as possible following the receipt of a resolution of the governing board of the District requesting the borrowing; and

WHEREAS, the County Superintendent of Schools has jurisdiction over the District, and this Board of Education (the "District Board"), being the governing board of the District, hereby requests the borrowing of not to exceed Twenty-Three million dollars (\$23,000,000) at an interest rate not to exceed the maximum rate allowed by law, through the issuance by the County Board of 2013-14 Tax and Revenue Anticipation Notes, Series A (the "Notes") in the name of the District, to be sold by negotiated sale; and

WHEREAS, such Notes are to be payable no later than thirteen months after their date of delivery and shall be payable only from revenue received or accrued during fiscal year 2013-14; and

WHEREAS, pursuant to Section 53856 of the Act, the District may pledge any taxes, income, revenue, cash receipts or other moneys, including moneys deposited in inactive or term deposits (but excepting certain moneys encumbered for a special purpose); and this Resolution specifies that certain unrestricted revenues which will be received by the District for the General Fund of the District during or allocable to fiscal year 2013-14 are pledged for the payment of the Notes; and

WHEREAS, the Notes shall be a general obligation of the District, and to the extent not paid from the taxes, income, revenue, cash receipts and other moneys of the District pledged for

the payment thereof shall be paid with interest therein from any other moneys of the District lawfully available therefor, as required by Section 53857 of the Act; and

WHEREAS, the Notes shall be issued in denominations of \$5,000 or integral multiples thereof, as permitted by Section 53854 of the Act; shall be issued on a date to be designated and shall be in the form and executed in the manner prescribed in this Resolution, all as permitted or required by Section 53853 of the Act; and

WHEREAS, the District Board has found and determined that said \$23,000,000 maximum principal amount of Notes to be issued in the name of the District by the County Board in fiscal year 2013-14 does not exceed eighty-five percent (85%) of the estimated amount of the uncollected taxes, income, revenue (including but not limited to revenue from state and federal governments), cash receipts and other moneys of the District which will be available for the payment of the Notes and the interest thereon, as required by Section 53858 of the Act; and

WHEREAS, the Notes will not be issued in an amount greater than the maximum anticipated cumulative cash flow deficit to be financed by the anticipated tax or other revenue sources for the period for which such taxes or other revenues are anticipated and during which such notes are outstanding, all as provided in Section 1.103-14(c) of the Income Tax Regulations of the United States Treasury; and

NOW, THEREFORE, THE BOARD OF EDUCATION OF THE VAL VERDE UNIFIED SCHOOL DISTRICT HEREBY RESOLVES AS FOLLOWS:

Section 1. Authorization of Issuance of Notes; Terms Thereof; Paying Agent. The District Board hereby requests the County Board to issue in the name of the District, an amount not to exceed \$23,000,000 principal amount of Notes under the Act, designated "Val Verde Unified School District (County of Riverside, State of California), 2013-14 Tax and Revenue Anticipation Notes, Series A" (the "Notes"); to be numbered from 1 consecutively upward in order of issuance; to be in the denominations of \$5,000 or integral multiples thereof, to be dated the date of delivery thereof; to mature (without option of prior redemption) either within 364 days from said date of delivery computed (on a 30-day month/360-day year basis), or if such date is not a day on which banks in New York or California are open for business, on the last day such banks are open for business prior to such date, or some later date as set forth in the official statement pertaining to the Notes (the "Official Statement"), but in no event later than thirteen months after the date of issuance (on a 30-day month/360-day year basis); and unless otherwise provided for in the Contract of Purchase (as defined below), to bear interest, payable on or before the twelve month anniversary following the date of issuance and/or at maturity and computed on a 30-day month/360-day year basis, at the rate or rates determined at the time of sale thereof, but not in excess of the maximum rate allowed by law per annum. Both the principal of and interest on the Notes shall be payable, only upon surrender thereof, in lawful money of the United States of America at the office of U.S. Bank National Association, which is hereby designated to be the paying agent for the Notes (the "Paying Agent").

Section 2. Form of Notes. The Notes shall be issued in registered form, and shall be initially registered in the name of "Cede & Co." as nominee of The Depository Trust Company, and shall be evidenced by one note in the full principal amount of the Notes. The Depository

Trust Company, New York, New York is hereby appointed depository for the Notes. Registered ownership may not thereafter be transferred except as set forth in Section 4 hereof.

Section 3. Deposit of Note Proceeds: No Arbitrage. The moneys so borrowed shall be deposited in the General Fund of the District. The District hereby covenants that it will make no use of the proceeds of the Notes that would cause the Notes to be treated as "arbitrage bonds" under Section 148 of the Code; and, to that end, so long as any of the Notes are outstanding, the District, and all of its officers having custody or control of such proceeds, shall comply with all requirements of said section, including restrictions on the use and investment of proceeds of the Notes and the rebate of a portion of investment earnings on certain amounts, including proceeds of the Notes, if required, to the Federal government, and of the Income Tax Regulations of the United States Treasury promulgated thereunder or under any predecessor provisions, to the extent that such regulations are, at the time, applicable and in effect, so that the Notes will not be "arbitrage bonds."

Section 4. Payment of Notes.

(A) Source of Payment. The principal amount of the Notes, together with the interest thereon, shall be payable from taxes, income, revenue, cash receipts and other moneys which are received or accrued by the District during fiscal year 2013-14 and which are available therefor. The Notes shall be a general obligation of the District, and to the extent the Notes are not paid from the Pledged Revenues defined below, the Notes shall be paid with interest thereon from any other moneys of the District lawfully available therefor, as provided herein and by law.

(B) Pledged Revenues. Unless otherwise provided for in the Note, as security for the payment of the principal of and interest on the Notes, the District hereby pledges unrestricted revenues received or accrued by the District during fiscal year 2013-14 in such amounts and in such months as shall be determined upon pricing of the Notes as sufficient to pay principal of and interest on the Notes through maturity (such pledged amounts being hereinafter called the "Pledged Revenues"). The term "unrestricted revenues" shall mean taxes, income, revenue, cash receipts, and other money of the District as provided in Section 53856 of the Act, which are intended as receipts for the general fund of the District and which are generally available for the payment of current expenses and other obligations of the District.

The principal of the Notes and the interest thereon shall be a first lien and charge against and shall be payable from the first moneys received by the District from such Pledged Revenues, as provided by law.

In the event that there are insufficient unrestricted revenues received by the District to permit the deposit into the Repayment Fund, as hereinafter defined, of the full amount of Pledged Revenues to be deposited from unrestricted revenues in a month, then the amount of any deficiency shall be satisfied and made up from any other moneys of the District lawfully available for repayment of the Notes and the interest thereon.

(C) Covenant Regarding Additional Short-Term Borrowing. The District hereby covenants and warrants that it will not request the Treasurer and Tax Collector of the County (the "Treasurer") to make temporary transfers of funds in the custody of the Treasurer to

meet any obligations of the District during the 2013-14 fiscal year pursuant to the authority of Article XVI, Section 6 of the Constitution of the State of California or any other legal authority.

(D) Deposit of Pledged Revenues in Repayment Fund. The Pledged Revenues shall be held by the Paying Agent in a special fund designated as the "Val Verde Unified School District (County of Riverside, State of California), 2013-14 Tax and Revenue Anticipation Notes Repayment Fund" (herein called the "Repayment Fund") and applied as directed in this Resolution. The District, in consultation with the Treasurer, shall direct the moneys in the Repayment Fund to be invested, as provided in Section 4(E) of this Resolution, by the Paying Agent. Any moneys accounted for in the Repayment Fund shall be for the benefit of the holders of the Notes, and until the Notes and all interest thereon are paid or until provision has been made for the payment of the Notes at maturity with interest to maturity, the moneys in the Repayment Fund shall be applied only for the purposes for which the Repayment Fund is created.

(E) Disbursement and Investment of Moneys in Repayment Fund. From the date this Resolution takes effect, all Pledged Revenues shall, when received, be accounted for in the Repayment Fund. After such date as the amount of Pledged Revenues accounted for in the Repayment Fund shall be sufficient to pay in full the principal of and interest on the Notes, when due, any moneys in excess of such amount remaining in or accruing to the Repayment Fund shall be transferred to the general fund of the District upon the request of the District. On the maturity date of the Notes, the moneys in the Repayment Fund shall be used, to the extent necessary, to pay the principal of and interest on the Notes.

Moneys accounted for in the Repayment Fund, to the greatest extent possible, shall be invested by the Paying Agent at the request of the District, in consultation with the Treasurer, in either investment securities or otherwise as permitted by applicable California law, as it is now in effect and as it may be amended, modified or supplemented from time to time including the investments authorized in this Resolution; provided that no such investments shall have a maturity date later than the maturity date of the Notes.

Section 5. Execution of Notes. The District hereby requests the Chairman of the County Board of Supervisors to sign the Notes manually or by facsimile signature; the Treasurer to sign the Notes manually; the Clerk of the County Board (the "Clerk") to countersign the Notes manually or by facsimile signature, provided that at least one of the foregoing shall sign manually; the Clerk to impress or print the seal of the County thereto; and said officers to cause the blank spaces thereof to be filled in as may be appropriate.

Section 6. Sale of the Notes. The Notes will be sold at a public sale, at the time and place and upon the terms provided in the County Resolution; provided that the aggregate principal amount of the Notes does not exceed Twenty-Three million dollars (\$23,000,000) and the interest rate does not exceed the maximum rate per annum allowed by law.

Section 7. Appointment of Underwriter and Bond Counsel; Authorization of Preliminary Official Statement, Official Statement. Stifel, Nicolaus & Company, Incorporated (the "Underwriter") is hereby designated the Underwriter in connection with the issuance of the Notes; Fieldman, Rolapp & Associates is hereby designated as Financial Advisor to the District;

Nixon Peabody LLP is hereby designated as Bond and Disclosure Counsel to the District in connection with the issuance of the Notes. The Board hereby approves the use by the Underwriter of a Preliminary Official Statement relating to the Notes, substantially in the form submitted to and considered by this Board (the "Preliminary Official Statement") and following pricing, an Official Statement in connection with the sale of the Bonds (the "Official Statement"), in each case with such changes as may be approved by the Superintendent or the Assistant Superintendent, Business Services of the District (each, an "Authorized Officer"), and the Authorized Officers and such other officers of the District as may be authorized by the Board are, and each of them acting alone hereby is, authorized to deliver copies of the Preliminary Official Statement and the Official Statement with such changes therein as such officer shall approve, in his or her discretion, as being in the best interests of the District. Upon the approval of such changes by such officer, the Preliminary Official Statement shall be "deemed final" as of its date except for the omission of certain information as provided in and pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (the "Rule"). The Authorized Officer is hereby authorized and directed to execute such Official Statement with such changes therein, deletions therefrom and modifications thereto as such Authorized Officer may approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 8. Approval of Contract of Purchase. The Notes shall be sold at negotiated sale. The form of Contract of Purchase for the Notes, substantially in the form presented to this meeting and on file with the Clerk of the County is hereby approved. Any Authorized Officer, acting alone, is hereby authorized to execute and deliver the Contract of Purchase, and the Authorized Officers are each hereby authorized and requested to acknowledge such Contract of Purchase, if necessary, such approval to be conclusively evidenced by his or her execution and delivery thereof; provided, however, that the maximum interest rate on the Notes shall not exceed the maximum interest rate permitted by law and that the Underwriter's discount shall not exceed 0.30% of the par amount of the Notes. Each Authorized Officer is hereby further authorized to determine the maximum principal amount of Notes to be specified in the Contract of Purchase, up to \$23,000,000 and to enter into and execute the Contract of Purchase with the Underwriter, if the conditions set forth in this Resolution are satisfied.

Section 9. Delivery of Notes. The appropriate officers of the County Board are hereby requested to deliver the Notes to the Underwriter. All actions heretofore taken by the officers and agents of the District Board, including the Authorized Officers, with respect to the Notes are hereby approved, confirmed and ratified, and the officers of the District Board, including the Authorized Officers, are hereby authorized and directed to do any and all things and take any and all actions which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Notes in accordance with this Resolution and resolutions hereafter adopted by the County Board.

Section 10. Proceeds of Notes Conditionally Pledged; Investment of Note Proceeds. Notwithstanding anything to the contrary contained herein, the proceeds of the Notes shall be pledged to the payment of the Notes in the event and to the extent sufficient Pledged Revenues of the District and other legally available revenues are not deposited into the Repayment Fund. In addition to investments in the Treasurer's Investment Pool, pursuant to Section 53601 of the Government Code of the State of California, the following are hereby designated as additional authorized investments for the proceeds of the Notes and the Repayment Fund: (i) a guaranteed

investment contract with a financial institution or insurance company which has or its guarantor has at the date of execution thereof one or more outstanding issues of unsecured, uninsured and unguaranteed debt obligations or a claims paying ability rated not lower than the second highest rating category (without regard to subcategories) by Standard & Poor's Ratings Services and Moody's Investors Service (in which case, the District Board hereby directs any Authorized Officer to execute a certificate of indemnity holding the Treasurer and the County, its officers, employees and servants harmless and indemnifying them from any costs, liabilities, claims or damages, including but not limited to attorneys' fees, caused by or arising from the investment of the funds in such an instrument, or, alternatively, a written agreement to pay for any costs, liabilities, claims or damages, including but not limited to attorneys' fees, to the Treasurer, the County, its officers, employees and servants, caused by or arising from the investment of the funds in such an instrument); or (ii) the Local Agency Investment Fund (LAIF) administered by the State of California.

Section 11. Continuing Disclosure. The District Board hereby covenants and agrees that it will comply with and carry out, and authorizes and directs the Authorized Officers to comply with and carry out, all of the provisions of that certain Continuing Disclosure Agreement dated the date of issuance and delivery of the Notes, substantially in the form appended to the Preliminary Official Statement (the "Continuing Disclosure Agreement"). Notwithstanding any other provision of this Resolution, failure of the District to comply with the Continuing Disclosure Agreement shall not be considered an event of default under this Resolution; however, any Noteholder 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 Section. The preparation of a Continuing Disclosure Agreement is hereby approved. Any Authorized Officer is hereby authorized and directed to execute and deliver the Continuing Disclosure Agreement, with such changes therein as any such Authorized Officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 12. Transmittal of Resolution. An Authorized Officer is hereby directed to send a certified copy of this Resolution to the County Board of Supervisors, the Treasurer and the County Superintendent of Schools.

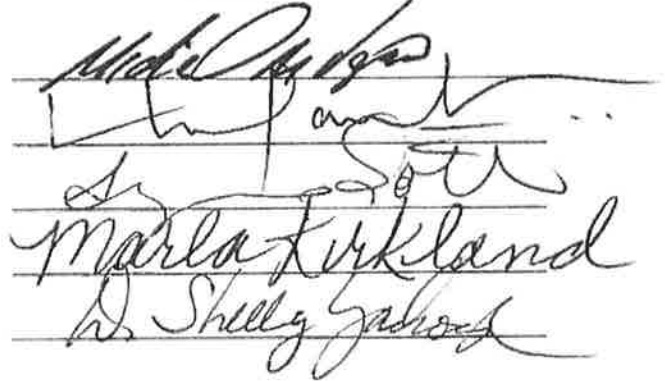
Section 13. Further Actions Authorized. It is hereby covenanted that the District Board and its appropriate officials will cause the County, to take all proceedings necessary to be taken by them, and will take any additional proceedings necessary to be taken by them, for the levy, collection and enforcement of the secured property taxes pledged under this Resolution in accordance with the law and for carrying out the provisions of this Resolution.

In addition, notwithstanding any other provision herein, the provisions of this Resolution may be amended by the Contract of Purchase.

PASSED AND ADOPTED by the Board of Education of the Val Verde Unified School District this 1st day of April, 2014, by the following vote:

Val Verde Unified School District
Board of Education

Ayes: 5
Noes: 0
Absent: 0
Abstention: 0


The block contains four handwritten signatures written over horizontal lines. The signatures are: 1. A signature that appears to be 'M. D. ...'. 2. A signature that appears to be 'L. ...'. 3. A signature that appears to be 'Marla Kirkland'. 4. A signature that appears to be 'D. Shelly ...'.

Attest:

Juan M. López
Superintendent and Secretary to the Board of Education

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2014

NEW ISSUES – BOOK-ENTRY

RATING: Standard & Poor's: "____"
[Moody's: "____"]
(See "Rating" herein.)

In the opinion of Nixon Peabody LLP, Bond Counsel, under existing law and assuming compliance with the tax covenants described herein, and the accuracy of certain representations and certifications made by the District described herein, interest on the Tax-Exempt Notes (defined below) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Bond Counsel is of the opinion that interest on the Taxable Notes (defined below) is not excluded from gross income for federal income tax purposes and so will be fully subject to federal income taxation. Bond Counsel is further of the opinion that interest on the Notes (defined below) is exempt from personal income taxes of the State of California under present State law. See "TAX MATTERS" herein regarding certain other tax considerations.

\$ _____*
VAL VERDE UNIFIED SCHOOL DISTRICT
(County of Riverside, State of California)
2013-14 Tax and Revenue Anticipation Notes
Series A
consisting of

\$ _____*
VAL VERDE UNIFIED SCHOOL DISTRICT
(County of Riverside, State of California)
2013-14 Tax and Revenue Anticipation Notes
Series A-1
(Tax-Exempt)

\$ _____*
VAL VERDE UNIFIED SCHOOL DISTRICT
(County of Riverside, State of California)
2013-14 Tax and Revenue Anticipation Notes
Series A-2
(Federally Taxable)

Dated: Date of Delivery

Due: [September 1], 2014

The Val Verde Unified School District 2013-14 Tax and Revenue Anticipation Notes, Series A are being issued by the County of Riverside, California (the "County"), in the name and on behalf of the Val Verde Unified School District, Riverside County, California (the "District"), in two tranches, the Val Verde Unified School District 2013-14 Tax and Revenue Anticipation Notes, Series A-1 (Tax-Exempt) (the "Tax-Exempt Notes") and the Val Verde Unified School District 2013-14 Tax and Revenue Anticipation Notes, Series A-2 (Federally Taxable) (the "Taxable Notes," collectively, the "Notes") are being issued by the County of Riverside, California (the "County"). The Notes are being issued to finance seasonal cash flow requirements for the fiscal year ending June 30, 2014. The Notes will be issued in denominations of \$5,000 or any integral multiple thereof and will be dated the date of their delivery. The Notes are the first series of tax and revenue anticipation notes of the District to be issued during fiscal year 2013-14. See "SECURITY FOR SOURCES OF PAYMENT FOR THE NOTES." Principal of and interest on the Notes will be payable in lawful money of the United States of America by the District upon maturity at the office of the U.S. Bank National Association (the "Paying Agent") or other such paying agent as the County of Riverside, California (the "County") or the District may appoint. The Tax-Exempt Notes will be issued in the aggregate principal amount of \$ _____,* and the Taxable Notes will be issued in the aggregate principal amount of \$ _____.*

The Notes will not be subject to prepayment prior to maturity.

The Notes will be issued in fully registered form, registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), which will act as securities depository for the Notes. **Purchasers will not receive Notes representing their ownership interests in the Notes purchased.** Principal of and interest on the Notes will be payable when due as described under "THE NOTES – Book-Entry Only System."

<u>Tranche</u>	<u>Interest Rate</u>	<u>Price to Yield</u>	<u>CUSIP¹</u>
Tax-Exempt Notes			
Federally Taxable			

As security for repayment of the Notes, the District has pledged to deposit into the Repayment Fund (defined herein) unrestricted revenues received by the District during the periods ending July 31, 2014 and allocable to the 2013-14 fiscal year, in an amount sufficient to pay the aggregate principal amount of and interest on the Notes.

* Preliminary; subject to change.

¹ CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This information is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the Authority or the Underwriter and are included solely for the convenience of the registered owners of the Bonds. Neither the District nor the Underwriter is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Notes or as included herein. The CUSIP number for a specific maturity is subject to change after the issuance of the Bonds as a result of various subsequent actions.

**NP DRAFT
OF 4/2/14**

To the extent more fully described herein, the Notes are legal investments for commercial banks in California and are eligible to secure deposits of public moneys in California.

The Notes are offered when, as and if issued and received by the Underwriter, subject to the approval of legality by Nixon Peabody LLP, Bond Counsel and Disclosure Counsel. Certain other legal matters will be passed upon for the Underwriter by Nossaman LLP. The Notes, in book-entry form, will be available through the facilities of DTC, on or about _____, 2014.

STIFEL

Dated: _____, 2014

No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the District. 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 Notes 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 Notes. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts.

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 a part of, its 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.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used, such as "plan," "expect," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The District does not plan to issue any updates or revisions to those forward-looking statements if or when their expectations, or events, conditions or circumstances on which such statements are based, occur.

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, and is not to be construed as a representation by the District or the Underwriter. The information and expressions of opinions 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 is submitted in connection with the sale of the Notes referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the District.

**VAL VERDE UNIFIED SCHOOL DISTRICT
(COUNTY OF RIVERSIDE, CALIFORNIA)**

Board of Education

Michael M. Vargas, President
Wraymond Sawyerr, Vice President
Suzanne Stotlar, Clerk
Marla Kirkland, Member
D. "Shelly" Yarbrough, Member

District Administrators

Juan M. Lopez, Superintendent
R. Darrin Watters, Assistant Superintendent, Business Services
Kristin Merritt, Director of Fiscal Services

BOND AND DISCLOSURE COUNSEL

Nixon Peabody LLP

FINANCIAL ADVISOR

Fieldman, Rolapp & Associates
Irvine, California

UNDERWRITER

Stifel, Nicolaus & Company, Incorporated
Los Angeles, California

PAYING AGENT

U.S. Bank National Association
Los Angeles, California

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SUMMARY STATEMENT

THIS SUMMARY STATEMENT IS SUBJECT IN ALL RESPECTS TO MORE COMPLETE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT AND THE OFFERING OF THE NOTES TO POTENTIAL INVESTORS IS MADE ONLY BY MEANS OF THE ENTIRE OFFICIAL STATEMENT.

Purpose:	The Notes are being issued in order to fund short-term operating cash requirements of the District.
Security for the Notes:	The District is required to make Note payments only out of taxes, income, revenue, cash receipts and other moneys of the District allocable to the 2013-14 fiscal year and received during the period ending July 31, 2014 and legally available for payment thereof.
Form of the Notes:	The Notes will be issued only in fully registered form through the facilities of The Depository Trust Company. Purchases of the Notes will be made in book-entry form in the denomination of \$5,000 each or any integral multiple thereof.
Redemption:	The Notes are not subject to prepayment prior to maturity.

NEITHER DISTRICT NOR COUNTY OFFICERS OR EMPLOYEES NOR ANY PERSONS EXECUTING THE NOTES SHALL BE PERSONALLY LIABLE OR ACCOUNTABLE BY REASON OF THE EXECUTION AND DELIVERY THEREOF.

OFFICIAL STATEMENT

\$ _____ *
VAL VERDE UNIFIED SCHOOL DISTRICT
(County of Riverside, State of California)
2013-14 Tax and Revenue Anticipation Notes
Series A
consisting of

\$ _____ *
VAL VERDE UNIFIED SCHOOL DISTRICT
(County of Riverside, State of California)
2013-14 Tax and Revenue Anticipation Notes
Series A-1
(Tax-Exempt)

\$ _____ *
VAL VERDE UNIFIED SCHOOL DISTRICT
(County of Riverside, State of California)
2013-14 Tax and Revenue Anticipation Notes
Series A-2
(Federally Taxable)

INTRODUCTION

This Official Statement provides certain information in connection with the issuance, sale and delivery by the County of Riverside, California (the "County"), in the name and on behalf of the Val Verde Unified School District, Riverside County, California (the "District"), of the Val Verde Unified School District 2013-14 Tax and Revenue Anticipation Notes, Series A, in two tranches, \$ _____ * aggregate principal amount of the Val Verde Unified School District 2013-14 Tax and Revenue Anticipation Notes, Series A-1 (Tax-Exempt) (the "Tax-Exempt Notes") and \$ _____ * aggregate principal amount of the Val Verde Unified School District 2013-14 Tax and Revenue Anticipation Notes, Series A-2 (Federally Taxable) (the "Taxable Notes," collectively, the "Notes"). The Notes are issued under the authority of Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the California Government Code (the "Government Code") and pursuant to resolutions adopted by the Board of Education of the District (the "District Note Resolution") and by the Board of Supervisors of the County (the "County Note Resolution" and together with the District Note Resolution, the "Resolutions"). The Notes are the first series of tax and revenue anticipation notes of the District during Fiscal Year 2013-14 (the "Fiscal Year"). Issuance of the Notes will provide funds to meet General Fund expenditures, including operating expenses, capital expenditures, and the discharge of other obligations or indebtedness, of the District during the Fiscal Year 2013-2014.

This borrowing is necessitated by District General Fund expenditures occurring in relatively level amounts throughout each fiscal year with receipts occurring in uneven amounts, primarily as a result of the uneven pattern of payments from state and federal sources, deferral of certain state payments and payments of secured property taxes in December and April. As a result, the General Fund cash balance, absent the use of Note proceeds, is negative during parts of the Fiscal Year. The Notes are intended to finance such cash flow deficits and are an alternative to the District's borrowing from the County Treasury and other funds and accounts of the District.

The Notes, in accordance with State of California (the "State") law, are general obligations of the District, and to the extent not paid from taxes, income, revenue, cash receipts and other moneys received by the District allocable to the Fiscal Year and pledged for the payment thereof, will be paid with interest thereon from any other moneys of the District legally available therefor. Security for the Notes is described under "SECURITY FOR AND SOURCES OF PAYMENT OF THE NOTES – Security for the Notes."

Brief descriptions of the Notes, the security and sources of payment for the Notes, the District and its financial status follow. Such descriptions do not purport to be comprehensive or definitive. All references herein to various documents are qualified in their entirety by reference to the forms thereof, all of which are available for inspection at the office of the Assistant Superintendent, Business Services of the District.

* Preliminary; subject to change.

THE NOTES

General Provisions

The Notes will be dated the date of their delivery and will mature on [September 1], 2014. The Notes will be registered in the name of Cede & Co. (“Cede & Co.”), as nominee of The Depository Trust Company (“DTC”). Interest on the Notes will be computed on a 360-day year and 30-day month basis. The Notes are not subject to prepayment prior to maturity. Principal of and interest on the Notes shall be payable upon maturity as described below under “THE NOTES – Book-Entry Only System.”

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 Notes, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Notes, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Notes, 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 “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Notes. The Notes 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 certificate will be issued for the Notes, in the aggregate principal amount of the entire issue, and will be deposited with DTC.

DTC, the world’s largest securities 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 a Standard & Poor’s rating of “AA+.” 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.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC’s records. The ownership interest of each actual purchaser of each security (“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 Notes 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 Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes 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 Notes 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 Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes 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. Beneficial Owners of Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Notes 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 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 Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Notes 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 the 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, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of distributions, and dividend 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 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 Notes at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Note certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Note certificates will be printed and delivered to DTC.

Note Payments

Pursuant to Section 53856 of the Government Code, the District's Note Resolution specifies, as security for the payment of principal of and interest on the Notes, the pledging of certain unrestricted revenue (as hereinafter defined) of the District received during the period ending July 31, 2014 (such pledged amounts being called "Pledged Revenues") that is allocable to the Fiscal Year. The District shall set aside all such unrestricted revenues received by the District during the period ending July 31, 2014 for the payment of the entire amount of the principal of and interest due on the Notes. In the event that on July 31, 2014 there are insufficient Pledged Revenues received by the District to permit the deposit into the Repayment Fund (as hereinafter defined) of the full amount of the aforesaid pledge, then the amount of any deficiency shall be satisfied and made up from any other moneys of the District lawfully available for the payment of the principal of and interest on the Notes. The term "unrestricted

revenues” means taxes, income, revenue, cash receipts and other moneys intended as receipts for the general fund of the District for the Fiscal Year and which are generally available for the payment of current expenses and other obligations of the District. See “THE NOTES – Security for the Notes.”

Principal of and interest on the Notes will be payable at maturity by the District upon presentation at the principal office of the Paying Agent of the District, U.S. Bank National Association (the “Paying Agent”). The Notes are not subject to redemption prior to maturity.

Authority for Issuance

The Notes are issued pursuant to Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the Government Code and pursuant to a Resolution adopted by the Board of Education of the District on April 1, 2014, and the Board of Supervisors of the County on April 22, 2014 (collectively, the “Resolutions”).

Purpose of Issue

Issuance of the Notes will provide funds to meet Fiscal Year 2013-14 General Fund expenditures, including operating expenses, capital expenditures, and the discharge of other obligations or indebtedness of the District.

Investment of Note Proceeds

Pursuant to the Resolutions, the District is authorized to invest Note proceeds in the Riverside County Treasury Pool (the “Treasury Pool”) pursuant to Section 53601(1) of the Government Code, the Local Agency Investment Fund, or a guaranteed investment contract with a financial institution or insurance company which has or its guarantor has at the date of execution thereof one or more outstanding issues of unsecured, uninsured and unguaranteed debt obligations or a claims-paying ability rated not lower than the second highest rating category (without regard to subcategories) by Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (“S&P”), and Moody’s Investors Service, Inc]. The District expects to invest all of the Note proceeds in the Treasury Pool.

SECURITY FOR AND SOURCES OF PAYMENT OF THE NOTES

Security for the Notes

The Resolutions authorizing the issuance of the Notes provide that the Notes shall be payable from certain pledged revenues of the District. Pursuant to Section 53856 of the Government Code, the Resolutions pledge, as security for the payment of the principal of and interest on the Notes, unrestricted revenues received by the District during fiscal year 2013-14 and which are available therefor in an amount sufficient to pay the aggregate principal amount of and interest on the Notes. The term “unrestricted revenues” is defined by the Resolutions to mean taxes, income, revenue, cash receipts and other moneys intended as receipts for the general fund of the District and which are generally available for the payment of current expenses and other obligations of the District. In the event that there are insufficient unrestricted revenues received by the District to permit payment of the full amounts due and owing on the Notes, then the amount of any deficiency will be satisfied and made up from any other moneys of the District lawfully available for the repayment of the principal of and interest on the Notes. The principal of and interest on the Notes will constitute a first lien and charge against, and will be payable from, the first moneys received by the District from such Pledged Revenues.

All Pledged Revenues will be deposited into a special fund held by the Treasurer and Tax Collector of the County (the “County Treasurer”) designated as the “Val Verde Unified School District (County of Riverside, State of California) 2013-14 Tax and Revenue Anticipation Notes Repayment Fund” (the “Repayment Fund”). Moneys in the Repayment Fund will be invested as described above. After the date on which the amount of Pledged Revenues deposited in the Repayment Fund are sufficient to pay in full the principal of and interest on the Notes, when due, any moneys in excess of such amount remaining in or accruing to the Repayment Fund shall be transferred to the General Fund of the District upon request of the District.

Available Sources of Payment

The Notes, in accordance with State law, are general obligations of the District, and to the extent not paid from taxes, income, revenue, cash receipts and other moneys received by the District during or allocable to the Fiscal Year pledged for the payment thereof, will be paid with interest thereon from any other moneys of the District legally available therefor. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING SCHOOL DISTRICT REVENUES" and "APPENDIX A – FINANCIAL AND DEMOGRAPHIC INFORMATION RELATING TO THE DISTRICT – *Ad Valorem* Property Taxation." The District may, under existing law, issue the Notes only if the principal of and interest on the Notes and any other short-term debt will not exceed 85% of the moneys estimated to be legally available for the payment of the Notes and such other debt during the applicable fiscal year. At an interest rate of ___%, the amount needed to repay the Notes and the interest thereon is \$ _____. The District estimates that funds available from its General Fund for payment of the Notes will be in excess of \$ _____.

In addition to the District's obligation to repay the Notes, the District has other contractual commitments that must be paid from General Fund revenues. For information regarding the levels of the District's expenditure commitments for the Fiscal Year and its projected commitments for Fiscal Year 2013-14, see APPENDIX A – "FINANCIAL AND DEMOGRAPHIC INFORMATION RELATING TO THE DISTRICT – Financial Statements of the District," "– District Budget," "– Projected and Actual Cash Flows."

The District's Fiscal Year 2013-14 Budget has received a positive certification within the meaning of Section 42133 of the Education Code of the State from the Riverside County Office of Education following its review thereof. See APPENDIX A – "FINANCIAL AND DEMOGRAPHIC INFORMATION RELATING TO THE DISTRICT – Significant Accounting Policies and Financial Statements."

State Revenues and Deferrals

Due to the State's efforts to manage its cash flow, the State has enacted legislation in the last few years which defers principal apportionment payments to school and community college districts within each fiscal year and from one fiscal year to a subsequent fiscal year. See "APPENDIX A - FINANCIAL AND DEMOGRAPHIC INFORMATION RELATING TO THE DISTRICT - State Assistance" herein. Under the State's Education Code and under Senate Bill 70 ("SB 70") and Senate Bill 82 ("SB 82") which were approved in March 2011, and Assembly Bill 103 ("AB 103"), which was approved in May 2012 (see "APPENDIX A - FINANCIAL AND DEMOGRAPHIC INFORMATION RELATING TO THE DISTRICT - State Assistance – *Cash Management Legislation*"), the District is authorized to treat deferrals from one fiscal year to a subsequent fiscal year as revenues accrued to the fiscal year from which the revenues were deferred. In addition, the financial statements for the District have treated the deferred revenues as a receivable for the fiscal year from which the revenues were deferred.

The District projects that its Pledged Revenues will consist primarily of State apportionments due to the District during Fiscal Year 2013-14, the payments of which are expected to be deferred by the State to the subsequent fiscal year. To the extent that the Notes are not paid from Pledged Revenues, the payment of principal of and interest on the Notes shall be paid from any other moneys of the District lawfully available therefor in accordance with State law. Although the District expects to receive its Pledged Revenues in such a time and manner as will permit the timely payment of such principal of and interest of the Notes, such expectation is based on facts and circumstances presently known to the District. Accordingly, factors beyond the control of the District, including deferrals of such Pledged Revenues, may affect the timely receipt of its Pledged Revenues and the District's ability to repay the Notes.

Cash Flow Projections

The District has prepared the accompanying monthly General Fund cash flow statement covering the Fiscal Year. The General Fund is used to finance the ordinary operations of the District and is available for any legal authorized purposes. While expenditures generally occur evenly throughout the fiscal year, cash receipts occur unevenly. As a result, the General Fund cash balance, absent the use of Note proceeds, tends to show a deficit during parts of the Fiscal Year. The projections are based on the District's budget.

ACTUAL AND PROJECTED MONTHLY CASH FLOWS
Fiscal Year 2013-14
General Fund
VAL VERDE UNIFIED SCHOOL DISTRICT

	Operating Budget	July Actual	August Actual	September Actual	October Actual	November Actual	December Actual	January Actual	February Actual	March Projected	April Projected	May Projected	June Projected	Total
Beginning Cash Balance		\$23,151,091	\$15,279,236	\$17,492,017	\$23,035,961	\$15,421,538	\$14,096,889	\$19,413,468	\$18,069,099	\$11,061,127	\$13,880,661	\$8,485,540	\$14,650,684	
RECEIPTS														
Revenue Limit														
State Aid - Current Year	92,640,244	4,301,652	4,301,652	7,742,975	7,742,975	7,742,975	7,742,610	7,742,975	7,956,515	7,742,975	4,817,851	240,893		68,079,048
State Aid - EPA	18,878,920	-	-	4,719,730	-	-	4,719,730	-	-	4,719,730	-	-	4,719,730	18,878,920
State Aid - Per ADA Cut	-	-	-	-	-	-	-	-	(478,265)	-	-	-	-	-
State Aid - Prior Year	-	-	-	-	-	532,325	5,118,583	3,236,788	-	-	1,754,713	390,132	582,740	13,251,405
Property Tax	13,233,839	-	868,542	767,582	-	-	-	-	-	-	-	-	-	-
PERS Reduction	-	17,251	(17,251)	-	-	-	-	-	-	-	-	-	-	-
Federal Revenue	9,695,808	73,238	64,686	998,986	13,548	98,222	1,855,634	(194,206)	43,454	2,411,553	70,830	2,608,882	187,038	8,231,865
Other State Revenue	9,500,462	5,919	2,609,795	2,609,795	142,172	2,760,892	237,994	808,842	6,103	288,965	817,247	7,810	-	7,685,739
Other Local Revenue	3,908,319	9,341	169,422	764,560	212,196	169,121	299,713	690,638	130,589	217,097	216,891	336,891	213,315	3,429,794
Tuition/SELPA Revenue	8,877,912	-	776,602	-	698,942	722,718	722,718	778,512	722,718	786,583	443,896	44,390	-	5,697,079
Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interfund Transfers In	-	-	42,980	-	-	-	-	-	-	-	-	7,395,913	-	7,438,893
Accounts Receivable	26,743,635	19,004,540	8,995,319	449,827	842,261	(430,201)	35,228	9,533	209,070	-	-	-	(2,162,892)	26,952,705
Other Receivables	335,269	-	(100,000)	(200,000)	(19,223)	550,000	(150,000)	-	(200,000)	(250,000)	-	-	-	(369,223)
Stores	-	-	7,115	3,059	(12,994)	(3,595)	10,722	(21,310)	6,647	-	-	-	10,356	-
FY 2013-14 TRAN Receipt	-	-	-	-	-	-	-	-	6,647	-	-	15,722,849	-	15,722,849
Total Receipts	\$183,814,408	\$23,411,940	\$15,066,087	\$17,899,494	\$9,619,877	\$12,142,457	\$20,595,932	\$13,051,812	\$8,396,831	\$16,395,168	\$8,121,428	\$26,747,760	\$3,530,287	\$174,999,074
DISBURSEMENTS														
Certificated Salaries	74,466,025	614,932	6,409,248	6,324,518	6,878,816	6,400,321	6,949,198	6,567,952	6,412,187	6,664,700	6,672,562	13,987,196	6,187,190	80,068,840
Classified Salaries	24,843,111	1,187,331	2,163,803	1,895,676	2,651,992	1,895,232	2,209,993	1,939,687	2,170,569	2,453,642	2,262,812	2,027,222	1,070,260	23,932,219
Benefits	26,902,123	718,670	1,201,040	1,772,694	4,403,530	3,143,572	2,157,598	3,076,840	2,206,603	2,287,424	2,019,355	2,060,363	1,182,533	26,230,222
Supplies	10,120,835	391,709	805,412	618,588	405,138	259,211	330,869	399,595	2,113,629	567,656	959,521	959,521	1,006,357	8,837,206
Services	19,474,750	1,206,918	1,001,092	584,612	2,441,136	2,449,934	916,666	1,934,343	640,911	1,489,563	1,489,563	1,437,646	1,293,857	16,886,241
Capital Outlay	3,822,555	490,459	(86,867)	838,546	237,537	454,386	306,274	451,789	45,211	107,418	107,418	107,418	111,315	3,170,904
Indirect & State Tuition	(1,616,387)	-	-	-	-	-	-	20,214	-	-	-	-	20,214	-
Debt Service	6,112,258	2,881	1,023,377	2,881	2,881	-	2,388,755	5,761	1,753,520	5,232	5,317	3,251	930,015	6,123,871
Other Uses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interfund Transfers Out	942,712	-	679,845	-	(679,845)	-	-	-	-	-	-	-	-	303,379
Accounts Payable	2,687,756	3,866,484	(343,644)	45,595	5,354	(1,139,550)	-	-	62,172	-	-	-	253,497	2,749,908
Other Liabilities	23,964,591	22,804,391	-	272,439	887,761	-	-	-	-	-	-	-	-	23,964,591
Total Disbursements	\$191,720,309	\$31,283,795	\$12,853,306	\$12,355,549	\$17,234,300	\$13,467,106	\$15,279,353	\$14,396,181	\$15,404,802	\$13,575,635	\$13,516,548	\$20,582,617	\$12,338,403	\$192,287,595
Net Change in Cash Position		(7,871,855)	2,212,781	5,545,945	(7,614,423)	(1,324,649)	5,316,579	(1,344,369)	(7,007,971)	2,819,533	(5,395,120)	6,165,143	(8,788,116)	
Ending Cash Balance		15,279,236	17,492,017	23,035,961	15,421,538	14,096,889	19,413,468	18,069,099	11,061,127	13,880,661	8,485,540	14,650,684	5,862,568	

ACTUAL AND PROJECTED MONTHLY CASH FLOWS
Fiscal Year 2014-15
General Fund
VAL VERDE UNIFIED SCHOOL DISTRICT

	Operating Budget	July Projected	August Projected	September Projected	October Projected
Beginning Cash Balance		\$ 5,862,568	\$29,221,034	\$22,126,840	\$ 9,230,995
RECEIPTS					
Revenue Limit					\$10,151,772
State Aid - Current Year	\$112,797,465	\$ 5,639,873	\$ 5,639,873	\$10,151,772	-
State Aide - EPA	18,878,920	-	-	4,719,730	-
State Aid - Prior Year	-	-	-	-	-
Property Tax	13,312,766	-	962,893	-	775,730
PERS Reduction	-	-	-	-	-
Federal Revenue	11,479,633	523,667	41,667	152,747	523,667
Other State Revenue	5,381,938	-	-	562,311	31,568
Other Local Revenue	3,631,738	162,710	162,710	205,210	642,710
Tuition/SELPA Revenue	8,877,912	-	177,558	887,791	-
Sources	-	-	-	-	-
Interfund Transfers In	-	-	-	-	-
Accounts Receivable	31,934,098	27,018,830	2,457,634	2,457,634	-
Other Receivables	-	-	-	-	-
Stores	-	-	-	-	-
Total Receipts	\$206,294,470	\$33,345,080	\$ 9,442,335	\$19,137,195	\$12,125,447
DISBURSEMENTS					
Certificated Salaries	80,144,059	661,842	6,897,953	6,806,762	7,403,326
Classified Salaries	26,669,577	1,274,623	2,322,886	1,906,701	2,238,130
Benefits	28,741,698	514,877	1,298,772	3,675,387	2,338,518
Supplies	14,278,626	2,656,457	1,998,949	1,401,435	1,151,496
Services	19,713,950	1,642,172	1,642,172	1,642,172	1,642,172
Capital Outlay	1,383,550	115,295	115,295	115,295	115,295
Indirect & State Tuition	(1,219,779)	-	-	-	-
Debt Service	6,562,784	2,881	1,013,115	2,881	2,881
Other Uses	-	-	-	-	-
Interfund Transfers Out	942,712	-	-	-	-
Accounts Payable	6,236,933	3,118,467	1,247,387	623,693	623,693
Other Liabilities	639,333	-	-	-	-
FY 2013-14 TRAN Repayment	-	-	-	15,858,714	-
Total Disbursements	\$184,093,443	\$ 9,986,614	\$16,536,529	\$32,033,040	\$15,515,511
Net Change in Cash Position		23,358,466	(7,094,194)	(12,895,845)	(3,390,064)
Ending Cash Balance		\$29,221,034	\$22,126,840	\$ 9,230,995	\$ 5,840,931

Limitations on Noteholder Remedies

The rights of the Owners of the Notes are subject to certain limitations. Enforceability of the rights and remedies of the Owners of the Notes, and the obligations incurred by the District may become subject to the Federal Bankruptcy Code (defined below) and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against school and community college districts in the State. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the Owners of the Notes to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

Under Chapter 9 of the Federal Bankruptcy Code (Title 11, United States Code) (the "Bankruptcy Code"), which governs the bankruptcy proceedings for public agencies, no involuntary petitions for bankruptcy relief are permitted. While current State law precludes school and community college districts from voluntarily seeking bankruptcy relief under Chapter 9 of the Bankruptcy Code without the concurrence of the State, such concurrence could be granted or State law could be amended.

In a decision dated March 8, 1995, the United States Bankruptcy Court for the Central District of California ruled that a pledge granted by Orange County pursuant to a resolution adopted by that county in connection with the issuance of tax and revenue anticipation notes ("TRANS") was not effective with respect to general revenues accruing to Orange County after the filing of a petition in bankruptcy. The resolution obligated Orange County to set aside a specified amount of revenues in certain months in order to secure the payment of its TRANS. On July 12, 1995, the United States District Court for the Central District of California reversed the order of the Bankruptcy Court and determined that the obligation created under the resolution adopted by Orange County is a statutory lien which survived the filing of Orange County's bankruptcy petition. The parties subsequently negotiated a settlement. No assurance can be made that future allegations possibly affecting the priority of the Pledged Revenues as the source of payment on the Notes would not be raised in another bankruptcy proceeding.

All money held in any of the funds or accounts established pursuant to the Resolutions shall be held in the Treasury Pool and disbursed in accordance with the Resolutions. The County on behalf of the District thus is expected to be in possession of all of the funds to repay the Notes. The County Treasurer commingles all taxes and revenues that it receives on behalf of the District with other funds on deposit in the Treasury Pool before it transfers the amounts necessary to pay debt service to the Paying Agent prior to each Interest Payment Date. As a result, the Paying Agent and the Owners of the Notes may not have a lien on such commingled funds and the County Treasurer may fail, or be unable, to turn over to the Paying Agent taxes and other revenues that are in its possession and have been commingled with other moneys. In the event the District or the County were to file bankruptcy proceedings, a federal bankruptcy court might hold that the Owners of the Notes are unsecured creditors with respect to any funds received by the District or the County prior to the bankruptcy, which may include taxes and other revenues that have been collected and deposited into the Repayment Fund within the Treasury Pool, and such amounts may not be available for payment of the principal of and interest on the Notes unless the Owners can "trace" those funds. There can be no assurance that the Owners could successfully so "trace" such taxes and other revenues on deposit in the Repayment Fund within the Treasury Pool. Under any of such circumstances, there could be delays or reductions in payments on the Notes.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

The primary source of revenue for the payment of the Notes will be the General Fund of the District. Amounts available to the District for such payment will vary, dependent in large part upon funding available from the State. See APPENDIX A - "FINANCIAL AND DEMOGRAPHIC INFORMATION RELATING TO THE DISTRICT - State Funding of Education."

Article XIII A of the California Constitution

Article XIII A of the California Constitution ("Article XIII A") 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 (i) two-thirds of the voters on such indebtedness or (ii) fifty-five percent of the voters on such indebtedness for schools and community college districts. 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 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 ("Article XIII C" and "Article XIII D," respectively), 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 XIII C 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 XIII C 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 XIII D deals with assessments and property-related fees and charges. Article XIII D explicitly provides that nothing in Article XIII C or XIII D 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 Notes.

Proposition 62

In 1986, California voters adopted Proposition 62 (“Proposition 62”), a statutory initiative which amended the 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* (“Santa Clara”), 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 affect the ability of the District to make payments of principal and interest with respect to the Notes.

Proposition 98

In 1988, California voters approved Proposition 98, a combined initiative, constitutional amendment and statute called the “Classroom Instructional Improvement and Accountability Act” (“Proposition 98”). Proposition 98 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 ("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 1989, the State Legislature and the Governor last 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.

For a discussion of State funding of the District, see "APPENDIX A – FINANCIAL AND DEMOGRAPHIC INFORMATION RELATING TO THE DISTRICT – State Funding of Education."

Proposition 39

On November 7, 2000, California voters approved Proposition 39, called the "Smaller Classes, Safer Schools and Financial Accountability Act" ("Proposition 39") 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 State 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) (“Proposition 1A”), proposed by the State 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. Pursuant to Proposition 1A, if the State reduces the Vehicle License Fee from 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A required the State, beginning March 1, 2006, to suspend 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.

Prohibitions on Diverting Local Revenues for State Purposes

Beginning in 1992-93, the State satisfied a portion of its Proposition 98 obligations by shifting part of the property tax revenues otherwise belonging to cities, counties, special districts, and redevelopment agencies, to school and college districts through a local Educational Revenue Augmentation Fund (“ERAF”) in each county. Local agencies, objecting to invasions of their local revenues by the State, sponsored a statewide ballot initiative intended to eliminate the practice. In response, the State Legislature proposed an amendment to the State Constitution, which the State’s voters approved as Proposition 1A at the November 2004 election. That measure was generally superseded by the passage of an initiative constitutional amendment at the November 2010 election, known as “Proposition 22.”

The effect of Proposition 22 is to prohibit the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services. It prevents the State from redirecting redevelopment agency property tax increment to any other local government, including school districts, or from temporarily shifting property taxes from cities, counties and special districts to schools, as in the ERAF program. This is intended to, among other things, stabilize local government

revenue sources by restricting the State's control over local property taxes. One effect of this amendment will be to deprive the State of fuel tax revenues to pay debt service on most State bonds for transportation projects, reducing the amount of State general fund resources available for other purposes, including education.

Prior to the passage of Proposition 22, the State invoked Proposition 1A to divert \$1.935 billion in local property tax revenues in 2009-10 from cities, counties, and special districts to the State to offset State general fund spending for education and other programs, and included another diversion in the adopted 2009-10 State budget of \$1.7 billion in local property tax revenues from local redevelopment agencies. Because Proposition 22 reduces the State's authority to use or reallocate certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget, such as reducing State spending or increasing State taxes, and school and college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State's general fund.

On December 30, 2011, the California Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos*, finding ABx1 26, a trailer bill to the 2011-12 State budget, to be constitutional. As a result, all redevelopment agencies in California were dissolved as of February 1, 2012, and all net tax increment revenues, after payment of redevelopment bonds debt service and administrative costs, will be distributed to cities, counties, special districts and K-14 school districts. The Court also found that ABx1 27, a companion bill to ABx1 26, violated the California Constitution, as amended by Proposition 22. ABx1 27 would have permitted redevelopment agencies to continue operations provided their establishing cities or counties agreed to make specified payments to K-14 school districts and county offices of education, totaling \$1.7 billion statewide. The District is unable to predict what affect the implementation of ABx1 26 will have on the District's future receipt of tax increment revenues.

As a result of the dissolution of California redevelopment agencies and ABx1 26, the tax increment previously paid to redevelopment agencies shall first be used to pay pass-through payments to other taxing entities and second to pay the redevelopment agencies enforceable obligations; with the remaining revenue (if any) paid to the taxing entities by the County Auditor-Controller in the same proportion as other tax revenue.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C, Article XIII D and Propositions 62, 98, 39 and 1A 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.

COUNTY INVESTMENT POOL

The County Treasurer maintains one Pooled Investment Fund (the "PIF") for all local jurisdictions having funds on deposit in the County Treasury. The County Treasurer manages, in accordance with Government Code Section 53600 *et seq.*, funds deposited with the County Treasurer by school and community college districts located in the County, various special districts, and some cities within the State. All money held in any of the funds or accounts established pursuant to the Resolution shall be held in the Treasury Pool and disbursed in accordance with the Resolution.

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 public agencies invested in the pool, maturity or sale of investments, purchase of new securities, and due to fluctuations in interest rates generally.

For a further discussion of the Pooled Investment Fund, see the caption APPENDIX E – "THE RIVERSIDE COUNTY TREASURY POOL" herein. *Neither the District nor the Underwriter has made an independent investigation of the investments in the Treasury Pool and neither has made an assessment or investigation of the current County Investment Policy. The value of the various investments in the Treasury Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Therefore, there can be no assurance that the values of the various investments in the Treasury Pool will not vary significantly from the values described in APPENDIX E.*

TAX MATTERS

Tax-Exempt Notes – Federal Income Taxes

The Internal Revenue Code of 1986, as amended (the “Code”), imposes certain requirements that must be met subsequent to the issuance and delivery of the Tax-Exempt Notes for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Tax-Exempt Notes to be included in gross income for federal income tax purposes retroactive to the date of issue of the Tax-Exempt Notes. Pursuant to the District Note Resolution and the Tax and Nonarbitrage Certificate executed by the District in connection with the issuance of the Tax-Exempt Notes (the “Tax Certificate”), the District has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Tax-Exempt Notes from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the District has made certain representations and certifications in the District Note Resolution and the Tax Certificate. Nixon Peabody LLP (“Bond Counsel”) will not independently verify the accuracy of those representations and certifications.

In the opinion of Bond Counsel, under existing law and assuming compliance with the aforementioned covenants, and the accuracy of certain representations and certifications made by the District described above, interest on the Tax-Exempt Notes is excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Tax-Exempt Notes is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

The amount treated as interest on the Tax-Exempt Notes and excluded from gross income will depend upon the taxpayer’s election under Internal Revenue Service (the “IRS”) Notice 94-84, 1994-2 C.B. 559. Notice 94-84 states that the IRS is studying whether the amount of the payment at maturity on debt obligations such as the Tax-Exempt Notes that is excluded from gross income for federal income tax purposes is (i) the stated interest payable at maturity or (ii) the difference between the issue price of the Tax-Exempt Notes and the aggregate amount to be paid at maturity of the Tax-Exempt Notes (the “original issue discount”). For this purpose, the issue price of the Tax-Exempt Notes is the first price at which a substantial amount of the Tax-Exempt Notes is sold to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). Until the IRS provides further guidance, taxpayers may treat either the stated interest payable at maturity or the original issue discount as interest that is excluded from gross income for federal income tax purposes. However, taxpayers must treat the amount to be paid at maturity on all tax-exempt debt obligations with a term that is not more than one year from the date of issue in a consistent manner. Taxpayers should consult their own tax advisors with respect to the tax consequences of ownership of the Tax-Exempt Notes if the taxpayer elects original issue discount treatment.

Under the Code and the Treasury Regulations promulgated thereunder (the “Regulations”), if the District does not spend all of the proceeds of the Tax-Exempt Notes within six months after issuance (determined as provided in the Code and the Regulations), the District must rebate to the federal government its arbitrage profits, if any, in order for interest on the Tax-Exempt Notes to be excluded from gross income for federal income tax purposes. The District expects to spend all of the proceeds of the Tax-Exempt Notes within six months of issuance. If, however, it fails to do so, the District has covenanted to provide for and to set aside any required rebate payment from moneys received in or accrued to Fiscal Year 2013-14. The State Constitution generally prohibits the District from incurring obligations payable from moneys other than moneys received in or accrued to the fiscal year in which such obligations are incurred. Accordingly, if, after the end of the Fiscal Year 2013-14, it is determined that the District’s calculations of expenditures of Note proceeds or of rebatable arbitrage profits, if any, were incorrect and that the moneys received in or accrued to Fiscal Year 2013-14 that were set aside were insufficient to meet the recalculated rebate requirement, it is unclear whether the District could be compelled to pay the difference from the moneys received in or accrued to the then current fiscal year. If the amount required to be rebated to the federal government as recalculated is not paid, then it may be determined that, retroactive to the issuance of the Tax-Exempt Notes, the interest on the Tax-Exempt Notes is not excluded from gross income for federal income tax purposes.

Original Issue Premium

The Tax-Exempt Notes are being offered at prices in excess of their principal amounts. An initial purchaser with an initial adjusted basis in a Premium Tax-Exempt Note in excess of its principal amount will have amortizable note premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable note premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Tax-Exempt Note based on the purchaser's yield to maturity (or, in the case of Premium Tax-Exempt Note callable prior to their maturity, over the period to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Tax-Exempt Note, an initial purchaser who acquires such obligation with an amortizable note premium is required to decrease such purchaser's adjusted basis in such Premium Tax-Exempt Note annually by the amount of amortizable note premium for the taxable year. The amortization of note premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Tax-Exempt Notes. Owners of the Premium Tax-Exempt Notes are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Tax-Exempt Notes.

Ancillary Tax Matters

Ownership of the Tax-Exempt Notes may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, individuals receiving Social Security or Railroad Retirement benefits, and individuals seeking to claim the earned income credit. Ownership of the Tax-Exempt Notes may also result in other federal tax consequences to taxpayers who may be deemed to have incurred or continued indebtedness to purchase or to carry the Tax-Exempt Notes. Prospective investors are advised to consult their own tax advisors regarding these rules.

Interest paid on tax-exempt obligations such as the Tax-Exempt Notes is subject to information reporting to the IRS in a manner similar to interest paid on taxable obligations. In addition, interest on the Tax-Exempt Notes may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner's taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Bond Counsel is not rendering any opinion as to any federal tax matters other than those described in the opinions attached as Appendix B. Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Tax-Exempt Notes, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Changes in Law and Post Issuance Events

Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the Tax-Exempt Notes for federal or state income tax purposes, and thus on the value or marketability of the Tax-Exempt Notes. This could result from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of the interest on the Tax-Exempt Notes from gross income for federal or state income tax purposes, or otherwise. We note that each year since 2011, President Obama released legislative proposals that would limit the extent of the exclusion from gross income of interest on obligations of states and political subdivisions under Section 103 of the Code (including the Tax-Exempt Notes) for taxpayers whose income exceeds certain thresholds. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of owners of the Tax-Exempt Notes may occur. Prospective purchasers of the Tax-Exempt Notes should consult their own tax advisors regarding the impact of any change in law on the Tax-Exempt Notes. Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Tax-Exempt Notes may affect the tax status of interest on the Tax-Exempt Notes. Bond Counsel expresses no opinion as to any federal, state or local tax law consequences with respect to the Tax-Exempt Notes, or the interest thereon, if any

action is taken with respect to the Tax-Exempt Notes or the proceeds thereof upon the advice or approval of other counsel.

Taxable Notes – Federal Income Taxes

The following is a summary of certain anticipated United States federal income tax consequences of the purchase, ownership and disposition of the Taxable Notes. The summary is based upon the provisions of the Code, the regulations promulgated thereunder and the judicial and administrative rulings and decisions now in effect, all of which are subject to change. The summary generally addresses Taxable Notes held as capital assets and does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances or certain types of investors subject to special treatment under the federal income tax laws, including but not limited to financial institutions, insurance companies, dealers in securities or currencies, persons holding such Taxable Notes as a hedge against currency risks or as a position in a “straddle” for tax purposes, or persons whose functional currency is not the United States dollar. Potential purchasers of the Taxable Notes should consult their own tax advisors in determining the federal, state or local tax consequences to them of the purchase, holding and disposition of the Taxable Notes.

Circular 230 Notice

The advice set forth in this section was not intended or written by Bond Counsel to be used and cannot be used by an owner of the Taxable Notes for the purpose of avoiding penalties that may be imposed on the owner of the Taxable Notes. The advice set forth herein is written to support the promotion or marketing of the Taxable Notes. Each owner of the Taxable Notes should seek advice based on its particular circumstances from an independent tax advisor.

Federal Income Taxes

In the opinion of Bond Counsel, interest on the Taxable Notes is not excluded from gross income for federal income tax purposes and so will be fully subject to federal income taxation. Purchasers other than those who purchase Taxable Notes in the initial offering at their principal amounts will be subject to federal income tax accounting rules affecting the timing and/or characterization of payments received with respect to such bonds. In general, interest paid on the Taxable Notes and recovery of accrued original issue and market discount, if any, will be treated as ordinary income to a bondholder and, after adjustment for the foregoing, principal payments will be treated as a return of capital.

Premium

A purchaser of a Taxable Note who purchases such Taxable Note at a cost greater than its then principal amount (or, in the case of a Taxable Note issued with original issue premium, at a price in excess of its adjusted issue price) will have amortizable bond premium. If the holder elects to amortize the premium under Section 171 of the Code (which election will apply to all bonds held by the holder on the first day of the taxable year to which the election applies, and to all bonds thereafter acquired by the holder), such a purchaser must amortize the premium using constant yield principles based on the purchaser’s yield to maturity. Amortizable bond premium is generally treated as an offset to interest income, and a reduction in basis is required for amortizable bond premium that is applied to reduce interest payments. Purchasers of any Taxable Notes who acquire such Taxable Notes at a premium (or with acquisition premium) should consult with their own tax advisors with respect to the determination and treatment of such premium for federal income tax purposes and with respect to state and local tax consequences of owning such Taxable Notes.

Surtax on Unearned Income

Recently enacted legislation generally imposes a tax of 3.8% on the “net investment income” of certain individuals, trusts and estates for taxable years beginning after December 31, 2012. Among other items, net investment income generally includes gross income from interest and net gain attributable to the disposition of certain property, less certain deductions. U.S. Holders should consult their own tax advisors regarding the possible implications of this legislation in their particular circumstances.

Sale or Redemption of Taxable Notes

A bondowner's tax basis for a Taxable Note is the price such owner pays for the Taxable Note plus the amount of any original issue discount and market discount previously included in income, reduced on account of any payments received (other than "qualified periodic interest" payments) and any amortized bond premium. Gain or loss recognized on a sale, exchange or redemption of a Taxable Note, measured by the difference between the amount realized and the Taxable Note basis as so adjusted, will generally give rise to capital gain or loss if the Taxable Note is held as a capital asset (except as discussed above under "Market Discount"). The defeasance of the Taxable Notes may result in a deemed sale or exchange of such Taxable Notes under certain circumstances; owners of such Taxable Notes should consult their tax advisors as to the Federal income tax consequences of such an event.

Backup Withholding

A bondowner may, under certain circumstances, be subject to "backup withholding" (currently the rate of this withholding tax is 28% (although the rate may change)) with respect to interest or original issue discount on the Taxable Notes. This withholding generally applies if the owner of a Taxable Note (a) fails to furnish the Paying Agent or other payor with its taxpayer identification number; (b) furnishes the Paying Agent or other payor an incorrect taxpayer identification number; (c) fails to report properly interest, dividends or other "reportable payments" as defined in the Code; or (d) under certain circumstances, fails to provide the Paying Agent or other payor with a certified statement, signed under penalty of perjury, that the taxpayer identification number provided is its correct number and that the holder is not subject to backup withholding. Backup withholding will not apply, however, with respect to certain payments made to bondowners, including payments to certain exempt recipients (such as certain exempt organizations) and to certain Nonresidents (as defined below). Owners of the Taxable Notes should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for obtaining the exemption.

The amount of "reportable payments" for each calendar year and the amount of tax withheld, if any, with respect to payments on the Taxable Notes will be reported to the bondowners and to the IRS.

Nonresident Bondowners. Under the Code, interest and original issue discount income with respect to Taxable Notes held by nonresident alien individuals, foreign corporations or other non-United States persons ("Nonresidents") generally will not be subject to the United States withholding tax (or backup withholding) if the District (or other person who would otherwise be required to withhold tax from such payments) is provided with an appropriate statement that the beneficial owner of the Taxable Note is a Nonresident. Notwithstanding the foregoing, if any such payments are effectively connected with a United States trade or business conducted by a Nonresident bondowner, they will be subject to regular United States income tax, but will ordinarily be exempt from United States withholding tax.

ERISA

The Employees Retirement Income Security Act of 1974, as amended ("ERISA"), and the Code generally prohibit certain transactions between a qualified employee benefit plan under ERISA or tax-qualified retirement plans and individual retirement accounts under the Code (collectively, the "Plans") and persons who, with respect to a Plan, are fiduciaries or other "parties in interest" within the meaning of ERISA or "disqualified persons" within the meaning of the Code. All fiduciaries of Plans, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in any Taxable Notes.

State Taxes

Bond Counsel is also of the opinion that interest on the Notes is exempt from personal income taxes of the State under present State law. Bond Counsel expresses no opinion as to other state or local tax consequences arising with respect to the Notes nor as to the taxability of the Notes or the income therefrom under the laws of any state other than the State.

IN ALL EVENTS, ALL INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE FEDERAL, STATE, LOCAL AND OTHER TAX

CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES.

LEGAL OPINION

Bond Counsel will render a final approving opinion with respect to the Notes substantially in the form attached as APPENDIX B. A copy of such approving opinion will be available at the time of delivery of the Notes.

The statements of law and legal conclusions set forth in this Official Statement have not been reviewed by Bond Counsel. Bond Counsel's employment is limited to a review of the legal proceedings required for the authorization of the Notes. Bond Counsel's opinion will not consider or extend to any documents, agreements, representations, offering circulars or other material of any kind concerning the Notes.

LEGALITY FOR INVESTMENT IN CALIFORNIA

Under the provisions of the State Financial Code, the Notes are legal investments for commercial banks in the State to the extent that the Notes, in the informed opinion of the bank, are prudent for the investment of funds of its depositors and under provisions of the Government Code the Notes are eligible to secure deposits of public moneys in the State.

RATING

The District has received the rating of "[]" on the Notes from S&P. Certain information was supplied by the District to S&P to be considered in evaluating the Notes. The rating issued reflects only the view of S&P, and any explanation of the significance of such rating should be obtained from S&P. There is no assurance that any rating obtained will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by S&P if, in its judgment, circumstances so warrant. The District undertakes no responsibility either to bring to the attention of the holders of the Notes any downward revision or withdrawal. Any such downward revision or withdrawal of the rating obtained may have an adverse effect on the market price of the Notes.

LITIGATION

No litigation is pending or threatened concerning the validity of the Notes, and a Certificate of the District and an opinion of County Counsel to that effect will be furnished to the Underwriter at the time of the original delivery of the Notes. The District is not aware of any litigation pending or threatened litigation questioning the political existence of the District or contesting the District's ability to receive *ad valorem* taxes or to collect other pledged revenues or contesting the District's ability to issue and retire the Notes.

AVAILABILITY OF INFORMATION

Copies of the Resolutions are available, upon written request, from the District. For further information concerning the financial condition of the District, copies of the final Fiscal Year 2013-14 budget may be obtained from the District. Audited financial statements for Fiscal Years prior to 2012-13 are also currently available for review from the District.

This Official Statement contains financial data taken or constructed from the official records of the District. Such data has been reviewed by an authorized representative of the District acting in his or her official capacity. Such representative has determined that as of the date hereof the information contained herein is, to the best of his or her knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact, or omit to state a material fact, necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

UNDERWRITING

The Notes are being purchased for reoffering by Stifel, Nicolaus & Company, Incorporated (the “Underwriter”). The Underwriter has agreed to purchase the Notes at a price of \$_____ (representing the aggregate principal amount of the Notes of \$_____, plus an original issue premium of \$_____, and less an Underwriter’s discount of \$_____). The Note Purchase Agreement dated _____, 2014 (the “Note Purchase Agreement”) provides that the Underwriter will purchase all of the Notes, if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in the Note Purchase Agreement.

The Underwriter may offer and sell Notes to dealers and others at a price lower than the offering price stated on the cover page hereof. The offering price may be changed from time to time by the Underwriter.

CONTINUING DISCLOSURE

The District will covenant in a Continuing Disclosure Certificate, to be executed on the date of delivery of the Notes, to file notices of certain material events (“Notice Events”) with the Municipal Securities Rulemaking Board. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission. The District’s obligations under the Continuing Disclosure Certificate with respect to continuing disclosure shall terminate upon payment in full of the Note. If such termination occurs or is deemed to occur prior to the final maturity of the Notes, the District shall give notice of such termination in the same manner as for a Notice Event. The District regularly prepares a variety of reports, including audits, budgets and related documents. Any Owner of a Note may obtain a copy of any such report, as available, from the District. The District is current on all filings required pursuant to its previous continuing disclosure undertakings. The specific nature of the notices of material events is contained in “APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

MISCELLANEOUS

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.

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 to be construed as a contract or agreement between the District and the purchasers or Owners of any of the Notes.

VAL VERDE UNIFIED SCHOOL DISTRICT

By: _____
Superintendent

APPENDIX A

**FINANCIAL AND DEMOGRAPHIC INFORMATION
RELATING TO THE DISTRICT**

District Organization

The Val Verde Unified School District (the "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, California (the "County"). The Cities of Moreno Valley and Perris are located approximately 5 and 8 miles, respectively, southeast of the City of Riverside in the County, 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>
Michael M. Vargas	President	2014
Wraymond Sawyerr	Vice President	2014
Suzanne Stotlar	Clerk	2016
Marla Kirkland	Member	2016
D. "Shelly" Yarbrough	Member	2014

As of August 29, 2013, the District employed 944 full-time certificated employees and 475 full-time classified employees. The District also employs part-time or temporary employees.

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 from Fiscal Year 2007-08 through Fiscal Year 2013-14.

<u>Fiscal Year</u>	<u>Population City of Perris</u> ⁽¹⁾⁽²⁾	<u>Population City of Moreno Valley</u> ⁽¹⁾⁽²⁾	<u>Population County of Riverside</u> ⁽¹⁾⁽²⁾	<u>Enrollment in District</u> ⁽³⁾
2007-08	53,605	183,860	2,088,322	19,547
2008-09	54,323	186,301	2,107,653	19,183
2009-10	67,607	192,599	2,179,692	19,636
2010-11	69,506	194,451	2,205,731	19,687
2011-12	70,391	197,086	2,234,193	19,613
2012-13	70,963	198,129	2,255,059	19,832
2013-14				19,737

Sources: ⁽¹⁾ California State Department of Finance.

⁽²⁾ As of January 1.

⁽³⁾ District's Statistical Records – October Enrollment for Fiscal Year.

State Funding of Education

The State Constitution requires that from all State of California (the "State") revenues there will first be set apart the moneys to be applied by the State for support of the public school system and public institutions of higher education. As discussed below, school districts in the State receive a significant portion of their funding from State appropriations.

On June 27, 2013, the State adopted a new method for funding school districts commonly referred to as the "Local Control Funding Formula." The Local Control Funding Formula will be implemented in stages, beginning in fiscal year 2013-14 and will be fully implemented in fiscal year 2020-21. See "*Local Control Funding Formula*" below for more information. Prior to adoption of the Local Control Funding Formula, the State used a revenue limit funding system, described below under "*Revenue Limit Funding System*."

Revenue Limit Funding System. Prior to the implementation of the Local Control Funding Formula, annual State apportionments of basic and equalization aid to school districts for general purposes were computed up to a revenue limit (as described below) per unit of average daily attendance ("ADA"). Generally, such apportionments amounted to the difference between the District's revenue limit and the District's local property tax allocation. Revenue limit calculations were adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among all of the same type of California school districts (*i.e.*, unified, high school or elementary). State law also provided for State support of specific school-related programs, including summer school, adult education, deferred maintenance of facilities, pupil transportation, portable classrooms and other capital outlays and various categorical aids.

The State revenue limit was calculated three times a year for each school district. The first calculation was 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 were reviewed by the County Office of Education 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 distributed the State aid.

Local Control Funding Formula. The 2013-14 State Budget (defined below) enacted the Local Control Funding Formula beginning in fiscal year 2013-14, which will replace the revenue limit funding system and many categorical programs. See "*Revenue Limit Funding System*" above. The Local Control Funding Formula distributes resources to schools through a guaranteed base grant (the "Base Grant") per unit of ADA. The average Base Grant is \$7,829 per unit of ADA, which is \$2,551 more than the average revenue limit before implementation of the Local Control Funding Formula. Additional supplemental funding is made available based on the proportion of English language learners, low-income students and foster youth. The Local Control Funding Formula replaces the existing revenue limit funding systems and many categorical programs.

The Local Control Funding Formula includes the following components:

- A Base Grant for each local education agency equivalent to \$7,829 per unit of ADA. This amount includes an adjustment of 10.4 percent to the Base Grant to support lowering class sizes in grades K-3, and an adjustment of 2.6 percent to reflect the cost of operating career technical education programs in high schools.
- A 20 percent supplemental grant for English learners, students from low-income families, and foster youth to reflect increased costs associated with educating those students.
- An additional concentration grant of up to 22.5 percent of a local education agency's Base Grant, based on the number of English learners, students from low-income families, and foster youth served by the local agency that comprise more than 55 percent of enrollment.
- An Economic Recovery Target to ensure that almost every local education agency receives at least its pre-recession funding level, adjusted for inflation, at full implementation of the Local Control Funding Formula.

The goal of the Local Control Funding Formula is to increase local control, reduce state bureaucracy, and ensure student needs drive the allocation of resources. School districts, county offices of education and charter schools will be required to develop and adopt local control and accountability plans, which will identify local goals consistent with state priorities, such as pupil achievement, parent engagement, and school climate. School districts will be required to increase or improve services for English learner, low income, and foster youth students in proportion to supplemental and concentration grant funding.

County Superintendents and the Superintendent of Public Instruction will review and provide support to the districts and county offices of education under their jurisdiction. In addition, the 2013-14 State Budget creates the California Collaborative for Education Excellence (the "Collaborative") to advise and assist school districts, county offices of education, and charter schools in achieving the goals identified in their plans. The Superintendent of Public Instruction may direct the Collaborative to provide additional assistance to any district, county office, or charter school. For those entities that continue to struggle in meeting their goals, and when the Collaborative indicates that additional intervention is needed, the Superintendent of Public Instruction would have authority to make changes to the district or county office's local plan. For charter schools, the charter authorizer will be required to consider revocation of a charter if the Collaborative finds that the inadequate performance is so persistent and acute as to warrant revocation. The State will continue to measure student achievement through statewide assessments, produce an Academic Performance Index for schools and subgroups of students, determine the contents of the school accountability report card, and establish policies to implement the federal accountability system.

Average Daily Attendance. The District's ADA record since Fiscal Year 2006-07 as well as a projection for Fiscal Year 2013-14 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>
2006-07	17,756
2007-08	18,329
2008-09	18,273
2009-10	18,525
2010-11	18,723
2011-12	18,816
2012-13	18,965
2013-14	19,065*

Source: The District.
*Projected.

State Assistance

The District's principal funding formulas and revenue sources are derived from the budget of the State. **The following information concerning the State's budgets has been obtained from publicly available information which the District believes to be reliable; however, the State has not entered into any contractual commitment with the District, the Underwriter, Disclosure Counsel nor the owners of the Notes to provide State budget information to the District or the owners of the Notes. Although they believe the State sources of information listed above are reliable, none of the District, Disclosure Counsel nor the Underwriter assumes any responsibility for the accuracy of the State budget information set forth or referred to herein or incorporated by reference herein. Additional information regarding State budgets is available at various State-maintained websites including www.dof.ca.gov, which website is not incorporated herein by reference.**

2013-14 State Budget. On June 14, 2013, the State Legislature approved the State's budget for fiscal year 2013-14 (the "2013-14 State Budget"). Governor Brown signed the 2013-14 State Budget into law on June 27, 2013. The 2013-14 State Budget includes an estimated \$97.1 billion in General Fund revenues and transfers with planned

spending of \$96.3 billion and establishes a \$1.1 billion reserve fund. In November 2013, the State Legislative Analyst's Office (the "LAO") released its report titled "The 2013-14 Budget: California Spending Plan," which analyzes the 2013-14 State Budget and reflects various budget-related bills signed by the Governor between the adoption of the 2013-14 State Budget and October 2013. As adopted, the 2013-14 State Budget did not reflect the adoption of Senate Bill 105 in September 2013, which appropriated \$315 million of general fund support to the State Department of Corrections and Rehabilitation. After accounting for this legislation, the LAO estimates the projected general fund surplus for fiscal year 2013-14 to be approximately \$700 million.

The 2013-14 State Budget includes approximately \$56.5 billion in Proposition 98 funding, an increase of approximately \$2.9 billion over the funding for fiscal year 2012-13. The 2013-14 State Budget estimates that from fiscal year 2011-12 to fiscal year 2016-17, the Proposition 98 minimum funding guarantee will increase from \$47.2 billion to \$67.1 billion, or approximately \$20 billion. The 2013-14 State Budget also allocates \$2.1 billion for implementing the Local Control Funding Formula, described in detail above under "-State Funding of Education". The 2013-14 State Budget increases K-12 funding by \$1,045 per student, and anticipates a growth of \$2,835 per student through fiscal year 2016-17.

The 2013-14 State Budget includes the following major K-12 funding adjustments:

- *Local Control Funding Formula* — An increase of \$2.1 billion Proposition 98 funding for K-12 school districts and charter schools in fiscal year 2013-14, and \$32 million Proposition 98 General Fund for county offices of education, to support implementation of the Local Control Funding Formula.
- *Common Core Implementation* — An increase of \$1.25 billion in one-time Proposition 98 funding to support the implementation of new "Common Core" standards for evaluating student achievement in English-language arts and math. Funding will be distributed to local education agencies on the basis of enrollment to support necessary investments in professional development, instructional materials, and technology. Local education agencies are required to develop a plan to spend this money over the next two years.
- *Career Technical Education Pathways Grant Program* — An increase of \$250 million in Proposition 98 General Fund expenditures for one-time competitive capacity-building grants for K-12 school districts and community colleges to support programs focused on work-based learning. K-12 schools and community colleges must obtain funding commitments from program partners to support ongoing program costs.
- *K-12 Mandates Block Grant* — An increase of \$50 million in Proposition 98 General Fund expenditures to reflect the inclusion of a graduation requirements mandate within the block grant program. This increase will be distributed to school districts, county offices of education and charter schools with enrollment in grades 9-12.
- *K-12 Deferrals* — An increase of approximately \$1.6 billion in Proposition 98 General Fund in fiscal year 2012-13 and an increase of \$242.3 million in Proposition 98 General Fund in fiscal year 2013-14 for the repayment of inter-year budgetary deferrals. Inter-year deferrals for K-12 reached a high of \$9.5 billion in fiscal year 2011-12.
- *Proposition 39 Implementation* — Allocation of \$381 million Proposition 98 General Fund to K-12 local education agencies to support energy efficiency projects approved by the California Energy Commission. Of this amount, 85 percent will be distributed based on ADA and 15 percent will be distributed based on free and reduced-price meal eligibility. The Budget provides \$28 million for interest-free revolving loans to assist eligible energy projects at schools and community colleges.
- *Special Education Funding Reform* — Consolidations for various special education programs in an effort to simplify special education finance and provide Special Education Local Plan Areas with additional funding flexibility.

2014-15 State Budget. On January 9, 2014, Governor Brown released his 2014-15 Proposed State Budget (the "2014-15 Proposed State Budget"), including an estimated \$108.7 billion in State General Fund revenues and

transfers and \$106.8 billion in planned State General Fund expenditures. The 2014-15 Proposed State Budget includes an approximately 8.5 percent State General Fund spending increase from the Fiscal Year 2013-14 State Budget. The 2014-15 Proposed State Budget includes approximately \$61.6 billion in Proposition 98 State General Fund, an increase of \$6.3 billion over the Fiscal Year 2013-14 State Budget. For K-12 schools, total per-pupil expenditures from all sources are projected to be \$11,985 in fiscal year 2013-14 and \$12,833 in fiscal year 2014-15. Proposition 98 per-pupil expenditures are \$9,194 in fiscal year 2014-15, up from the \$8,469 per-pupil provided in fiscal year 2013-14.

One of the key components of the 2014-15 Proposed State Budget affecting school districts is Governor Brown's plan to eliminate school deferral debt. During the recent recession, California deferred almost 20 percent of annual payments to schools, so that school districts received approximately 20 percent of State funding one year late. School districts were able to borrow to fill this gap, but incurred interest costs when doing so. The 2014-15 Proposed State Budget proposes repayment of the approximately \$6.4 billion in remaining deferred payments, in order to give school districts certainty of funding and eliminate borrowing costs.

The 2014-15 Proposed State Budget also includes a proposed constitutional amendment to strengthen California's reserve fund. The constitutional amendment would, among other things, create a Proposition 98 reserve, whereby spikes in State funding would be saved for future years of decline. The goal of establishing such a reserve would be to minimize cuts during times of economic downturn. The reserve would not affect the guaranteed level of State funding for school districts under Proposition 98.

The 2014-15 Proposed State Budget includes the following significant adjustments affecting K-12 school districts:

- *K-12 Deferrals* – An increase of more than \$2.2 billion in Proposition 98 State General Fund in fiscal year 2014-15, when combined with the \$3.3 billion Proposition 98 State General Fund provided from fiscal years 2012-13 and 2013-14, is expected to eliminate all remaining outstanding deferral debt for K-12 school districts.
- *Local Control Funding Formula* – Additional growth of approximately \$4.5 billion in the Proposition 98 State General Fund for school districts and charter schools in fiscal year 2014-15, an increase of 10.9 percent.
- *County Office of Education Local Control Funding Formula* – An increase of \$25.9 million Proposition 98 State General Fund for county offices of education in fiscal year 2014-15.
- *Charter Schools* – An increase of \$74.3 in the Proposition 98 State General Fund to support projected charter school ADA growth.
- *Special Education* – A decrease of \$16.2 million in the Proposition 98 State General Fund to reflect a decline in special education ADA.
- *Cost-of-Living Adjustment Increases* - \$33.3 million to support a 0.86 percent cost-of-living adjustment for categorical programs that remain outside the Local Control Funding Formula, including special education, child nutrition, American Indian Education Centers, and the American Indian Early Childhood Education Program. Cost-of-living adjustments for school districts and county offices of education are provided within the increases in Local Control Funding Formula implementation.
- *Emergency Repair Program* – An increase of \$188.1 million in one-time Proposition 98 State General Fund resources for an Emergency Repair Program to provide grants or reimbursement to local educational agencies for the cost of repairing or replacing building systems that pose a health and safety threat to students and staff at eligible school sites.
- *Local Property Tax Adjustments* – An increase of \$287.1 million in the Proposition 98 State General Fund for school district and county office of education local control funding formulas in fiscal year 2013-14 as a result of lower offsetting property tax revenues. A decrease of \$529.7 million in Proposition 98 State

General Fund for school districts and county offices of education in fiscal year 2014-15 is a result of increased offsetting local property tax revenues.

- *Average Daily Attendance* – A decrease of \$214.5 million in fiscal year 2013-14 for the school district and county office of education local control funding formulas as a result of a decrease in projected ADA from the 2013-14 Budget. A decrease of \$42.9 million in fiscal year 2014-15 for school districts and county offices of education as a result of projected decline in ADA for fiscal year 2014-15.

On January 13, 2014, the LAO released a report titled “The 2014-15 Budget: Overview of the Governor’s Budget” (the “2014-15 LAO Budget Overview”). The 2014-15 LAO Budget Overview determines the 2014-15 Proposed State Budget’s emphasis on debt repayment to be prudent, and projects, overall, that the 2014-15 Proposed State Budget would place California on stronger fiscal footing. The 2014-15 LAO Budget Overview recommends, however, that the California Legislature address the large unfunded liabilities of STRS, by setting aside money during the current influx of revenues. See “– Retirement Systems” herein. The 2014-15 LAO Budget Overview also discusses the possibility that fiscal year 2013-14 and perhaps fiscal year 2014-15 revenues will rise by May 2014, when Governor Brown presents his revised budget, but cautions that any revenue surge may be short-lived, if it is the result of volatile capital gains-related personal income taxation revenues.

Proposition 30. The passage of the Governor’s November Tax Initiative (“Proposition 30”) on the November 6, 2012, ballot resulted in an increase in the State sales tax by a quarter-cent for four years and, for seven years, raising taxes on individuals after their first \$250,000 in income and on couples after their first \$500,000 in earnings. These increased tax rates will affect approximately 1 percent of California personal income tax filers and went into effect starting in the 2012 tax year. The LAO estimates that, as a result of Proposition 30, additional state tax revenues of about \$6 billion annually from 2012–13 through 2016–17 will be received by the State with lesser amounts of additional revenue available in fiscal years 2011–12, 2017–18, and 2018–19. Proposition 30 also places into the State Constitution certain requirements related to the transfer of certain State program responsibilities to local governments, mostly counties, including incarcerating certain adult offenders, supervising parolees, and providing substance abuse treatment services.

Revenues generated by Proposition 30 will account for a 14 percent increase over fiscal year 2011–12 in funding for schools and CCCs. Almost all of this increase is used to pay K–14 expenses from the previous year and reduces delays in certain State K–14 payments. Proposition 30 will also provide additional tax revenues aimed at balancing the State’s budget through 2018–19, providing several billion dollars annually through fiscal year 2018–19 available for purposes including funding existing State programs, ending K–14 education payment delays, and paying other State debts. Future actions of the State Legislature and the Governor will determine the use of these funds. According to the LAO, revenues raised by Proposition 30 could be subject to multibillion-dollar swings, above or below the revenues projections, due to the majority of the additional revenue coming from the personal income tax rate increases on upper-income taxpayers. These fluctuations in incomes of upper-income taxpayers will impact potential State revenue and could complicate State budgeting in future years. After the proposed tax increases expire, the loss of the associated tax revenues could create additional budget pressure in subsequent years.

Cash Management Legislation. Since 2003, the State has engaged in the practice of deferring certain apportionments to school districts in order to manage the State’s cash flow. This practice has included deferring certain apportionments within a fiscal year from one month to a subsequent month and deferring certain apportionments from one fiscal year to the next. These “cross-year” deferrals have been codified and are expected to be on-going. Legislation enacted with respect to Fiscal Year 2011-12 provides for additional inter-fiscal year deferrals.

On March 24, 2011, the Governor signed into law Senate Bill 82 (“SB 82”), which extended into fiscal year 2011-12 provisions of existing law designed to manage the State’s cash resources. With respect to K-12 schools, SB 82 set forth a specific deferral plan for K-12 education payments (the “2011-12 Deferral Plan”). SB 82 deferred both the July 2011 and August 2011 K-12 payments and the October 2011 payment. In September 2011, \$700 million of the July deferral was due for payment, in January 2012, \$4.5 billion from the remaining July, August and October deferrals were due for payment, and in March 2012, \$1.4 billion was scheduled for deferral and due for payment in April 2012. Unlike the 2010-11 Cash Management Bill, SB 82 did not authorize the 2011-12 Deferral Plan to be accelerated or delayed. However, SB 82 did provide similar exemption provisions for school districts that would be unable to meet expenditure obligations if its State apportionments were delayed.

On May 23, 2012, the Governor signed into law Assembly Bill 103 (Chapter 13, Statutes of 2012) ("AB 103") which extends certain provisions of SB 82 into Fiscal Year 2013-14. AB 103 addressed the State's ongoing cash crisis by deferring a variety of K-12 payments within Fiscal Year 2013-14 and requires that Fiscal Year 2013-14 K-12 payments that would otherwise be made in four separate months be deferred and repaid later in Fiscal Year 2013-14. Specifically, Government Code Section 16326(a)(2) requires that \$1.2 billion in K-12 payments be deferred from July 2012, with \$700 million paid in September 2012 and \$500 million paid in January 2013; \$600 million be deferred from August 2012 to January 2013; \$800 million be deferred from October 2012 to January 2013; and \$900 million be deferred from March 2013 to April 2013.

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 or before June 30. Following the implementation of Proposition 25 (permitting State budget passage with a simple majority and mandating forfeiture of Legislators' daily salaries until the budget bill passes), the Governor has signed the State budgets on time. However, the Governor signed the 2010-11 Budget on October 8, 2010, the latest budget in the State's history. The District cannot fully anticipate future delays in State budget adoption or their impact. 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.

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 (the "Auditors") and their report for Fiscal Year Ended June 30, 2013, is attached hereto as APPENDIX D. The District has not requested, and the auditors have not provided, any review of such statements in connection with the inclusion of their report in this Official Statement.

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's Fiscal Year 2013-14 Budget has received a positive certification within the meaning of Section 42133 of the Education Code of the State from the Riverside County Office of Education following its review thereof.

Independently audited financial reports are prepared annually in conformity with generally accepted accounting principles for educational institutions. The annual audit report is generally available about six months after the June 30 close of each fiscal year. For the District's most recent available audited financial statements, see APPENDIX D.

The following tables contain accounting data abstracted from financial statements prepared by the Auditors for the Fiscal Years 2009-10 through 2012-13.

**VAL VERDE UNIFIED SCHOOL DISTRICT
HISTORICAL STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN GENERAL FUND BALANCES
FISCAL YEARS ENDING JUNE 30, 2010 THROUGH JUNE 30, 2013**

	<u>Fiscal Year 2009-10⁽¹⁾⁽²⁾</u>	<u>Fiscal Year 2010-11⁽¹⁾</u>	<u>Fiscal Year 2011-12</u>	<u>Fiscal Year 2012-13</u>
REVENUES				
Revenue Limit Sources	\$119,642,084	\$124,445,645	\$103,817,284	\$105,200,350
Federal Sources	104,261,820	59,260,642	11,801,070	9,153,415
Other State Sources	137,546,433	141,296,234	20,792,494	22,518,293
Other Local Sources	<u>22,462,569</u>	<u>21,490,462</u>	<u>22,827,909</u>	<u>24,451,832</u>
Total Revenues	\$383,912,906	\$346,492,983	\$159,238,757	\$161,323,890
EXPENDITURES				
Current				
Instruction	\$ 91,577,730	\$ 94,891,463	\$103,266,451	\$101,565,308
Instruction-related Activities:				
Supervision of instruction	4,374,212	5,013,938	5,158,817	5,807,398
Instructional library, media and technology	1,239,301	1,156,772	1,288,298	1,391,048
School site administration	8,482,461	7,702,217	9,317,474	10,705,169
Pupil Services:				
Home-to-school transportation	2,343,102	2,126,791	1,927,556	2,122,318
Food services	-	13,443	160,891	19,603
All other pupil services	8,040,496	8,370,282	9,639,544	10,419,005
General administration:				
Data processing	1,246,586	1,435,577	2,261,211	2,021,903
All other general administration	5,013,789	6,945,040	7,736,982	6,291,418
Plant services	13,372,433	13,695,387	15,252,363	16,138,568
Facility acquisition and construction	137,820	2,207,203	3,374,826	1,655,346
Ancillary Services	781,752	860,007	859,805	913,145
Other outgo	239,257,349 ⁽³⁾	191,817,065 ⁽³⁾	(7,775)	6,398
Debt Service				
Principal	57,338	22,966	112,010	27,382
Interest and Other	<u>139,790</u>	<u>373,001</u>	<u>51,670</u>	<u>357,348</u>
Total Expenditures	\$376,064,159	\$336,631,152	\$160,400,123	\$159,441,357
Excess (Deficiency) of Revenues Over Expenditures	\$ 7,848,747	\$ 9,861,831	\$ (1,161,366)	\$ 1,882,533
Other Financing Sources (Uses)				
Transfer in	-	5,240,014	-	1,143,055
Other sources	-	-	149,476	-
Transfers out	(2,988,880)	(5,574,013)	(5,562,184)	(4,317,042)
Other uses	-	-	-	-
Net Financing Sources (Uses)	<u>(2,988,880)</u>	<u>(333,999)</u>	<u>(5,412,708)</u>	<u>(3,173,987)</u>
NET CHANGE IN FUND BALANCE	4,859,867	9,527,832	(6,574,074)	(1,291,454)
Fund Balance – Beginning	<u>25,667,574</u>	<u>32,341,697⁽⁴⁾</u>	<u>41,869,529</u>	<u>35,295,455</u>
Fund Balance – Ending	<u>\$ 30,527,441</u>	<u>\$ 41,869,529</u>	<u>\$ 35,295,455</u>	<u>\$ 34,004,001</u>

⁽¹⁾ The fiscal year 2009-10 changes in Federal Sources, Other State Sources and Other Local Sources are due in large part to the District, as the Administrative Unit for the Riverside Special Education Local Plan Area ("SELPA"), commencing in July 2008 to record SELPA activity in the General Fund of the District.

⁽²⁾ For fiscal year 2009-10, see "GENERAL FUND – SUB FUND DETAIL STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN FUND BALANCE JUNE 30, 2010" details set forth in VAL VERDE UNIFIED SCHOOL DISTRICT AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2010. 1

⁽³⁾ Entire amount attributable to the SELPA subaccount of the District's General Fund. See footnote (2) above.

⁽⁴⁾ Includes a prior period adjustment of \$1,814,256.

Source: Audited Financial Statements 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 2011-12 through 2013-14. The District adopted its budget for the 2013-14 Fiscal Year on June 4, 2013.

**VAL VERDE UNIFIED SCHOOL DISTRICT
GENERAL FUND ADOPTED BUDGET
FISCAL YEAR 2011-12 THROUGH 2013-14**

	Fiscal Year <u>2011-12</u>	Fiscal Year <u>2012-13</u>	Fiscal Year <u>2013-14</u>
REVENUES:			
Revenue Limit Sources	\$100,155,068	\$ 105,100,814	\$ 110,526,483
Federal Revenues	10,345,073	8,945,371	10,819,189
Other State Revenues	15,928,744	18,009,768	18,873,251
Other Local Revenues	<u>18,333,358</u>	<u>22,939,200</u>	<u>20,297,819</u>
Total Revenues	\$144,762,243	\$154,995,153	\$160,516,742
EXPENDITURES:			
Certificated Salaries	\$ 68,116,079	72,421,620	\$ 74,298,498
Classified Salaries	19,338,680	23,300,769	24,684,048
Employee Benefits	24,435,834	25,641,353	26,641,346
Books and Supplies	5,816,847	5,456,339	7,091,129
Services and Operating Expenditures	27,351,089	31,234,336	27,191,401
Capital Outlay	39,000	90,992	539,283
Other Outgo	5,482,448	4,258,977	6,112,935
Other Uses	--	--	--
Transfers of Indirect/Direct Support Costs	<u>(532,247)</u>	<u>(503,148)</u>	<u>(699,914)</u>
Total Expenditures	\$150,047,730	\$161,901,238	\$165,858,726
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES:	\$ (5,285,487)	\$ (6,906,085)	\$ (5,341,984)
OTHER FINANCING SOURCES/(USES):			
Operating Transfers In	\$ --	\$ --	\$ --
Operating Transfers Out	(2,157,599)	(444,092)	(942,712)
Other Sources	<u>--</u>	<u>--</u>	<u>--</u>
Total Other Financing Sources/(Uses)	\$ (2,157,599)	(444,092)	\$ (942,712)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES:	\$ (7,443,086)	\$ (7,350,177)	\$ (6,284,696)
FUND BALANCE, BEGINNING OF YEAR:	\$ 41,869,529	\$ 35,295,455	\$ 23,929,145
FUND BALANCE, END OF YEAR:	\$ 34,426,443	\$ 27,945,278	\$ 17,644,449

Source: The District.

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.

For fiscal year 2013-14, the District’s total net secured and unsecured assessed valuation before accounting for the redevelopment increment is \$5,282,055,022. Shown in the following table is the net assessed valuation of property in the District over the past six fiscal years.

VAL VERDE UNIFIED SCHOOL DISTRICT
Assessed Valuations
Fiscal Years 2008-09 through 2013-14

<u>Year</u>	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total Before Redv. Increment</u>
2008-09	\$6,337,202,769	\$1,330,306	\$221,015,348	\$6,559,548,423
2009-10	5,242,153,431	1,330,306	198,672,651	5,442,156,298
2010-11	4,925,388,454	1,330,306	141,249,136	5,067,967,896
2011-12	4,971,937,047	1,330,306	170,443,268	5,143,710,621
2012-13	4,894,739,424	222,020	181,358,021	5,076,319,465
2013-14	5,079,876,787	222,020	201,956,215	5,282,055,022

Source: California Municipal Statistics, Inc.

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.

Under California law, property owners may apply for a reduction of their property tax assessments by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. County assessors may independently reduce assessed values as well based upon the above factors or reductions in the fair market value of the taxable property. In most cases, an appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. Such reductions are subject to yearly reappraisals and may be adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIII A of the California Constitution.” A second type of assessment appeal involves a challenge to the base year value of an assessed property. Appeals for reduction in the base year value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date. No assurance can be given that property tax appeals in the future will not significantly reduce the assessed valuation of property within 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 was 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 following table sets forth the largest local secured taxpayers within the District for fiscal year 2013-14.

**VAL VERDE UNIFIED SCHOOL DISTRICT
LARGEST 2013-14 LOCAL SECURED TAXPAYERS**

<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2013-14 Assessed Valuation</u>	<u>% of Total⁽¹⁾</u>
1. Ross Dress for Less Inc.	Industrial	\$ 132,789,174	2.61%
2. Walgreen Co.	Industrial	110,824,289	2.18
3. DB Rreef Perris CA Inc.	Industrial	103,000,000	2.03
4. IIT Inland Empire 3700 Indian Ave.	Industrial	83,232,000	1.64
5. Lowes HIW Inc.	Industrial	82,297,437	1.62
6. Wachovia Development Corp.	Industrial	78,556,967	1.55
7. First Industrial	Industrial	51,023,627	1.00
8. Majestic Freeway Business Center	Vacant	50,314,025	0.99
9. FR Cal Moreno Valley	Industrial	49,509,039	0.97
10. CLPF 16850 Heacock Street	Industrial	47,765,266	0.94
11. Knickerbocker Prop Inc.	Apartments	41,000,000	0.81
12. Ozark Automotive Distributors Inc.	Industrial	25,461,734	0.50
13. Moreno Valley Industrial	Industrial	25,401,486	0.50
14. CA Boulder Springs Holdings	Residential Development	25,379,214	0.50
15. HD California DFDC Landlord	Commercial	23,744,120	0.47
16. Indian Street	Industrial	21,600,000	0.43
17. I215 Logistics	Vacant	18,470,160	0.36
18. Oakmont Ramona Expressway	Vacant	18,416,825	0.36
19. FR Cal Indian Avenue	Vacant	17,971,260	0.35
20. Industrial North American Properties X	Industrial	<u>17,068,000</u>	<u>0.34</u>
		<u>\$1,023,824,623</u>	<u>20.15%</u>

⁽¹⁾2013-14 Local Secured Assessed Valuation: \$5,079,876,787.
Source: California Municipal Statistics, Inc.

Retirement Systems

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 \$5,783,159 for Fiscal Year 2011-12 \$5,937,759 for Fiscal Year 2012-13 and is budgeted to be \$6,157,408 for Fiscal Year 2013-14.

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 \$2,372,639 for Fiscal Year 2011-12, \$2,769,573 for Fiscal Year 2012-13 and is budgeted to be \$2,870,814 for Fiscal Year 2013-14.

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.

State Pension Trusts

The following information on the State Pension Trusts has been obtained from publicly available sources and has not been independently verified by the District and the Underwriter, is not guaranteed as to the accuracy or completeness of the information and is not to be construed as a representation by the District, the Underwriter, or Bond Counsel. Furthermore, the summary data below should not be read as current or definitive, as recent losses on investments made by the retirement systems generally may have increased the unfunded actuarial accrued liabilities stated below.

The assets and liabilities of the funds administered by CalPERS and STRS, as well as certain other retirement funds administered by the State, are included in the financial statements of the State for the year ended June 30, 2013, as fiduciary funds. Both CalPERS and STRS have unfunded actuarial accrued liabilities in the tens of billions of dollars. The amount of unfunded actuarially accrued liability will vary from time to time depending upon actuarial assumptions, rates of return on investments, salary scales, and levels of contribution.

STRS and CalPERS each issue separate comprehensive annual financial reports that include financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from STRS, P.O. Box 15275, Sacramento, California 95851-0275 and copies of the CalPERS annual financial report and actuarial valuations may be obtained from the CalPERS Financial Services Division, P.O. Box 942703, Sacramento, California 94229-2703. The information presented in these reports is not incorporated by reference in this Official Statement.

Unlike typical defined benefit programs, however, neither the STRS employer nor the State contribution rate varies annually to make up funding shortfalls or assess credits for actuarial surpluses. However, in recent years, the combined employer, employee and State contributions to STRS have not been sufficient to pay actuarially required amounts. As a result, and due to significant investments losses, the unfunded actuarial liability of STRS has increased significantly and is expected to continue to increase in the absence of legislation changing required employer or employee contributions. The District is unable to predict what the STRS program liabilities will be in the future, or whether the Legislature may elect to require the District to make larger contributions in the future.

**STATE OF CALIFORNIA
Actuarial Value of State Retirement Systems**

<u>Name of Plan</u>	<u>Excess of Actuarial Value of Assets Over Actuarial Accrued Liabilities (Unfunded Actuarial Accrued Liability)</u>
Public Employees' Retirement Fund (CalPERS) ⁽¹⁾	\$(57.44) billion ⁽²⁾
State Teachers' Retirement Fund Defined Benefit Program (STRS) ⁽³⁾	\$(70.53) billion ⁽²⁾

⁽¹⁾ As of June 30, 2013, the CalPERS provided pension benefits to 1,104,237 active and inactive program members and 574,759 retirees, beneficiaries, and survivors.

⁽²⁾ Figure as of June 30, 2012.

⁽³⁾ As of June 30, 2013, the STRS Defined Benefit Program had approximately 599,219 active and inactive program members and 269,274 retirees and benefit recipients.

Source: CalPERS Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2013; STRS Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2013.

On September 12, 2012, AB 340 was signed into law, establishing the California Public Employees' Pension Reform Act of 2013 ("PEPRA") which governs pensions for public employers and public pension plans on and after January 1, 2013. For new employees first employed on or after January 1, 2013, PEPRA, among other things, caps pensionable salaries at the Social Security contribution and wage base, which is \$110,100 for 2012, or 120% of that amount for employees not covered by Social Security, increases the retirement age by two years or more for all new public employees first employed on or after January 1, 2013 while adjusting the retirement formulas, requires employees first employed on or after January 1, 2013 to pay at least 50% of the annual accrued actuarially determined normal costs of benefits and prohibits employers in any year in combination with employee contributions less than the plan normal cost, except as specified, and also requires the calculation of benefits on

regular, recurring pay to stop income spiking. For all employees, changes required by PEPRA include the prohibition of retroactive pension increases, pension holidays and purchases of service credit. PEPRA applies to all State and local public retirement systems, including county and special district retirement systems. PEPRA only exempts the University of California system and charter cities and counties whose pension plans are not governed by State law. Although the District anticipates that PEPRA would not increase the District's future pension obligations, the District is unable to determine the extent of any impact PEPRA would have on CalSTRS, CalPERS or the District's pension obligations under STRS and PERS at this time. Additionally, the District cannot predict if PEPRA will be challenged in court and, if so, whether any challenge would be successful.

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*, was adopted. The pronouncement requires 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 was 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, 2010.

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. Current certificated criteria are currently 60 years old and 15 years with the District. Classified criteria are 50 years old and 10 years with the District. Management criteria are 50 years old and 10 years with the District. At June 30, 2013, 66 employees met those eligibility requirements and the District contributes the COBRA medical premium 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 2012-13, expenditures of \$463,388 were recognized for retirees' healthcare benefits. Based on an actuarial study completed on January 1, 2013, the District's annual actuarial accrued liability is \$7,948,823. The actuarial study also indicated that the District had an unfunded actuarial accrued liability ("UAAL") of \$5,677,125. The UAAL is being amortized at a level percentage payroll method. The remaining amortization period at January 1, 2013, was 27 years. In 2006-07, the District deposited \$1,500,000 in an Irrevocable Trust for post-employment benefits and in 2007-08, 2008-09 and 2009-10, the District did not deposit any moneys into such Irrevocable Trust. In 2010-11, the District deposited \$726,049 into the Irrevocable Trust. The Irrevocable Trust had a balance of \$2,955,625 as of June 30, 2013.

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 are 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 D – "VAL VERDE UNIFIED SCHOOL DISTRICT AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2013."

APPENDIX B
FORM OF OPINION OF BOND COUNSEL

[Closing Date]

Val Verde Unified School District
975 West Morgan Street
Perris, California 92570

Re: \$ _____ Val Verde Unified School District 2013-14 Tax and Revenue Anticipation Notes,
 Series A

We have acted as Bond Counsel for the Val Verde Unified School District (the "District") in connection with the issuance by the County of Riverside (the "County") of \$ _____ aggregate principal amount of the District's 2013-14 Tax and Revenue Anticipation Notes, Series A-1 (Tax-Exempt) (the "Tax-Exempt Notes") and the Val Verde Unified School District 2013-14 Tax and Revenue Anticipation Notes, Series A-2 (Federally Taxable) (the "Taxable Notes," collectively, the "Notes"). The Notes are issued pursuant to Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the California Government Code and pursuant to resolutions adopted by the Board of Trustees of the District (the "District Note Resolution") and by the Board of Supervisors of the County (the "County Note Resolution" and together with the District Note Resolution, the "Resolutions"). Pursuant to the terms of the Resolutions, the District has pledged certain amounts to the repayment of the principal amount of the Notes and the interest thereon. Capitalized terms used herein and not otherwise defined shall be the meanings ascribed 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 and the County for the authorization and issuance of the Notes. In this connection we have also examined such certificates of public officials and officers of the District and the County as we have considered necessary for the purposes of this opinion.

We have, with your approval, assumed that all items submitted to us as originals are authentic and that all items submitted as copies conform to the originals.

On the basis of such examination, our reliance upon the assumptions contained herein and our consideration of those questions of law we considered relevant, and subject to the limitations and qualifications in this opinion, we are of the opinion that:

1. The Notes have been duly authorized and issued and constitute legally valid and binding obligations of the District, enforceable in accordance with their terms and the terms of the Resolutions.
2. The Notes are payable solely from certain taxes, revenues, income, cash receipts and other moneys of the District received in or accrued to the fiscal year ending June 30, 2014 and lawfully available for the payment of the Notes and the interest thereon and are secured by a pledge of certain moneys specified in the Resolutions.
3. The Resolutions have been duly authorized by the District and the County, respectively, and constitute the legally valid and binding obligation of the District and the County, respectively, enforceable in accordance with their terms. The Notes are entitled to the benefits of the Resolutions.
4. The Internal Revenue Code of 1986 (the "Code") sets forth certain requirements which must be met subsequent to the issuance and delivery of the Tax-Exempt Notes for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest

on the Tax-Exempt Notes to be included in gross income for federal income tax purposes retroactive to the date of issue of the Tax-Exempt Notes. Pursuant to the District Note Resolution and the Tax and Nonarbitrage Certificate executed by the District in connection with the issuance of the Notes (the "Tax Certificate"), the District has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Tax-Exempt Notes from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the District has made certain representations and certifications in the District Note Resolution and the Tax Certificate. We have not independently verified the accuracy of those certifications and representations.

Under existing law, assuming compliance with the tax covenants described herein and the accuracy of the aforementioned representations and certifications, interest on the Tax-Exempt Notes is excluded from gross income for federal income tax purposes under Section 103 of the Code. We are also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Tax-Exempt Notes is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

5. Interest on the Taxable Notes is not excluded from gross income for federal income tax purposes under Section 103 of the Code.

6. Interest on the Notes is exempt from personal income taxes of the State of California under present state law.

The opinions set forth in paragraphs 1, 2, and 3 above are subject to (a) applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally (including, without limitation, fraudulent conveyance laws) and (b) the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law. We express no opinion as to any provision in the Resolutions or the Notes with respect to the priority of any pledge or security interest, or as to any provision therein purporting to provide for indemnification by the District or the County of others.

In rendering the opinions set forth in paragraph 4 above, we are relying upon representations and covenants of the District in the District Note Resolution and in the Tax Certificate concerning the investment and use of Note proceeds and the rebate to the federal government of certain earnings thereon. In addition, we have assumed that all such representations are true and correct and that the District will comply with such covenants. We express no opinion with respect to the exclusion of the interest on the Notes from gross income under Section 103(a) of the Code in the event that any of such representations are untrue or the District fails to comply with such covenants, unless such failure to comply is based on our advice or opinion.

Except as stated in paragraphs 4 through 6 above, we express no opinion as to any other federal, state or local tax consequences of the ownership or disposition of the Notes. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the Notes, or the interest thereon, if any action is taken with respect to the Notes or the proceeds thereof upon the advice or approval of other counsel.

The opinion expressed in paragraph 5 is not intended or provided to be used by an owner of the Taxable Notes for the purpose of avoiding penalties that may be imposed on the owner of such Taxable Notes. Such opinion is provided to support the promotion or marketing of the Taxable Notes. Each owner of the Taxable Notes should seek advice based on its particular circumstances from an independent tax advisor.

No opinion is expressed herein on the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Notes. This opinion is expressly limited to the matters set forth above and we render no opinion, whether by implication or otherwise, as to any other matters.

We call attention to the fact that the opinions expressed herein and the exclusion of interest on the Notes from gross income for federal income tax purposes may be affected by actions taken or omitted or events occurring or failing to occur after the date hereof. We have not undertaken to determine, or inform any person, whether any such actions are taken, omitted, occur or fail to occur.

Respectfully submitted,

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Val Verde Unified School District (the "District") in connection with the issuance of \$_____ aggregate principal amount of Val Verde Unified School District 2013-14 Tax And Revenue Anticipation Notes, Series A (the "Notes"). The Notes are being issued pursuant to a resolution adopted by the Board of Education of the District (the "District Note Resolution") and a resolution adopted by the Board of Supervisors of the County of Riverside, California (the "County Note Resolution" and together with the District Note Resolution, the "Resolution") on April __, 2014. The District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Undertaking. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and in order to assist Stifel Nicolaus & Company, Inc. (the "Underwriter") in complying with Rule 15c2-12 (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 Resolution, the following capitalized terms shall have the following meanings:

"Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Notes (including persons holding Notes through nominees, depositories or other intermediaries).

"Business Day" means any day (other than a Saturday or Sunday) on which banks and trust companies generally in New York, New York, or Los Angeles, California are not authorized or required to remain closed and on which the New York Stock Exchange is not closed.

"EMMA" shall mean the MSRB's Electronic Municipal Market Access system, which has been approved by the SEC as the central repository for ongoing disclosure by municipal issuers.

"Holder" shall mean the person in whose name any Notes shall be registered.

"Listed Events" shall mean any of the events listed in Section 3 of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Repository" shall mean the MSRB through the facilities of EMMA, or such repository as shall be designated by the SEC as the as the central repository for ongoing disclosure by municipal issuers from time to time.

SECTION 3. Reporting of Significant Events.

(a) The District agrees to provide or cause to be provided to the MSRB notice of the occurrence of any of the following events with respect to the Notes not later than ten (10) Business Days after the occurrence of the event:

- (i) Principal and interest payment delinquencies.
- (ii) Unscheduled draws on any debt service reserves reflecting financial difficulties.
- (iii) Unscheduled draws on any credit enhancements reflecting financial difficulties.
- (iv) Substitution of credit or liquidity providers, or their failure to perform.
- (v) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination of taxability, Notice of Proposed Issue (IRS Form 5701-TEB) or other material

notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes;

- (vi) Tender offers;
- (vii) Defeasances;
- (viii) Rating changes; or
- (ix) Bankruptcy, insolvency, receivership or similar event of the District person.

For purposes of item (ix) above, the described event shall be deemed to occur when any of the following shall occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or other governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority have supervision or jurisdiction over substantially all of the assets or business of the District.

(b) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Notes, if material, not later than ten (10) Business Days after the occurrence of the event:

- (i) Unless described in paragraph 6(a)(v) hereof, other material events affecting the tax status of the Notes;
- (ii) Modifications to rights of Holders;
- (iii) Optional, unscheduled or contingent Note calls; *
- (iv) Release, substitution or sale of property securing repayment of the Notes;
- (v) Non-payment related defaults;
- (vi) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or
- (vii) Appointment of a successor or additional Paying Agent or the change of name of a Paying Agent.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event described in Section 3(a) hereof, or determines that knowledge of a Listed Event described in Section 3(b) hereof would be material under applicable federal securities laws, the District shall within ten (10) Business Days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(vii) or (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Notes pursuant to the Resolution.

SECTION 4. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Notes. If such

* The Notes are not subject to prepayment.

termination occurs prior to the final maturity of the Notes, the District shall give notice of such termination by making a written filing with the MSRB to that effect.

SECTION 5. Additional Information. If the District chooses to include any information from any document or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or to include it in any future disclosure or notice of occurrence of a Listed Event.

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

SECTION 6. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Notes 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 Certificate; provided, that any such action may be instituted only in Superior Court of the State in and for the County of Riverside or in U.S. District Court in or nearest to the County; provided, that the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 7. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Underwriter and the Holders from time to time of the Notes, and shall create no rights in any other person or entity.

SECTION 8. Filing. In lieu of filing with the Repositories, filing under this Disclosure Certificate may be made solely by transmitting such filing to EMMA (which has been approved by the Securities and Exchange Commission as the central repository for ongoing disclosure by municipal issuers) unless the United States Securities and Exchange Commission has withdrawn its approval thereof, or any other organization or method approved by the staff or members of the United States Securities and Exchange Commission as an intermediary through which issuers may, in compliance with the Rule, make filings required by this Disclosure Certificate.

Dated: _____, 2014

VAL VERDE UNIFIED SCHOOL DISTRICT

By: _____
Superintendent

APPENDIX D

**VAL VERDE UNIFIED SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2013**

APPENDIX E

THE RIVERSIDE COUNTY TREASURY POOL

The following information concerning the Riverside County pooled investment fund (the "Pool") has been provided by the Treasurer and Tax Collector of the County of Riverside (the "Treasurer") and has not been confirmed or verified by the District or 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.

General

The County Treasurer maintains one Pooled Investment Fund (the "PIF") for all local jurisdictions having funds on deposit in the County Treasury. As of February 28, 2014, the portfolio assets comprising the PIF had a market value of \$5,163,904,049.52.

State law requires that all operating moneys of the County, school districts, and certain special districts be held by the County Treasurer. On June 30, 2013, the Auditor-Controller performed an analysis on the County Treasury which resulted in the identification and classification of "mandatory" vs. "discretionary" depositors. Collectively, these mandatory deposits constituted approximately 77.18% of the funds on deposit in the County Treasury, while approximately 22.82% of the total funds on deposit in the County Treasury represented discretionary deposits.

While State law permits other governmental jurisdictions to participate in the County's PIF, the desire of the County Treasurer is to maintain a stable depositor base for those entities participating in the PIF.

All purchases of securities for the PIF are to be made in accordance with the County Treasurer's 2013 Statement of Investment Policy, which is more restrictive than the investments authorized pursuant to Sections 53601 and 53635 of the California Government Code. The Policy Statement requires that all investment transactions be governed by first giving consideration to the safety and preservation of principal and liquidity sufficient to meet daily cash flow needs prior to achieving a reasonable rate of return on the investment. Investments are not authorized in reverse-repurchase agreements except for an unanticipated and immediate cash flow need that would otherwise cause the Treasurer to sell portfolio securities prior to maturity at a principal loss.

Investments of the Pool

The investments in the Pooled Investment Fund as of January 31, 2014 were as follows:

U.S. Treasury Securities	\$ 370,211,328.15	7.17%
Federal Agency Securities	2,952,859,419.58	57.15%
Cash Equivalent & Money Market Funds	690,000,000.00	13.36%
Commercial Paper	896,460,676.97	17.35%
Medium Term Notes	—	0.00%
Municipal Notes	86,411,549.75	1.67%
Certificates of Deposit	170,000,000.00	3.29%
Repurchase Agreements	-	0.00%
Local Agency Obligations ⁽¹⁾	<u>455,000.00</u>	<u>0.01%</u>
	<u>\$5,166,397,974.45</u>	<u>100.00%</u>
Book Yield	0.39%	
Weighted Average Maturity (years)	1.31	

⁽¹⁾ Represents County Obligations issued by the Riverside District Court Financing Corporation.

As of February 28, 2014, the market value of the PIF was 99.95% of book value. The Treasurer estimates that sufficient liquidity exists within the portfolio to meet daily expenditure needs without requiring any sale of securities at a principal loss prior to their maturity.

In keeping with Sections 53684 and 53844 of the State Government Code, all interest, income, gains and losses on the portfolio are distributed quarterly to participants based upon their average daily balance except for specific investments made on behalf of a particular fund. In these instances, Section 53844 requires that the investment income be credited to the specific fund in which the investment was made.

The Board of Supervisors of the County has established an "Investment Oversight Committee" in compliance with California Government Code Section 27131. Currently, the Committee is composed of the County Finance Director, the County Treasurer-Tax Collector, the County Superintendent of Schools, a school district representative and a public member at large. The purpose of the committee is to review the prudence of the County's investment policy, portfolio holdings and investment procedures, and to make any findings and recommendations known to the Board of Supervisors of the County. As of September 29, 2004, the State no longer required the County to have a local oversight committee, however, the County has elected to maintain the committee. The committee is utilized by the County to safeguard public funds and to perform other internal control measures.

The County has obtained a rating on the PIF of "AAA-bf" from Moody's Investors Service and "AAA/V1" rating from Fitch Ratings. There is no assurance that such ratings will continue for any given period of time or that any such rating may not be lowered, suspended or withdrawn entirely by the respective rating agency if, in the judgment of such rating agency, circumstances so warrant.