

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

838A



FROM: Don Kent, Treasurer/Tax Collector

SUBMITTAL DATE:
February 15, 2012

SUBJECT: Resolution No. 2012-052 – San Jacinto Unified School District Fiscal Year 2011-2012 Tax and Revenue Anticipation Notes (Vote on Separately)

RECOMMENDED MOTION: That your Honorable Board approve and adopt Resolution No. 2012-052 providing for the issuance and sale of Tax and Revenue Anticipation Notes for the San Jacinto Unified School District (the "District") in a principal amount not to exceed \$7,500,000.


BACKGROUND: 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 San Jacinto Unified School District 2011-12 Tax and Revenue Anticipation Notes on behalf of the District. The District requests the issuance of the Notes to fund its short-term operating cash requirements during the 2011-2012 fiscal year.

(Continued on page two)


Don Kent, Treasurer-Tax Collector

FINANCIAL DATA	Current F.Y. Total Cost:	\$ 0	In Current Year Budget:	N/A
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	N/A
	Annual Net County Cost:	\$ 0	For Fiscal Year:	N/A

SOURCE OF FUNDS: N/A	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION: APPROVE/
BY: 
Karen L. Johnson
County Executive Office Signature

FORM APPROVED COUNTY COUNSEL
BY: Dalea Gardner 2/15/12
DALEA GARDNER DATE
Departmental Concurrence

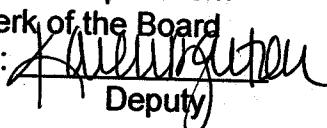
Policy Policy
Consent Consent

Dept Recomm.:
Per Exec. Ofc.:

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Benoit, seconded by Supervisor Stone and duly carried, IT WAS ORDERED that the above matter is approved as recommended.

Ayes: Buster, Tavaglione, Stone and Benoit
Nays: None
Absent: Ashley
Date: February 28, 2012
xc: Treasurer

Kecia Harper-Ihem
Clerk of the Board
By: 
Deputy

Prev. Agn. Ref.:

District: 3/3

Agenda Number:

3.70

Date: February 15, 2012
From: Treasurer-Tax Collector
Subject: Resolution No. 2012-052
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Resolution No. 2012-052 authorizes the issuance of San Jacinto Unified School District 2011-12 Tax and Revenue Anticipation Notes in a principal amount not to exceed \$7,500,000. The District has pledged certain of its unrestricted revenues to be received or accrued during fiscal year 2011-2012 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. 2012-052 and has approved it as to form.

1 **WHEREAS**, the Superintendent of Schools of the County of Riverside (the "County")
2 has jurisdiction over the District and, therefore, the Notes are to be issued in the name of the
3 District by the Board of Supervisors (the "Board of Supervisors") of the County;

4 **WHEREAS**, the Board of Trustees has filed with the Board of Supervisors a resolution
5 adopted by the Board of Trustees on February 14, 2012 (the "District Resolution"), effectively
6 requesting that the Board of Supervisors authorize, issue and sell, in the name of the District, not
7 to exceed \$7,500,000 principal amount of San Jacinto Unified School District 2011-12 Tax and
8 Revenue Anticipation Notes (the "Notes");

9 **WHEREAS**, the Board of Trustees has found and determined that said aggregate
10 principal amount of the Notes, when added to the interest payable thereon, does not exceed 85%
11 of the estimated amount of the uncollected taxes, income, revenue, cash receipts and other
12 moneys which will be received by or accrue to the District for the General Fund of the District
13 during Fiscal Year 2011-12 and which will be available for the payment of the principal of and
14 interest on the Notes;

15 **WHEREAS**, the Board of Trustees has found and determined that no money has
16 heretofore been borrowed by or on behalf of the District through the issuance of tax anticipation
17 notes or temporary notes in anticipation of the receipt of, or payable from or secured by, taxes,
18 income, revenue, cash receipts or other moneys to be received by or which will accrue to the
19 District for the General Fund of the District during Fiscal Year 2011-12, and that the Board does
20 not contemplate such a financing through the issuance of any temporary notes, other than the
21 Notes;

22 **WHEREAS**, the Board of Trustees has found and determined that the District has not
23 received a qualified or negative budget certification in the current fiscal year or in the
24 immediately preceding fiscal year;

25 **WHEREAS**, pursuant to Section 53856 of the California Government Code, the District
26 has, pursuant to the District Resolution, pledged to the payment of the Notes and the interest
27 thereon certain taxes, income, revenue, cash receipts and other moneys which will be received by
28 or accrue to the District for the General Fund of the District during Fiscal Year 2011-12;

1 **WHEREAS**, Stifel, Nicolaus & Company, Incorporated, dba Stone & Youngberg, a
2 Division of Stifel Nicolaus (the "Underwriter") has made a proposal to purchase the Notes, which
3 proposal is in the form of a Note Purchase Contract to be entered into by the Underwriter, the
4 District and the County (such Note Purchase Contract, in the form presented to this meeting, with
5 such changes, insertions and omissions as are made pursuant to this Resolution, being referred to
6 herein as the "Purchase Contract");

7 **WHEREAS**, the Board of Trustees has requested that the Board of Supervisors cause the
8 Purchase Contract to be executed and delivered on behalf of the County, with such changes,
9 insertions and omissions therein as may be acceptable to the County and the District;

10 **WHEREAS**, there have been prepared and submitted to this meeting forms of:

- 11 (a) the Notes; and
- 12 (b) the Purchase Contract;

13 **NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF SUPERVISORS**
14 **OF THE COUNTY OF RIVERSIDE, AS FOLLOWS:**

15 **Section 1. Recitals.** The above recitals are true and correct, and the Board of
16 Supervisors so finds and determines. Notwithstanding the foregoing, the County assumes no
17 liability or responsibility for the findings, determinations, representations or warranties of the
18 District, on behalf of itself, as set forth in the District Resolution and has assumed all such
19 findings, determinations, representations and warranties of the District to be true and correct
20 without independent verification or examination.

21 **Section 2. Approval of Request.** As required by law, for the purpose of satisfying
22 obligations payable from the General Fund of the District, and in anticipation of taxes, income,
23 revenue, cash receipts and other moneys to be received by or which will accrue to the District for
24 the General Fund of the District during Fiscal Year 2011-12, the County hereby approves the
25 District's request that the County issue in the name of the District temporary notes pursuant to
26 Sections 53850 and following of the California Government Code.

27 **Section 3. Authorization of Notes.** The issuance of the Notes, in the aggregate
28 principal amount of not to exceed \$7,500,000, is hereby authorized and approved. The Notes

1 shall be denominated the "San Jacinto Unified School District 2011-12 Tax and Revenue
2 Anticipation Notes." The Notes shall be dated the date of their delivery and shall be issued in
3 fully registered form in denominations of \$5,000 principal amount or any integral multiple
4 thereof. The Notes shall bear interest commencing on the date thereof, computed on the basis of
5 a 360-day year consisting of twelve 30-day months. The principal of the Notes shall be payable
6 only at the maturity thereof, without option of prior redemption. Interest on the Notes shall be
7 payable at the maturity thereof. The Notes shall be issued in the aggregate principal amount,
8 shall bear interest at the rate and shall mature on the date specified in the Purchase Contract, as
9 the same shall be completed as provided in this Resolution; provided however, that (a) the
10 aggregate principal amount of the Notes shall not exceed \$7,500,000, (b) the Notes shall mature
11 on a date which is no more than 366 days subsequent to the date of their delivery, and (c) the
12 interest rate to be borne by the Notes shall be such that the true interest cost of the Notes shall not
13 exceed 3.50%.

14 **Section 4. Pledge; Lien and Charge; Repayment Fund.** (a) *Pledge.* The term
15 "Unrestricted Revenues" shall mean the taxes, income, revenue, cash receipts and other moneys
16 which will be received by or will accrue to the District for the General Fund of the District for
17 Fiscal Year 2011-12 and which are lawfully available for the payment of current expenses and
18 other obligations of the District. Pursuant to the District Resolution, the District has pledged to
19 the payment of the Notes and the interest thereon the first Unrestricted Revenues to be received
20 by the District in each period specified in the Purchase Contract, in an amount equal to the
21 amount, or in the proportion of the total amount due, specified in the Purchase Contract, as the
22 Purchase Contract shall be completed as provided in this Resolution (the "Pledged Revenues").

23 (b) *Lien and Charge.* As provided in Section 53856 of the California Government
24 Code, the Notes and the interest thereon shall be a first lien and charge against, and shall be
25 payable from the first moneys received by the District from, the Pledged Revenues.

26 (c) *General Obligation.* As provided in Section 53857 of the California Government
27 Code, notwithstanding the provisions of Section 53856 of the California Government Code and of
28 subsection (b) of this Section, the Notes shall be general obligations of the District and, to the

1 extent not paid from the Pledged Revenues, shall be paid with interest thereon from any other
2 Unrestricted Revenues.

3 (d) *Repayment Fund.* Pursuant to the District Resolution, the Board of Trustees of the
4 District has requested the Treasurer-Tax Collector of the County (the "Treasurer") to establish
5 and hold in the funds of the District in the County treasury a special fund denominated the "San
6 Jacinto Unified School District 2011-12 Tax and Revenue Anticipation Note Repayment Fund"
7 (the "Repayment Fund"), and to maintain the Repayment Fund until the Notes and the interest
8 thereon have been paid in full. The Board of Supervisors hereby directs the Treasurer to so create
9 and to so maintain the Repayment Fund. Pursuant to the District Resolution, as security for the
10 payment of the Notes and the interest thereon, the District covenants to deposit or cause to be
11 deposited in the Repayment Fund, in trust for the registered owners of the Notes, no later than the
12 end of each period specified in the Purchase Contract, the amount of Unrestricted Revenues
13 specified in the Purchase Contract to be so deposited, as the Purchase Contract shall be completed
14 as provided in this Resolution. No later than five days after the end of each such period specified
15 in the Purchase Contract, the Treasurer shall notify the District of the amount of Unrestricted
16 Revenues so deposited. The District Resolution provides that, in the event that there have been
17 insufficient Unrestricted Revenues received by the District by the end of any such period, then the
18 amount of any deficiency in the Repayment Fund shall be satisfied and made up from the first
19 Unrestricted Revenues thereafter received by the District. Pursuant to the District Resolution, the
20 amounts on deposit in the Repayment Fund are pledged to the payment of the Notes and the
21 interest thereon, and said amounts shall not be used for any other purpose until the Notes and the
22 interest thereon have been paid in full or such payment has been duly provided for.

23 The Board of Supervisors hereby directs the Treasurer to deposit in Repayment Fund, as
24 and when received, all Pledged Revenues and any other Unrestricted Revenues identified as such
25 by the District and required to be deposited therein pursuant to the District Resolution and this
26 Resolution. Any money deposited in the Repayment Fund shall be for the benefit of the
27 registered owners of the Notes, and until the Notes and the interest thereon are paid or until
28 provision has been made for the payment of the Notes at maturity and interest thereon to maturity,

1 the money in the Repayment Fund shall be applied only for the purposes for which the
2 Repayment Fund is established. The Treasurer shall not be liable or responsible for the
3 sufficiency of the Repayment Fund.

4 On the date of maturity of the Notes, the Treasurer shall transfer from the Repayment
5 Fund, to the extent available therein, to the Paying Agent an amount equal to the principal of and
6 interest on the Notes due and payable on such date. Any money remaining in or accruing to the
7 Repayment Fund after the Notes and the interest thereon have been paid in full, or provision for
8 such payment has been made, shall be transferred to the General Fund of the District.

9 (e) *No County Liability.* No monies or any part of any fund of the County is pledged
10 or obligated to repayment of the Notes, and the Notes do not constitute a debt of the County. The
11 Notes are payable only from the Pledged Revenues and other lawfully available monies of the
12 District, as provided herein.

13 **Section 5. Paying Agent.** (a) *Appointment.* The District has requested the County to
14 appoint, and the County hereby appoints U.S. Bank National Association to act as the initial
15 paying agent and registrar for the Notes (the "Paying Agent"). All fees and expenses of the
16 Paying Agent shall be the sole responsibility of the District, and to the extent not paid from the
17 proceeds of sale of the Notes, such fees and expenses shall be paid by the District.

18 (b) *Resignation, Removal and Replacement of Paying Agent.* The Paying Agent
19 initially appointed or any successor Paying Agent may resign from service as Paying Agent and
20 may be removed at any time by the County at the request of the District. If at any time the Paying
21 Agent shall resign or be removed, the County shall, at the request of the District, appoint a
22 successor Paying Agent, which shall be any bank, trust company, national banking association or
23 other financial institution doing business in and having a corporate trust office in Los Angeles or
24 San Francisco, California, with at least \$100,000,000 in net assets.

25 (c) *Principal Office.* Unless otherwise specifically noted, any reference herein to the
26 Paying Agent shall initially mean U.S. Bank National Association, and any reference herein to the
27 "principal office" of the Paying Agent for all purposes shall initially mean the corporate trust
28 office of U.S. Bank National Association in Los Angeles, California; provided, however, that in

1 any case "Paying Agent" shall refer to any successor paying agent/registrars or transfer agent for
2 the Notes, "principal office" shall include the principal corporate trust office or other office of
3 such successor Paying Agent designated thereby for a particular purpose.

4 (d) *Registration Books.* The Paying Agent shall keep or cause to be kept, at its
5 principal office, sufficient books for the registration and transfer of the Notes, which shall at all
6 times be open to inspection by the District and the County. Upon presentation for such purpose,
7 the Paying Agent shall, under such reasonable regulations as it may prescribe, register or transfer
8 or cause to be registered or transferred, on such books, Notes as herein provided. The Paying
9 Agent shall keep accurate records of all funds administered by it and of all Notes paid and
10 discharged by it. Such records shall be provided, upon reasonable request, to the County or the
11 District in a format mutually agreeable to the Paying Agent, the County and the District.

12 **Section 6. Proceeds Fund.** There is hereby established in the funds of the District in
13 the County treasury a special fund denominated the "San Jacinto Unified School District 2011-12
14 Tax and Revenue Anticipation Note Proceeds Fund" (the "Proceeds Fund"). The Treasurer shall,
15 immediately upon receiving the net proceeds of the sale of the Notes, deposit in the Proceeds
16 Fund all amounts received from such sale on behalf of the District, including any premium.
17 Amounts in the Proceeds Fund may be withdrawn and expended by the District for any purpose
18 for which the District is authorized to expend funds from its General Fund, but only after
19 exhausting funds otherwise available for such purposes (which are not restricted funds) and only
20 to the extent that on any given day such other funds are not then available. For purposes of this
21 paragraph, funds otherwise available excludes amounts that are held or set aside in a reasonable
22 working capital reserve (as set forth in the Tax Certificate of the District described in Section 7
23 hereof), which shall be no greater than 5% of the District's working capital expenditures from its
24 available funds in Fiscal Year 2010-11. The District has covenanted that, if on the date that is six
25 months from the date of issuance of the Notes, all amounts in the Proceeds Fund (including
26 investment earnings thereon) shall not have been so withdrawn and spent, it will promptly notify
27 Orrick, Herrington & Sutcliffe LLP ("Bond Counsel") and, to the extent of its power and
28 authority, comply with the instructions from Bond Counsel as to the means of satisfying the

1 rebate requirements of Section 148 of the Internal Revenue Code of 1986 (the "Code"). For
2 purposes of this Section, the "proceeds" of the Notes are equal to the initial offering price of the
3 Notes to the public, as certified by the Underwriter. The District acknowledges that neither the
4 County nor the Treasurer shall be responsible for the proper expenditure of proceeds of the Notes.
5 The County makes no assurance regarding the use or application of the proceeds of the Notes.

6 **Section 7. Tax Covenants.** (a) *General.* The County acknowledges and relies upon
7 the fact that the District has covenanted and represented that it shall not take any action, or fail to
8 take any action, if such action or failure to take such action would adversely affect the exclusion
9 from gross income of the interest payable on the Notes under Section 103 of the Code, and that
10 the District will comply with the requirements of the Tax Certificate with respect to the Notes, to
11 be entered into by the District as of the date of issuance of the Notes (the "Tax Certificate"), and
12 that the District further stipulates that such representation and covenant shall survive payment in
13 full or defeasance of the Notes.

14 (b) *Rebate Exception.* The County acknowledges and relies upon the fact that the
15 District has covenanted and represented that in the event the Notes shall be subject to the rebate
16 requirements of Section 148 of the Code, the District shall be responsible for making all
17 calculations in a reasonable and prudent fashion relating to any rebate of excess investment
18 earnings on the proceeds of the Notes due to the United States Treasury. If so directed by the
19 District, the Treasurer shall segregate and set aside from the lawfully available sources held by
20 the Treasurer on behalf of the District, the amount such calculations indicate may be required to
21 be paid to the United States Treasury, and shall otherwise at all times, upon the direction of the
22 District, do and perform all acts and things necessary and within its power and authority,
23 including complying with each applicable requirement of Section 103 and Sections 141 through
24 150 of the Code and complying with the instructions of Bond Counsel to ensure that interest paid
25 on the Notes shall, for the purposes of federal income taxes, be excludable from the gross income
26 of the recipients thereof and exempt from such taxation. If so directed by the District, the
27 Treasurer shall immediately set aside from District revenues received or accrued during Fiscal
28 Year 2011-12 or, to the extent not available from such revenues, from any other money lawfully

1 available, the amount of any such rebate in a separate fund which the Treasurer shall establish and
2 maintain on behalf of the District and designate as the "San Jacinto Unified School District 2011-
3 12 Tax and Revenue Anticipation Note Rebate Fund."

4 (c) *Reliance on Opinion of Bond Counsel.* Notwithstanding any provision of this
5 Section, if the District shall provide to the Treasurer an opinion of Bond Counsel that any
6 specified action required under this Section is no longer required or that some further or different
7 action is required to maintain the exclusion from gross income for federal income tax purposes of
8 interest on the Notes, the Treasurer may conclusively rely on such opinion in complying with the
9 requirements of this Section, and the covenants hereunder shall be deemed to be modified to that
10 extent.

11 (d) *Survival of Covenants.* The County's covenants contained in this Section shall
12 survive the payment of the Notes.

13 **Section 8. Investment of Funds.** All money held by the Treasurer in the Proceeds
14 Fund and in the Repayment Fund shall be invested to the greatest extent possible by the Office of
15 the Treasurer in the County's Pooled Investment Fund and as otherwise permitted by the
16 California Government Code and the investment policy of the County, and the proceeds of such
17 investments shall be retained in each such respective fund; provided, however, that no portion of
18 such money shall be invested for a term that exceeds the term of the Notes and, provided, further,
19 that, at the written request of the District, all or any portion of such money may be invested on
20 behalf of the District in investment agreements, including guaranteed investment contracts, which
21 comply with the requirements of each rating agency then rating the Notes necessary in order to
22 maintain the then-current rating on the Notes.

23 **Section 9. Use of Depository; Registration, Transfer and Exchange of Notes.**

24 (a) The Notes shall be initially issued and registered in the name of "Cede & Co.," as nominee of
25 The Depository Trust Company, New York, New York ("The Depository Trust Company") and
26 shall be evidenced by a single note certificate, in accordance with procedures of The Depository
27 Trust Company.

28

1 (b) Registered ownership of the Notes, or any portions thereof, may not be transferred
2 after initial registration except:

3 (i) to any successor of The Depository Trust Company, or its nominee, or of
4 any substitute depository designated pursuant to clause (ii) of this subsection (b) (a
5 “Substitute Depository”); provided, that any successor of The Depository Trust Company
6 or Substitute Depository shall be qualified under any applicable laws to provide the
7 service proposed to be provided by it;

8 (ii) to any Substitute Depository not objected to by the County or the District,
9 upon (A) the resignation of The Depository Trust Company or its successor (or any
10 Substitute Depository or its successor) from its functions as depository, or (B) a
11 determination by the County or the District to substitute another depository for The
12 Depository Trust Company (or its successor) because it is no longer able to carry out its
13 functions as depository; provided, that any such Substitute Depository shall be qualified
14 under any applicable laws to provide the services proposed to be provided by it; or

15 (iii) to any person as provided below, upon (A) the resignation of The
16 Depository Trust Company or its successor (or any Substitute Depository or its successor)
17 from its functions as depository, or (B) a determination by the County or the District to
18 discontinue using a depository.

19 (c) In the case of any transfer pursuant to clause (i) or clause (ii) of subsection (b) of
20 this Section, upon receipt of all outstanding Notes by the Paying Agent, a single new Note shall
21 be executed and delivered and registered in the name of such successor or such Substitute
22 Depository, or its nominee, as the case may be. In the case of any transfer pursuant to clause (iii)
23 of subsection (b) of this Section, upon receipt of all outstanding Notes by the Paying Agent, new
24 Notes shall be executed and delivered in such denominations and registered in the names of such
25 persons as are determined by the Paying Agent pursuant to a written request of the County or the
26 District.

27 (d) Following the resignation or the removal of the depository pursuant to clause (iii)
28 of subsection (b) of this Section, any Note may, in accordance with its terms, be transferred or

1 exchanged for a like aggregate principal amount of Notes in authorized denominations, upon the
2 books required to be kept by the Paying Agent pursuant to the provisions hereof, by the person in
3 whose name it is registered, in person or by such person's duly authorized attorney, upon
4 surrender of such Note for cancellation, and, in the case of a transfer, accompanied by delivery of
5 a written instrument of transfer, duly executed in form approved by the Paying Agent.

6 Whenever any Note shall be surrendered for transfer or exchange, the Paying Agent shall
7 deliver a new Note or Notes of authorized denominations and the same interest rate and a like
8 aggregate principal amount. The Paying Agent shall require the registered owner requesting such
9 transfer or exchange to pay any tax or other governmental charge required to be paid with respect
10 to such transfer or exchange.

11 (e) The District, the County, and the Paying Agent shall be entitled to treat the person
12 in whose name any Note is registered as the owner thereof for all purposes of this resolution and
13 for purposes of payment of principal and interest on such Note, notwithstanding any notice to the
14 contrary received by the District, the County or the Paying Agent; and the District, the County,
15 and the Paying Agent shall not have responsibility for transmitting payments to, communicating
16 with, notifying, or otherwise dealing with any beneficial owners of the Notes. None of the
17 District, the County or the Paying Agent shall have any responsibility or obligation, legal or
18 otherwise, to any such beneficial owners or to any other party, including The Depository Trust
19 Company or its successors (or any Substitute Depository or its successor), except to the registered
20 owner of any Notes, and the Paying Agent may rely conclusively on its records as to the identity
21 of the registered owners of the Notes.

22 (f) Notwithstanding any other provisions of this resolution and so long as all
23 outstanding Notes are registered in the name of Cede & Co. or its registered assigns, the District,
24 the County and the Paying Agent shall cooperate with Cede & Co. or its registered assigns as sole
25 registered owner, in effecting payment of the principal of and interest on the Notes by arranging
26 for payment in such manner that funds for such payments are properly identified and are made
27 available on the date they are due; all in accordance with the letter of representations from the
28

1 District to The Depository Trust Company, the provisions of which the Paying Agent may rely
2 upon to implement the foregoing procedures notwithstanding any inconsistent provisions herein.

3 (g) If any Note shall become mutilated, the Paying Agent, at the expense of the owner
4 of such Note, shall deliver a new Note of like tenor bearing a different number in exchange and
5 substitution for the Note so mutilated, but only upon surrender to the Paying Agent of the Note so
6 mutilated. If any Note shall be lost, destroyed or stolen, evidence of the ownership thereof, and
7 of such loss, destruction or theft, may be submitted to the County and the Paying Agent and, if
8 such evidence be satisfactory to both and indemnity satisfactory to them shall be given, the
9 Paying Agent, at the expense of the owner of such Note, shall deliver a new Note of like tenor
10 and bearing a different number in lieu of and in substitution for the Note so lost, destroyed or
11 stolen (or, if any such Note shall have matured, instead of issuing a substitute Note, the Paying
12 Agent may pay the same without surrender thereof). The Paying Agent may require payment by
13 the registered owner of a Note of a sum not exceeding the actual cost of preparing each new Note
14 issued pursuant to this paragraph and of the expenses which may be incurred by the County and
15 the Paying Agent. Any Note issued under these provisions in lieu of any Note alleged to be lost,
16 destroyed or stolen shall be entitled to the benefits of this Resolution.

17 (h) All Notes surrendered for payment or registration of transfer, if surrendered to any
18 person other than the Paying Agent, shall be delivered to the Paying Agent and shall be promptly
19 cancelled by it.

20 **Section 10. Purchase Contract.** The Purchase Contract, in substantially the form
21 submitted to this meeting and made a part hereof as though set forth herein, be and the same is
22 hereby approved. Each of the Treasurer or any duly appointed deputy Treasurer (the "Authorized
23 Officers"), is hereby authorized, and any one of the Authorized Officers is hereby directed, for
24 and in the name of the County, to execute and deliver the Purchase Contract in substantially said
25 form, with such changes, insertions and omissions as the Authorized Officer executing the
26 Purchase Contract shall approve, such approval to be conclusively evidenced by such Authorized
27 Officer's execution and delivery of the Purchase Contract with such changes, insertions and
28 omissions; provided however, that (a) the Purchase Contract shall specify the aggregate principal

1 amount of the Notes, which amount shall not be in excess of \$7,500,000, (b) the Purchase
2 Contract shall specify the maturity date of the Notes, which date shall be no later than 366 days
3 subsequent to the date of delivery of the Notes, (c) the Purchase Contract shall specify the interest
4 rate to be borne by the Notes, which rate shall be such that the true interest cost of the Notes shall
5 not exceed 3.50% per annum, (d) the Purchase Contract shall specify the dates of deposit and
6 amounts or proportions of Pledged Revenues to be deposited in the Repayment Fund on each
7 such date, provided that there shall be no more than five such dates of deposit, the last such
8 deposit shall be made no later than the maturity date of the Notes, and the last such deposit shall
9 be in an amount sufficient (when all previous deposits and earnings on the Repayment Fund are
10 taken into account) to pay in full the principal of and interest on the Notes due and payable at
11 maturity, and (e) the aggregate underwriter's discount (not including any original issue discount)
12 from the principal amount of the Notes shall not be in excess of 0.50% of the aggregate principal
13 amount of the Notes.

14 **Section 11. Form of Notes; Execution and Authentication.** The Notes shall be in
15 substantially the form set forth in Exhibit A hereto, with such changes, insertions and omissions
16 as may necessary to incorporate therein the terms thereof specified in the Purchase Contract, as
17 the same shall be completed as provided in this Resolution, and as may otherwise be approved by
18 an Authorized Officer. Each of the Authorized Officers is hereby authorized, and any one of the
19 Authorized Officers is hereby directed, for and in the name of the County, to execute the Notes by
20 manual or facsimile signature, and the Clerk of the Board of Supervisors or a duly appointed
21 deputy is hereby authorized to attest to the signature of such Authorized Officer by manual or
22 facsimile signature. The Notes shall be authenticated by the manual signature of a duly
23 authorized officer of the Paying Agent.

24 **Section 12. Limited Responsibility for Official Statement.** Neither the Board of
25 Supervisors nor any officer of the County has prepared or reviewed the official statement of the
26 District describing the Notes (the "Official Statement"), and the County, the Board of Supervisors
27 and the various officers of the County take no responsibility for the contents or distribution
28 thereof; provided, however, that solely with respect to a section contained or to be contained

1 therein describing the County's investment policy and current portfolio holdings, as they may
2 relate to funds of the District held by the Treasurer, the Treasurer is hereby authorized and
3 directed to prepare and review such information for inclusion in the Official Statement and in a
4 preliminary Official Statement, and to certify to the District prior to or upon the issuance of the
5 Notes that the information contained in such section does not contain any untrue statement of a
6 material fact or omit to state any material fact necessary in order to make the statements made
7 therein, in the light of the circumstances under which they are made, not misleading.

8 **Section 13. Continuing Disclosure Certificate.** The County acknowledges and relies
9 upon the fact that the District has represented that it will execute a Continuing Disclosure
10 Certificate containing such covenants of the District as shall be necessary to comply with the
11 requirements of Securities and Exchange Commission Rule 15c2-12, and that it will comply with
12 and carry out all of the provisions of such Continuing Disclosure Certificate. The County
13 assumes no responsibility for continuing disclosure requirements with respect to the Notes.

14 **Section 14. Further Assurances.** The County, and its appropriate officials, have duly
15 taken all proceedings necessary to be taken by them, and will take any additional proceedings
16 necessary to be taken by them in accordance with law for carrying out the provisions of this
17 Resolution and the Notes.

18 **Section 15. Approval of Actions.** The officers and employees of the County are, and
19 each of them hereby is, authorized and directed to execute and deliver, for and on behalf of the
20 County, any and all documents and instruments and to do and cause to be done any and all acts
21 and things necessary or proper for carrying out the issuance and sale of the Notes and the
22 transactions contemplated by this Resolution.

23 **Section 16. Prior Actions.** All actions heretofore taken by the officers and employees
24 of the County with respect to the issuance and sale of the Notes, or in connection with or related
25 to any of the agreements or documents referred to herein, are hereby approved, confirmed and
26 ratified.

27 **Section 17. Effective Date.** This Resolution shall take effect immediately upon its
28 adoption.

2 RESOLUTION NO. 2012 – 052

3 RESOLUTION OF THE BOARD OF SUPERVISORS OF
4 THE COUNTY OF RIVERSIDE AUTHORIZING THE ISSUANCE AND SALE OF SAN
5 JACINTO UNIFIED SCHOOL DISTRICT 2011-12 TAX AND REVENUE
6 ANTICIPATION NOTES ON BEHALF OF THE SAN JACINTO UNIFIED
7 SCHOOL DISTRICT IN THE AGGREGATE PRINCIPAL AMOUNT OF
8 NOT TO EXCEED \$7,500,000, AUTHORIZING THE EXECUTION AND
9 DELIVERY OF A NOTE PURCHASE CONTRACT AND APPROVING
10 OTHER MATTERS RELATING THERETO

11 ADOPTED by Riverside County Board of Supervisors on February 28, 2012.

12 ROLL CALL:

13 Ayes: Buster, Tavaglione, Stone and Benoit
14 Nays: None
15 Absent: Ashley

16 The foregoing is certified to be a true copy of a resolution duly adopted by said Board of
17 Supervisors on the date therein set forth.

18 KECIA HARPER-IHEM, Clerk of said Board

19 By: _____
20 Deputy

EXHIBIT A

FORM OF NOTE

**UNITED STATES OF AMERICA
STATE OF CALIFORNIA
COUNTY OF RIVERSIDE**

**SAN JACINTO UNIFIED SCHOOL DISTRICT
2011-12 TAX AND REVENUE ANTICIPATION NOTE**

INTEREST RATE	MATURITY DATE	DATED DATE	CUSIP
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REGISTERED OWNER:

PRINCIPAL AMOUNT:

FOR VALUE RECEIVED, the San Jacinto Unified School District (the "District"), located in the County of Riverside, State of California (the "County"), shall pay to the Registered Owner identified above or registered assigns (the "Registered Owner"), on the Maturity Date specified above the Principal Amount specified above in lawful money of the United States of America, together with interest thereon at the Interest Rate specified above (computed on the basis of a 360-day year of twelve 30-day months) in like lawful money. Interest on this Note shall be payable only at the maturity hereof. This Note shall not be subject to redemption prior to said Maturity Date.

Principal and interest due at maturity shall be paid to the Registered Owner hereof only upon surrender hereof at the corporate trust office of U.S. Bank National Association, in Los Angeles, California, as the initial paying agent and registrar for the Notes, or any successor thereto (the "Paying Agent"). No interest shall be payable for any period after maturity hereof during which the Registered Owner hereof 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 denominated "San Jacinto Unified School District 2011-12 Tax and Revenue Anticipation Notes" (the "Notes"), in the aggregate principal amount of \$ _____, all of like date, tenor and effect, issued under and by authority of Title 5, Division 2, Part 1, Chapter 4, Article 7.6 (commencing with Section 53850) of the California Government Code, and made, executed and given pursuant to and by authority of a resolution of the Board of Supervisors of the County duly passed and adopted on _____, 2012 (the "County Resolution"), which resolution was adopted at the request of the District pursuant to a resolution of the Board of Trustees of the District duly passed and adopted on _____, 2012 (the "District Resolution"), and it is hereby further certified, recited and declared 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. Capitalized undefined terms used herein shall have the meanings ascribed thereto in the County Resolution.

The term "Unrestricted Revenues" means the taxes, income, revenue, cash receipts and other moneys which will be received by or will accrue to the District for the General Fund of the District for Fiscal Year 2011-12 and which are lawfully available for the payment of current expenses and other obligations of the District. In the District Resolution, the District has pledged to the payment of the Notes and the interest thereon [(a)] an amount equal to ___% of the principal amount of the Notes [and the interest thereon] from the first Unrestricted Revenues (as defined in the County Resolution) to be received by the District during the period commencing on _____, 2012 and ending on _____, 2012[, (b) an amount equal to ___% of the principal amount of the Notes [and the interest thereon] from the first Unrestricted Revenues to be received by the District during the period commencing on _____, 2012 and ending on _____, 2012,] [and (c) an amount equal to ___% of the principal amount of the Notes [and the interest thereon] from the first Unrestricted Revenues to be received by the District during the period commencing on _____, 2012 and ending on _____, 2012] ([collectively,] the "Pledged Revenues"). As provided in Section 53856 of the California Government Code, 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, the Pledged Revenues. As provided in Section 53857 of the California Government Code, notwithstanding the provisions of Section 53856 of the California Government Code and the foregoing, the Notes shall be general obligations of the District and, to the extent not paid from the Pledged Revenues, shall be paid with interest thereon from any other Unrestricted Revenues. As security for the payment of the Notes and the interest thereon, the District has covenanted in the District Resolution to deposit or cause to be deposited in the Repayment Fund, in trust for the registered owners of the Notes, no later than the end of each period specified above, the amount of Unrestricted Revenues specified above. In the event that there have been insufficient Unrestricted Revenues received by the District by the end of any such period, then the amount of any deficiency in the Repayment Fund shall be satisfied and made up from the first Unrestricted Revenues thereafter received by the District. The amounts on deposit in the Repayment Fund are pledged to the payment of the Notes and the interest thereon, and said amounts shall not be used for any other purpose until the Notes and the interest thereon have been paid in full or such payment has been duly provided for.

This Note is transferable by the Registered Owner hereof in person or by such Registered Owner's attorney duly authorized in writing at the principal office (as such term is defined in the County Resolution) of the Paying Agent, but only in the manner, subject to the limitations and upon payment of the charges provided in the County 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 and the same rate of interest will be issued to the transferees in exchange herefor. The District, the County 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 the District, the County and the Paying Agent shall not be affected by any notice to the contrary.

The Notes are not a debt or obligation of the County and no money, fund or part of any fund of the County is pledged or obligated to the payment of the Notes.

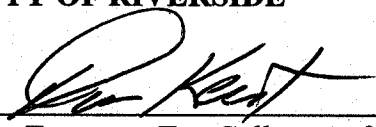
Unless this Note is presented by an authorized representative of The Depository Trust Company to the Paying Agent for registration, transfer, exchange or payment, and any Note issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

This Note shall not be valid or become obligatory for any purpose until the Certificate of Authentication hereon shall have been signed by the Paying Agent.

IN WITNESS WHEREOF, the Board of Supervisors of the County of Riverside has caused this Note to be executed on behalf of the County by the manual or facsimile signature of the Treasurer-Tax Collector of the County, and to be attested by the manual or facsimile signature of its Clerk, all as of the Dated Date specified above.

COUNTY OF RIVERSIDE

By: _____


Treasurer-Tax Collector of the
County of Riverside

ATTEST:

Clerk of the Board of Supervisors
of the County of Riverside

CERTIFICATE OF AUTHENTICATION

This is one of the Notes described in the within-mentioned County Resolution and registered on the date set forth below.

Date: _____, 2012

**U.S. BANK NATIONAL
ASSOCIATION, AS PAYING AGENT**

By: _____
Authorized Officer

ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto _____ whose address and social security or other tax identifying number is _____, the within-mentioned Note and hereby irrevocably constitute(s) and appoint(s) _____ attorney, to transfer the same on the registration books of the Paying Agent with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

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

Note: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Note in every particular without alteration or enlargement or any change whatsoever.

RESOLUTION NO. _____

RESOLUTION OF THE BOARD OF TRUSTEES OF THE SAN JACINTO UNIFIED SCHOOL DISTRICT AUTHORIZING THE ISSUANCE AND SALE OF SAN JACINTO UNIFIED SCHOOL DISTRICT 2011-12 TAX AND REVENUE ANTICIPATION NOTES IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$7,500,000, REQUESTING THE BOARD OF SUPERVISORS OF THE COUNTY OF RIVERSIDE TO PROVIDE FOR THE ISSUANCE AND SALE OF SAID NOTES, AUTHORIZING THE EXECUTION AND DELIVERY OF A NOTE PURCHASE CONTRACT AND A CONTINUING DISCLOSURE CERTIFICATE AND APPROVING THE PREPARATION AND DISTRIBUTION OF AN OFFICIAL STATEMENT AND OTHER MATTERS RELATING THERETO

WHEREAS, pursuant to Sections 53850 and following of the California Government Code (being Article 7.6, Chapter 4, Part 1, Division 2, Title 5 thereof), on or after the first day of any fiscal year (being July 1) a school district may borrow money by issuing temporary notes for any purpose for which the school district is authorized to expend moneys, including but not limited to current expenses, capital expenditures, investment and reinvestment and the discharge of any obligation or indebtedness of the school district;

WHEREAS, the Board of Trustees (the "Board") of the San Jacinto Unified School District (the "District") has determined that an amount not to exceed \$7,500,000 is needed to satisfy obligations payable or accruing during Fiscal Year 2011-12 from the General Fund of the District, and that it is necessary that said amount be borrowed for such purpose at this time by the issuance of temporary notes in an aggregate principal amount not exceeding such amount in anticipation of the receipt or accrual during Fiscal Year 2011-12 of taxes, income, revenue, cash receipts and other moneys by the District for the General Fund of the District;

WHEREAS, said notes are to be denominated "San Jacinto Unified School District 2011-12 Tax and Revenue Anticipation Notes" (the "Notes");

WHEREAS, the Board hereby finds and determines that said aggregate principal amount of the Notes, when added to the interest payable thereon, does not exceed 85% of the estimated amount of the uncollected taxes, income, revenue, cash receipts and other moneys which will be received by or accrue to the District for the General Fund of the District during Fiscal Year 2011-12 and which will be available for the payment of the principal of and interest on the Notes;

WHEREAS, no money has heretofore been borrowed by or on behalf of the District through the issuance of tax anticipation notes or temporary notes in anticipation of the receipt of, or payable from or secured by, taxes, income, revenue, cash receipts or other moneys to be received by or which will accrue to the District for the General Fund of the District during Fiscal

Year 2011-12, and the Board does not contemplate such a financing through the issuance of any temporary notes, other than the Notes;

WHEREAS, pursuant to Section 53856 of the California Government Code, certain taxes, income, revenue, cash receipts and other moneys which will be received by or accrue to the District for the General Fund of the District during Fiscal Year 2011-12 are authorized to be pledged for the payment of the Notes and the interest thereon;

WHEREAS, the District has not been accorded fiscal accountability status under Section 42647 or Section 42650 of the California Education Code;

WHEREAS, Section 53853 of the California Government Code provides that notes of a school district that has not been so accorded fiscal accountability status must be issued in the name of the school district by the board of supervisors of the county, 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 school district requesting the borrowing;

WHEREAS, the Superintendent of Schools of the County of Riverside (the "County") has jurisdiction over the District and, therefore, the Notes are to be issued in the name of the District by the Board of Supervisors of the County;

WHEREAS, the District has not received a qualified or negative budget certification in the current fiscal year or in the immediately preceding fiscal year;

WHEREAS, Stifel, Nicolaus & Company, Incorporated, dba Stone & Youngberg, a Division of Stifel Nicolaus (the "Underwriter") has made a proposal to purchase the Notes, which proposal is in the form of a Note Purchase Contract to be entered into by the Underwriter, the District and the County (such Note Purchase Contract, in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution, being referred to herein as the "Purchase Contract");

WHEREAS, Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 ("Rule 15c2-12") requires that, in order to be able to purchase or sell the Notes, the Underwriter must have reasonably determined that the District or an obligated person has undertaken in a written agreement or contract for the benefit of the holders of the Notes to provide disclosure of certain material events on an ongoing basis;

WHEREAS, in order to cause such requirement to be satisfied, the District desires to execute and deliver a Continuing Disclosure Certificate (such Continuing Disclosure Certificate, in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution, being referred to herein as the "Continuing Disclosure Certificate");

WHEREAS, a Preliminary Official Statement to be used in connection with the offering and sale of the Notes has been prepared (such Preliminary Official Statement in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution, being referred to herein as the "Preliminary Official Statement");

WHEREAS, there have been prepared and submitted to this meeting forms of:

- (a) the Notes;
- (b) the Purchase Contract;
- (c) the Continuing Disclosure Certificate; and
- (d) the Preliminary Official Statement;

NOW, THEREFORE, BE IT RESOLVED, by the Board of Trustees of the San Jacinto Unified School District, as follows:

Section 1. Recitals. The above recitals are true and correct, and the Board so finds and determines.

Section 2. Request for Borrowing. For the purpose of satisfying obligations payable from the General Fund of the District, the Board hereby determines to borrow an aggregate principal amount not to exceed \$7,500,000, and hereby requests the Board of Supervisors of the County to issue in the name of the District such an aggregate principal amount of temporary notes pursuant to Sections 53850 and following of the California Government Code in anticipation of the receipt or accrual of taxes, income, revenue, cash receipts and other moneys by the District for the General Fund of the District during Fiscal Year 2011-12.

The District acknowledges that the Notes do not constitute a debt of the County and that the County is not responsible for, and makes no assurance regarding, the use or application of the proceeds of the Notes by the District.

Section 3. Authorization of Notes; Terms. The issuance of the Notes, in the aggregate principal amount of not to exceed \$7,500,000, is hereby authorized and approved. The Notes shall be denominated the "San Jacinto Unified School District 2011-12 Tax and Revenue Anticipation Notes." The Notes shall be dated the date of their delivery and shall be issued in fully registered form in denominations of \$5,000 principal amount or any integral multiple thereof. The Notes shall bear interest commencing on the date thereof, computed on the basis of a 360-day year consisting of twelve 30-day months. The principal of the Notes shall be payable only at the maturity thereof, without option of prior redemption. Interest on the Notes shall be payable at the maturity thereof. The Notes shall be issued in the aggregate principal amount, shall bear interest at the rate and shall mature on the date specified in the Purchase Contract, as the same shall be completed as provided in this Resolution; provided however, that (a) the aggregate principal amount of the Notes shall not exceed \$7,500,000, (b) the Notes shall mature on a date which is no more than 366 days subsequent to the date of their delivery, and (c) the interest rate to be borne by the Notes shall be such that the true interest cost of the Notes shall not exceed 3.50%.

Section 4. Pledge; Lien and Charge; Repayment Fund. (a) *Pledge.* The term "Unrestricted Revenues" shall mean the taxes, income, revenue, cash receipts and other moneys which will be received by or will accrue to the District for the General Fund of the District for Fiscal Year 2011-12 and which are lawfully available for the payment of current expenses and other obligations of the District. The District hereby pledges to the payment of the Notes and the interest thereon the first Unrestricted Revenues to be received by the District in each period

specified in the Purchase Contract, in an amount equal to the amount, or in the proportion of the total amount due, specified in the Purchase Contract, as the Purchase Contract shall be completed as provided in this Resolution (the "Pledged Revenues").

(b) *Lien and Charge.* As provided in Section 53856 of the California Government Code, 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, the Pledged Revenues.

(c) *General Obligation.* As provided in Section 53857 of the California Government Code, notwithstanding the provisions of Section 53856 of the California Government Code and of subsection (b) of this Section, the Notes shall be general obligations of the District and, to the extent not paid from the Pledged Revenues, shall be paid with interest thereon from any other Unrestricted Revenues.

(d) *Repayment Fund.* The Treasurer-Tax Collector of the County (the "County Treasurer") is hereby requested to establish and hold in the funds of the District in the County treasury a special fund denominated the "San Jacinto Unified School District 2011-12 Tax and Revenue Anticipation Note Repayment Fund" (the "Repayment Fund"), and to maintain the Repayment Fund until the Notes and the interest thereon have been paid in full. As security for the payment of the Notes and the interest thereon, the District hereby covenants to deposit or cause to be deposited in the Repayment Fund, in trust for the registered owners of the Notes, no later than the end of each period specified in the Purchase Contract, the amount of Unrestricted Revenues specified in the Purchase Contract to be so deposited, as the Purchase Contract shall be completed as provided in this Resolution. In the event that there have been insufficient Unrestricted Revenues received by the District by the end of any such period, then the amount of any deficiency in the Repayment Fund shall be satisfied and made up from the first Unrestricted Revenues thereafter received by the District. The amounts on deposit in the Repayment Fund are hereby pledged to the payment of the Notes and the interest thereon, and said amounts shall not be used for any other purpose until the Notes and the interest thereon have been paid in full or such payment has been duly provided for.

All Pledged Revenues and any other Unrestricted Revenues identified as such by the District and required to be deposited therein pursuant to this Resolution shall, as and when received, be deposited in the Repayment Fund. Any money deposited in the Repayment Fund shall be for the benefit of the registered owners of the Notes, and until the Notes and the interest thereon are paid or until provision has been made for the payment of the Notes at maturity and interest thereon to maturity, the money in the Repayment Fund shall be applied only for the purposes for which the Repayment Fund is established. The County Treasurer shall not be liable or responsible for the sufficiency of the Repayment Fund. On the date of maturity of the Notes, the money in the Repayment Fund shall be used, to the extent necessary, to pay the Notes and the interest thereon. Any money remaining in or accruing to the Repayment Fund after the Notes and the interest thereon have been paid in full, or provision for such payment has been made, shall be transferred to the General Fund of the District.

Section 5. Paying Agent. The District hereby requests the County to appoint, and consents to the County's appointment of U.S. Bank National Association, to act as the initial paying agent and registrar for the Notes (the "Paying Agent"). All fees and expenses of the

Paying Agent shall be the sole responsibility of the District, and to the extent not paid from the proceeds of the sale of the Notes, such fees and expenses shall be paid by the District.

Section 6. Proceeds Fund. The County Treasurer is hereby requested to establish and hold in the funds of the District in the County treasury a special fund denominated the "San Jacinto Unified School District 2011-12 Tax and Revenue Anticipation Note Proceeds Fund" (the "Proceeds Fund"). The net proceeds of the sale of the Notes, including any premium, shall be deposited in the Proceeds Fund. Amounts in the Proceeds Fund may be withdrawn and expended by the District for any purpose for which the District is authorized to expend funds from its General Fund. The District acknowledges that neither the County nor the County Treasurer shall be responsible for the proper expenditure of proceeds of the Notes.

Section 7. Tax Covenants. (a) *General.* The District hereby covenants that it will not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of the interest payable on the Notes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Without limiting the generality of the foregoing, the District hereby covenants that on the date of delivery of the Notes, it will deliver its Tax Certificate containing representations and covenants with respect to such actions (the "Tax Certificate") and that it will comply with the requirements of the Tax Certificate. The provisions of this Section shall survive payment in full or defeasance of the Notes.

(b) *Rebate Exception.* Amounts in the Proceeds Fund may be withdrawn and expended by the District for any purpose for which the District is authorized to expend funds from its General Fund, but only after exhausting funds otherwise available for such purposes (which are not restricted funds) and only to the extent that on any given day such other funds are not then available, and for purposes of this subsection, funds otherwise available excludes amounts that are held or set aside in a reasonable working capital reserve in the amount set forth in the Tax Certificate, which shall be no greater than 5% of the District's working capital expenditures from its available funds in Fiscal Year 2010-11; provided, however, that if on the date that is six months from the date of issuance of the Notes, all amounts in the Proceeds Fund (including investment earnings thereon) shall not have been so withdrawn and spent, the District hereby covenants to promptly notify Orrick, Herrington & Sutcliffe LLP ("Bond Counsel") and, to the extent of its power and authority, comply with the instructions from Bond Counsel as to the means of satisfying the rebate requirements of Section 148 of the Code. For purposes of this Section, the "proceeds" of the Notes are equal to the initial offering price of the Notes to the public, as certified by the Underwriter.

(c) *Rebate Calculation and Payment.* The District covenants that, in the event it is or becomes subject to the rebate requirements of Section 148 of the Code, it shall (i) make all calculations in a reasonable and prudent fashion relating to any rebate of excess investment earnings on the proceeds of the Notes due to the United States Treasury, (ii) cause the County Treasurer to segregate and set aside from lawfully available sources the amount such calculations indicate may be required to be paid to the United States Treasury, and (iii) otherwise at all times do and perform all acts and things necessary and within its power and authority, including complying with each applicable requirement of Section 103 and Sections 141 through 150 of the Code and complying with the instructions of Bond Counsel, to ensure that interest paid on the Notes shall, for the purposes of federal income taxes, be excludable from the gross income of the

recipients thereof. If such calculation is required, the District shall immediately cause the County Treasurer to set aside, from revenues received or accrued during Fiscal Year 2011-12 or, to the extent not available from such revenues, from any other moneys lawfully available, the amount of any such rebate in a separate fund which the District hereby agrees to cause the County Treasurer to establish and maintain and designate as the "San Jacinto Unified School District 2011-12 Tax and Revenue Anticipation Note Rebate Fund."

(d) *Reliance on Opinion of Bond Counsel.* Notwithstanding any provision of this Section, if the District shall obtain an opinion of Bond Counsel that any specified action required under this Section is no longer required or that some further or different action is required to maintain the exclusion from gross income for federal income tax purposes of interest on the Notes, the District may conclusively rely on such opinion in complying with the requirements of this Section, and the covenants hereunder shall be deemed to be modified to that extent.

Section 8. Investment of Funds. All money held by the County Treasurer in the Proceeds Fund and in the Repayment Fund shall be invested to the greatest extent possible at the County Treasurer's discretion in the County's Pooled Investment Fund and as otherwise permitted by the California Government Code and the investment policy of the County, and the proceeds of such investments shall be retained in each such respective fund; provided, however, that no portion of such money shall be invested for a term that exceeds the term of the Notes and, provided, further, that, at the written request of the District, all or any portion of such money may be invested on behalf of the District in investment agreements, including guaranteed investment contracts, which comply with the requirements of each rating agency then rating the Notes necessary in order to maintain the then-current rating on the Notes.

Section 9. Purchase Contract. The Purchase Contract, in substantially the form submitted to this meeting and made a part hereof as though set forth herein, be and the same is hereby approved. Each of the President of the Board, or such other member of the Board as the President may designate, the Superintendent of the District and the Assistant Superintendent, Business Services of the District, or such other officer or employee of the District as the Superintendent may designate (the "Authorized Officers"), is hereby authorized, and any one of the Authorized Officers is hereby directed, for and in the name of the District, to execute and deliver the Purchase Contract in substantially said form, with such changes, insertions and omissions as the Authorized Officer executing the Purchase Contract shall approve, such approval to be conclusively evidenced by such Authorized Officer's execution and delivery of the Purchase Contract with such changes, insertions and omissions; provided however, that (a) the Purchase Contract shall specify the aggregate principal amount of the Notes, which amount shall not be in excess of \$7,500,000, (b) the Purchase Contract shall specify the maturity date of the Notes, which date shall be no later than 366 days subsequent to the date of delivery of the Notes, (c) the Purchase Contract shall specify the interest rate to be borne by the Notes, which rate shall be such that the true interest cost of the Notes shall not exceed 3.50%, (d) the Purchase Contract shall specify the dates of deposit and amounts or proportions of Unrestricted Revenues to be deposited in the Repayment Fund on each such date, provided that there shall be no more than five such dates of deposit, the last such deposit shall be made no later than the maturity date of the Notes, and the last such deposit shall be in an amount sufficient (when all previous deposits and earnings on the Repayment Fund are taken into account) to pay in full the principal of and interest on the Notes due and payable at maturity, and (e) the aggregate underwriter's

discount (not including any original issue discount) from the principal amount of the Notes shall not be in excess of 0.50% of the aggregate principal amount of the Notes. The Board of Supervisors of the County is hereby requested to cause the Purchase Contract to be executed and delivered on behalf of the County, with such changes, insertions and omissions therein as may be acceptable to the County and the District.

Section 10. Form of Notes. The Notes shall be in substantially the form set forth in Exhibit A hereto, with such changes, insertions and omissions as may necessary to incorporate therein the terms thereof specified in the Purchase Contract, as the same shall be completed as provided in this Resolution, and as may otherwise be approved by an Authorized Officer.

Section 11. Official Statement. The Preliminary Official Statement, in substantially the form presented to this meeting and made a part hereof as though set forth in full herein, with such changes therein as may be approved by an Authorized Officer, be and the same is hereby approved, and the use of the Preliminary Official Statement in connection with the offering and sale of the Notes is hereby authorized and approved. Each of the Authorized Officers is hereby authorized, and any one of the Authorized Officers is hereby directed, for and in the name of the District, to certify to the Underwriter that the Preliminary Official Statement has been "deemed final" for purposes of Rule 15c2-12.

The preparation and delivery of a final Official Statement (the "Official Statement"), and its use in connection with the offering and sale of the Notes, be and the same is hereby authorized and approved. The Official Statement shall be in substantially the form of the Preliminary Official Statement with such changes, insertions and omissions as may be approved by an Authorized Officer, such approval to be conclusively evidenced by such Authorized Officer's execution and delivery of the Official Statement with such changes, insertions and omissions. Each of the Authorized Officers is hereby authorized, and any one of the Authorized Officers is hereby directed, for and in the name of the District, to execute and deliver the final Official Statement.

Section 12. Continuing Disclosure Certificate. The Continuing Disclosure Certificate, in substantially the form submitted to this meeting and made a part hereof as though set forth herein, be and the same is hereby approved. Each of the Authorized Officers is hereby authorized, and any one of the Authorized Officers is hereby directed, for and in the name of the District, to execute and deliver the Continuing Disclosure Certificate in substantially said form, with such changes, insertions and omissions therein as the Authorized Officer executing the Continuing Disclosure Certificate shall approve, such approval to be conclusively evidenced by such Authorized Officer's execution and delivery of the Continuing Disclosure Certificate with such changes, insertions and omissions.

Section 13. Filing with Board of Supervisors. The Clerk of the Board is hereby authorized and directed to file a certified copy of this Resolution with the Board of Supervisors of the County, which shall constitute the request of the Board that the Board of Supervisors of the County issue and sell the Notes on behalf of the District as soon as practicable, and to simultaneously provide certified copies of this Resolution to the Superintendent of Schools of the County and to the County Treasurer.

Section 14. Notice to California Debt and Investment Advisory Commission. Each of the Authorized Officers is hereby authorized, and any one of the Authorized Officers is hereby directed to cause notices of the proposed sale and final sale of the Notes to be filed in a timely manner with the California Debt and Investment Advisory Commission pursuant to California Government Code Section 8855(g).

Section 15. Further Assurances. The District, and its appropriate officials, have duly taken 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 taxes, income, revenue, cash receipts and other moneys pledged hereunder in accordance with law and for carrying out the provisions of this Resolution and the Notes.

Section 16. Approval of Actions. The officers and employees of the District are, and each of them hereby is, authorized and directed to execute and deliver, for and on behalf of the District, any and all documents and instruments and to do and cause to be done any and all acts and things necessary or proper for carrying out the issuance and sale of the Notes and the transactions contemplated by this Resolution.

Section 17. Prior Actions. All actions heretofore taken by the officers and employees of the District with respect to the issuance and sale of the Notes, or in connection with or related to any of the agreements or documents referred to herein, are hereby approved, confirmed and ratified.

Section 18. Effective Date. This Resolution shall take effect immediately upon its adoption.

APPROVED AND ADOPTED by the Board of Trustees of the San Jacinto Unified School District on February 14, 2012.

President of the Board of Trustees

ATTEST:

Clerk of the Board of Trustees

EXHIBIT A

FORM OF NOTE

**UNITED STATES OF AMERICA
STATE OF CALIFORNIA
COUNTY OF RIVERSIDE**

**SAN JACINTO UNIFIED SCHOOL DISTRICT
2011-12 TAX AND REVENUE ANTICIPATION NOTE**

**INTEREST
RATE**

**MATURITY
DATE**

**DATED
DATE**

CUSIP

REGISTERED OWNER:

PRINCIPAL AMOUNT:

FOR VALUE RECEIVED, the San Jacinto Unified School District (the "District"), located in the County of Riverside, State of California (the "County"), shall pay to the Registered Owner identified above or registered assigns (the "Registered Owner"), on the Maturity Date specified above the Principal Amount specified above in lawful money of the United States of America, together with interest thereon at the Interest Rate specified above (computed on the basis of a 360-day year of twelve 30-day months) in like lawful money. Interest on this Note shall be payable only at the maturity hereof. This Note shall not be subject to redemption prior to said Maturity Date.

Principal and interest due at maturity shall be paid to the Registered Owner hereof only upon surrender hereof at the corporate trust office of U.S. Bank National Association, in Los Angeles, California, as the initial paying agent and registrar for the Notes, or any successor thereto (the "Paying Agent"). No interest shall be payable for any period after maturity hereof during which the Registered Owner hereof 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 denominated "San Jacinto Unified School District 2011-12 Tax and Revenue Anticipation Notes" (the "Notes"), in the aggregate principal amount of \$ _____, all of like date, tenor and effect, issued under and by authority of Title 5, Division 2, Part 1, Chapter 4, Article 7.6 (commencing with Section 53850) of the California Government Code, and made, executed and given pursuant to and by authority of a resolution of the Board of Supervisors of the County duly passed and adopted on _____, 2012 (the "County Resolution"), which resolution was adopted at the request of the District pursuant to a resolution of the Board of Trustees of the District duly passed and adopted on _____, 2012 (the "District Resolution"), and it is hereby further certified, recited and declared 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. Capitalized undefined terms used herein shall have the meanings ascribed thereto in the County Resolution.

The term "Unrestricted Revenues" means the taxes, income, revenue, cash receipts and other moneys which will be received by or will accrue to the District for the General Fund of the District for Fiscal Year 2011-12 and which are lawfully available for the payment of current expenses and other obligations of the District. In the District Resolution, the District has pledged to the payment of the Notes and the interest thereon [(a) an amount equal to ___% of the principal amount of the Notes [and the interest thereon] from the first Unrestricted Revenues (as defined in the County Resolution) to be received by the District during the period commencing on _____, 2012 and ending on _____, 2012[, (b) an amount equal to ___% of the principal amount of the Notes [and the interest thereon] from the first Unrestricted Revenues to be received by the District during the period commencing on _____, 2012 and ending on _____, 2012,] [and (c) an amount equal to ___% of the principal amount of the Notes [and the interest thereon] from the first Unrestricted Revenues to be received by the District during the period commencing on _____, 2012 and ending on _____, 2012] ([collectively,] the "Pledged Revenues"). As provided in Section 53856 of the California Government Code, 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, the Pledged Revenues. As provided in Section 53857 of the California Government Code, notwithstanding the provisions of Section 53856 of the California Government Code and the foregoing, the Notes shall be general obligations of the District and, to the extent not paid from the Pledged Revenues, shall be paid with interest thereon from any other Unrestricted Revenues. As security for the payment of the Notes and the interest thereon, the District has covenanted in the District Resolution to deposit or cause to be deposited in the Repayment Fund, in trust for the registered owners of the Notes, no later than the end of each period specified above, the amount of Unrestricted Revenues specified above. In the event that there have been insufficient Unrestricted Revenues received by the District by the end of any such period, then the amount of any deficiency in the Repayment Fund shall be satisfied and made up from the first Unrestricted Revenues thereafter received by the District. The amounts on deposit in the Repayment Fund are pledged to the payment of the Notes and the interest thereon, and said amounts shall not be used for any other purpose until the Notes and the interest thereon have been paid in full or such payment has been duly provided for.

This Note is transferable by the Registered Owner hereof in person or by such Registered Owner's attorney duly authorized in writing at the principal office (as such term is defined in the County Resolution) of the Paying Agent, but only in the manner, subject to the limitations and upon payment of the charges provided in the County 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 and the same rate of interest will be issued to the transferees in exchange herefor. The District, the County 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 the District, the County and the Paying Agent shall not be affected by any notice to the contrary.


The Notes are not a debt or obligation of the County and no money, fund or part of any fund of the County is pledged or obligated to the payment of the Notes.

Unless this Note is presented by an authorized representative of The Depository Trust Company to the Paying Agent for registration, transfer, exchange or payment, and any Note issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

This Note shall not be valid or become obligatory for any purpose until the Certificate of Authentication hereon shall have been signed by the Paying Agent.

IN WITNESS WHEREOF, the Board of Supervisors of the County of Riverside has caused this Note to be executed on behalf of the County by the manual or facsimile signature of the Treasurer-Tax Collector of the County, and to be attested by the manual or facsimile signature of its Clerk, all as of the Dated Date specified above.

COUNTY OF RIVERSIDE

By: 
Treasurer-Tax Collector of the
County of Riverside

ATTEST:

Clerk of the Board of Supervisors
of the County of Riverside

CERTIFICATE OF AUTHENTICATION

This is one of the Notes described in the within-mentioned County Resolution and registered on the date set forth below.

Date: _____, 2012

**U.S. BANK NATIONAL
ASSOCIATION, AS PAYING AGENT**

By: _____
Authorized Officer

ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto _____ whose address and social security or other tax identifying number is _____, the within-mentioned Note and hereby irrevocably constitute(s) and appoint(s) _____ attorney, to transfer the same on the registration books of the Paying Agent with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

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

Note: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Note in every particular without alteration or enlargement or any change whatsoever.

CLERK'S CERTIFICATE

I, _____, Clerk of the Board of Trustees of the San Jacinto Unified School District, County of Riverside, California, hereby certify that he attached is a full, true and correct copy of a Resolution duly adopted at a regular meeting of the Board of Trustees of said District duly and regularly held at the regular meeting place thereof on February 14, 2012, of which meeting all of the members of said Board of Trustees had due notice and at which a quorum thereof was present; and at said meeting said Resolution was adopted by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

An agenda of said meeting was posted at least 72 hours before said meeting at 2045 South San Jacinto Avenue, San Jacinto, California, a location freely accessible to members of the public, and a brief description of said Resolution appeared on said agenda. A copy of said agenda is attached hereto.

I further certify that I have carefully compared the same with the original minutes of said meeting on file and of record in my office; that the foregoing Resolution is a full, true and correct copy of the original Resolution adopted at said meeting and entered in said minutes; and that said Resolution has not been amended, modified or rescinded since the date of its adoption, and the same is now in full force and effect.

I further certify that, pursuant to Section 12 of said Resolution, I have caused a certified copy thereof to be filed with the Clerk of the Board of Supervisors of the County and copies thereof to be delivered to the Superintendent of Schools of the County and to the County Treasure.

Dated: February __, 2012

Clerk of the Board of Trustees of the
San Jacinto Unified School District

NOTE PURCHASE CONTRACT

§
SAN JACINTO UNIFIED SCHOOL DISTRICT
2011-12 TAX AND REVENUE ANTICIPATION NOTES

_____, 2012

County of Riverside
4080 Lemon Street
Riverside, California 92501

San Jacinto Unified School District
2045 South San Jacinto Avenue
San Jacinto, California 92583

Ladies and Gentlemen:

Stifel, Nicolaus & Company, Incorporated, dba Stone & Youngberg, a Division of Stifel Nicolaus (the "Underwriter") offers to enter into this Note Purchase Contract (the "Purchase Contract") with the County of Riverside (the "County") and the San Jacinto Unified School District (the "District"). The offer made hereby is subject to acceptance by the County and the District by execution and delivery of this Purchase Contract (the "Purchase Contract") to the Underwriter at or prior to 11:59 p.m., California time, on the date hereof, but it shall be irrevocable until such time as it is sooner accepted or rejected by the County and the District. Upon acceptance of this offer by the County and the District in accordance with the terms hereof, this Purchase Contract will be binding upon the County, upon the District and upon the Underwriter.

1. **Purchase and Sale.** Upon the terms and conditions and upon the basis of the representations, covenants and agreements hereinafter set forth, the Underwriter hereby agrees to purchase from the County for offering to the public, and the County hereby agrees, on behalf of the District, to sell to the Underwriter for such purpose, all (but not less than all) of the \$_____ aggregate principal amount of the District's San Jacinto Unified School District 2011-12 Tax and Revenue Anticipation Notes (the "Notes") at the purchase price of \$_____ (representing the principal amount of \$_____, plus original issue premium of \$_____, less an underwriter's discount of \$_____). The true interest cost for the Notes is _____%.

The County and the District acknowledge and agree that (i) the purchase and sale of the Notes pursuant to this Purchase Contract is an arm's-length commercial transaction among the County, the District and the Underwriter, (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as an underwriter and principal in connection with the matters contemplated by and with respect to all communications under this Purchase Contract and is not acting as the agent or fiduciary of the County or the District, (iii) the Underwriter has

not assumed a fiduciary responsibility in favor of the County or the District with respect to the offering of the Notes or the process leading thereto (whether or not the Underwriter, or any affiliate of the Underwriter, has advised or is currently advising the County or the District on other matters), and (iv) the County and the District have each consulted their own legal, financial and other advisors to the extent each has deemed appropriate in connection with the matters contemplated by this Purchase Contract.

2. **The Notes.** The Notes shall be issued pursuant to Sections 53850 to 53858, both inclusive, of the California Government Code (being Article 7.6 of Chapter 4 of Part 1 of Division 2 of Title 5 of said Code), and in accordance with Resolution No. _____ of the Board of Supervisors of the County, adopted on _____, 2012 (the "County Resolution"), and with Resolution No. _____ of the Board of Trustees of the District, adopted on _____, 2012 (the "District Resolution" and, together with the County Resolution, the "Resolutions"). The Notes shall conform in all respects to the terms and provisions set forth in the Resolutions. U.S. Bank National Association has been appointed to act as initial paying agent and registrar (the "Paying Agent") for the Notes pursuant to the Resolutions.

A single maturity of Notes shall be issued, dated the date of Closing (as defined herein), and the Notes shall mature on _____, 2012, without possibility of prior redemption. The Notes shall bear interest at the rate of _____% per annum. The Notes shall otherwise be as described in the Official Statement of the District with respect to the Notes, dated _____, 2012.

As security for the payment of the principal of and interest on the Notes, the District covenants to deposit in trust for the registered owners of the Notes in a special fund designated as the "San Jacinto Unified School District 2011-12 Tax and Revenue Anticipation Note Repayment Fund" (the "Repayment Fund") [(a) an amount equal to _____% of the principal amount of the Notes [and the interest thereon] from the first Unrestricted Revenues (as defined in the County Resolution) to be received by the District during the period commencing on _____, 2012 and ending on _____, 2012[, (b) an amount equal to _____% of the principal amount of the Notes [and the interest thereon] from the first Unrestricted Revenues to be received by the District during the period commencing on _____, 2012 and ending on _____, 2012,] [and (c) an amount equal to _____% of the principal amount of the Notes [and the interest thereon] from the first Unrestricted Revenues to be received by the District during the period commencing on _____, 2012 and ending on _____, 2012].

A single certificate for the Notes shall be prepared and delivered as described in Section 9 hereof, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, NY ("DTC"), and shall be made available to the Underwriter for inspection at such place as may be mutually agreed to by the Underwriter and the District, not less than one business day prior to the Closing. The Underwriter shall order CUSIP identification numbers and the District shall cause such CUSIP identification numbers to be printed on the Notes, but neither the failure to print such number on any Note nor any error with respect thereto shall constitute cause for a failure or refusal by the Underwriter to accept delivery of and pay for the Notes in accordance with the terms of this Purchase Contract.

3. **Offering.** The Underwriter agrees to make a bona fide public offering of all the Notes. The County hereby ratifies, approves, and confirms the distribution of the County Resolution, and the District hereby ratifies, approves, and confirms the distribution of the Preliminary Official Statement of the District with respect to the Notes, dated _____, 2012 (together with the appendices thereto, any documents incorporated therein by reference, and any supplements or amendments thereto, the "Preliminary Official Statement"), in connection with the public offering and sale of the Notes by the Underwriter. The District hereby agrees to deliver or cause to be delivered to the Underwriter, within seven business days after the date hereof, copies of the Official Statement, consisting of the Preliminary Official Statement with such changes as may be made with the approval of the District and the Underwriter (the "Official Statement"), in such reasonable quantity as the Underwriter shall request.

Subsequent to such initial public offering, the Underwriter reserves the right to change such initial public offering price or yield as it deems necessary in connection with the marketing of the Notes. The Notes may be offered and sold to certain dealers at a price lower than such initial public offering price. The Underwriter reserves the right to: (i) over-allot or effect transactions which stabilize or maintain the market price of the Notes at levels above those that might otherwise prevail in the open market; and (ii) discontinue such stabilizing, if commenced, at any time without prior notice.

The Underwriter hereby represents that it has received and reviewed the Preliminary Official Statement, and agrees that it will provide, consistent with the requirements of Municipal Securities Rulemaking Board ("MSRB") Rule G-32, for the delivery of a copy of the Official Statement to each customer who purchases any Notes during the underwriting period (as such term is defined in MSRB Rule G-11), and to deliver a copy of the Official Statement to a national repository on or before the date of Closing, and otherwise to comply with all applicable statutes and regulations in connection with the offering and sale of the Notes, including, without limitation, MSRB Rule G-32 and 17 CFR Section 240.15c2-12, promulgated by the Securities and Exchange Commission ("Rule 15c2-12").

The Underwriter hereby agrees that prior to the time the final Official Statement is available, the Underwriter will send to any potential purchaser of the Notes, upon request, a copy of the most recent Preliminary Official Statement. The Preliminary Official Statement and the Official Statement may be delivered in printed and electronic form to the extent permitted by applicable rules of the MSRB and as may be agreed to by the District and the Underwriter and the District authorizes the Underwriter to file, to the extent required by applicable SEC or MSRB rule, and the Underwriter agrees to file or cause to be filed, the Official Statement with the MSRB or its designee (including the MSRB's Electronic Municipal Market Access system) or other repositories approved from time to time by the SEC (either in addition to or in lieu of the filings referred to above). If an amended Official Statement is prepared in accordance with Section 5(o) hereof during the "new issue disclosure period" (as defined below), and if required by the applicable SEC or MSRB rule, the Underwriter shall also make the required filings of the amended Official Statement. The District confirms that it does not object to distribution of the Preliminary Official Statement or the Official Statement in electronic form. The copy of the Preliminary Official Statement sent to a potential purchaser shall be sent by first class mail (or other equally prompt means) or electronically not later than the first business day following the date upon which each such request is received.

4. Representations and Agreements of the County. The County represents to and agrees with the Underwriter that, as of the date hereof and as of the date of the Closing:

(a) The County is a political subdivision duly organized and validly existing under the Constitution and general laws of the State of California (the "State").

(b) The County is duly authorized and has full legal right, power and authority to issue, sell and deliver the Notes on behalf of the District, pursuant to the direction of the District contained in the District Resolution, and to provisions of the laws of the State.

(c) The County has the legal right, power and authority to enter into this Purchase Contract, to adopt the County Resolution, and to observe and perform the covenants and agreements of this Purchase Contract and the County Resolution to be observed and performed by the County.

(d) The County has duly adopted the County Resolution in accordance with the laws of the State; the County Resolution is in full force and effect and has not been amended, modified or rescinded, and all representations of the County set forth in the County Resolution are true and correct on the date hereof; the County has duly authorized and approved the execution and delivery of, and the observance and performance by the County of its covenants and agreements contained in the Notes and this Purchase Contract required to have been observed or performed at or prior to the date of Closing; and the County has complied, and will at the Closing be in compliance in all respects, with the obligations in connection with the issuance of the Notes on its part contained in this Purchase Contract, the County Resolution, and the Notes.

(e) To the best knowledge of the County, no consent, approval, authorization, order, filing, registration, qualification, election or referendum, of or by any California governmental agency (other than the District) 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, 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, or which have not been taken or obtained; 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.

(f) The Preliminary Official Statement as of its date, and the Official Statement as of its date and as of the date of Closing, and if supplemented or amended, as of the date of any such supplement or amendment, solely with respect to the information contained therein describing the County's investment policy and current portfolio holdings (as they relate to funds of the District held by the Treasurer-Tax Collector of the County (the "Treasurer")), do not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

(g) To the best knowledge of the County, there is no litigation pending (with the County having received service of process) or threatened against the County concerning the application of the proceeds of the sale of the Notes, or the collection of revenues 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 or affecting the validity or enforceability of the Notes or the County Resolution, the existence of the County or the entitlement of the respective officers of the County who shall sign any documents and certificates to be executed in connection with the delivery of the Notes, to their respective offices.

(h) 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.

5. Representations and Agreements of the District. The District represents to and agrees with the Underwriter that, as of the date hereof and as of the date of the Closing:

(a) The District is a school district duly organized and validly existing under the Constitution and general laws of the State.

(b) The District has full legal right, power and authority to enter into this Purchase Contract, to adopt the District Resolution, and to observe and perform the covenants and agreements of this Purchase Contract and the District Resolution required to be observed and performed by the District.

(c) The District has duly adopted the District Resolution in accordance with the laws of the State; the District Resolution is in full force and effect and has not been amended, modified or rescinded, and all representations of the District set forth in the District Resolution are true and correct; the District has duly authorized and approved the execution and delivery of, and the observance and performance by the District through its officers and agents of its covenants and agreements contained in the Notes and this Purchase Contract required to have been observed or performed at or prior to the date of Closing; and the District has complied, and will at the Closing be in compliance in all respects, with the obligations in connection with the issuance of the Notes on its part contained in this Purchase Contract, the District Resolution and the Notes.

(d) The issuance of the Notes, the execution, delivery and performance of this Purchase Contract, the District Resolution and the Notes, and compliance with the provisions hereof do not conflict with, result in or constitute on the part of the District a violation of or default under, the Constitution of the State or any other existing law, charter, ordinance, regulation, decree order or resolution and do not conflict with or result in a violation or breach of, or constitute a default under, any agreement, indenture, mortgage, lease or other instrument to which the District is a party or by which it is bound or to which it is subject.

(e) The Preliminary Official Statement was "deemed final" by the District as of the date thereof within the meaning of paragraph (a)(2) of Rule 15c2-12, except for the

omission of some or all of such information the omission of which is permitted under Rule 15c2-12.

(f) The District has duly authorized and approved the distribution of the Preliminary Official Statement and the execution, delivery and distribution of the Official Statement. The Preliminary Official Statement as of its date, and the Official Statement as of its date and as of the date of Closing, and if supplemented or amended, as of the date of any such supplement or amendment, do not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading; in each case excluding therefrom any information contained therein relating to DTC or its book-entry only system, information relating to the reoffering of the Notes provided by the Underwriter, or information describing the County's investment policy and current portfolio holdings, as to all of which the District expresses no view.

(g) To the best of the District's knowledge, no action, suit, proceeding, hearing or investigation is pending (with the District having received service of process) or, to the knowledge of the District, threatened against the District: (i) in any way affecting the existence of the District or in any way challenging the respective powers of the several offices of the titles of the officials of the District to such offices; or (ii) seeking to restrain or enjoin the sale, issuance or delivery of the Notes, the application of the proceeds of the sale of the Notes, or the collection of the revenue or assets of the District pledged or available to pay the principal and interest on the Notes, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Notes, this Purchase Contract or the Resolutions or contesting the powers of the District or its authority with respect to the Notes, the Resolutions or this Purchase Contract or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any amendment or supplement thereto; or (iii) in which a final adverse decision could (A) materially adversely affect the operations or financial position or condition of the District or the consummation of the transactions contemplated by this Purchase Contract and the Resolutions, (B) declare this Purchase Contract to be invalid or unenforceable in whole or in material part, or (C) adversely affect the exclusion of the interest paid on the Notes from gross income for federal income tax purposes and the exemption of such interest from California personal income taxation.

(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 for such borrowing as may be described in or contemplated by the Official Statement.

(i) The District will undertake, pursuant to the District Resolution and a Continuing Disclosure Certificate, to provide notices of the occurrence of certain enumerated events. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the final Official Statement.

(j) The District has, and has had, no financial advisory relationship with the Underwriter with respect to the Notes, or with any investment firm controlling, controlled by or under common control with the Underwriter.

(k) The District has not received a qualified or negative certification in Fiscal Year 2010-11 or 2011-12.

(l) Unless otherwise described in the Official Statement, the District has not failed during the previous five years to comply in all material respects with any previous undertakings in a written continuing disclosure contract or agreement under Rule 15c2-12.

(m) The District has complied with the Internal Revenue Code of 1986, as amended, with respect to the Notes and the District shall not knowingly take or omit to take any action that, under existing law, may adversely affect the exclusion from gross income for federal income tax purposes, or the exemption from any applicable State tax, of the interest on the Notes.

(n) The District will furnish such information, execute such instruments, and take such action in cooperation with the Underwriter if and as the Underwriter may reasonably request in order to qualify the Notes for offer or sale under the Blue Sky or other securities laws and regulations or such states and jurisdictions; provided, however, that the District shall not be required to consent to process in any jurisdiction.

(o) During the period ending on the 25th day after the End of the Underwriting Period (as defined below), the District (i) shall not supplement or amend the Official Statement or cause the Official Statement to be supplemented or amended without the prior written consent of the Underwriter and (ii) shall notify the Underwriter promptly if any event shall occur, or information comes to the attention of the Underwriter, that is reasonably likely to cause the Official Statement (whether or not previously 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. If, in the opinion of the Underwriter, such event requires the preparation and distribution of a supplement or amendment to the Official Statement, the District shall prepare and furnish to the Underwriter, at the District's expense, such number of copies of the supplement or amendment to the Official Statement, in form and substance mutually agreed upon by the District and the Underwriter, as the Underwriter may reasonably request. If such notification shall be given subsequent to the date of Closing, the District also shall furnish, or cause to be furnished, such additional legal opinions, certificates, instruments and other documents as the Underwriter may reasonably deem necessary to evidence the truth and accuracy of any such supplement or amendment to the Official Statement. For purposes of this Purchase Contract: (i) the "End of the Underwriting Period" is used as defined in Rule 15c2-12 and shall occur on the later of (A) the date of the Closing or (B) when the Underwriter no longer retains an unsold balance of the Notes; unless otherwise advised in writing by the Underwriter on or prior to the date of the Closing, or otherwise agreed to by the District and the Underwriter, the District may assume that the End of the

Underwriting Period is the date of the Closing, and (ii) the “new issue disclosure period” is used as defined in MSRB Rule G-32 and shall end on the 25th day after the Closing.

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

6. Representations and Agreements of the Underwriter. The Underwriter represents to and agrees with the District and the County that, as of the date hereof and as of the date of the Closing:

(a) The Underwriter is duly authorized to execute this Purchase Contract and to take any action under this Purchase Contract required to be taken by it.

(b) The Underwriter is in compliance with MSRB Rule G-37 with respect to the County and the District, and is not prohibited thereby from acting as underwriter with respect to securities of the District.

(c) The Underwriter has, and has had, no financial advisory relationship with the District or the County with respect to the Notes and no investment firm controlling, controlled by or under common control with the Underwriter has or has had any such financial advisory relationship.

(d) The Underwriter has reasonably determined that the District’s undertaking pursuant to Sections 5(f) and 7(l) hereof to provide continuing disclosure with respect to the Notes is sufficient to effect compliance with Rule 15c2-12.

7. Conditions to Closing. At or before Closing, and contemporaneously with the acceptance of delivery of the Notes, and the payment of the purchase price thereof, the District will provide to the Underwriter:

(a) a certificate of the District, signed by an official of the District, dated the date of the Closing, to the effect that (i) as of the date of the Closing, all of the representations of the District contained in this Purchase Contract are true, and that the District Resolution is in full force and effect and has not been amended, modified or rescinded, (ii) as of the date of the Closing, there is no litigation pending or to the best of the knowledge of the District, threatened concerning the validity of the Notes, the corporate existence of the District, or the entitlement of the respective officers of the District who shall sign any documents and certificates to be executed in connection with the delivery of the Notes, to their respective offices, (iii) the Preliminary Official Statement as of its date, and the Official Statement as of its date and as of the date of Closing, do not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading, excluding in any information contained in the Official Statement relating to DTC or its book-entry only system, information relating to the reoffering of the Notes provided by the Underwriter, and information contained therein describing the County’s investment policy and current

portfolio holdings, and (iv) since the date of this Purchase Contract, there has been no material adverse change in the financial condition or affairs of the District;

(b) a certificate of the County, signed by the appropriate officials of the County, dated the date of the Closing, to the effect that (i) all of the representations of the County contained in this Purchase Contract are true, and that the County Resolution is in full force and effect and has not been amended, modified or rescinded, and (ii) the Preliminary Official Statement as of its date, and the Official Statement as of its date and at the date of Closing, solely with respect to the information contained therein describing the County's investment policy and current portfolio holdings (as they relate to funds of the District held by the Treasurer), do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading;

(c) a tax certificate of the District, dated the date of the Closing, in form satisfactory to Bond Counsel;

(d) the Opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel ("Bond Counsel"), addressed to the District and dated the date of the Closing, approving the validity of the Notes substantially in the form set forth as Appendix A to the Official Statement;

(e) a reliance letter from Bond Counsel to the effect that the Underwriter may rely upon the approving opinion of Bond Counsel described in paragraph (d), above;

(f) A supplemental opinion of Bond Counsel addressed to the District and the Underwriter, in form and substance acceptable to the Underwriter, and dated the date of the Closing, to the effect that: (i) this Purchase Contract has been duly authorized, executed and delivered by the District and, assuming due authorization, execution and delivery by the County and the Underwriter, is a legally valid and binding agreement of the District, enforceable in accordance with its terms, except as such enforcement may be limited by bankruptcy, moratorium, insolvency, reorganization or creditors' rights generally and to the application of equitable principles if equitable remedies are sought; (ii) the statements contained in the Official Statement on the cover and under the captions "THE NOTES," "TAX MATTERS" and APPENDIX A - "PROPOSED FORM OF OPINION OF BOND COUNSEL," insofar as such opinions expressly summarize the Notes, the District Resolution and the form and content of the opinion of Bond Counsel, are accurate in all material respects; and (iii) the Notes are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Resolutions are exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended;

(g) the Opinion of Orrick, Herrington & Sutcliffe LLP, Disclosure Counsel ("Disclosure Counsel"), addressed to the District and the Underwriter and dated the date of the Closing, to the effect that, based on such counsel's participation in conferences with representatives of the Underwriter, the District, the County, their respective counsel, Fieldman, Rolapp & Associates, as financial advisor (the "Financial Advisor"), and others, during which conferences the contents of the Official Statement and related matters were discussed (but with no inquiry made of other attorneys in such counsel's

firm not working directly on the issuance of the Notes who may have information material to the issue), and in reliance thereon, on oral and written statements and representations of the District and others and on the records, documents, certificates and opinions described therein, such counsel advises the District and the Underwriter, as a matter of fact and not opinion, that, during the course of its engagement as Disclosure Counsel no facts came to the attention of such counsel's attorneys rendering legal services in connection with such representation which caused such counsel to believe that the Official Statement as of its date (except for any CUSIP numbers, financial, accounting, statistical, economic or demographic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, litigation, Appendices B, D and E, or any information about book-entry or DTC, ratings, rating agencies, underwriters or underwriting included or referred to therein, as to which we express no opinion or view) contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(h) the opinion of District Counsel addressed to the Underwriter and the District, dated the date of the Closing, to the effect that:

(i) the District is duly created and existing under the constitution and laws of the State;

(ii) the District Resolution approving and authorizing the issuance, execution, sale and delivery of the Notes and the execution, delivery and performance by the District of this Purchase Contract and the Continuing Disclosure Certificate (collectively, this Purchase Contract and the Continuing Disclosure Certificate are referred to herein as the "District Documents") was duly adopted at a meeting of the Board of Trustees of the District, which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting at the time of adoption;

(iii) the preparation and distribution of the Preliminary Official Statement and the Official Statement have been duly approved at a meeting of the Board of Trustees of the District, which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting at the time of approval;

(iv) to the best of their knowledge, there is no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency or body, pending (in which service of process has been completed against the District) or threatened against the District, in any way contesting or affecting the validity of the District Resolution, the Notes, the District Documents or contesting the existence or powers of the District to enter into or perform its obligations under such agreements;

(v) to the best of their knowledge, the issuance of the Notes and the execution, delivery and performance of the District Documents do not and will not conflict with or constitute on the part of the District a breach of, or a default

under, any agreement, indenture, mortgage, lease or other instrument to which the District is subject or by which it is bound or court order or consent decree to which the District is subject;

(vi) the District Documents have been duly authorized, executed and delivered by the District and, assuming due authorization, execution and delivery by the other respective parties thereto, such agreements constitute legal, valid and binding agreements of the District enforceable in accordance with their terms, except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles, if equitable remedies are sought, and by the limitations on legal remedies imposed on actions against school districts in the State; and

(vii) to the best of their knowledge, the District is not in breach of or default under any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the District is a party or is otherwise subject, which breach or default would materially adversely affect the District's ability to enter into or perform its obligations under the District Documents and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute such a breach or default.

(i) the opinion of counsel to the Underwriter in form and substance satisfactory to the Underwriter, substantially to the effect that the Notes are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Resolutions are exempt from qualification pursuant to the Trust Indenture Act of 1939;

(j) evidence satisfactory to the Underwriter that any ratings described in the Official Statement are in full force and effect as of the date of the Closing;

(k) a certificate, together with a fully executed copy of the District Resolution, of the Clerk of the Board of Trustees of the District to the effect that (i) such copy is a true and correct copy of the District Resolution, and (ii) that the District Resolution was duly adopted and has not been modified, amended, rescinded or revoked and is in full force and effect on the date of the Closing;

(l) a certificate, together with a fully executed copy of the County Resolution, of the Clerk of the Board of Supervisors of the County to the effect that (i) such copy is a true and correct copy of the County Resolution, and (ii) that the County Resolution was duly adopted and has not been modified, amended, rescinded or revoked and is in full force and effect on the date of the Closing;

(m) the receipt of the Treasurer confirming payment by the Underwriter of the purchase price of the Notes;

(n) the Continuing Disclosure Certificate of the District with respect to the Notes, in substantially the form attached to the Preliminary Official Statement, containing

such covenants of the District as shall be necessary to facilitate compliance by the Underwriter with the requirements of Rule 15c2-12;

- (o) the final Official Statement executed by an authorized officer of the District;
- (p) specimen Notes;
- (q) evidence that the federal tax information form 8038-G has been prepared by Bond Counsel for filing;
- (r) a copy of the filings with the California Debt and Investment Advisory Commission forms and evidence that the Report of Final Sale form has been prepared by Bond Counsel for filing;
- (s) a copy of the signed Letter of Representations as filed with DTC;
- (t) the reoffering price certificate of the Underwriter satisfactory to Bond Counsel, substantially in the form set forth in Appendix A to this Purchase Contract; and
- (u) such additional legal opinion, certificates, proceedings, instruments and other documents as the Underwriter may reasonably request to evidence compliance (i) by the County and the District with legal requirements; (ii) the truth and accuracy, as of the time of Closing, of the representations of the County and the District herein contained and of the Official Statement; and (iii) the due performance or satisfaction by the County and the District at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the District.

At or before Closing, and contemporaneously with the acceptance of delivery of the Notes and the payment of the purchase price thereof, the Underwriter will provide to the District the receipt of the Underwriter, in form satisfactory to the District and the County and signed by an authorized officer of the Underwriter, confirming delivery of the Notes to the Underwriter and the satisfaction of all conditions and terms of this Purchase Contract by the District and the County, respectively, and confirming to the District and the County that as of the date of the Closing all of the representations of the Underwriter contained in this Purchase Contract are true and correct in all material respects.

8. Termination. (a) In the event of the District's failure to cause the Notes to be delivered at the Closing, or inability of the District or the County to satisfy the conditions to the obligations of the Underwriter contained herein (unless waived by the Underwriter), or if the obligations of the Underwriter shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate.

(b) The Underwriter may terminate this Purchase Contract, without any liability therefor, by notification to the District and the County if as of the date of Closing any of the following shall have had a material adverse effect on the marketability of the Notes or the ability of the Underwriter to enforce contracts for the sale of the Notes, in the reasonable opinion of the Underwriter, upon consultation with the District and the County:

(i) there shall have occurred and be continuing the declaration of a general banking moratorium by any authority of the United States or the State of New York or the State;

(ii) there shall be in force a general suspension of trading or other material restrictions not in force as of the date hereof on the New York Stock Exchange or other national securities exchange or a material disruption in securities settlement, payment or clearance services affecting the Notes;

(iii) legislation shall have been enacted by the Congress of the United States, or passed by and still pending before either House of the Congress, or recommended or endorsed to the Congress for passage by the President of the United States, or favorably reported for passage to and still pending before either House of the Congress by any committee of such House to which such legislation has been referred for consideration, or a decision shall have been rendered by a court of the United States, the State or the United States Tax Court, or a ruling, order, regulation, release or announcement made by the Treasury Department of the United States or the Internal Revenue Service, or other federal or California authority with respect to federal taxation of interest received on securities of the general character of the Notes, or legislation shall have been enacted by the State which renders interest on the Notes not exempt from State personal income taxes;

(iv) legislation shall have been enacted, or a decision of a court of the United States or the State shall have been rendered or any action shall have been taken by, or on behalf of, the Securities and Exchange Commission or any other governmental agency having jurisdiction in the subject matter which, in the opinion of Bond Counsel, has the effect of requiring the contemplated distribution of the Notes to be registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, or the County Resolution to be qualified under the Trust Indenture Act of 1939, as amended;

(v) the New York Stock Exchange or other national securities exchange, or any governmental authority, shall impose and there shall be in effect, as to the Notes or obligations of the general character of the Notes, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charges to the net capital requirements of, underwriters or fixing of minimum or maximum prices for trading or maximum ranges for prices for securities on any such exchange;

(vi) the declaration of war or engagement in major military hostilities by the United States of America or the occurrence of any other national emergency or calamity which interrupts or causes disorder to the operation of the financial markets in the United States of America; or

(vii) 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 therein, in light of the circumstances under which they were made, not misleading and the District refuses to permit the Official Statement to be supplemented to supply such statement or information, or the effect of the Official Statement as so supplemented is to materially adversely affect the market price or marketability of the Notes or the ability of the Underwriter to enforce contracts for the sale of the Notes.

9. **Closing.** At or before 9:00 a.m., California time, on _____, 2012, or at such other date and time as shall have been mutually agreed upon by the District, the County and the Underwriter, the District will deliver or cause to be delivered to the Underwriter the Notes in book-entry form duly executed by the County, together with the other documents described in Section 7 hereof to be delivered by the District; and the Underwriter will accept such delivery and pay the purchase price of the Notes as set forth in Section 1 hereof in immediately available funds (e.g., by federal funds wire), and shall deliver to the District the other documents described in Section 7 hereof to be delivered by the Underwriter, as well as any other documents or certificates Bond Counsel shall reasonably require.

The Notes shall be delivered through the facilities of DTC utilizing DTC's FAST delivery system, or at such other place as shall have been mutually agreed upon by the District, the County and the Underwriter. All other documents to be delivered in connection with the delivery of the Notes shall be delivered at the offices of Orrick, Herrington & Sutcliffe LLP, Los Angeles, California. Such payment and delivery is herein called the "Closing."

10. **Expenses.** The District shall pay the expenses incident to the performance of its obligations hereunder from the proceeds of the Notes (or from any other source of available funds of the District) which expenses include (a) the cost of the preparation and reproduction of the Resolutions, (b) the fees and disbursements of the Financial Advisor, Bond Counsel and Disclosure Counsel, (c) the costs of the preparation, printing and delivery of the Notes, (d) the costs of the preparation, printing and delivery of the Preliminary Official Statement, the Official Statement, and any amendment or supplement thereto in the quantity requested by the Underwriter in accordance with this Purchase Contract, (e) rating agency fees, and (f) fees and expenses of the Paying Agent for the Notes.

All other costs and expenses incurred by the Underwriter as a result of or in connection with the purchase of the Notes and their public offering and distribution shall be borne by the Underwriter, including, but not limited to (a) clearing house fees, (b) DTC fees, (c) CUSIP fees, (d) fees required to be paid to the California Debt and Investment Advisory Commission, (e) fees required to be paid to The Securities Industry and Financial Markets Association (SIFMA) and the MSRB, (f) costs or fees of qualifying the Notes for offer and sale in various states chosen by the Underwriter and the costs or fees of preparing Blue Sky or legal investment memoranda to be used in connection therewith, and (g) fees of any counsel to the Underwriter.

11. **Indemnification.** The District agrees to, and shall indemnify the County, its officers, agents and employees against and all losses, claims, actions, suits, judgments, demands, damages, liabilities and expenses (including attorney fees and costs of investigation) of any nature arising out of any action or inaction of the District with respect to the issuance of the Notes; provided, however, that this indemnity shall not apply to any loss, claim, action, suit,

judgment demand, damage, liability or expenses arising out of any action or inaction of the County with respect to the issuance of the Notes, including those relating to any information furnished by the County for inclusion in the Preliminary Official Statement and the Official Statement.

12. **Notices.** Any notice or other communication to be given under this Purchase Contract (other than the acceptance hereof as specified in the introductory paragraph hereof) may be given by delivering the same in writing to the address of each party given below, or such other address as the District, County or the Underwriter may designate by notice to the other parties:

To the District: San Jacinto Unified School District
2045 South San Jacinto Avenue
San Jacinto, California 92583
Attn: Assistant Superintendent, Business Services

To the County: County of Riverside
4080 Lemon Street
Riverside, California 92501
Attn: Treasurer-Tax Collector

To the Underwriter: Stifel, Nicolaus & Company, Incorporated,
dba Stone & Youngberg, a Division of Stifel
Nicolaus
515 South Figueroa Street, Suite 1800
Los Angeles, California 90071
Attn: Dawn Vincent, Managing Director

13. **Governing Law.** The validity, interpretation and performance of this Purchase Contract shall be governed by the laws of the State of California.

14. **Parties in Interest.** This Purchase Contract when accepted by the District and the County in writing as heretofore specified shall constitute the entire agreement among the District, the County, and the Underwriter, and is solely for the benefit of the District, the County and the Underwriter (including the successors or assigns thereof). The County and the District may not assign this Purchase Contract. The term "successor" shall not include any holder of the Notes merely by virtue of such holding. No other person shall acquire or have any rights hereunder or by virtue hereof. All representations and agreements in this Purchase Contract of each of the parties hereto shall remain operative and in full force and effect, regardless of (a) delivery of and payment for the Notes hereunder, or (b) any termination of this Purchase Contract.

15. **Headings.** The headings of the paragraphs of this Purchase Contract are inserted for convenience of reference only and shall not be deemed to be a part hereof.

16. **Effectiveness.** This Purchase Contract shall become effective upon the execution of the acceptance hereof by the District and by the County by the respective authorized officer of each, and shall be valid and enforceable at the time of such acceptance.

17. **Severability.** In the event any provision of this Purchase Contract shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

18. **Counterparts.** This Purchase Contract may be executed in several counterparts, which together shall constitute one and the same instrument.

Respectfully submitted,

**STIFEL, NICOLAUS & COMPANY,
INCORPORATED, dba Stone &
Youngberg, a Division of Stifel Nicolaus**

By: _____
Managing Director

ACCEPTED:

**SAN JACINTO UNIFIED
SCHOOL DISTRICT**

By: _____

Date: _____ Time: _____ (California time)

COUNTY OF RIVERSIDE

By: _____

Date: _____ Time: _____ (California time)

EXHIBIT A

[FORM OF CERTIFICATE OF THE UNDERWRITER]

Stifel, Nicolaus & Company, Incorporated, dba Stone & Youngberg, a Division of Stifel Nicolaus has served as the underwriter (the "Underwriter") of \$ _____ aggregate principal amount of the San Jacinto Unified School District 2011-12 Tax and Revenue Anticipation Notes (the "Notes"). Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Tax Certificate relating to the Notes, to which this certificate is attached as an exhibit. On behalf of the Underwriter, the undersigned hereby certifies and represents the following:

A. Issue Price.

1. As of _____, 2012 (the "Sale Date"), the Underwriter had offered the Notes to members of the public other than bond houses, brokers, or similar persons or entities acting in the capacity of underwriters or wholesalers in a bona fide public offering at the price (the "Reoffering Price") set forth on the attached schedule (the "Schedule").

2. Such Reoffering Price represents the fair market price of the Notes and is reasonable under customary standards in the applicable tax-exempt market as of the Sale Date.

3. As of the Sale Date, all of the Notes have been reoffered to the general public in a bona fide offering at the Reoffering Price, and the first price at which at least 10% of the Notes actually was sold to the general public was at such Reoffering Price.

B. Arbitrage Yield.

Bond Counsel has advised the Underwriter that the yield on the Notes is to be computed under the economic accrual method using an assumed 30-day month/360-day year, and semiannual compounding. The Underwriter has also been advised by the Issuer and Bond Counsel that no other transaction (such as a guarantee of the Notes, an interest rate swap or other hedge) is to be factored into the computation of the yield on the Notes or is taken into account in reducing the amount of interest payable with respect to the Notes. Based upon this methodology, we have calculated the yield on the Notes to be not less than _____%. However, notwithstanding the foregoing, we remind you that we are not accountants or actuaries, nor are we engaged in the practice of law. Accordingly, while we believe the calculations described above to be correct, we do not warrant them to be so.

The undersigned is authorized to execute this certificate on behalf of the Underwriter, which is based on one or more of (i) personal knowledge, (ii) inquiry deemed adequate by the undersigned, and (iii) institutional knowledge regarding the matters set forth herein.

Date: _____, 2012

**STIFEL, NICOLAUS & COMPANY,
INCORPORATED, dba Stone &
Youngberg, a Division of Stifel Nicolaus**

By: _____
[Authorized Representative]

SCHEDULE TO EXHIBIT A

[To be attached.]

NEW ISSUE – BOOK-ENTRY ONLY

RATING: Moody's: "____"

(See "MISCELLANEOUS – Rating" herein)

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel express no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Notes. See "TAX MATTERS."

\$ _____
SAN JACINTO UNIFIED SCHOOL DISTRICT
2011-12 TAX AND REVENUE ANTICIPATION NOTES
(COUNTY OF RIVERSIDE, CALIFORNIA)

CUSIP Number¹: _____

Dated: Date of Delivery Interest Rate: _____% Yield: _____% Price: _____% Due: October 1, 2012

This cover page is not a summary of this issue; it is only a reference to the information contained in this Official Statement. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used in this cover page shall have the meanings given such terms herein.

The Notes are issued by the County of Riverside, California (the "County"), on behalf of the San Jacinto Unified School District (the "District"), which is located in the County. The Notes are issued in anticipation of future receipt of moneys in the general fund of the District. Proceeds of the Notes will be used and expended by the District for any purpose for which the District is authorized to expend funds from the general fund of the District, including, but not limited to, current expenses, capital expenditures, investment and reinvestment, and the discharge of other obligations or indebtedness of the District, and to pay certain costs of issuing the Notes. See "THE NOTES – Sources and Uses of Funds" herein.

Principal of and interest on the Notes are payable only at maturity. The Notes are not subject to redemption prior to maturity. See "THE NOTES – General Provisions of the Notes" and "– No Redemption Prior to Maturity" herein.

The Notes will be issued in fully registered book-entry form only, in denominations of \$5,000 principal amount or any integral multiple thereof. The Notes will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Notes. Purchases of Notes under the DTC system must be made by or through a DTC participant, and ownership interests in Notes and any transfer thereof will be recorded as entries on the books of said participants. Except in the event that use of this book-entry system is discontinued for the Notes, beneficial owners will not receive physical certificates representing their ownership interests. See APPENDIX F – "BOOK-ENTRY ONLY SYSTEM."

The principal of and interest on the Notes is payable from taxes, income, revenue, cash receipts and other moneys received or accrued by the District for the general fund of the District for fiscal year 2011-12 and lawfully available for the payment of current expenses and other obligations of the District (the "Unrestricted Revenues"). *The District cannot be legally obligated to pay the Notes from revenue provided for a future fiscal year, and the District is not authorized to increase tax rates to repay the Notes in the event that other available moneys are insufficient.*

The District has pledged to the payment of the Notes and the interest thereon the first Unrestricted Revenues to be received by the District in the period and in the amount equal to the principal of and interest on the Notes as specified herein (as further defined herein, the "Pledged Revenues"). As provided in Section 53856 of the California Government Code, the Notes and the interest thereon will be a first lien and charge against, and shall be payable from the first moneys received by the District from, the Pledged Revenues. See "THE NOTES – Security and Sources of Payment" herein.

The Notes will be offered when, as and if issued by the County on behalf of the District and received by the Underwriter, subject to approval of their legality by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District. It is anticipated that

¹ Copyright 2012, American Bankers Association. CUSIP data herein is provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP numbers are provided for convenience of reference only. Neither the District nor the Underwriter takes any responsibility for the accuracy of such CUSIP numbers.

* Preliminary; subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation or sale would be unlawful.

the Notes, in book-entry form, will be available for delivery through the facilities of DTC in New York, New York, on or about _____, 2012.

[S&Y Logo]

The date of this Official Statement is _____, 2012.

This Official Statement does not constitute an offering of any security other than the original offering of the Notes by the District. No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representation not so authorized should not be relied upon as having been given or authorized by the District.

The issuance and sale of the Notes have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption under Section 3(a)2 thereof. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy Notes in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation.

The information set forth herein other than that furnished by the District, although obtained from sources which are believed to be reliable, is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement 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.

Certain statements contained in this Official Statement and information incorporated by reference into this Official Statement do not reflect historical facts but are forecasts and "forward-looking statements." No assurance can be given that the future results discussed in this Official Statement will be achieved and actual results may differ materially from the forecasts described herein. In this respect, the words "estimate," "forecast," "project," "anticipate," "expect," "intend," "plan," "believe" and similar expressions are intended to identify forward-looking statements. All projections, forecasts, assumptions and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, 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.

The District maintains a website. However, the information presented there is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the Notes.

In connection with this offering, the Underwriter may overallocate or effect transactions which stabilize or maintain the market prices of the Notes at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Notes to certain securities dealers and dealer banks and banks acting as agent at prices lower than the public offering price stated on the cover page hereof and said public offering price may be changed from time to time by the Underwriter.

**SAN JACINTO UNIFIED SCHOOL DISTRICT
(COUNTY OF RIVERSIDE, CALIFORNIA)**

BOARD OF TRUSTEES

John I. Norman, *President*
Willie Hamilton, *Clerk*
Deborah Rex, *Member*
Rose Salgado, *Member*
John Schouten, *Member*

DISTRICT ADMINISTRATION

Dr. Shari Fox, Ed.D., *Superintendent*
Jayne Christakos, *Assistant Superintendent, Business Services*
Seth Heeren, *Director of Fiscal Services*

COUNTY OF RIVERSIDE – BOARD OF SUPERVISORS

Bob Buster – First District, Chairman
John F. Tavaglione – Second District, Vice-Chairman
Jeff Stone – Third District, Member
John J. Benoit – Fourth District, Member
Marion Ashley – Fifth District, Member

SPECIAL SERVICES

Financial Advisor

Fieldman, Rolapp & Associates

Bond Counsel and Disclosure Counsel

Orrick, Herrington & Sutcliffe LLP

Paying Agent

U.S. Bank National Association

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\$ _____ *

**SAN JACINTO UNIFIED SCHOOL DISTRICT
2011-12 TAX AND REVENUE ANTICIPATION NOTES
(COUNTY OF RIVERSIDE, CALIFORNIA)**

INTRODUCTION

General

This Official Statement, including the cover page, table of contents and the Appendices, is provided to furnish information in connection with the sale of \$ _____* aggregate principal amount of San Jacinto Unified School District 2011-12 Tax and Revenue Anticipation Notes (the "Notes"), to be offered by the San Jacinto Unified School District (the "District"), as described more fully herein.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The District has no obligation to update the information in this Official Statement, except as required by the Continuing Disclosure Certificate to be executed by the District. See "OTHER LEGAL MATTERS – Continuing Disclosure" and APPENDIX C.

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 Stifel, Nicolaus & Company, Incorporated, dba Stone & Youngberg, a Division of Stifel Nicolaus (the "Underwriter") or owners of any of the Notes.

Quotations from and summaries and explanations of the Notes, the Resolutions (as defined herein) providing for issuance of the Notes, and the constitutional provisions, statutes and other documents described herein, do not purport to be complete, and reference is hereby made to said documents, constitutional provisions and statutes for the complete provisions thereof. Copies of documents referred to herein and information concerning the Notes are available from the District through the Office of the Assistant Superintendent, Business Services, 2045 South San Jacinto Avenue, San Jacinto, California 92583. The District may impose a charge for copying, mailing and handling.

The District

The District was established in 1868 and unified in 1944. The District encompasses an area of approximately 100 square miles in the County of Riverside, California (the "County"), and provides educational services to residents in the cities of San Jacinto, Hemet, Moreno Valley and Beaumont, as well as certain unincorporated areas of the County.

The District provides public education services for grades kindergarten through 12. The District currently operates seven kindergarten through fifth grade elementary schools, three sixth through eighth grade middle schools, one comprehensive ninth through twelfth grade high school, one alternative education ninth through twelfth grade high school, one home education program, one adult education school, five State of California preschools and one head start preschool. Total enrollment for the 2011-12 school year is approximately 9,149 students.

The District is governed by a Board of Trustees consisting of five members, each of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating

* Preliminary; subject to change

between two and three available positions. The day-to-day operations are managed by a board-appointed Superintendent of Schools, Dr. Shari L. Fox. Dr. Fox has served in this position since 2005.

In its 2011-12 first interim report, the District projects general fund expenditures of approximately \$72.3 million. As of June 30, 2011, the District employed 711 full-time equivalent ("FTE") employees, consisting of approximately 404 FTE certificated employees, 258 FTE classified employees, 41 FTE management employees and 8 FTE confidential employees.

For additional information about the District's operations and finances, see "DISTRICT FINANCIAL AND OPERATING INFORMATION." The District's audited financial statements for the fiscal year ended June 30, 2011 are included as APPENDIX B, and should be read in their entirety.

THE NOTES

Purpose of the Notes

The Notes are issued in anticipation of a projected cash flow deficit occurring during the remainder of fiscal year 2011-12 caused primarily by the State's deferral of certain State aid payments to the District to the 2012-13 fiscal year which would otherwise have been received in fiscal year 2011-12. The District treats such deferred State aid payments as accrued in fiscal year 2011-12 for budgetary, financial reporting and all other relevant purposes, even though such payments are not received until the following fiscal year. See "-- Deferred Revenues" below. Proceeds of the Notes will be used and expended by the District for any purpose for which the District is authorized to expend funds from the general fund of the District, including, but not limited to, current expenses, capital expenditures, investment and reinvestment, and the discharge of other obligations or indebtedness of the District, and to pay certain costs of issuing the Notes. See "-- Sources and Uses of Funds" below.

Authority for Issuance

The Notes are issued in conformity with the laws of the State of California (the "State"), including Article 7.6 (commencing with Section 53850) of Chapter 4 of Part 1 of Division 2 of Title 5 of the California Government Code, and pursuant to resolutions adopted by the Board of Trustees of the District on February 14, 2012 (the "District Resolution"), and by the Board of Supervisors (the "Board of Supervisors") of the County on February 28, 2012, authorizing the sale and issuance of the Notes (collectively, the "Resolutions").

General Provisions of the Notes

The Notes will be dated the date of their delivery, and will mature on October 1, 2012. The Notes will bear interest at the rate per annum set forth on the cover page hereof. Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months, and will accrue commencing on the date of delivery of the Notes. Principal of and interest on the Notes are payable only at maturity, in lawful money of the United States of America, to the registered owners of the Notes, only upon surrender of such Notes at the principal trust office of the paying agent for the Notes, initially U.S. Bank National Association (the "Paying Agent"). No interest shall be payable on any Notes for any period after maturity of the Notes during which the registered owner thereof fails to properly present said Notes for payment.

The Notes will be issued in fully registered book-entry form only, in denominations of \$5,000 principal amount or any integral multiple thereof. The Notes will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will

act as securities depository for the Notes. Purchases of Notes under the DTC system must be made by or through a DTC participant, and ownership interests in Notes and any transfer thereof will be recorded as entries on the books of said participants. Except in the event that use of this book-entry system is discontinued for the Notes, beneficial owners will not receive physical certificates representing their ownership interests. See APPENDIX F – “BOOK-ENTRY ONLY SYSTEM.”

No Redemption Prior to Maturity

The Notes are not subject to redemption prior to maturity.

Security and Sources of Payment

The principal amount of the Notes, together with interest thereon, are payable from taxes, income, revenue, cash receipts and other moneys received or accrued by the District for the general fund of the District for fiscal year 2011-12 and lawfully available for the payment of current expenses and other obligations of the District (the “Unrestricted Revenues”). Under the District Resolution, the District has pledged to the payment of the Notes and the interest thereon [(a)] an amount equal to ___% of the principal amount of the Notes [and the interest thereon] from the first Unrestricted Revenues (as defined in the County Resolution) to be received by the District during the period commencing on _____, 2012 and ending on _____, 2012[, (b) an amount equal to ___% of the principal amount of the Notes [and the interest thereon] from the first Unrestricted Revenues to be received by the District during the period commencing on _____, 2012 and ending on _____, 2012,] [and (c) an amount equal to ___% of the principal amount of the Notes [and the interest thereon] from the first Unrestricted Revenues to be received by the District during the period commencing on _____, 2012 and ending on _____, 2012]. The amounts so pledged are defined in the District Resolution as the “Pledged Revenues.” As provided in Section 53856 of the California Government Code, the District Resolution provides that 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, the Pledged Revenues. As provided in Section 53857 of the California Government Code, the District Resolution provides that, notwithstanding the provisions of Section 53856 of the California Government Code and the preceding sentence, the Notes are general obligations of the District and, to the extent not paid from the Pledged Revenues, shall be paid with interest thereon from any other Unrestricted Revenues.

As security for the payment of the Notes and the interest thereon, the District, under the District Resolution, requests the Treasurer-Tax Collector of the County (the “County Treasurer”) to establish and hold in the funds of the District in the County treasury a special repayment fund (the “Repayment Fund”) and to maintain the Repayment Fund until the Notes and the interest thereon have been paid in full and covenants to deposit or cause to be deposited in the Repayment Fund, in trust for the registered owners of the Notes, no later than the end of the period specified in the preceding paragraph, the amount of Unrestricted Revenues specified in the preceding paragraph to be so deposited. The District Resolution, provides that, in the event that there have been insufficient Unrestricted Revenues received by the District by the end of such period, then the amount of any deficiency in the Repayment Fund shall be satisfied and made up from the first Unrestricted Revenues thereafter received by the District. The District Resolution provides further that the amounts on deposit in the Repayment Fund are pledged to the payment of the Notes and the interest thereon, and that said amounts shall not be used for any other purpose until the Notes and the interest thereon have been paid in full or such payment has been duly provided for.

The District Resolution provides that all Pledged Revenues and any other Unrestricted Revenues required to be deposited in the Repayment Fund pursuant to the District Resolution shall, as and when received, be deposited in the Repayment Fund. The District Resolution also provides that any money deposited in the Repayment Fund shall be for the benefit of the registered owners of the Notes, and until

the Notes and the interest thereon are paid or until provision has been made for the payment of the Notes at maturity and interest thereon to maturity, the money in the Repayment Fund shall be applied only for the purposes for which the Repayment Fund is established. The District Resolution provides further that, on the date of maturity of the Notes, the money in the Repayment Fund shall be used, to the extent necessary, to pay the Notes and the interest thereon, and that any money remaining in or accruing to the Repayment Fund after the Notes and the interest thereon have been paid in full, or provision for such payment has been made, shall be transferred to the general fund of the District. The County is not liable or responsible for the sufficiency of amounts deposited in the Repayment Fund.

Although the Notes are a general obligation of the District, the statutory pledge only extends to revenues of fiscal year 2011-12, and the District cannot be legally obligated to pay the Notes from revenues provided for a future year. Other than a statutory entitlement to its share of the 1% local *ad valorem* tax levy, the District has no authority, and cannot be compelled, to levy taxes to pay the principal of or interest on the Notes. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS."

Deferred Revenues

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. These "cross year" deferrals have been codified and are expected to be on-going. The 2011-12 State Budget (defined herein) includes a deferral of a substantial amount of State aid payments owed to school districts, such as the District, in fiscal year 2011-12 to fiscal year 2012-13. See "DISTRICT FINANCIAL AND OPERATING INFORMATION – State Funding of Education; State Budget Process – 2011-12 State Budget" herein.

Under the California Education Code and State 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. Accordingly, the District is accruing principal apportionments that are deferred to [July], [August] and [September] of 2012 as revenues of fiscal year 2011-12.

The District projects that its Pledged Revenues will consist primarily of State apportionments due to the District and attributable to fiscal year 2011-12, the payments of which are currently deferred by the State to [July], [August] and [September] of 2012. Because the District treats such deferred revenues as accrued in fiscal year 2011-12 for budgetary, financial reporting and all other relevant purposes, the District should be able to treat such deferred revenues as revenues provided for fiscal year 2011-12 and thus subject to the pledge for the repayment of the Notes.

The District has projected the timing of receipt of such deferred revenues based upon the most recent information available to it from the State. See "DISTRICT FINANCIAL AND OPERATING INFORMATION – District Cash Flows" for the projected timing of receipt of such deferred revenues by the District for the repayment of the Notes. Although the District expects to receive such deferred revenues in such a time and manner as will permit the timely payment of the principal of and interest on the Notes, such expectation is based on facts and circumstances presently known to the District. Factors beyond the control of the District, including further deferrals, may affect the timely receipt by the District of such deferred revenues and the District's ability to repay the Notes. [See "DISTRICT FINANCIAL AND OPERATING INFORMATION – State Funding of Education; State Budget Process – State Cash Management Legislation" herein.]

Bankruptcy Risks

The opinion of Bond Counsel, attached hereto as APPENDIX A, is qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditors' rights. Bankruptcy of the County or the District could affect the security of the owners of the Notes, the ability of an owner to be paid in a timely manner, or both.

Because the County Treasurer is in possession of the taxes and other revenues that the District has agreed to set aside to pay the Notes, and may deposit and invest these funds in the County's pooled investment fund, should the County go into bankruptcy, a court might hold that the owners of the Notes do not have a valid lien on the funds set aside for payment thereof. In that case, unless the owners could trace the funds, the owners may be merely unsecured creditors of the bankrupt County. There can be no assurances that the owners could successfully so trace the pledged taxes and other revenues.

If the County were to file for bankruptcy, the District may be unable to order payment of the Notes from moneys held by the County in the fund set aside for such payment. If the District were to file for bankruptcy, the County Treasurer may be enjoined from applying set-aside funds to payment of the Notes, or from setting aside any further moneys of the District for such payment.

Investment of Note Proceeds and Repayment Fund

Substantially all of the District's operating funds are held by the County Treasurer and invested pursuant to law and the County's investment policy. Proceeds from the sale of the Notes will be deposited in the treasury of the County in a special Proceeds Fund within the general fund of the District. Moneys set aside for repayment of the Notes will be deposited in the Repayment Fund of the District held in the County treasury and invested therein. All money held by the County Treasurer in the Proceeds Fund and in the Repayment Fund shall be invested in the County's Pooled Investment Fund and as otherwise permitted by the California Government Code and the investment policy of the County, and the proceeds of such investments shall be retained in each such respective Fund; provided, that no proceeds shall be invested for a term that exceeds the term of the Notes. See APPENDIX D - "SUMMARY OF RIVERSIDE COUNTY INVESTMENT POLICIES AND PRACTICES AND DESCRIPTION OF INVESTMENT POOL" for a description of the County's investment policy and current portfolio holdings.

Sources and Uses of Funds

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

Sources of Funds

Principal Amount of Notes	\$
Original Issue [Premium/Discount]	
Total Sources:	\$

Uses of Funds

Net Deposit to Note Proceeds Fund	\$
Underwriter's Discount	
Costs of Issuance ⁽¹⁾	
Total Uses:	\$

⁽¹⁾ Includes bond counsel and disclosure counsel fees, financial advisor fees, rating agency fees, printing fees, Paying Agent fees and other miscellaneous expenses.

DISTRICT FINANCIAL AND OPERATING INFORMATION

State Funding of Education; State Budget Process

General. As is true for all school districts in California, the District's operating income consists primarily of two components: a State portion funded from the State's general fund and a local portion derived from the District's share of the 1% local *ad valorem* tax authorized by the State Constitution. In addition, school districts may be eligible for other special categorical funding from State and federal government programs. The District receives approximately 71% of its general fund revenues from State funds, budgeted at approximately \$48.5 million in fiscal year 2011-12. As a result, decreases or deferrals in State revenues, or in State legislative appropriations made to fund education, may significantly affect District operations.

Under Proposition 98, a constitutional and statutory amendment adopted by the State's voters in 1988 and amended by Proposition 111 in 1990 (now found at Article XVI, Sections 8 and 8.5 of the Constitution), a minimum level of funding is guaranteed to school districts, community college districts, and other State agencies that provide direct elementary and secondary instructional programs.

Recent years have seen frequent disruptions in State personal income taxes, sales and use taxes, and corporate taxes, making it increasingly difficult for the State to meet its Proposition 98 funding mandate, which normally commands about 45% of all State general fund revenues, while providing for other fixed State costs and priority programs and services. Because education funding constitutes such a large part of the State's general fund expenditures, it is generally at the center of annual budget negotiations and adjustments.

State Budget Process. According to the State Constitution, the Governor must propose a budget to the State Legislature no later than January 10 of each year, and a final budget must be adopted no later than June 15. Historically, the budget required a two-thirds vote of each house of the State Legislature for passage. However, on November 2, 2010, the State's voters approved Proposition 25, which amended the State Constitution to lower the vote requirement necessary for each house of the State Legislature to pass a budget bill and send it to the Governor. Specifically, the vote requirement was lowered from two-thirds to a simple majority (50% plus one) of each house of the State Legislature. The lower vote requirement also would apply to trailer bills that appropriate funds and are identified by the State Legislature "as related to the budget in the budget bill." The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. Under Proposition 25, a two-thirds vote of the State Legislature is still required to override any veto by the Governor. School district budgets must generally be adopted by July 1, and revised by the school board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget. The Governor signed the fiscal year 2011-12 State budget on June 30, 2011.

When the State budget is not adopted on time, basic appropriations and the categorical funding portion of each school district's State funding are affected differently. Under the rule of *White v. Davis* (also referred to as *Jarvis v. Connell*), a State Court of Appeal decision reached in 2002, there is no constitutional mandate for appropriations to school districts without an adopted budget or emergency appropriation, and funds for State programs cannot be disbursed by the State Controller until that time, unless the expenditure is (i) authorized by a continuing appropriation found in statute, (ii) mandated by the Constitution (such as appropriations for salaries of elected State officers), or (iii) mandated by federal law (such as payments to State workers at no more than minimum wage). The State Controller has consistently stated that basic State funding for schools is continuously appropriated by statute, but that special and categorical funds may not be appropriated without an adopted budget. Should the State Legislature fail to pass a budget or emergency appropriation before the start of any fiscal year, the District

might experience delays in receiving certain expected revenues. The District is authorized to borrow temporary funds to cover its annual cash flow deficits, and as a result of the *White v. Davis* decision, the District might find it necessary to increase the size or frequency of its cash flow borrowings, or to borrow earlier in the fiscal year. The District does not expect the *White v. Davis* decision to have any long-term effect on its operating budgets.

Aggregate State Education Funding. The Proposition 98 guaranteed amount for education is based on prior-year funding, as adjusted through various formulas and tests that take into account State proceeds of taxes, local property tax proceeds, school enrollment, per-capita personal income, and other factors. The State's share of the guaranteed amount is based on State general fund tax proceeds and is not based on the general fund in total or on the State budget. The local share of the guaranteed amount is funded from local property taxes. The total guaranteed amount varies from year to year and throughout the stages of any given fiscal year's budget, from the Governor's initial budget proposal to actual expenditures to post-year-end revisions, as better information regarding the various factors becomes available. Over the long run, the guaranteed amount will increase as enrollment and per capita personal income grow.

If, at year-end, the guaranteed amount is calculated to be higher than the amount actually appropriated in that year, the difference becomes an additional education funding obligation, referred to as "settle-up." If the amount appropriated is higher than the guaranteed amount in any year, that higher funding level permanently increases the base guaranteed amount in future years. The Proposition 98 guaranteed amount is reduced in years when general fund revenue growth lags personal income growth, and may be suspended for one year at a time by enactment of an urgency statute. In either case, in subsequent years when State general fund revenues grow faster than personal income (or sooner, as the Legislature may determine), the funding level must be restored to the guaranteed amount, the obligation to do so being referred to as "maintenance factor."

In recent years, the State's response to fiscal difficulties has had a significant impact on Proposition 98 funding and settle-up treatment. The State has sought to avoid or delay paying settle-up amounts when funding has lagged the guaranteed amount. In response, teachers' unions, the State Superintendent, and others, sued the State or Governor in 1995, 2005, 2009 and 2011 to force them to fund schools in the full amount required. The settlement of the 1995 and 2005 lawsuits has so far resulted in over \$4 billion in accrued State settle-up obligations. However, legislation enacted to pay down the obligations through additional education funding over time, including the Quality Education Investment Act of 2006, have also become part of annual budget negotiations, resulting in repeated adjustments and deferrals of the settle-up amounts.

The State has also sought to preserve general fund cash while avoiding increases in the base guaranteed amount through various mechanisms: by treating any excess appropriations as advances against subsequent years' Proposition 98 minimum funding levels rather than current year increases; by temporarily deferring apportionments of Proposition 98 funds from one fiscal year to the next; by permanently deferring apportionments of Proposition 98 funds from one fiscal year to the next; by suspending Proposition 98, as the State did in fiscal year 2004-05, fiscal year 2010-11 and fiscal year 2011-12 (see "*2011-12 State Budget*" and "*State Cash Management Legislation*" below); and by proposing to amend the Constitution's definition of the guaranteed amount and settle-up requirement under certain circumstances.

The District cannot predict how State income or State education funding will vary over the term to maturity of the Notes, and the District takes no responsibility for informing owners of the Notes as to actions the State Legislature or Governor may take affecting the current year's budget after its adoption. Information about the State budget and State spending for education is regularly available at various

State-maintained websites. Text of proposed and adopted budgets may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found at the website of the State Treasurer, www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the District, and the District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

Legal Challenge to State Funding Education. On May 20, 2010, a plaintiff class of numerous current California public school students and the Alameda Unified School District, the Alpine Union School District, the Del Norte County Unified School District, the Folsom Cordova Unified School District, the Hemet Unified School District, the Porterville Unified School District, the Riverside Unified School District, the San Francisco Unified School District and the Santa Ana Unified School District, together with the California Congress of Parents, Teachers & Students, the Association of California School Administrators and the California School Boards Association filed suit in Alameda County Superior Court challenging the system of financing for public schools in California as unconstitutional. In *Robles-Wong, et al. v. State of California* ("Robles-Wong"), the plaintiffs seek declaratory and injunctive relief, including a permanent injunction compelling the State to abandon the existing system of public school funding and replace it with a system that is based on what is needed to meet the State's program requirements and the needs of individual students. After a demurrer was sustained with leave to amend on January 14, 2011, a first amended complaint was filed by the plaintiff class on March 16, 2011. A demurrer with leave to amend on the first amended complaint was sustained on July 26, 2011, however, the plaintiffs elected not to amend their complaint within the time provided by the court. Accordingly, the court dismissed all of the plaintiff's claims. The District cannot predict whether plaintiffs in the *Robles-Wong* litigation will appeal or how any successful appeal of the decision could result in a change in how school funding of education is implemented in the State.

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 a new 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. Redevelopment agencies had sued the State over this latter diversion. However, the lawsuit was decided against the California Redevelopment Association on May 1, 2010. Because Proposition 22 reduces the State's authority to use or shift certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget in some years—such as reducing State spending or increasing State taxes, and school and community college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State's general fund.

2011-12 State Budget. The Governor signed the fiscal year 2011-12 State budget (the “2011-12 State Budget”) on June 30, 2011. The 2011-12 State Budget closes a \$26.6 billion budget gap with \$15.0 billion in expenditure reductions, \$0.9 billion in targeted revenue increases, \$8.3 billion in an improvement in the State's revenue outlook and \$2.9 billion in new loans and transfers.

The 2011-12 State Budget recognizes that school funding has been disproportionately reduced since fiscal year 2007-08 and maintains Proposition 98 funding for K-12 programs at similar levels for fiscal year 2011-12 as is in effect for fiscal year 2010-11. However, if revenues are projected to fall short by more than \$2 billion of the revenues forecasted in the 2011-12 State Budget, then an additional \$1.9 billion in education reductions would be implemented – shortening the school year by seven days, eliminating the home-to-school transportation program and reducing community college apportionments.

The 2011-12 State Budget, as enacted, slightly lowers Proposition 98 programmatic funding for fiscal year 2011-12 (\$48.7 billion) from fiscal year 2010-11 (\$49.7 billion). Such funding reflects an increase in general fund revenues in fiscal year 2011-12, the expiration of a variety of short-term tax increases and the rebenching of Proposition 98 guarantee for revenue and program shifts (as further described below).

Under Proposition 98, K-14 education is guaranteed the same percentage of State general fund revenue that was provided in fiscal year 1986-87. When a factor in the calculation changes or a new program is added, Proposition 98 is adjusted or “rebenched” to accurately reflect the base year distribution of State revenues to K-14 education. In fiscal year 2011-12, there are four new rebenching impacts:

- An increase of \$578.1 million to ensure that the Proposition 98 guarantee does not decrease with the shift in motor vehicle fuel revenues. Legislation eliminated the sales tax and increased the excise tax on motor vehicle fuel in fiscal year 2010-11, reducing the amount of revenue that is counted as general fund with the State appropriation limit for the purposes of the Proposition 98 calculation.
- An increase of \$221.8 million to reflect the inclusion of mental health and out-of-home care services within the Proposition 98 guarantee. The 2011-12 State Budget shifts responsibility for mental health services, including out-of-home residential services, from local mental health and county welfare departments to school districts.
- A decrease of \$1.134 billion to reflect the exclusion of child care programs, with the exception of part-day preschool programs, from Proposition 98. The 2011-12 State Budget shifts the child care program fund source from Proposition 98 general fund to non-Proposition 98 general fund. The part-day preschool programs are still funded within Proposition 98.

- A decrease of \$1.7 billion to ensure that the total Proposition 98 guarantee is unchanged as a result of new local revenue related to redevelopment agencies. The 2011-12 State Budget requires local agencies to provide remittances totaling \$1.7 billion in fiscal year 2011-12 to K-12 school districts and county offices of education located within the project area of a redevelopment agency.

In addition to the above adjustments, Proposition 98 is decreased \$2.1 billion as a result of the reduction in general fund sales tax revenue related to the realignment of public safety programs to counties.

Certain adjustments to Proposition 98 expenditures adopted as part of the 2011-12 State Budget included (i) the deferral of \$2.1 billion in K-12 education funding, deemed necessary to maintain funding for K-12 education programs at the fiscal year 2010-11 funding level, and (ii) a decrease of \$62.3 million of part-day State preschool expenditures, including a decrease of \$16.1 million to reduce income eligibility to 70% of the State median income, and a decrease of \$46.2 million to reduce provider contracts across-the-board.

The 2011-12 State Budget includes the following significant Proposition 98 general fund policy and workload adjustments:

- Shift in mental health services from counties to school districts. The 2011-12 State Budget rebenchs the Proposition 98 guarantee and provides an increase of \$221.8 million Proposition 98 general fund to shift the responsibility for providing mental health services, including out-of-home residential services, required under federal law from county mental health departments and county welfare departments to school districts. The 2011-12 State Budget also reflects the repeal of the AB 3632 mandate. Additionally, the 2011-12 State Budget includes \$2.8 million in one-time federal carryover funds for program oversight and technical assistance while transitioning these services from counties to schools, and for Office of Administrative Hearings caseload resulting from increased AB 3632 mental health service related disputes. The 2011-12 State Budget continues to provide \$98.6 million in Proposition 63 funds to county mental health agencies on a one-time basis in 2011-12. School districts can contract with counties to provide services using Proposition 63 funds, but schools would be responsible for any costs exceeding this amount. In total, the 2011-12 State Budget provides \$389.4 million from all fund sources, including \$69 million in federal funds currently budgeted for mental health services.
- Funding for new charter schools. A total of \$11 million to provide charter schools that commenced operations between fiscal year 2008-09 and fiscal year 2011-12 with supplemental categorical funding. This funding ensures new charter schools have access to the same funding as existing charter schools and traditional public schools. New conversion charter schools would be excluded from this funding and would instead receive a pass-through payment from the school district.
- Extension of flexibility for K-12 school districts. The 2011-12 State Budget extends the following flexibility options to school districts for an additional two years: categorical program flexibility, routine and deferred maintenance expenditure requirements, class size requirements, instructional time requirements, sale of surplus property, instructional materials purchase requirements and local budget reserve requirement.

In addition to the above, a decrease of \$180.4 million to child care and development programs was enacted, reflecting the following: (i) a decrease of \$37.4 million to reduce license-exempt provider rates from 80% to 60% of licensed rates for voucher-based programs; (ii) a decrease of \$12.4 million to reduce income eligibility to 70% of the State median income; and (iii) a decrease of \$130.7 million to reflect an across the board reduction in provider contracts.

The 2011-12 State Budget also makes a one-time change to the A.B. 1200 (see “- District Budget Process and County Review” below) financial reporting process by requiring K-12 districts to adopt a one-year budget for Fiscal Year 2011-12 and not the standard current budget plus two subsequent years. It further specifies that county superintendents cannot force K-12 districts to adopt a three-year budget or a budget based on the worst-case scenario (that is, assuming the trigger for education cuts gets pulled).

The complete 2011-12 State Budget is available from the California Department of Finance website at www.dof.ca.gov. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by such reference.

Trigger of Automatic Cuts. On December 13, 2011, Governor Brown announced that State revenues had fallen \$2.2 billion below projections made at the adoption of the 2011-12 State Budget, thus triggering certain automatic spending reductions discussed above. Reductions in education spending amounted to approximately \$330 million. The majority of reductions (\$248 million) will affect the State’s home-to-school transportation funding. Additional reductions of approximately \$79.6 million will affect Proposition 98 apportionments. Shortly after the reductions to the home-to-school transportation program were announced by Governor Brown, the Los Angeles Unified School District filed a lawsuit against the State to challenge such transportation cuts. The District anticipates reductions of approximately \$225,150 as a result of these triggers, and has reserved State categorical program carryover amounts in anticipation of such reductions.

Several other factors may affect the 2011-12 State Budget, may lead to additional education reductions in the 2011-12 State Budget and in turn additional budget cuts by the District.

Litigation Concerning Proposition 98 Funding. On September 28, 2011, the California School Board Association, the Association of California School Administrators and some California unified school districts filed a lawsuit, *California School Boards Association et al. v. State of California et al.* (San Francisco County Superior Court, No. CGC-11-514689), against the State challenging the 2011-12 State Budget. The plaintiffs assert, among other things, that the 2011-12 State Budget is in violation of the State’s constitutional obligation to fund public education. Pursuant to the 2011-12 State Budget, the State diverted a portion of the State’s sales and use tax revenues from the State general fund to counties and cities and thereby excluded such revenues from the calculation of the required Proposition 98 minimum funding guarantee. See “- Aggregate State Education Funding” and “- 2011-12 State Budget” above. The plaintiffs allege that the State improperly lowered the Proposition 98 minimum funding guarantee by redefining these revenues, which are expected to total approximately \$5.1 billion in fiscal year 2011-12 as “not general fund revenues.” Accordingly, the aggregate amount of State general fund revenues used to calculate the minimum guarantee under the first test of Proposition 98 was reduced. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 98 and Proposition 111” below. Due to this action, among other things, the plaintiffs allege that the minimum funding requirement set forth in the 2011-12 State Budget is at least \$2.1 billion less than the amount required by Proposition 98. The 2011-12 State Budget provides that the modified calculation may be terminated if voters approve certain ballot measures at or prior to the statewide election in November 2012. In the alternative, the State may adopt a five year repayment plan. The petitioners allege that neither option satisfies the minimum guarantee under Proposition 98, and have

requested a judicial declaration directing the State to recalculate the minimum guarantee under Proposition 98 and implement such recalculation in a manner to ensure that school and community college districts do not receive less than the constitutionally required minimum level of funding. The District cannot predict whether or to what extent the plaintiffs' lawsuit will succeed or, if successful, how any final court decision with respect to the lawsuit would affect the financial status of the District.

State Cash Management Legislation. On March 1, 2010, the Governor signed a bill (and on March 4, 2010, subsequently signed a clean-up bill to clarify certain provisions of such bill) to provide additional cash management flexibility to State fiscal officials (the "Cash Management Bill"). The Cash Management Bill authorized deferral of certain payments during the 2010-11 fiscal year for school districts (not to exceed \$2.5 billion in the aggregate at any one time, and a maximum of three deferrals during the fiscal year). The Cash Management Bill permitted deferrals of payments to K-12 schools in July 2010, October 2010 and March 2011, for not to exceed 60, 90 and 30 days, respectively, but depending on actual cash flow conditions at the time, and allowed the State Controller, Treasurer and Director of Finance to either accelerate or delay the deferrals up to 30 days or reduce the amounts deferred. The Cash Management Bill also permitted the State to move a deferral to the prior month or to a subsequent month upon 30 days written notice by the State Department of Finance to the Legislative Budget Committee, except that the Cash Management Bill provided that the deferral for March 2011 was required to be paid prior to April 30. The Cash Management Bill provided for exceptions to the deferrals for school districts that could demonstrate hardship. The Cash Management Bill made it necessary for many school districts (and other affected local agencies) to increase the size and/or frequency of their cash flow borrowings during fiscal year 2010-11. Similar legislation has been enacted for fiscal year 2011-12. The legislation, however, sets forth a specific deferral plan for K-12 education payments. In the legislation, both the July 2011 and August 2011 K-12 payments of \$1.4 billion are deferred and the October 2011 payment of \$2.4 billion is deferred. In September 2011, \$700 million of the July deferral is to be paid, in January 2012, \$4.5 billion from the remaining July, August and October deferrals are paid, and in March 2012, \$1.4 billion is to be deferred and paid in April 2012. The District is authorized to borrow temporary funds to cover its annual cash flow deficits and, as a result of this or similar future legislation, the District might find it necessary to increase the size or frequency of its cash flow borrowings in fiscal year 2011-12 and in future years. [UPDATE PENDING]

Dissolution of Redevelopment Agencies. The adopted State budget for fiscal 2011-12, as signed by the Governor of the State on June 30, 2011, included as trailer bills Assembly Bill No. 26 (First Extraordinary Session) ("AB1X 26") and Assembly Bill No. 27 (First Extraordinary Session) ("AB1X 27"), which the Governor signed on June 29, 2011. AB1X 26 suspended most redevelopment agency activities and prohibited redevelopment agencies from incurring indebtedness, making loans or grants, or entering into contracts after June 29, 2011. AB1X 26 dissolves all redevelopment agencies in existence and designates "successor agencies" and "oversight boards" to satisfy "enforceable obligations" of the former redevelopment agencies and administer dissolution and wind down of the former redevelopment agencies. Certain provisions of AB1X 26 are described further below. As signed by the Governor, AB1X 27 would have allowed a redevelopment agency to continue to exist, notwithstanding AB1X 26, upon the enactment by the city or county that created the redevelopment agency of an ordinance to comply with AB1X 27's provisions and the satisfaction of certain other conditions.

In July of 2011, various parties filed an action before the Supreme Court of the State of California (the "Court") challenging the validity of AB1X 26 and AB1X 27 on various grounds (*California Redevelopment Association v. Matosantos*). The Court subsequently stayed the implementation of a portion of AB1X 26 and all of AB1X 27 pending its decision in *Matosantos*. On December 29, 2011, the Court rendered its decision in *Matosantos* upholding virtually all of AB1X 26 and invalidating AB1X 27. In its decision, the Court also modified various deadlines for the implementation of AB1X 26. The

deadlines for implementation of AB1X 26 below take into account the modifications made by the Court in *Matosantos*.

After *Matosantos*, AB1X 26 continues to suspend most redevelopment agency activities and continues to prohibit redevelopment agencies from incurring indebtedness, making loans or grants, or entering into contracts. On February 1, 2012, when redevelopment agencies are dissolved, AB1X 26 requires redevelopment agencies to continue to make scheduled payments on and perform obligations required under its "enforceable obligations." For this purpose, AB1X 26 defines "enforceable obligations" to include "bonds, including the required debt service, reserve set-asides, and any other payments required under the indenture or similar documents governing the issuance of outstanding bonds of the former redevelopment agency" and "any legally binding and enforceable agreement or contract that is not otherwise void as violating the debt limit or public policy." AB1X 26 specifies that only payments included on an "enforceable obligation payment schedule" adopted by a redevelopment agency shall be made by a redevelopment agency until its dissolution.

On February 1, 2012, and pursuant to *Matosantos*, AB1X 26 dissolved all redevelopment agencies in existence and designated "successor agencies" and "oversight boards" to satisfy "enforceable obligations" of the former redevelopment agencies and administer dissolution and wind down of the former redevelopment agencies. With limited exceptions, all assets, properties, contracts, leases, records, buildings and equipment, including cash and cash equivalents of a former redevelopment agency will be transferred to the control of the successor agency and, unless otherwise required pursuant to the terms of an enforceable obligation, distributed to various taxing agencies pursuant to AB1X 26.

AB1X 26 requires each successor agency to continue to make payments on enforceable obligations of the former redevelopment agencies. However, until a successor agency adopts a "recognized obligation payment schedule" the only payments permitted to be made are payments on enforceable obligations included on an enforceable obligation payment schedule. The initial enforceable obligation payment schedule will be the enforceable obligation payment schedule adopted by the former redevelopment agency. A successor agency may amend the enforceable obligation payment schedule at any public meeting, subject to the approval of its oversight board.

Under AB1X 26, commencing February 1, 2012, property taxes that would have been allocated to each redevelopment agency if the agencies had not been dissolved will instead be deposited in a "redevelopment property tax trust fund" created for each former redevelopment agency by the related county auditor-controller and held and administered by the related county auditor-controller as provided in AB1X 26. AB1X 26 generally requires each county auditor-controller, on May 16, 2012 and June 1, 2012 and each January 16 and June 1 thereafter, to apply amounts in a related redevelopment property tax trust fund, after deduction of the county auditor-controller's administrative costs, in the following order of priority:

- To pay pass-through payments to affected taxing entities in the amounts that would have been owed had the former redevelopment agency not been dissolved; provided, however, that if a successor agency determines that insufficient funds will be available to make payments on the recognized obligation payment schedule and the county auditor-controller and State Controller verify such determination, pass-through payments that had previously been subordinated to debt service may be reduced;
- To the former redevelopment agency's successor agency for payments listed on the successor agency's recognized obligation payment schedule for the ensuing six-month period;

- To the former redevelopment agency's successor agency for payment of administrative costs; and
- Any remaining balance to school entities and local taxing agencies.

It is possible that there will be additional legislation proposed and/or enacted to "clean up" various inconsistencies contained in AB1X 26 and there may be additional legislation proposed and/or enacted in the future affecting the current scheme of dissolution and winding up of redevelopment agencies currently contemplated by AB1X 26. No assurances can be given as to the effect of any such future proposed and/or enacted legislation on the Notes.

Potential State Initiatives. Several potential State initiatives relating to increasing taxes to increase funding for public education have been submitted to the Attorney General's office as an initial step to appear on the 2012 ballot. These initiatives include, among others, a plan supported by Governor Brown to increase the sales tax and income tax to increase funding for education and local jails, a plan that extends sales tax to services, reduces income and corporate taxes and raises taxes on out-of-state firms in order to reduce the State's deficit and increase funding to public education and universities and a plan that raises income taxes on certain taxpayers in order to increase funding to public education and local governments for public safety and infrastructure. Supporters of these potential State initiatives are currently gathering signatures in order for such initiatives to qualify for the 2012 ballot. It is not known which, if any, of these initiatives or any alternatives to these initiatives will qualify for the 2012 ballot or if any will become law and thus increasing funding for public education and, in turn, the District.

Proposed 2012-13 State Budget. The Governor officially released his proposed fiscal year 2012-13 State budget (the "2012-13 Proposed State Budget") on January 5, 2012. The 2012-13 Proposed State Budget projects that the State will face a budget gap of \$9.2 billion in fiscal year 2012-13, which is less than the \$26.6 billion budget gap encountered for fiscal year 2011-12 but more than the approximate \$5 billion that was projected when the 2011-12 State Budget was signed. The 2012-13 Proposed State Budget provides that the \$9.2 billion budget gap is the result of a carryover deficit of \$4.1 billion from fiscal year 2011-12 and an operating deficit, absent any solutions, of \$5.1 billion. The carryover deficit of \$4.1 billion from fiscal year 2011-12 is, according to the 2012-13 Proposed State Budget, a result of several developments, including a \$1.9 billion deficit that carried over from the prior fiscal year and court orders and delayed federal approval related to several cuts in the 2011-12 State Budget.

The 2012-13 Proposed State Budget indicates that a total of \$10.3 billion in cuts, taxes and other revenues will be necessary to close the \$9.2 billion budget gap and to build a \$1.1 billion reserve. The 2012-13 Proposed State Budget reduces expenditures by \$4.2 billion, including substantial cuts to major programs, such as a \$946 million cut to CalWORKs, \$447 million cut to subsidized child care, \$842 million cut to Medi-Cal and \$302 million reduction to the Cal Grant program. The 2012-13 Proposed State Budget also plans for a \$544 million savings from the elimination of supplemental funding for schools associated with the elimination of the sales tax on gasoline together with certain other Proposition 98 adjustments. The 2012-13 Proposed State Budget proposes a total of \$6.1 billion in new revenues.

In addition to balancing the budget, the 2012-13 Proposed State Budget aims to set forth a path to meet the State's long-term fiscal challenges. The 2012-13 Proposed State Budget recognizes that the State's debt, deferrals and budgetary obligations will total \$33 billion at the end of fiscal year 2011-12. Under the 2012-13 Proposed State Budget, for the first time in the past decade, the budget is projected to be balanced on an ongoing basis and the \$33 billion amount is projected to be paid off by fiscal year 2015-16.

The 2012-13 Proposed State Budget assumes the passage of the Governor's proposed initiative for increased taxes at the November 2012 election, which initiative increases the income tax on the State's wealthiest earners and temporarily increases the sales tax by 0.5%. This initiative is projected by the 2012-13 Proposed State Budget to generate an additional \$6.9 billion in revenues in fiscal year 2012-13, which amount results in a net benefit to the State general fund of \$4.4 billion after accounting for the increased Proposition 98 minimum guarantee. If the Governor's proposed initiative is not approved, the 2012-13 Proposed State Budget specifies a trigger package of cuts to take effect on January 1, 2013, consisting of \$5.4 billion in additional cuts, including a \$4.8 billion cut to schools and community colleges through the reduction in the Proposition 98 guarantee, a \$200 million cut to the State's public university systems and a \$125 million cut to the State's court system.

As it relates to K-12 education, the 2012-13 Proposed State Budget recognizes that Proposition 98 funding for K-12 education significantly declined from an all time high of \$56.6 billion in fiscal year 2007-08 to \$47.6 billion in fiscal year 2011-12. The 2012-13 Proposed State Budget, assuming approval of the Governor's proposed tax initiatives, provides Proposition 98 funding of \$52.5 billion for K-12 education, an increase of \$4.9 billion from the previous fiscal year. When accounting for all state, federal and local property tax resources, total funding for K-12 education is projected to be \$67.1 billion in fiscal year 2012-13. Total per-pupil expenditures from all sources are projected to be \$10,610 in fiscal year 2011-12 and \$11,246 in fiscal year 2012-13, including funds provided for prior year "settle-up" obligations. K-12 Proposition 98 per-pupil expenditures in the 2012-13 Proposed State Budget are \$7,815 in fiscal year 2012-13, up significantly from the \$7,096 per-pupil provided in fiscal year 2011-12. For fiscal year 2011-12, K-12 average daily attendance ("A.D.A.") is estimated to be 5,950,041, an increase of 2,673 from fiscal year 2010-11. The 2012-13 Proposed State Budget estimates that K-12 A.D.A. will increase by an additional 20,734 to 5,970,775 in fiscal year 2012-13.

In addition to the projected, and assumed, new revenues, the 2012-13 Proposed State Budget proposes (i) a series of rebenchings of the Proposition 98 guarantee, which rebenchings are projected to provide for \$373 million of State general fund savings, (ii) a Proposition 98 general fund reduction of \$171 million to special education and community college apportionments in fiscal year 2011-12 to offset the increased property taxes resulting from the elimination of redevelopment agencies, and (iii) an increase of more than \$2.3 billion in Proposition 98 general fund to reduce inter-year budgetary deferrals for school districts and community colleges.

Certain major workload adjustments for K-12 programs included in the 2012-13 Proposed State Budget include the following:

- Cost-of-Living Adjustment Increases. The 2012-13 Proposed State Budget does not provide a cost-of-living-adjustment ("COLA") for any K-14 program in fiscal year 2012-13. The projected COLA for fiscal year 2012-13 is 3.17%, which would have provided a \$1.8 billion increase to the extent Proposition 98 resources were sufficient to provide that adjustment.
- Local Property Tax Adjustment. An increase of \$196 million for school district and county office of education revenue limits in fiscal year 2011-12 as a result of lower offsetting property tax revenues, and an increase of \$627 million for school district and county office of education revenue limits in fiscal year 2012-13 as a result of reduced offsetting property tax revenues.
- Average Daily Attendance. A decrease of \$694 million in fiscal year 2011-12 for school district and county office of education revenue limits as a result of a decrease in projected A.D.A. from the 2011-12 State Budget, and an increase of \$158 million in fiscal year

2012-13 for school district and county office of education revenue limits as a result of projected growth in A.D.A. for fiscal year 2012-13.

- K-14 Mandates Funding. An increase of \$110.1 million to support a new block grant program for K-14 mandates. The 2012-13 Proposed State Budget provides a total of \$200 million to fund a mandates block grant incentive program for K-14, while eliminating almost half of the current K-14 mandates. Incentives are created for schools to continue to comply with remaining previously mandated activities.
- Redevelopment Agency Elimination. An increase of \$1.1 billion in offsetting local property taxes for fiscal year 2012-13 due to the elimination of redevelopment agencies.
- Unemployment Insurance. An increase of \$21.8 million in fiscal year 2012-13 to fully fund the additional costs of unemployment insurance for local school districts and county offices of education.
- Charter Schools. An increase of \$50.3 million in Proposition 98 general fund for charter school categorical programs due to charter school growth. The 2012-13 Proposed State Budget proposes to improve in general the operational and financial playing field for charter schools through a series of changes.
- Reduce Child Care Costs. A decrease of \$446.9 million in non-Proposition 98 general fund and \$69.9 million in Proposition 98 general fund to State Department of Education child care programs to reflect changes to reimbursement rates, and to reflect the alignment of eligibility for low-income working family child care services with federal welfare-to-work work participation requirements.
- Transitional Kindergarten. A decrease of \$223.7 million Proposition 98 general fund to reflect the elimination of the requirement that schools provide transitional kindergarten instruction beginning in the 2012-13 academic year. These savings will be used to support existing education programs.
- Child Nutrition Program. A decrease of \$10.4 million in non-Proposition 98 general fund in fiscal year 2012-13 to reflect the elimination of supplemental reimbursement for free and reduced-price breakfast and lunch served at private schools and private child care centers. And an increase of \$37.2 million for fiscal year 2012-13 in State Department of Education federal local assistance funds to reflect growth of nutrition programs at schools and other participating agencies.

In addition, the 2012-13 Proposed State Budget proposes a new weighted pupil funding formula that will provide significant and permanent additional flexibility to school districts by consolidating the vast majority of categorical programs (excluding federally required programs such as special education) and revenue limit funding into a single source of funding. The formula will distribute these combined resources to school based on weighted factors that account for the variability in costs of educating specific student populations, thereby ensuring that funding will continue to be targeted to schools with large populations of disadvantaged pupils. The formula will be phased in over a period of five years. The programs that will be replaced by the new formula will immediately be made completely flexible for use in supporting any locally determined education purpose. The 2012-13 Proposed State Budget also adds a system of accountability measures that will be the basis for evaluating and rewarding school performance under this new finance model, which includes the current quantitative, test-based accountability measures and locally developed assessments and qualitative measures.

The complete 2012-13 Proposed State Budget is available from the California Department of Finance website at www.dof.ca.gov. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by such reference.

LAO Overview of 2012-13 Proposed State Budget. The Legislative Analyst's Office ("LAO"), a nonpartisan State office which provides fiscal and policy information and advice to the State Legislature, released its report on the 2012-13 Proposed State Budget entitled "The 2012-13 Budget: Overview of the Governor's Budget" on January 11, 2012 (the "2012-13 Budget Overview") in which the LAO disagreed with the \$9.2 billion budget gap estimated by the 2012-13 Proposed State Budget and projected a \$12.8 billion budget gap, a \$3.6 billion difference. This difference is mainly due to the different forecasts of personal income tax revenues, particularly for high-income tax filers. If the LAO's estimates are closer to the target than that in the 2012-13 Proposed State Budget, the State Legislature would have to pursue billions of dollars more in budget-balancing solutions. Further, the 2012-13 Budget Overview recognizes that the State's budget is already dependent on volatile income tax payments by the State's wealthiest individuals and raises concern that the 2012-13 Proposed State Budget is centered on the plan to have these wealthiest individuals pay more taxes, making the State more dependent on this uncertain revenue source.

In the 2012-13 Budget Overview, although the LAO disagrees with the projections provided by the 2012-13 Proposed State Budget, the LAO does agree that the 2012-13 Proposed State Budget, whether with the Governor's proposed tax initiatives or with the trigger package of cuts, would move the State's budget closer to balance over the next several years. The 2012-13 Budget Overview recommends the State Legislature adopt the basic restructuring approaches to the K-12 finance system, community college categorical funding model and education mandate system included in the 2012-13 Proposed State Budget regardless of the State's revenue situation, albeit with a few modifications to specific proposals such as the amount of mandates block grant funding provided or the specific mix of mandated programs that are eliminated versus made discretionary. The 2012-13 Budget Overview also recommends that the State Legislature adopt the proposal in the 2012-13 Proposed State Budget to avoid initiating major new programs beginning in fiscal year 2012-13, such as the transitional kindergarten program. While the 2012-13 Budget Overview finds that there are advantages to the proposed changes and reductions for CalWORKs and subsidized child care, it recognizes that there are potential trade-offs such as the negative impact on many of the State's low-income families.

The LAO believes that the Proposition 98 proposal in the 2012-13 Proposed State Budget generates significant uncertainty for schools districts as it is based upon revenues that would not materialize until midyear with a severe trigger package of cuts in case such revenues, dependent on the Governor's proposed tax initiatives, ultimately do not materialize. Such a scenario, according to the 2012-13 Budget Overview, would force school districts to adopt budgets assuming the \$2.4 billion in programmatic cuts and implement adjustments and reductions that the 2012-13 Proposed State Budget sought to avoid. In contrast, school districts that build budgets assuming the tax initiatives would be adopted could face very difficult midyear fiscal situations if the projected revenues do not materialize. The 2012-13 Budget Overview provides that the State Legislature should consider the unintended consequences of the trigger approach in the 2012-13 Proposed State Budget and be very deliberate in structuring a trigger package, as it in essence would determine the size and quality of the State's K-14 education program in fiscal year 2012-13. The LAO recommends that the State Legislature be cautious when considering the size of the trigger reduction, determining the specific K-14 reductions to impose in advance and designing tools to help school districts respond given the constraints they face in making midyear adjustments.

The 2012-13 Budget Overview is available on the LAO website at www.lao.ca.gov. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by such reference.

Changes in State Budget. The final fiscal year 2012-13 State budget, which requires approval by a majority vote of each house of the State Legislature, may differ substantially from the Governor's budget proposals. Accordingly, the District cannot predict the impact that the 2012-13 Proposed State Budget, or subsequent budgets, will have on its finances and operations. The final fiscal year 2012-13 State budget will be affected by national and State economic conditions and other factors which the District cannot predict.

Future Budgets and Budgetary Actions. The District cannot predict what actions will be taken in the future by the State Legislature and the Governor to address changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District will have no control. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State's ability to fund schools during fiscal year 2011-12 and in future fiscal years. Continued State budget shortfalls in fiscal year 2011-12 and future fiscal years could have a material adverse financial impact on the District.

District Revenues

Under Education Code Section 42238 and following, each school district is determined to have a target funding level: a "base revenue limit" per student multiplied by the district's student enrollment measured in units of average daily attendance ("A.D.A."). The base revenue limit is calculated from the district's prior-year funding level, as adjusted for a number of factors, such as inflation, special or increased instructional needs and costs, employee retirement costs, especially low enrollment, increased pupil transportation costs, etc. Generally, the amount of State funding allocated to each school district is the amount needed to reach that district's base revenue limit after taking into account certain other revenues, in particular, locally generated property taxes. This is referred to as State "equalization aid." To the extent local tax revenues increase due to growth in local property assessed valuation, the additional revenue is offset by a decline in the State's contribution; ultimately, a school district whose local property tax revenues exceed its base revenue limit is entitled to receive no State equalization aid, and receives only its special categorical aid, which is deemed to include the "basic aid" of \$120 per student per year guaranteed by Article IX, Section 6 of the Constitution. Such districts are known as "basic aid districts." Districts that receive some equalization aid are commonly referred to as "revenue limit districts."

The District is not a basic aid district. Local property tax revenues account for approximately 12.3% of the District's aggregate revenue limited income, and are budgeted to be approximately \$5.6 million, or 8.3% of total general fund revenues in fiscal year 2011-12. The County is a "Teeter Plan" county, which means that the District is made whole for any delinquencies in payment of property taxes by local property owners. Property tax levy and collection procedures (including the Teeter Plan) are discussed in the Official Statement under "LOCAL PROPERTY TAXATION – Tax Levies, Collections and Delinquencies." For a discussion of legal limitations on the ability of the District to raise revenues through local property taxes, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING REVENUES AND APPROPRIATIONS" herein.

Changes in local property tax income and student enrollment (A.D.A.) affect revenue limit districts and basic aid districts differently. In a revenue limit district, increasing enrollment increases the total revenue limit and thus generally increases a district's entitlement to State equalization aid, assuming

property tax revenues are unchanged. Operating costs increase disproportionately slowly—and only at the point where additional teachers and classroom facilities are needed. Declining enrollment has the reverse effect on revenue limit districts, generally resulting in a loss of State equalization aid, while operating costs decrease slowly and only when, for example, the district decides to lay off teachers or close schools. In basic aid districts, the opposite is generally true: increasing enrollment does increase the revenue limit, but since all revenue limit income (and more) is already generated by local property taxes, there is no increase in State income. Meanwhile, as new students impose increased operating costs, the fixed property tax income is stretched further. Declining enrollment does not reduce property tax income, and has a negligible impact on State aid, but eventually reduces operating costs, and thus is financially beneficial to a basic aid district. Enrollment can fluctuate due to factors such as population growth or decline, competition from private, parochial, and public charter schools, inter-district transfers in or out, and other causes.

The following table sets forth (i) the District's actual A.D.A., enrollment and base revenue limit per A.D.A. for fiscal years 2007-08 through 2010-11, and (ii) the District's projected A.D.A., enrollment and base revenue limit per unit of A.D.A. for fiscal year 2011-12, for kindergarten through grade 12, including special education.

SAN JACINTO UNIFIED SCHOOL DISTRICT
(County of Riverside, California)
Total Grades K-12, Second Period (P-2)
Average Daily Attendance, Enrollment and Base Revenue Limit
Fiscal Years 2007-08 Through 2011-12

Fiscal Year	Average Daily Attendance ⁽¹⁾	Enrollment	District Base Revenue Limit per Unit of A.D.A.
2007-08	8,483	9,134	5,801
2008-09	8,222	8,838	5,649
2009-10	8,482	9,063	4,966
2010-11	8,599	9,019	5,224
2011-12 ⁽²⁾	8,599	9,149	5,224

⁽¹⁾ A.D.A. for the second period of attendance, typically in mid-April of each school year.

⁽²⁾ Projected.

Source: San Jacinto Unified School District.

In its 2011-12 first interim report, the District projects that it will receive approximately \$45.71 million in aggregate revenue limit income in fiscal year 2011-12, or approximately 67% of its general fund revenues. State funds for special programs are currently budgeted to be \$7.2 million for fiscal year 2011-12. The District also expects to receive a small portion of its budget from State lottery funds, which may not be used for non-instructional purposes, such as the acquisition of real property, the construction of facilities, or the financing of research. School districts receive lottery funds proportional to their total A.D.A. The District's State lottery revenue is currently projected at \$1.2 million for fiscal year 2011-12.

District Expenditures

The largest part of each school district's general fund budget is used to pay salaries and benefits of certificated (credentialed teaching) and classified (non-instructional) employees. Changes in salary and benefit expenditures from year to year are generally based on changes in staffing levels, negotiated salary increases, and the overall cost of employee benefits.

In its fiscal year 2011-12 first interim report, the District projects that it will expend \$57.7 million in salaries and benefits, or approximately 79% of its general fund expenditures. This amount represents an increase of approximately 7.1% from the \$53.6 million the District expended in fiscal year 2010-11. As of June 30, 2011, the District employed 711 full-time equivalent ("FTE") employees, consisting of approximately 404 FTE certificated employees, 258 FTE classified employees, 41 FTE management employees and 8 FTE confidential employees

Labor Relations. Approximately 701 employees are represented by various labor organizations as shown in the table below. The remainder are not represented by any formal bargaining unit.

**SAN JACINTO UNIFIED SCHOOL DISTRICT
(County of Riverside, California)
Labor Organizations**

Labor Organization	Represented Employees	Contract Expiration
San Jacinto Teachers Association (Certificated employees)	404	June 30, 2012
California School Employees Association Chapter No. 189 (Classified employees)	297	June 30, 2012

Source: San Jacinto Unified School District.

Retirement Programs. The District participates in retirement plans with the State Teachers' Retirement System ("CalSTRS"), which covers all full-time certificated District employees, and the State Public Employees' Retirement System ("CalPERS"), which covers certain classified employees. Classified school personnel who are employed four or more hours per day may participate in CalPERS.

CalSTRS. Contributions to CalSTRS are fixed in statute. Teachers contribute 8% of salary to CalSTRS, while school districts contribute 8.25%. In addition to the teacher and school contributions, the State contributes 4.517% of teacher payroll to CalSTRS (calculated on payroll data from two fiscal years ago). Unlike typical defined benefit programs, however, neither the CalSTRS employer nor the State contribution rate varies annually to make up funding shortfalls or assess credits for actuarial surpluses. The State does pay a surcharge when the teacher and school district contributions are not sufficient to fully fund the basic defined benefit pension (generally consisting of 2% of salary for each year of service at age 60 referred to herein as "pre-enhancement benefits") within a 30-year period. However, this surcharge does not apply to systemwide unfunded liability resulting from recent benefit enhancements.

Because of the downturn in the stock market, an actuarial valuation as of June 30, 2003 showed a \$118 million shortfall in the baseline benefits—one-tenth of 1% of accrued liability. Consequently, the surcharge kicked in for the first time in the fiscal year 2004-05 at 0.524% for three quarterly payments, which amounted to an additional \$92 million from the State's general fund in fiscal year 2004-05. However, in addition to the small shortfall in pre-enhancement benefits (triggering the surcharge), the June 30, 2003, valuation also showed a substantial \$23 billion unfunded liability for the entire system, including enhanced benefits. As indicated above, there is no required contribution from teachers, school districts or the State to fund this unfunded liability.

CalSTRS has developed options to address the shortfall but most would require legislative action. In addition, in the Governor's 2005-06 Proposed State Budget and the 2005-06 May Revise of the 2005-06 Proposed Budget, the Governor proposed increasing the fixed contribution rate from 8.25% to 10.25% for school districts. Subsequently, the final 2005-06 State Budget was adopted with a contribution rate of 8.25%. In addition to the proposal by the Governor to increase the fixed contribution rate for school districts, other proposals have been suggested that would modify the District's obligation to make

contributions to CalSTRS to closely parallel the full cost of the retirement benefits provided by CalSTRS, which proposals would include components for unfunded liability. If these proposals were adopted, the District's annual obligations to CalSTRS would likely increase substantially.

The District's employer contributions to CalSTRS for fiscal years 2007-08, 2008-09, 2009-10 and 2001-11 were \$2,935,494, \$2,861,540, \$2,689,798 and \$2,586,671, respectively, and were equal to 100% of the required contributions for each year. The District projects that its employer contributions to CalSTRS for fiscal year 2011-12 will be approximately \$2,757,358.

CalPERS. All qualifying classified employees of K through 12 school districts in the State are members in CalPERS, and all of such districts participate in the same plan. As such, all such districts share the same contribution rate in each year. However, unlike school districts' participating in CalSTRS, the school districts' contributions to CalPERS fluctuate each year and include a normal cost component and a component equal to an amortized amount of the unfunded liability.

According to the CalPERS State and Schools Actuarial Valuation as of June 30, 2010, the CalPERS Plan for Schools had a funded ratio of 69.5% on a market value of assets basis. The funded ratio as of June 30, 2009, June 30, 2008 and June 30, 2007 was 65.0%, 93.8% and 107.8%, respectively. In June 2009, the CalPERS Board of Administration adopted a new employer rate smoothing methodology for local governments and school employer rates. It was designed to ease the impact of the investment losses which were then expected in fiscal year 2008-09 on affiliated public employers while strengthening the long-term financial health of the pension fund. Under the new methodology, investment losses will be amortized and paid off over a fixed and declining 30-year period instead of a rolling 30-year amortization period.

The District's employer contributions to CalPERS for fiscal years 2007-08, 2008-09, 2009-10 and 2010-11 were \$1,579,629, \$1,565,140, \$1,416,916 and \$1,475,760, respectively, and were equal to 100% of the required contributions for each year. The District projects that its employer contributions to CalPERS for fiscal year 2011-12 will be approximately \$1,816,279.

Governor's Pension Reform Proposal. Governor Brown has proposed his "Twelve Point Pension Reform Plan," which the Governor hopes will be considered by the legislature and by statewide initiatives in 2012. These proposals include, among other things, increasing the contributions by employees to their pensions, changing the structure of pensions by including a defined contribution component to CalSTRS and CalPERS and revising the method of calculating an employee's benefit level. The District cannot predict the final form of these proposals or whether they will be adopted into law. However, if adopted, these measures could lower future pension obligations of the District.

The District is unable to predict what the amount of State pension liabilities will be in the future, or the amount of the contributions which the District may be required to make. CalPERS and CalSTRS are more fully described in APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2011," Note 13.

Employee Flexible Benefit Plan. The District adopted a Section 125 Flexible Benefit Plan, effective April 1, 2001. Eligible participants must be at least 17 years old and work a minimum of 15 hours per week. The participant is eligible on the first day of the month following 30 days of employment. The maximum salary reduction allowed per plan year is \$15,000. Available benefits of the plan are: Group Hospital and Surgery Insurance, Disability Income Insurance, Cancer Coverage, Dental/Vision Insurance, Group Life Insurance, Dependent Care Assistance Plan and Medical Expense Reimbursement Plan. The District may, at its sole discretion, provide a non-elective contribution to provide benefits for each participant under the plan. This amount will be set by the District each plan year in a uniform and

nondiscriminatory manner. The District did not make any non-elective contributions during fiscal year 2010-11.

GASB 25 and 27. On July 8, 2011, the Governmental Accounting Standards Board ("GASB") released its exposure draft of proposed changes in pension accounting and financial reporting standards for state and local governments (GASB 25 and 27), and if implemented, these changes will impact the accounting treatment of pension plans, such as CalSTRS and CalPERS, in which state and local governments, like the District, participate. Major changes include: (i) the inclusion of unfunded pension liabilities on the government's balance sheet (such unfunded liabilities are currently typically included as notes to the government's financial statements); (ii) full pension costs would be shown as expenses regardless of actual contribution levels; (iii) lower actuarial discount rates would be required to be used for most plans for certain purposes of the financial statements, resulting in increased liabilities and pension expenses; and (iv) shorter amortization periods for unfunded liabilities would be required to be used for certain purposes of the financial statements, which generally would increase pension expenses. Following public comments on the exposure draft in 2011, new standards could be adopted in final form in 2012 and are expected to take effect in fiscal years beginning mid-2013 for most employers. The District cannot predict whether GASB will implement these proposed changes in its accounting standards.

Supplemental Employee Retirement Plan (SERP #1). The Board of Trustees of the District established a retirement plan for certain eligible employees of the District effective July 1, 2009. In order to be eligible to participate in such plan, the employee must: (i) be certificated management, certificated (non-management), classified or classified management/confidential, (ii) be full-time, (iii) be age 55 and up with three years of service with the District, (iv) be eligible to retire with CalSTRS or CalPERS and (v) retire from the District during an agreed timeline. The plan provided two options as follows:

1. The benefit under SERP #1 based on a flat spend amount of 75% of salary with enhanced retiree health benefits (an additional \$5,000 annually prorated based on the employee's full time equivalent status at the time of retirement); or
2. 90% of salary with no health benefits or the normal benefits as outlined in employee agreements and as determined by the District.

Under either option, the retiree chooses between a variety of options for retirement payments. On June 30, 2011, there were 31 participants that elected early retirement under SERP #1. Future minimum annual payments are projected as follows:

Year Ending June 30,	Projected Minimum Annual Payments
2012	\$417,692
2013	402,791
2014	<u>60,625</u>
Total	<u>\$881,108</u>

Supplemental Employee Retirement Plan (SERP #2). The Board of Trustees of the District established a retirement plan for certain eligible employees of the District effective July 1, 2011. In order to be eligible to participate in such plan, the employee must: (i) be certificated (non-management), (ii) be full-time, (iii) be age 55 and up with three years of service with the District, (iv) be eligible to retire with CalSTRS or CalPERS and (v) retire from the District during an agreed timeline. The plan provided one option as follows:

1. The benefit under SERP #2 based on a flat spend amount of 90% of salary with enhanced retiree health benefits (an additional \$5,000 annually prorated based on the employee's full time equivalent status at the time of retirement). The retiree chooses between a variety of options for retirement payments.

On June 30, 2011, there were 19 (13 eligible for benefits) participants that elected early retirement under SERP #2. Future minimum annual payments are projected as follows:

Year Ending June 30,	Projected Minimum Annual Payments
2012	\$313,407
2013	309,240
2014	300,074
2015	281,324
2016	<u>27,083</u>
Total	<u>\$1,231,128</u>

Other Post-Employment Benefits (OPEBs). In addition to the above-described retirement plan benefits, the District provides certain post retirement medical benefits, in accordance with District employment contracts, to employees who retire from the District that meet specific criteria for the various plans. The following is a description of the District's current retiree benefit plan, which is a single-employer defined benefit healthcare plan:

	Certificated	Classified ⁽¹⁾
Benefit types provided	Medical only	Medical only
Duration of Benefits	To age 65	To age 65
Required Service and Minimum Age	20 years of service at age 55 25 years of service at age 60	20 years of service at age 55 25 years of service at age 60
Dependent Coverage	Yes	Yes
District Contribution %	100%	100%
District Cap	\$3,000 per year at age 55 and 20 years of service; \$5,000 per year at age 60 and 25 years of service;	\$3,000 per year at age 55 and 20 years of service; \$5,000 per year at age 60 and 25 years of service;

⁽¹⁾ Classified employees hired prior to 7/1/08 receive different, grandfathered benefits.

Certain retirees, including management employees, receive benefits under individual arrangements.

The Governmental Accounting Standards Board released its Statement Number 45 ("Statement Number 45"), which requires municipalities to account for other post-employment benefits (meaning other than pension benefits) ("OPEB") liabilities much like municipalities are required to account for pension benefits. The expense is generally accrued over the working career of employees, rather than on a pay-as-you-go basis, which has been the practice for most municipalities and public sector organizations. OPEBs generally include post-employment health benefits (medical, dental, vision, prescription drug and mental health), life insurance, disability benefits and long term care benefits. Statement Number 45 was phased in over a three-year period based upon the entity's revenues. Statement Number 45 became effective for the District beginning in the fiscal year ended June 30, 2009.

The contribution requirement of plan members and the District are established under a funding policy approved by the District's Board of Trustees, and may be amended by the District from time to time. The District does not currently contribute an amount equal to the current year's annual required contribution (ARC) determined under Statement 45. The District's contributions are based on pay-as-you-go financing requirements. The District's contributions for these benefits for fiscal years 2007-08, 2008-09, 2009-10, 2010-11 were \$49,580, \$75,069, \$141,086 and \$116,527, respectively.

Total Compensation Systems, Inc., Agoura Hills, California, has prepared an actuarial valuation of the District's retiree medical benefits and reports that, as of October 27, 2011, the District had an accrued unfunded liability of \$2,670,237. The valuation assumes a discount rate of 5% and a long-term health care cost increase trend of 4% per year. As of October 31, 2011, the accrual accounting method under Statement Number 45 would have required an annual required contribution for such fiscal year of \$357,752. However, the District currently intends to continue making pay-as-you-go contributions and not to pre-fund its OPEB obligations. These benefits are more fully described in Note 8 and Note 11 to the District's financial statements attached hereto as APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2011."

Compensated Absences. The long-term portion of accumulated and unpaid employee vacation for the District as of June 30, 2011 was \$35,270.

Summary of District Revenues and Expenditures

The following table summarizes the District's general fund revenue, expenditures and fund balances from fiscal years 2010-11 and 2011-12. See "SCHOOL DISTRICT BUDGET PROCEDURES AND REQUIREMENTS – District Budget Process and County Superintendent Review" for a general description of the annual budget process for California school districts. The District's audited financial statements for the year ending June 30, 2011, are reproduced in APPENDIX B. The final (unaudited) statement of receipts and expenditures for each fiscal year ending June 30 is required by State law to be approved by the District's Board of Trustees by September 15, and the audit report must be filed with the Riverside County Superintendent of Schools and State officials by December 15 of each year.

The District is required by State law and regulation to maintain various reserves. The District is generally required to maintain a reserve for economic uncertainties in the amount of 3% of its total general fund expenditures, based on total student attendance. For fiscal year 2011-12, the District originally budgeted an unrestricted general fund reserve of 5%, or approximately \$3.6 million. Substantially all funds of the District are required by law to be deposited with and invested by the County Treasurer on behalf of the District, pursuant to law and the investment policy of the County. See APPENDIX D – "SUMMARY OF RIVERSIDE COUNTY INVESTMENT POLICIES AND PRACTICES – DESCRIPTION OF INVESTMENT POOL."

SAN JACINTO UNIFIED SCHOOL DISTRICT
(County of Riverside, California)
General Fund Revenues, Expenditures and Fund Balances
Fiscal Year 2010-11 and Fiscal Year 2011-12

	2010-11 Budgeted ⁽¹⁾	2010-11 Actual ⁽²⁾	2011-12 Budgeted ⁽³⁾
REVENUE/RECEIPTS			
Revenue Limit Sources	\$ 42,091,836.00	\$ 45,180,252.86	\$ 45,667,447.00
Federal Revenue	6,894,126.00	7,326,690.55	7,685,270.00
Other State Revenue	7,203,956.00	8,201,096.46	7,646,129.00
Other Local Revenue	4,722,159.00	5,834,788.65	4,422,408.00
TOTAL	\$60,912,077.00	\$66,542,828.52	\$65,421,254.00
EXPENDITURES/DISBURSEMENTS			
Certificated Salaries	32,022,687.00	31,961,392.75	33,591,213.00
Classified Salaries	9,259,421.00	9,266,607.05	10,353,984.00
Employee Benefits	12,252,454.00	12,373,916.71	13,694,666.00
Books and Supplies	3,347,804.00	2,563,418.88	2,229,400.00
Services/Other Operating Expenditures	9,426,476.00	8,963,736.16	10,250,393.00
Capital Outlay	12,710.00	157,000.38	22,185.00
Other Outgo (excluding Transfers of Indirect Costs)	674,854.00	871,366.65	100,000.00
Transfers of Indirect/Direct Support Costs	(189,644.00)	(154,809.78)	(181,846.00)
TOTAL	66,806,762.00	66,002,628.80	70,049,995.00
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,894,685.00)	540,199.72	(4,628,741.00)
OTHER FINANCING SOURCES/(USES)			
Transfers In	-	2,187.31	-
Transfers Out	(82,079.00)	386,319.00	82,079.00
Sources	-	-	-
Uses	-	-	-
Contributions	-	-	-
TOTAL	(82,079.00)	(384,131.69)	(82,079.00)
NET INCREASE (DECREASE) IN FUND BALANCE			
Fund Balance, beginning of year	(5,976,764.00)	156,068.03	(4,710,820.00)
Fund Balance, end of year	15,271,152.00	18,417,328.53	17,142,251.00
Fund Balance, end of year	\$9,294,388.00	\$18,573,396.56	\$12,431,432.00

- (1) Original adopted budget.
(2) Unaudited actuals.
(3) Original adopted budget.

As of the District's 2011-12 first interim report, the District projected that total General Fund revenues for fiscal year 2011-12 would be approximately \$68.1 million and expenditures would be approximately \$72.3 million, resulting in an ending balance of approximately \$14 million. The changes from the adopted budget are primarily due to routine revenue and expenditure projection revisions.

Significant Accounting Policies and Audited Financial Reports

The State Department of Education imposes by law uniform financial reporting and budgeting requirements for K through 12 school districts. Financial transactions are accounted for in accordance with the Department of Education's California School Accounting Manual. This manual, according to Section 41010 of the Education Code, is to be followed by all California school districts, including the District. Significant accounting policies followed by the District are explained in Note 1 to the District's

audited financial statements for the fiscal year ended June 30, 2011, which are attached hereto as APPENDIX B.

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. The following tables contain data abstracted from financial statements prepared by the District's current independent auditor, Vavrinek, Trine, Day & Co., LLP, Certified Public Accountants, Rancho Cucamonga, California, for fiscal years 2006-07 through 2010-11.

Vavrinek, Trine, Day & Co., LLP has not been requested to consent to the use or to the inclusion of its reports in this Official Statement, and they have neither audited nor reviewed this Official Statement. The District is required by law to adopt its audited financial statements after a public meeting to be conducted no later than January 31 following the close of each fiscal year.

The following tables show the statement of revenues, expenditures and changes in fund balances for the District's general fund for the fiscal years 2006-07 through 2010-11.

SAN JACINTO UNIFIED SCHOOL DISTRICT
(County of Riverside, California)
Statement of General Fund Revenues, Expenditures and Changes in Fund Balance
Fiscal Years 2006-07 through 2010-11

	2006-07 Actuals	2007-08 Actuals	2008-09 Actuals	2009-10 Actuals	2010-11 Actuals
REVENUES					
Revenue limit sources	\$ 46,750,833	\$ 49,169,667	\$ 48,316,584	\$ 42,350,226	\$ 45,180,252
Federal sources	5,894,945	6,174,320	8,973,304	8,020,930	7,326,691
Other State sources	13,810,359	14,854,963	11,477,247	9,401,790	9,155,467
Other local sources	5,510,132	6,232,445	5,642,106	6,047,785	5,834,790
Total Revenues	71,966,269	76,431,395	74,409,241	65,820,731	67,497,200
EXPENDITURES					
Current					
Instruction	44,720,785	49,150,404	46,231,314	44,313,931	43,566,981
Instruction-related activities:					
Supervision of instruction	1,838,508	2,093,613	1,983,066	1,869,727	1,994,899
Instructional library, media and technology	608,267	608,395	547,417	461,546	476,833
School site administration	6,703,542	6,993,445	6,727,120	6,245,584	6,153,291
Pupil services:					
Home-to-school transportation	1,757,428	2,207,403	1,873,338	1,971,517	1,424,514
Food services	15,152	18,476	32,690	45,108	33,306
All other pupil services	3,328,072	3,530,412	2,908,294	2,434,765	2,334,863
General administration:					
Data processing	881,088	793,230	626,043	646,332	710,729
All other general administration	3,553,433	3,367,883	3,331,289	3,241,337	3,110,564
Plant services	6,651,989	6,588,143	6,026,336	6,450,400	6,531,581
Facility acquisition and construction	93,985	459,624	582,754	155,562	110,814
Other outgo	-	-	-	-	-
Debt service					
Principal	22,654	116,275	146,051	100,721	20,890
Interest and other	18,371	13,650	9,737	8,734	27,540
Total Expenditures	70,393,274	75,940,953	71,025,449	67,945,264	66,496,805
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,572,995	490,442	3,383,792	(2,124,533)	1,000,395
Other Financing Sources (Uses):					
Transfers in	-	3,080	-	-	2,187
Other sources	-	-	111,049	990,517	-
Transfers out	(344,096)	(931,984)	(36,070)	(412,910)	(846,514)
Other uses	(383,788)	-	-	-	-
Net Financing Sources (Uses)	(727,884)	(928,904)	74,979	577,607	(844,327)
NET CHANGE IN FUND BALANCES	845,111	(438,462)	3,458,771	(1,546,926)	156,068
Fund Balance - Beginning	16,098,835	16,943,946	16,505,484	19,964,255	18,417,329
Fund Balance - Ending	\$ 16,943,946	\$ 16,505,484	\$ 19,964,255	\$ 18,417,329	\$ 18,573,397

Source: San Jacinto Unified School District Audited Financial Reports for fiscal years 2006-07 through 2010-11.

The following table shows the general fund balance sheets of the District for the fiscal years 2006-07 through 2010-11.

SAN JACINTO UNIFIED SCHOOL DISTRICT
(County of Riverside, California)
Summary of General Fund Balance Sheet
Fiscal Years 2006-07 Through 2010-11

	Fiscal Year 2006-07	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10	Fiscal Year 2010-11
ASSETS					
Deposits and investments	\$ 13,527,313	\$ 13,103,426	\$ 12,790,089	\$ 8,417,632	\$ 5,247,331
Receivables	7,382,576	7,447,623	10,678,354	12,647,085	16,456,124
Due from other funds	725,668	156,451	316,941	84,655	371,687
Stores inventories	-	-	-	-	-
Prepaid expenses	3,216	851	-	-	-
Other current assets	-	-	-	-	-
Total Assets	\$ 21,638,773	\$ 20,708,351	\$ 23,785,384	\$ 21,149,372	\$ 22,075,142
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 2,094,843	\$ 2,847,346	\$ 2,681,582	\$ 2,286,032	\$ 1,479,309
Due to other funds	360,060	473,549	36,674	53,770	406,813
Deferred revenue	2,239,924	881,972	1,102,873	392,241	1,615,623
Total Liabilities	4,694,827	4,202,867	3,821,129	2,732,043	3,501,745
Fund Balances:					
Reserved for:					
Revolving cash	-	10,000	10,000	10,000	10,000
Stores inventories	-	-	-	-	-
Prepaid expenditures	-	851	-	-	-
Legally restricted balance	-	5,301,332	8,865,738	9,942,958	5,691,221
Other reservations	7,819,788 ⁽¹⁾	-	-	-	-
Unreserved:					
Designated	9,086,101	11,193,301	11,088,517	8,464,371	9,552,729
Undesignated, reported in:					
General fund	38,057	-	-	-	3,319,447
Special revenue funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Total Fund Balance	16,943,946	16,505,484	19,964,255	18,417,329	18,573,397
Total Liabilities and Fund Balances	\$ 21,638,773	\$ 20,708,351	\$ 23,785,384	\$ 21,149,372	\$ 22,075,142

⁽¹⁾ Generally represents the amount of the legally restricted balance for fiscal year 2006-07.

Source: San Jacinto Unified School District Audited Financial Reports for fiscal years 2006-07 through 2010-11.

District Cash Flows

The District's general fund expenditures tend to be heaviest in the middle and end of the school year and lightest during the summer months. Receipts follow an uneven pattern, primarily because secured tax installment payment dates are in December and April. The District exercises virtually no control over the amount or timing of its own revenues. The level of receipts depends on assessed value of taxable property and State income. (See " – State Funding of Education; State Budget Process" above.) The timing of receipt of State funds is dictated by statute, which funds are subject to deferral. (See "THE NOTES – Deferred Revenues" above.) The timing of receipt of local property tax revenues depends on County policy. The timing and level of expenditures are largely predictable, depending primarily on scheduled employee payrolls and benefits payments as negotiated with employee labor organizations for the current year. The following tables show actual/projected general fund cash receipts and disbursements for fiscal year 2011-12 and projected cash receipts and disbursements for fiscal year 2012-13. The projected monthly receipts and disbursements take the receipt of Note proceeds and repayment of the Notes into consideration.

SAN JACINTO UNIFIED SCHOOL DISTRICT
(County of Riverside, California)
Fiscal Year 2011-12

Actual/Projected General Fund Cash Flows

	July 2011 (Actual)	August 2011 (Actual)	September 2011 (Actual)	October 2011 (Actual)	November 2011 (Actual)	December 2011 (Actual)	January 2012 (Projected)	February 2012 (Projected)	March 2012 (Projected)	April 2012 (Projected)	May 2012 (Projected)	June 2012 (Projected)	2011-12 Total (Projected)
Receipts													
Beginning Cash Balance	\$5,237,331.00	\$6,881,448.72	\$8,799,719.40	\$13,478,372.97	\$9,300,028.71	\$8,918,171.12	\$9,748,649.26	\$14,836,738.70	\$12,087,855.32	\$5,868,569.55	\$11,107,225.03	\$7,827,966.98	
Revenue Limit Sources	7,233.79	435,828.75	4,684,071.01	305,825.54	3,260,872.71	5,268,622.90	10,476,101.62	172,013.27	(46,893.76)	4,115,487.22	857,727.51	234,501.78	29,771,392.34
Federal Revenues		155,581.41	2,074,481.59	138,778.61	495,025.75	273,949.45	215,904.40	2,039,948.80	141,642.91	538,591.28	414,045.00	1,013,830.05	7,501,779.25
Other State Revenues	72,709.00	739,554.75	680,409.73	502,542.35	666,178.50	514,570.00	986,697.54	464,425.24	289,094.76	856,394.01	348,854.65	157,851.00	6,279,281.53
Other Local Revenues	65,357.37	5,342.55	508,359.36	148,079.01	67,240.59	1,041,856.99	12,515.56	1,177,858.99			1,190,374.55		4,216,984.97
Interfund Transfers In													
All Other Financing Sources													
Disbursements													
Total Receipts	145,300.16	1,336,307.46	7,947,321.69	1,095,225.51	4,489,317.55	7,098,999.34	11,691,219.12	3,854,246.30	383,843.91	5,510,472.51	2,811,001.71	1,406,182.83	47,769,438.09
Certificated Salaries	339,254.12	2,798,591.55	2,791,186.50	2,889,466.85	2,904,226.54	2,979,839.25	2,961,999.22	2,961,999.22	2,961,999.22	2,961,999.22	2,961,999.22	3,291,091.66	32,753,652.57
Classified Salaries	365,259.36	878,551.64	765,277.57	866,013.86	938,461.42	936,253.99	897,312.21	897,312.21	897,312.21	897,312.21	897,312.21	997,012.42	10,233,391.31
Employee Benefits	1,300,637.96	1,295,611.06	1,049,374.02	1,015,815.19	521,152.46	1,437,341.13	1,143,900.36	1,143,900.36	1,143,900.36	1,143,900.36	1,143,900.36	1,271,001.89	13,610,435.51
Books and Supplies	11,314.01	264,484.74	207,948.99	146,153.30	196,172.14	167,300.32	546,281.09	546,281.09	546,281.09	468,242.12			3,100,458.89
Services and Other	325,053.24	737,399.98	446,317.40	521,295.22	466,522.17	791,771.13	1,079,747.99	1,079,747.99	1,079,747.99	1,079,747.99	1,079,747.99	1,079,747.99	9,766,847.08
Operating		84,451.47	14,281.00	1,667.45	10,201.28		8,074.71	8,074.71	8,074.71	6,921.15			141,746.48
Capital Outlay			3,409.00										3,409.00
Direct Support/Indirect Cost													
Debt Service	124,852.76			(3,827.43)	(2,422.37)	(2,073.62)							(210,617.79)
Interfund Transfers Out				30,000.00								0.62	154,853.38
All Other Financing Uses													
Total Disbursements	2,466,371.45	6,059,090.44	5,277,794.48	5,466,584.44	5,034,313.64	6,260,432.20	6,637,315.58	6,637,315.58	6,637,315.58	6,558,123.05	6,082,959.78	6,436,560.21	69,554,176.43
Assets													
Revolving Cash Account													
Cash with a Fiscal Agent/Trustee													
Accounts Receivable	4,778,332.68	6,923,554.99	4,010,664.60	320,260.25	65,636.00	10,820.00	77,031.11	77,031.11	77,031.11	35,545.23	35,545.23	44,661.91	16,456,114.22
Due from Other Funds	230,000.00		141,687.35		100,000.00							230,000.13	701,687.48
Temp Loans	(230,000.00)			(100,000.00)									(330,000.00)
TRANS										6,293,606.00			
Total Assets	4,778,332.68	6,923,554.99	4,152,351.95	220,260.25	165,636.00	10,820.00	77,031.11	77,031.11	77,031.11	6,329,151.23	35,545.23	274,662.04	16,827,801.70
Liabilities													
Accounts Payable													
Due to Grantor	813,143.67	282,501.33	120,789.00	27,245.58	2,497.50	18,909.00	42,845.21	42,845.21	42,845.21	42,845.21	42,845.21	(1.46)	1,479,310.67
Due to Other Funds													
Deferred Revenue													
TRANS													
Total Liabilities	813,143.67	282,501.33	120,789.00	27,245.58	2,497.50	18,909.00	42,845.21	42,845.21	42,845.21	42,845.21	42,845.21	(1.46)	3,501,747.26
Ending Cash Balance	\$6,881,448.72	\$8,799,719.40	\$13,478,372.97	\$9,300,028.71	\$8,918,171.12	\$9,748,649.26	\$14,836,738.70	\$12,087,855.32	\$5,868,569.55	\$11,107,225.03	\$7,827,966.98	\$3,072,253.10	

Source: San Jacinto Unified School District. [TABLE SUBJECT TO MODIFICATION]

SAN JACINTO UNIFIED SCHOOL DISTRICT
(County of Riverside, California)
Fiscal Year 2012-13
Projected General Fund Cash Flows

	July 2012 (Projected)	August 2012 (Projected)	September 2012 (Projected)	October 2012 (Projected)	November 2012 (Projected)	December 2012 (Projected)	January 2013 (Projected)	February 2013 (Projected)	March 2013 (Projected)	April 2013 (Projected)	May 2013 (Projected)	June 2013 (Projected)	2012-2013 Total (Projected)
Beginning Cash Balance	\$3,072,253.10	\$8,875,346.21	\$11,345,574.12	\$13,377,732.30	\$1,455,482.79	\$1,529,792.87	\$1,619,664.10	\$7,247,621.22	\$5,292,539.07	(\$406,585.82)	(\$1,120,489.57)	(\$4,140,437.75)	
Revenue													
Revenue Limit Sources	292,809.30	292,809.30	4,820,778.24	-	3,708,290.95	6,050,765.35	10,424,417.91	206,016.16	-	4,237,823.11	910,857.79	292,809.30	31,237,377.41
Federal Revenues	-	-	1,203,207.60	30,000.00	922,830.00	106,013.38	343,773.60	2,356,784.75	159,456.25	474,260.75	414,045.00	1,200,685.31	7,221,056.64
Other State Revenues	32,078.08	32,078.08	385,489.86	941,697.98	816,631.41	321,627.12	1,159,173.23	475,715.06	452,526.48	846,628.16	367,604.21	298,297.32	6,129,546.99
Other Local Revenues	-	-	1,317,509.50	11,700.00	-	-	11,700.00	1,317,509.50	-	-	1,329,209.50	-	3,987,628.50
Interfund Transfers In	-	-	-	-	-	-	-	-	-	-	-	-	-
All Other Financing Sources	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Receipts	324,887.38	324,887.38	7,726,985.20	983,397.98	5,447,752.36	6,478,405.85	11,939,064.74	4,356,025.47	611,982.73	5,558,712.02	3,021,716.50	1,791,791.93	48,565,609.54
Disbursements													
Certificated Salaries	1,002,354.12	1,336,472.16	3,007,062.36	3,007,062.36	3,007,062.36	3,007,062.36	3,007,062.36	3,007,062.36	3,007,062.36	3,007,062.36	3,007,062.36	3,341,180.40	32,743,567.92
Classified Salaries	312,983.13	417,310.84	938,949.39	938,949.39	938,949.39	938,949.39	938,949.39	938,949.39	938,949.39	938,949.39	938,949.39	1,043,277.10	10,224,115.58
Employee Benefits	415,938.75	554,585.01	1,247,816.26	1,247,816.26	1,247,816.26	1,247,816.26	1,247,816.26	1,247,816.26	1,247,816.26	1,247,816.26	1,247,816.26	1,386,462.52	13,587,332.62
Books and Supplies	554,904.59	554,904.59	554,904.59	258,955.47	258,955.47	258,955.47	258,955.47	258,955.47	258,955.47	221,961.83	-	-	3,440,408.42
Services and Other	847,836.67	847,836.67	1,047,836.67	847,836.67	847,836.67	847,836.67	847,836.67	847,836.67	847,836.67	847,836.67	847,836.67	847,836.67	10,374,040.04
Operating	22,473.15	22,473.15	22,473.15	10,487.47	10,487.47	10,487.47	10,487.47	10,487.47	10,487.47	8,989.26	-	-	139,333.53
Capital Outlay	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Outgo	-	-	-	-	-	-	-	-	-	-	-	-	-
Direct Support/	-	-	-	-	-	-	-	-	-	-	-	-	-
Indirect Cost	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	77,427.00	-	-	-	-	-	(210,618.00)	(210,618.00)
Interfund Transfers Out	-	-	-	-	-	-	-	-	-	-	-	77,427.00	154,854.00
All Other Financing Uses	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Disbursements	3,156,490.41	3,733,582.42	6,819,042.42	6,311,107.62	6,311,107.62	6,388,534.62	6,311,107.62	6,311,107.62	6,311,107.62	6,272,615.77	6,041,664.68	6,485,565.69	70,453,034.11
Assets													
Revolving Cash Account	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash with a Fiscal Agent/Trustee	-	-	-	-	-	-	-	-	-	-	-	-	-
[Accounts Receivable]	[9,158,893.24]	[6,403,120.05]	[1,648,412.50]	[369,120.23]	[1,461,862.44]	-	-	-	-	-	-	[0.01]	[19,041,408.47]
Due from Other Funds	-	-	-	-	-	-	-	-	-	-	-	-	-
Temp Loans	-	-	-	-	-	-	-	-	-	-	-	-	-
TRANS	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Assets	9,158,893.24	6,403,120.05	1,648,412.50	369,120.23	1,461,862.44	-	-	-	-	-	-	0.01	19,041,408.47
Liabilities													
Accounts Payable (Current Liabilities)	524,197.10	524,197.10	524,197.10	524,197.10	524,197.10	-	-	-	-	-	-	-	2,620,985.50
Due to Grantor	-	-	-	-	-	-	-	-	-	-	-	-	-
Governments	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to Other Funds	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-
TRANS	-	-	-	6,439,463.00	-	-	-	-	-	-	-	-	6,439,463.00
Total Liabilities	524,197.10	524,197.10	524,197.10	6,963,660.10	524,197.10	-	-	-	-	-	-	-	9,060,448.50
Ending Cash Balance	\$8,875,346.21	\$11,345,574.12	\$13,377,732.30	\$1,455,482.79	\$1,529,792.87	\$1,619,664.10	\$7,247,621.22	\$5,292,539.07	(\$406,585.82)	(\$1,120,489.57)	(\$4,140,437.75)	(\$4,140,437.75)	

Source: San Jacinto Unified School District. [TABLE SUBJECT TO MODIFICATION]

District Debt Structure

Tax and Revenue Anticipation Notes. The District has not previously issued tax and revenue anticipation notes.

Summary of Long-Term Obligations. The changes in the District's long-term obligations during fiscal year 2010-11 consisted of the following:

	Balance July 1, 2010	Additions/ Adjustments	Deductions	Balance June 30, 2011	Due in One Year
General obligation bonds	\$44,450,764	\$ -	\$ 248,426	\$44,202,338	\$ 238,046
Premium on bond	1,553,619	-	42,760	1,510,859	-
Certificates of participation	43,380,000	-	-	43,380,000	750,000
Discount on issuance	(742,818)	-	25,468	(717,350)	-
Capital Leases	66,481	-	20,890	45,591	22,136
Other postemployment benefits					
SERP	313,475	2,466,943	668,182	2,112,236	731,099
Net OPEB obligation	274,937	245,546	116,527	403,956	-
Compensated Absences	31,361	3,909	-	35,270	-
	<u>\$89,327,819</u>	<u>\$2,716,398</u>	<u>\$1,122,253</u>	<u>\$90,972,900</u>	<u>\$1,741,281</u>

General Obligation Bonds. Since 1996, the District has conducted two bond elections and issued bonds as described below. All such bonds are payable from a special *ad valorem* property tax which the County is required to levy in an amount sufficient to pay such obligations.

On November 5, 1996, the District received authorization at an election of the registered voters of the District to issue not to exceed \$6,500,000 of general obligation bonds. On March 27, 1997, the District issued its 1997 General Obligation Bonds, Series A in the aggregate principal amount of \$3,500,000. On February 5, 1998, the District issued its 1998 General Obligation Bonds, Series B in the aggregate principal amount of \$3,000,000.

On November 7, 2006, the District's voters approved a bond proposition in the amount of \$150 million (the "2006 Authorization"). On August 30, 2007, the District issued its General Obligation Bonds, Election of 2006, Series 2007 (the "2007 Bonds") in the aggregate principal amount of \$42,000,000, leaving \$108,000,000 principal amount of bonds authorized under but unissued under the 2006 Authorization.

The outstanding bonded debt of the District is as follows:

Issue Date	Interest Rate	Maturity Date	Original Issue	Bonds			Bonds Outstanding June 30, 2011
				Outstanding July 1, 2010	Issued	Redeemed	
1997	3.90-5.60%	2022	\$ 3,500,000	\$ 1,236,519	\$ -	\$ 130,717	\$ 1,105,802
1998	3.80-4.75%	2023	3,000,000	1,324,245	-	117,709	1,206,536
2007	4.25-5.258%	2033	42,000,000	41,890,000	-	-	41,890,000
				<u>\$44,450,764</u>	<u>\$ -</u>	<u>\$248,426</u>	<u>\$44,202,338</u>

The general obligation bonds described above mature through 2033 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2012	\$ 238,046	\$ 2,466,104	\$ 2,704,150
2013	228,506	2,485,644	2,714,150
2014	219,064	2,505,086	2,724,150
2015	207,619	2,521,531	2,729,150
2016	199,519	2,539,631	2,739,150
2017-2021	5,232,947	12,619,184	17,852,131
2022-2026	12,636,637	9,328,920	21,965,557
2027-2031	20,815,000	4,106,156	24,921,156
2032-2033	4,425,000	231,656	4,656,656
Total	<u>\$44,202,338</u>	<u>\$38,803,912</u>	<u>\$83,006,250</u>

Certificates of Participation. In January 2010, the District, pursuant to a sublease agreement with the San Jacinto Unified School District Facilities Corporation, executed and delivered the San Jacinto Unified School District Certificates of Participation (2010 Refunding) evidencing principal in the amount of \$43,380,000 (the "2010 Refunding Certificates"). Proceeds of the 2010 Refunding Certificates were applied, together with other available funds, to prepay all of the District's previously outstanding certificates of participation. The 2010 Refunding Certificates have a final payment date of September 1, 2041, and as of June 30, 2011, the principal balance outstanding was \$43,380,000. The unamortized discount and deferred cost of issuance for the 2010 Refunding Certificates as of June 30, 2011, were \$717,350 and \$1,127,139, respectively.

The Certificates mature through 2041 as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 765,000	\$ 2,110,225	\$ 2,860,225
2013	765,000	2,091,250	2,860,250
2014	785,000	2,068,000	2,853,000
2015	810,000	2,044,075	2,854,075
2016	830,000	2,019,475	2,849,475
2017-2021	4,650,000	9,581,691	14,231,691
2022-2026	5,750,000	8,434,559	14,184,559
2027-2031	7,320,000	6,811,769	14,131,769
2032-2036	9,450,000	4,620,619	14,070,619
2037-2041	12,270,000	1,717,850	13,987,850
Total	<u>\$43,380,000</u>	<u>\$41,499,513</u>	<u>\$84,879,513</u>

Capital Leases. The District has entered into agreements to lease various facilities and equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The District's liability on lease agreements with options to purchase is summarized below:

Balance, July 1, 2010	\$74,559
Payments	(24,853)
Balance, June 30, 2011	<u>\$ 49,706</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2012	24,853
2013	<u>24,853</u>
Total	<u>49,706</u>
Less: amount representing interest	<u>(4,115)</u>
Present Value of Minimum Lease Payments	<u>\$45,591</u>

Post-Employment Benefits. For a description of the District's post-employment benefits, see "DISTRICT FINANCIAL AND OPERATING INFORMATION – District Expenditures" herein.

Estimated Insurance Claims – Workers' Compensation. Liabilities for claims for all injury and compensation cases are established by the District's independent administrator. These liabilities are based upon estimates, which are reviewed periodically for adequacy, adjusted if needed, and terminated upon the closing of each claim. Ending liabilities balances of \$5,844,113 were accepted as estimated by the District's administrator and are reflected as an expenditure in the year payable from available resources.

Capital Financing Plan

In 2006, the District identified facility improvement needs of approximately \$476.9 million. The District received authorization to issue \$150,000,000 of general obligation bonds under the 2006 Authorization. On August 30, 2007, the District issued the 2007 Bonds under such authorization in the aggregate principal amount of \$42,000,000. The District expects to issue the balance of the authorized bonds when the District's assessed valuation rebounds. The proceeds of its authorized bonds, combined State matching grant funds that the District has received or expects to receive, will not be sufficient to complete the District's identified facility improvement needs, and the District will need to seek additional financing sources to complete all such improvements, the type and timing of which has not been determined.

Insurance, Risk Pooling and Joint Powers Arrangements

The District is a member of the Riverside Schools Insurance Authority (RSIA), Riverside County Employer/Employee Partnership for Benefits (REEP), Joint Education Transit (JET), and Riverside Schools Risk Management Authority (RSRMA) joint powers authorities (JPAs). The District pays an annual premium to the applicable entity for its health, workers' compensation, and property liability coverage. Payments for these services received are paid to the above mentioned JPAs. The relationships between the District, the pools, and the JPAs are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in the District's financial statements; however, fund transactions between the entities and the District are included in the District's statements. Audited financial statements are generally available from the respective entities. The District has appointed no board members to the governing board of the JPAs mentioned above.

During the year ended June 30, 2011, the District made payments of \$416,100, \$7,582,250, \$6,276, and \$1,154,647, to RSIA, REEP, JET and RSRMA, respectively, for services received.

SCHOOL DISTRICT BUDGET PROCEDURES AND REQUIREMENTS

District Budget Process and County Superintendent Review

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 adopt and file with the county superintendent of schools a tentative budget by July 1 in each fiscal year. The District is under the jurisdiction of the Riverside County Superintendent of Schools (the "County Superintendent").

The County Superintendent must review and approve or disapprove the budget no later than August 15. The County Superintendent is required to examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Trustees and identify technical corrections necessary to bring the budget into compliance with the established standards. If the budget is disapproved, it is returned to the District with recommendations for revision. The District is then required to revise the budget, hold a public hearing thereon, adopt the revised budget and file it with the County Superintendent no later than September 8. Pursuant to State law, the County Superintendent has available various remedies by which to impose and enforce a budget that complies with State criteria, depending on the circumstances, if a budget is disapproved. After approval of an adopted budget, the school district's administration may submit budget revisions for governing board approval.

Subsequent to approval, the County Superintendent will monitor each district under its jurisdiction throughout the fiscal year pursuant to its adopted budget to determine on an ongoing basis if the district can meet its current or subsequent year financial obligations. If the County Superintendent determines that a district cannot meet its current or subsequent year obligations, the County Superintendent will notify the district's governing board of the determination and may then do either or both of the following: (a) assign a fiscal advisor to enable the district to meet those obligations or (b) if a study and recommendations are made and a district fails to take appropriate action to meet its financial obligations, the County Superintendent will so notify the State Superintendent of Public Instruction, and then may do any or all of the following for the remainder of the fiscal year: (i) request additional information regarding the district's budget and operations; (ii) after also consulting with the district's board, develop and impose revisions to the budget that will enable the district to meet its financial obligations; and (iii) stay or rescind any action inconsistent with such revisions. However, the County Superintendent may not abrogate any provision of a collective bargaining agreement that was entered into prior to the date upon which the County Superintendent assumed authority.

A State law adopted in 1991 ("A.B. 1200") imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 1200, each school district is required to file interim certifications with the County Superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) 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 Superintendent 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 is deemed 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. A school district that receives a qualified or negative certification may not issue tax and revenue anticipation notes or certificates of participation

without approval by the County Superintendent. The District has not received a qualified or negative certification.

Accounting Practices

The accounting policies of the District conform to generally accepted accounting principles in accordance with the definitions, instructions and procedures of the California School Accounting Manual, as required by the State Education Code. Revenues are recognized in the period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are generally recognized in the period in which the liability is incurred.

Vavrinek, Trine, Day & Co., LLP, Rancho Cucamonga, California, served as independent auditor to the District for the last fiscal year, and its report is attached hereto as APPENDIX B. The District considers its audited financial statements to be public information, and accordingly no consent has been sought or obtained from the auditor in connection with the inclusion of such statements in this Official Statement. The auditor has made no representation in connection with inclusion of the audit herein that there has been no material change in the financial condition of the District since the audit was concluded. The District is required by law to adopt its audited financial statements following a public meeting to be conducted no later than January 31 following the close of each fiscal year.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Limitations on Revenues

On June 6, 1978, California voters approved Proposition 13 ("Proposition 13"), which added Article XIII A to the State Constitution ("Article XIII A"). Article XIII A limits the amount of any ad valorem tax on real property to 1% of the full cash value thereof, except that additional ad valorem taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness, and (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. 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." This full cash value may be increased at a rate not to exceed 2% 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.

County of Orange v. Orange County Assessment Appeals Board No. 3. Section 51 of the Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor's measure of the restoration of value of the damaged property. The constitutionality of this

procedure was challenged in a lawsuit brought in 2001 in the Orange County Superior Court, and in similar lawsuits brought in other counties, on the basis that the decrease in assessed value creates a new "base year value" for purposes of Proposition 13 and that subsequent increases in the assessed value of a property by more than 2% in a single year violate Article XIII A. On appeal, the California Court of Appeal upheld the recapture practice in 2004, and the State Supreme Court declined to review the ruling, leaving the recapture law in place.

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 1% 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 2% annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

Beginning in the 1981-82 fiscal year, assessors in the State no longer record property values on tax rolls at the assessed value of 25% of market value which was expressed as \$4 per \$100 assessed value. All taxable property is now shown at full market value on the tax rolls. Consequently, the tax rate is expressed as \$1 per \$100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of market value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

Article XIII B of the California Constitution

An initiative to amend the State Constitution entitled "Limitation of Government Appropriations" was approved on September 6, 1979, thereby adding Article XIII B to the State Constitution ("Article XIII B"). Under Article XIII B state and local governmental entities have an annual "appropriations limit" and are not permitted to spend certain moneys which 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 appropriation of moneys which are excluded from the definition of "appropriations subject to limitation," including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the "appropriations limit" is to be based on certain 1978-79 expenditures, and is to be adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIII B, if these entities' revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

The District's budgeted appropriations from "proceeds of taxes" (sometimes referred to as the "Gann limit") for the 2010-11 fiscal year are equal to the allowable limit of \$48,772,429 and estimates an appropriations limit for the 2011-12 fiscal year of \$49,996,617. Any proceeds of taxes received by the District in excess of the allowable limit are absorbed into the State's allowable limit.

Article XIII C and Article XIII D of the California Constitution

On November 5, 1996, the voters of the State of California approved Proposition 218, popularly known as the "Right to Vote on Taxes Act." Proposition 218 added to the California Constitution Articles XIII C and XIII D ("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.

According to the "Title and Summary" of Proposition 218 prepared by the California Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIIC 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; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIC further 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 XIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIC or XIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

The District does not impose any taxes, assessments, or property-related fees or charges which are subject to the provisions of Proposition 218. It does, however, receive a portion of the basic 1% *ad valorem* property tax levied and collected by the County pursuant to Article XIII A of the California Constitution. The provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District.

Statutory Limitations

On November 4, 1986, State voters approved Proposition 62, an initiative statute limiting the imposition of new or higher taxes by local agencies. The statute (a) requires new or higher general taxes to be approved by two-thirds of the local agency's governing body and a majority of its voters; (b) requires the inclusion of specific information in all local ordinances or resolutions proposing new or higher general or special taxes; (c) penalizes local agencies that fail to comply with the foregoing; and (d) required local agencies to stop collecting any new or higher general tax adopted after July 31, 1985, unless a majority of the voters approved the tax by November 1, 1988.

Appellate court decisions following the approval of Proposition 62 determined that certain provisions of Proposition 62 were unconstitutional. However, the California Supreme Court upheld Proposition 62 in its decision on September 28, 1995 in *Santa Clara County Transportation Authority v. Guardino*. This decision reaffirmed the constitutionality of Proposition 62. Certain matters regarding Proposition 62 were not addressed in the Supreme Court's decision, such as whether the decision applies retroactively, what remedies exist for taxpayers subject to a tax not in compliance with Proposition 62, and whether the decision applies to charter cities.

Proposition 98 and Proposition 111

On November 8, 1988, voters approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act"). The Accountability Act changed State funding of public education below the university level, and the operation of the State's Appropriations Limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (collectively, "K-14 districts") at a level equal to the greater of (a) the same percentage of general fund revenues as the percentage

appropriated to such districts in 1986-87, which percentage is equal to 40.9%, or (b) the amount actually appropriated to such districts from the general fund in the previous fiscal year, adjusted for growth in enrollment and inflation.

Since the Accountability Act is unclear in some details, there can be no assurance that the Legislature or a court might not interpret the Accountability Act to require a different percentage of general fund revenues to be allocated to K-14 districts than the 40.9% percentage, or to apply the relevant percentage to the State's budgets in a different way than is proposed in the Governor's Budget. In any event, the Governor and other fiscal observers expect the Accountability Act to place increasing pressure on the State's budget over future years, potentially reducing resources available for other State programs, especially to the extent the Article XIII B spending limit would restrain the State's ability to fund such other programs by raising taxes.

The Accountability Act also changes how tax revenues in excess of the State Appropriations Limit are distributed. Any excess State tax revenues up to a specified amount would, instead of being returned to taxpayers, be transferred to K-14 districts. Such transfer would be excluded from the Appropriations Limit for K-14 districts and the K-14 school Appropriations Limits for the next year would automatically be increased by the amount of such transfer. These additional moneys would enter the base funding calculation for K-14 districts for subsequent years, creating further pressure on other portions of the State budget, particularly if revenues decline in a year following an Article XIII B surplus. The maximum amount of excess tax revenues which could be transferred to schools is 4% of the minimum State spending for education mandated by the Accountability Act, as described above.

On June 5, 1990, California voters approved Proposition 111 (Senate Constitutional Amendment 1), which further modified the Constitution to alter the spending limit and education funding provisions of Proposition 98. Most significantly, Proposition 111 (1) liberalized the annual adjustments to the spending limit by measuring the "change in the cost of living" by the change in State per capita personal income rather than the Consumer Price Index, and specified that a portion of the State's spending limit would be adjusted to reflect changes in school attendance; (2) provided that 50% of the "excess" tax revenues, determined based on a two-year cycle, would be transferred to K-14 school districts with the balance returned to taxpayers (rather than the previous 100% but only up to a cap of 4% of the districts' minimum funding level), and that any such transfer to K-14 school districts would not be built into the school districts' base expenditures for calculating their entitlement for State aid in the following year and would not increase the State's appropriations limit; (3) excluded from the calculation of appropriations that are subject to the limit appropriations for certain "qualified capital outlay projects" and certain increases in gasoline taxes, sales and use taxes, and receipts from vehicle weight fees; (4) provided that the Appropriations Limit for each unit of government, including the State, would be recalculated beginning in the 1990-91 fiscal year, based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Senate Constitutional Amendment 1 had been in effect; and (5) adjusted the Proposition 98 formula that guarantees K-14 school districts a certain amount of general fund revenues, as described below.

Under prior law, K-14 school districts were guaranteed the greater of (a) 40.9% of general fund revenues (the "first test") or (b) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to per capita personal income) and enrollment (the "second test"). Under Proposition 111, school districts would receive the greater of (a) the first test, (b) the second test or (c) a third test, which would replace the second test in any year when growth in per capita general fund revenues from the prior year was less than the annual growth in State per capita personal income. Under the third test, school districts would receive the amount appropriated in the prior year adjusted for change in enrollment and per capita general fund revenues, plus an additional small adjustment factor. If the third test were used in any year, the difference between the third test and the

second test would become a "credit" to be paid in future years when general fund revenue growth exceeds personal income growth.

Applications of Constitutional and Statutory Provisions

The application of Proposition 98 and other statutory regulations has become increasingly difficult to predict accurately in recent years. For a discussion of how the provisions of Proposition 98 have been applied to school funding see "DISTRICT FINANCIAL AND OPERATING INFORMATION – State Funding of Education; State Budget Process."

Future Initiatives

Article XIII A, Article XIII B, Article XIII C, Article XIII D, as well as Propositions 98 and 111 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.

LOCAL PROPERTY TAXATION

General

Taxable property located in the District has a 2011-12 assessed value of approximately \$2,171,042,022 (before redevelopment increment reduction). All taxable property is assessed using full cash value as defined by Article XIII A of the State Constitution. State law provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions. State law also exempts from taxation \$7,000 of the full cash value of an owner-occupied dwelling provided that the owner files for such exemption. This exemption does not result in any loss of revenue to local agencies, since the State reimburses local agencies for the value of the exemptions.

The assessment of all property and levy and collection of local property taxes is required to be performed for the District by the County. District property taxes are assessed and collected by the County at the same time and on the same rolls as county, special district and city property taxes. The valuation of secured property and a statutory tax lien is established as of January 1 and is subsequently equalized in August of each year. The resulting secured property tax is payable in two equal installments due November 1 and February 1, and payments become delinquent on December 10 and April 10, respectively. Taxes on unsecured property (personal property and leasehold interests) are due on August 31 of each year. Taxes on unsecured property are levied at the preceding fiscal year's tax rate and become delinquent on October 31.

Future assessed valuation growth allowed under Article XIII A (as a result of new construction, certain changes of ownership, and increases in the cost of living of up to 2% per year) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and school districts will share the growth of "base" revenues from the tax rate area. Each year's growth allocation becomes part of an agency's allocation in the following year.

For assessment and collection purposes, property is classified as either "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Unsecured property comprises all property

not attached to land such as personal property, business inventories, boats and airplanes. Unsecured property is assessed on the "unsecured roll."

Under California law, a city or county could, and did, prior to recent California legislation dissolving redevelopment agencies, create a redevelopment agency in territory within one or more school districts. Upon formation of a "project area" of a redevelopment agency, most property tax revenues attributable to the growth in assessed value of taxable property within the project area (known as "tax increment") belong to the redevelopment agency, causing a loss of general fund tax revenues (relating to the 1% countywide general fund levy) to other local taxing agencies, including school districts, from that time forward. However, special *ad valorem* property taxes (in excess of the 1% general fund levy) collected for payment of debt service on school bonds are based on assessed valuation before reduction for redevelopment increment and such special *ad valorem* property taxes are not affected or diverted by the operation of a redevelopment agency project area. The application of such revenues diverted by redevelopment agencies is now substantially limited to meeting existing debt service of the redevelopment agencies.

The secured and unsecured assessed valuation of the District for recent years is listed in the following table:

SAN JACINTO UNIFIED SCHOOL DISTRICT
(County of Riverside, California)
Assessed Valuations
Fiscal Years 2007-08 through 2011-12

	Local Secured	Utility	Unsecured	Total Before Rdv. Increment	Total After Rdv. Increment
2007-08	\$3,244,485,390	\$143,800	\$142,169,026	\$3,386,798,216	\$2,811,513,053
2008-09	3,121,172,555	143,800	74,179,239	3,195,495,594	2,584,910,059
2009-10	2,345,656,969	143,800	76,415,038	2,422,215,807	1,900,859,578
2010-11	2,120,006,229	130,800	72,947,563	2,193,084,592	1,720,206,237
2011-12	2,099,201,287	130,800	71,709,935	2,171,042,022	1,716,310,141 ⁽¹⁾

⁽¹⁾ Subject to change due to recent dissolution of redevelopment agencies. See "DISTRICT FINANCIAL AND OPERATING INFORMATION - State Funding of Education; State Budget Process - *Dissolution of Redevelopment Agencies*" herein.

Source: California Municipal Statistics

Taxation of State-Assessed Utility Property. A portion of property tax revenue of the District is derived from utility property subject to assessment by the State Board of Equalization ("SBE"). State-assessed property, or "unitary property," is property of a utility system with components located in many taxing jurisdictions assessed collectively as part of a "going concern" rather than as individual parcels of real or personal property. Unitary and certain other state-assessed property is allocated to the counties by the SBE, taxed at special countywide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year.

Ongoing changes in the structure of California electric utility industry and in the way in which components of the industry are owned and regulated, including the sale of electric generation assets to largely unregulated, non utility companies, may affect how utility assets are assessed in the future, and which local agencies are to receive the property taxes. The District is unable to predict the impact of these changes on its utility property tax revenues, or whether future legislation or litigation may affect ownership of utility assets or the State's methods of assessing utility property and allocating tax revenues to local taxing agencies, including the District.

Appeals of Assessed Valuation; Blanket Reductions of Assessed Values. There are two basic types of property tax assessment appeals provided for under State law. The first type of appeal, commonly referred to as a base year assessment appeal, involves a dispute on the valuation assigned by the assessor immediately subsequent to an instance of a change in ownership or completion of new construction. If the base year value assigned by the assessor is reduced, the valuation of the property cannot increase in subsequent years more than 2% annually unless and until another change in ownership and/or additional new construction activity occurs.

The second type of appeal, commonly referred to as a Proposition 8 appeal, can result if factors occur causing a decline in the market value of the property to a level below the property's then current taxable value (escalated base year value). Pursuant to State law, a property owner may apply for a Proposition 8 reduction of the property tax assessment for such owner's property by filing a written application, in the form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. In the County, a property owner desiring a Proposition 8 reduction of the assessed value of such owner's property in any one year must submit an application to the Riverside County Assessment Appeals Board (the "Appeals Board"). Applications for any tax year must be submitted by September 15 of such tax year. Following a review of the application by the County Assessor's Office (the "Assessor"), the Assessor may offer to the property owner the opportunity to stipulate to a reduced assessment, or may confirm the assessment. If no stipulation is agreed to, and the applicant elects to pursue the appeal, the matter is brought before the Appeals Board (or, in some cases, a hearing examiner) for a hearing and decision. The Appeals Board generally is required to determine the outcome of appeals within two years of each appeal's filing date. Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which the written application is filed. The assessed value increases to its pre-reduction level (escalated to the inflation rate of no more than two percent) following the year for which the reduction application is filed. However, the Assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year and any intervening years as well. In practice, such a reduced assessment may and often does remain in effect beyond the year in which it is granted.

In addition, Article XIII A of the State Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. This measure is computed on a calendar year basis. According to representatives of the Assessor, the County has in the past, pursuant to Article XIII A of the State Constitution, ordered blanket reductions of assessed property values and corresponding property tax bills on single family residential properties when the value of the property has declined below the current assessed value as calculated by the County.

No assurance can be given that property tax appeals and/or blanket reductions of assessed property values will not significantly reduce the assessed valuation of property within the District in the future.

Assessed Valuation by Jurisdiction. The following table gives a distribution of taxable real property located in the District by jurisdiction.

SAN JACINTO UNIFIED SCHOOL DISTRICT
(County of Riverside, California)
2011-12 Assessed Valuation by Jurisdiction⁽¹⁾

Jurisdiction:	Assessed Valuation in School District	% of School District	Assessed Valuation of Jurisdiction	% of Jurisdiction in School District
City of Hemet	\$ 131,743,794	6.07%	\$ 4,173,293,500	3.16%
City of Moreno Valley	10,197,225	0.47	10,614,603,637	0.10
City of San Jacinto	1,907,108,512	87.84	2,105,007,588	90.60
Unincorporated Riverside County	121,992,491	5.62	37,625,018,895	0.32
Total Riverside County	\$2,171,042,022	100.00%	\$202,140,298,386	1.07

⁽¹⁾ Before deduction of redevelopment incremental valuation.
Source: California Municipal Statistics

Assessed Valuation by Land Use. The following table gives a distribution of taxable real property located in the District by principal purpose for which the land is used, and the assessed valuation and number of parcels for each use.

SAN JACINTO UNIFIED SCHOOL DISTRICT
(County of Riverside, California)
Fiscal Year 2011-12 Assessed Valuation and Parcels by Land Use

	2011-12 Assessed Valuation ⁽¹⁾	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural	\$ 145,070,130	6.91%	322	1.98%
Commercial	113,572,950	5.41	389	2.39
Vacant Commercial	67,771,220	3.23	430	2.64
Industrial	191,496,403	9.12	760	4.67
Vacant Other	11,182,360	0.53	539	3.31
Subtotal Non-Residential	\$ 529,093,063	25.20%	2,440	14.98%
Residential:				
Single Family Residence	\$ 1,251,144,190	59.60%	9,750	59.87%
Condominium/Townhouse	36,418,968	1.73	385	2.36
Mobile Home and Mobile Home Lots	63,678,262	3.03	1,956	12.01
2-4 Residential Units	23,155,736	1.10	162	0.99
5+ residential Units/Apartments	87,303,587	4.16	121	0.74
Vacant Residential	108,407,481	5.16	1,470	9.03
Subtotal Residential	\$ 1,570,108,224	74.80%	13,844	85.02%
Total	\$2,099,201,287	100.00%	16,284	100.00%

Source: California Municipal Statistics

Assessed Valuation of Single-Family Residential Properties. The following table shows the assessed valuation of single-family residential properties only in the District for fiscal year 2011-12.

**SAN JACINTO UNIFIED SCHOOL DISTRICT
(County of Riverside, California)
Per Parcel Fiscal Year 2011-12 Assessed Valuation of Single Family Homes**

	Number of Parcels		Assessed Valuation		Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	9,750		\$1,251,144,190		\$128,322	\$130,000

2011-12 Assessed Valuation	No. of Parcels ⁽¹⁾	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
\$0 - \$24,999	62	0.636%	0.636%	\$1,015,259	0.081%	0.081%
\$25,000 - \$49,999	490	5.026	5.662	19,137,365	1.530	1.611
\$50,000 - \$749,999	707	7.251	12.913	43,919,600	3.510	5.121
\$75,000 - \$99,999	1,121	11.497	24.410	99,847,660	7.981	13.102
\$100,000 - \$124,999	1,970	20.205	44.615	223,569,209	17.869	30.971
\$125,000 - \$149,999	2,209	22.656	67.272	302,317,456	24.163	55.134
\$150,000 - \$174,999	2,078	21.313	88.585	334,265,472	26.717	81.851
\$175,000 - \$199,999	734	7.528	96.113	135,419,686	10.824	92.675
\$200,000 - \$224,999	200	2.051	98.164	41,762,408	3.338	96.012
\$225,000 - \$249,999	94	0.964	99.128	22,042,255	1.762	97.774
\$250,000 - \$274,999	24	0.246	99.374	6,252,663	0.500	98.274
\$275,000 - \$299,999	13	0.133	99.508	3,753,127	0.300	98.574
\$300,000 - \$324,999	17	0.174	99.682	5,310,258	0.424	98.998
\$325,000 - \$349,999	8	0.082	99.764	2,657,631	0.212	99.211
\$350,000 - \$374,999	6	0.062	99.826	2,177,574	0.174	99.385
\$375,000 - \$399,999	5	0.051	99.877	1,911,855	0.153	99.538
\$400,000 - \$424,999	4	0.041	99.918	1,618,041	0.129	99.667
\$425,000 - \$449,999	0	0.000	99.918	0	0.000	99.667
\$450,000 - \$474,999	2	0.021	99.938	931,953	0.074	99.741
\$475,000 - \$499,999	2	0.021	99.959	979,718	0.078	99.820
\$500,000 and greater	4	0.041	100.000	2,255,000	0.180	100.000
Total	9,750	100.000%		\$1,251,144,190	100.000%	

⁽¹⁾ Improved single family residential parcels. Excludes condominiums and parcels with multiple family units.
Source: California Municipal Statistics, Inc.

Largest Taxpayers. The twenty taxpayers in the District with the greatest combined assessed valuation of taxable property on the 2011-12 tax roll, and the assessed valuations thereof, are shown below.

The more property (by assessed value) owned by a single taxpayer, the more exposure of tax collections to weakness in that taxpayer's financial situation and ability or willingness to pay property taxes. In fiscal year 2011-12, no single taxpayer owned more than 1.24% of the total taxable property in the District.

**SAN JACINTO UNIFIED SCHOOL DISTRICT
(County of Riverside, California)
Twenty Largest Local Secured Taxpayers
Fiscal Year 2011-12**

Property Owner	Primary Land Use	2011-12 Assessed Valuation	% of Total ⁽¹⁾
1. Wal Mart Real Estate Business Trust	Commercial	\$ 25,991,641	1.24%
2. Edelbrock Foundry Corp.	Industrial	20,900,743	1.00
3. Ramona State Partners	Commercial	18,525,059	0.88
4. San Jacinto Z	Residential Development	16,615,358	0.79
5. Shelbran Investments	Commercial	12,370,286	0.59
6. GBW Investment Inc.	Industrial	12,147,987	0.58
7. 1097 North State	Commercial	11,248,116	0.54
8. 0312 Ramona Apartments	Apartments	9,639,250	0.46
9. Parkview MHC	Mobile Home Park	9,109,541	0.43
10. Preserve	Residential Development	7,301,128	0.35
11. Agri Empire	Industrial	7,145,106	0.34
12. Eastgate Property Partners	Commercial Land	7,131,612	0.34
13. Whispering Pines	Apartments	7,035,000	0.34
14. EPM Zimmer II	Commercial	6,965,948	0.33
15. DGH Hemet Meadow Homes	Apartments	5,915,198	0.28
16. Poker Flats Investments	Commercial	5,770,734	0.27
17. Arn K. Youngman	Commercial	5,536,841	0.26
18. Ramona Crossings	Commercial	5,480,032	0.26
19. Western Pacific Housing Inc.	Residential Development	5,400,751	0.26
20. Sterling Savings Bank	Commercial	5,251,749	0.25
		\$205,482,080	9.79%

⁽¹⁾ 2011-12 Local Secured Assessed Valuation: \$2,099,201,287
Source: California Municipal Statistics

Tax Levies, Collections and Delinquencies

A 10% penalty attaches to any delinquent payment for secured roll taxes. In addition, property on the secured roll with respect to which taxes are delinquent becomes tax-defaulted. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to auction sale by the County Treasurer.

In the case of unsecured property taxes, a 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue beginning November 1st of the fiscal year, and a lien is recorded against the assessee. The taxing authority has four ways of collecting unsecured personal property taxes: (a) a civil action against the taxpayer; (b) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on specific

property of the taxpayer; (c) filing a certificate of delinquency for record in the County Recorder's office in order to obtain a lien on specified property of the taxpayer; and (d) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

The following table shows *ad valorem* property tax rates for the last several years levied by all taxing entities in Tax Rate Area 10-046 of the District. Tax Rate Area 10.046 represents approximately 6.01% of the total assessed value of taxable property in the District:

SAN JACINTO UNIFIED SCHOOL DISTRICT
(County of Riverside, California)
Summary of Ad Valorem Tax Rates
\$1 Per \$100 of Assessed Valuation
Fiscal Years 2007-08 Through 2011-12

	2007-08	2008-09	2009-10	2010-11	2011-12
General	\$1.00000	\$1.00000	\$1.00000	\$1.00000	\$1.00000
San Jacinto Unified School District	.07202	.09600	.09052	.11744	.12875
Metropolitan Water District	.00450	.00430	.00430	.00370	.00370
Eastern Municipal Water District, I.D. No. U-12	.00800	.00800	.00800	.00800	.00800
Total	\$1.08452	\$1.10830	\$1.10282	\$1.12914	\$1.14045

Source: California Municipal Statistics

Teeter Plan. The County has implemented an alternative method for the distribution of secured property taxes to local agencies, known as the "Teeter Plan." The Teeter Plan provisions are now set forth in Sections 4701 to 4717 of the California Revenue and Taxation Code. Upon adoption and implementation of this method by a county board of supervisors, local agencies for which the county acts as "bank" and certain other public agencies and taxing areas located in the county receive annually the full amount of their share of property taxes on the secured roll, including delinquent property taxes which have yet to be collected. While a county benefits from the penalties associated with these delinquent taxes when they are paid, the Teeter Plan provides participating local agencies with stable cash flow and the elimination of collection risk.

To implement a Teeter Plan, the board of supervisors of a county generally must elect to do so by July 15 of the fiscal year in which it is to apply. As a separate election, a county may elect to have the Teeter Plan procedures also apply to assessments on the secured roll. The County Board of Supervisors adopted the Teeter Plan in 1993. The County's Teeter Plan applies to the District.

Upon making a Teeter Plan election, a county must initially provide a participating local agency with 95% of the estimated amount of the then accumulated tax delinquencies (excluding penalties) for that agency. In the case of the initial year distribution of special taxes and assessments (if a county has elected to include assessments), 100% of the special tax delinquencies (excluding penalties) are to be apportioned to the participating local agency which levied the special tax. After the initial distribution, each participating local agency receives annually 100% of the secured property tax levies to which it is otherwise entitled, regardless of whether the county has actually collected the levies.

If any tax or assessment which was distributed to a Teeter Plan participant is subsequently changed by correction, cancellation or refund, a pro rata adjustment for the amount of the change is made on the records of the treasurer and auditor of the county. Such adjustment for a decrease in the tax or assessment is treated by the County as an interest-free offset against future advances of tax levies under the Teeter Plan.

Once adopted, a county's Teeter Plan will remain in effect in perpetuity unless the board of supervisors orders its discontinuance or unless prior to the commencement of a fiscal year a petition for discontinuance is received and joined in by resolutions of the governing bodies of not less than two-thirds of the participating districts in the county. An electing county may, however, opt to discontinue the Teeter Plan with respect to any levying agency in the county if the board of supervisors, by action taken not later than July 15 of a fiscal year, elects to discontinue the procedure with respect to such levying agency and the rate of secured tax delinquencies in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll by that agency. The County has never discontinued the Teeter Plan with respect to any levying agency.

Delinquencies. The following table shows a recent history of real property tax collections and delinquencies in the District.

**SAN JACINTO UNIFIED SCHOOL DISTRICT
(County of Riverside, California)
Secured Tax Charges and Delinquencies
Fiscal Years 2006-07 through 2010-11**

	Secured Tax Charge ⁽¹⁾	Amt. Del. June 30	% Del. June 30
2006-07	\$ 348,377.35	\$ 34,797.30	9.99%
2007-08	2,291,193.37	317,810.31	13.87
2008-09	2,291,386.36	307,280.51	10.48
2009-10	2,068,288.21	161,247.27	7.80
2010-11	2,419,648.42	143,895.47	5.95

⁽¹⁾ Debt service levy.
Source: California Municipal Statistics

Direct and Overlapping Debt

Set forth below is a schedule of direct and overlapping debt prepared by California Municipal Statistics Inc., for debt issued as of January 1, 2012. The table is included for general information purposes only. The District has not reviewed this table for completeness or accuracy and makes no representations in connection therewith. The first column in the table names each public agency which has outstanding debt as of the date of the schedule, and whose territory overlaps the District in whole or in part. The second column shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in the third column, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

The table generally includes long-term obligations sold in the public credit markets by the public agencies listed. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

**SAN JACINTO UNIFIED SCHOOL DISTRICT
(County of Riverside, California)
Statement of Direct and Overlapping Bonded Debt
As of January 1, 2012**

2011-12 Assessed Valuation: \$2,171,042,022
 Redevelopment Incremental Valuation: 454,731,881
 Adjusted Assessed Valuation: \$1,716,310,141

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:

	<u>% Applicable</u>	<u>Debt 1/1/12</u>
Metropolitan Water District	0.094%	\$ 211,815
San Jacinto Unified School District	100.	44,202,338 ⁽¹⁾
Eastern Municipal Water District Improvement Districts	36.332-100.	1,438,141
San Jacinto Unified School District Community Facilities District	100.	17,160,000
San Jacinto Community Facilities District No. 2	100.	3,045,000
Eastern Municipal Water District Community Facilities Districts	33.180-100.	5,280,515
City of San Jacinto 1915 Act Bonds	100.	<u>1,125,000</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$ 72,462,809

DIRECT AND OVERLAPPING GENERAL FUND DEBT:

Riverside County General Fund Obligations	1.183%	\$ 7,910,099
Riverside County Pension Obligations	1.183	4,340,959
Riverside County Board of Education Certificates of Participation	1.183	59,801
Mount San Jacinto Community College District General Fund Obligations	3.135	392,940
San Jacinto Unified School District Certificates of Participation	100.	42,630,000
City of Moreno Valley Certificates of Participation	0.118	88,913
Valley-Wide Recreation and Park District Certificates of Participation	13.595	<u>41,465</u>
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$ 55,454,177
Less: Riverside County supported obligations		<u>155,105</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$ 55,299,072

GROSS COMBINED TOTAL DEBT **\$127,916,986⁽²⁾**
NET COMBINED TOTAL DEBT **\$127,761,881**

⁽¹⁾ Excludes Notes to be sold.

⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2011-12 Assessed Valuation:

Direct Debt (\$44,202,338) 2.04%
 Total Direct and Overlapping Tax and Assessment Debt..... 3.34%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$86,832,338) 5.06%
 Gross Combined Total Debt..... 7.45%
 Net Combined Total Debt 7.44%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/11: \$0

Source: California Municipal Statistics

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX A hereto.

To the extent the issue price of any maturity of the Notes is less than the amount to be paid at maturity of such Notes (excluding amounts stated to be interest and payable at least annually over the term of such Notes), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Notes which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Notes is the first price at which a substantial amount of such maturity of the 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). The original issue discount with respect to any maturity of the Notes accrues daily over the term to maturity of such Notes on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Notes to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Notes. Beneficial Owners of the Notes should consult their own tax advisors with respect to the tax consequences of ownership of Notes with original issue discount, including the treatment of Beneficial Owners who do not purchase such Notes in the original offering to the public at the first price at which a substantial amount of such Notes is sold to the public.

Notes purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Notes") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Notes, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Note, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Notes should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Notes. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Notes will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Notes being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Notes. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Notes may adversely affect

the value of, or the tax status of interest on, the Notes. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Notes is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Notes may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Notes to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. As one example, the Obama Administration recently announced a legislative proposal which, for tax years beginning on or after January 1, 2013, generally would limit the exclusion from gross income of interest on obligations like the Notes to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Notes. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Notes. Prospective purchasers of the Notes should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Notes for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Notes ends with the issuance of the Notes, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Notes in the event of an audit examination by the IRS. Under current procedures, parties other than the District and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Notes for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Notes, and may cause the District or the Beneficial Owners to incur significant expense.

OTHER LEGAL MATTERS

Legal Opinion

The validity of the Notes and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel. A complete copy of the proposed form of Bond Counsel opinion is set forth in APPENDIX A – “PROPOSED FORM OF OPINION OF BOND COUNSEL.” Bond Counsel, as such, undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement.

Legality for Investment in the State of California

Under the provisions of the California 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 funds of its depositors, and under provisions of the California Government Code are eligible securities for deposits of public moneys in the State.

Continuing Disclosure

The District has covenanted for the benefit of the holders and beneficial owners of the Notes to provide notices of the occurrence of certain enumerated events (“Notice Events”) in a timely manner not in excess of ten business days after the occurrence of such a Notice Event. The notice of material events will be filed by the District with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system or such other electronic system designated by the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the notices of Notice Events is set forth in APPENDIX C – “FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) (the “Rule”). In the preceding five years, the District has not failed to comply in all material respects with its previous undertakings with regard to the Rule to file annual reports or notices of Notice Events.

No Litigation

No litigation is pending or to the knowledge of the District threatened concerning the validity of the Notes, the District’s ability to receive *ad valorem* taxes and to collect other revenues, or contesting the District’s ability to issue and retire the Notes. No litigation is pending or to the knowledge of the District threatened questioning the political existence of the District or contesting the title to their offices of District or County officials who will sign the Notes and other certifications relating to the Notes, or the powers of those offices. A certificate (or certificates) to that effect will be delivered at the time of the original delivery of the Notes.

There are a number of lawsuits and claims routinely pending against the District. In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under these lawsuits and claims will not materially affect the financial position or operations of the District.

MISCELLANEOUS

Rating

Moody’s Investors Service, Inc. (“Moody’s”) has assigned its municipal note rating of “_____” to the Notes. Generally, a rating agency bases its rating on the information and materials furnished to it, and

on investigations, studies, and assumptions of its own. The District has provided certain information to the rating agency which is not included in this Official Statement. The rating issued reflects only the view of such rating agency, and any explanation of the significance of such rating should be obtained from Moody's. No assurance can be given that any rating issued by the rating agency will be retained for any given period of time or that the same will not be revised or withdrawn entirely by such rating agency, if in its judgment circumstances so warrant. Any such revision or withdrawal of the rating obtained may have an adverse effect on the market price of the Notes.

Professionals Involved in the Offering

Orrick, Herrington & Sutcliffe LLP is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Notes. Fieldman, Rolapp & Associates has acted as financial advisor to the District (the "Financial Advisor"). Orrick, Herrington & Sutcliffe LLP and the Financial Advisor will receive compensation from the District contingent upon the sale and delivery of the Notes.

Underwriting

The Notes are being purchased by the Underwriter pursuant to a note purchase contract by and among the District, the County and the Underwriter, dated _____, 2012, at a price of \$ _____ (consisting of \$ _____ aggregate principal amount of the Notes, [plus/less] an original issue [premium/discount] of \$ _____, less an underwriter's discount of \$ _____). Pursuant to the purchase contract, the Underwriter will purchase all of the Notes if any are purchased, the obligation of the Underwriter to purchase the Notes being subject to certain terms and conditions to be satisfied by the District and the County.

The Underwriter has certified the reoffering price or yield set forth on the cover hereof at which the Notes have been reoffered to the public. The underwriting compensation ("spread") is based on such certification. The Underwriter may offer and sell the Notes to certain dealers and others at prices lower than the public offering price shown on the cover page hereof. The offering price may be changed from time to time by the Underwriter.

Additional Information

Quotations from and summaries and explanations of the Notes, the Resolutions providing for issuance of the Notes, and the constitutional provisions, statutes and other documents described herein, do not purport to be complete, and reference is hereby made to said documents, constitutional provisions and statutes for the complete provisions thereof.

All data contained herein have been taken or constructed from the District's records and other sources, as indicated. This Official Statement and its distribution have been duly authorized and approved by the District.

**SAN JACINTO UNIFIED SCHOOL
DISTRICT**

By: _____
Superintendent

APPENDIX A

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon delivery of the Notes, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the San Jacinto Unified School District, proposes to render its final opinion in connection with the Notes in substantially the following form:

[to come]

APPENDIX B

**FINANCIAL STATEMENTS OF THE DISTRICT FOR THE
FISCAL YEAR ENDED JUNE 30, 2011**

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

Upon delivery of the Notes, the San Jacinto Unified School District expects to execute and deliver a Continuing Disclosure Certificate with respect to the Notes in substantially the following form:

CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (this "Disclosure Certificate"), dated _____, 2012, is executed and delivered by the San Jacinto Unified School District (the "District") in connection with the issuance of \$ _____ aggregate principal amount of its San Jacinto Unified School District 2011-12 Tax and Revenue Anticipation Notes (the "Notes") pursuant to a resolution (the "Resolution") adopted by the Board of Supervisors of the County of Riverside on _____, 2012, at the request of the Board of Trustees of the District by its resolution adopted on _____, 2012. The District covenants and agrees as follows:

Section 1. Purpose of Disclosure Certificate. This Disclosure Agreement is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Notes and in order to assist the underwriter of the Notes in complying with Securities and Exchange Commission Rule 15c2-12(d)(3).

The Notes have a stated maturity of less than 18 months, and as such the offering of the Notes is exempt from Securities and Exchange Commission Rule 15c2-12(b)(5) (other than paragraph (B)(5)(i)(C) thereof) pursuant to Section (d)(3) of said Rule.

Section 2. Definitions. Capitalized undefined terms used herein shall have the meanings ascribed thereto in the Resolution. In addition, the following capitalized terms shall have the following meanings:

"Beneficial Owner" means any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Note or Notes (including persons holding Notes through nominees, depositories or other intermediaries).

"EMMA System" means the MSRB's Electronic Municipal Market Access system, or such other electronic system designated by the MSRB. The Emma System website is currently located at <http://emma.msrb.org>.

"Listed Event" means any of the events listed in Section 3(a) or 3(b) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board, any successor thereto or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule.

"Owners" means the registered owners of the Notes.

"Participating Underwriter" means the original underwriter of the Notes required to comply with the Rule in connection with the offering of the Notes.

"Rule" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Reporting of Significant Events. (a) Pursuant to the provisions of this Section, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Notes in a timely manner not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
6. Tender offers;
7. Defeasances;
8. Rating changes; or
9. Bankruptcy, insolvency, receivership or similar event of the obligated person.

Note: for the purposes of the event identified in paragraph (9), above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. 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 obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) Pursuant to the provisions of this Section, 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, in a timely manner not later than ten business days after the occurrence of the event:

1. Unless described in paragraph 3(a)(5), adverse tax opinions or other material notices or determinations by the Internal Revenue Service with

respect to the tax status of the Notes or other material events affecting the tax status of the Notes;

2. Modifications to rights of Owners;
3. Optional, unscheduled or contingent Note calls;
4. Release, substitution, or sale of property securing repayment of the Notes;
5. Non-payment related defaults;
6. 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
7. Appointment of a successor or additional paying agent or the change of name of a paying agent.

(c) The District shall determine if the occurrence of a Listed Event described in Section 3(b) would be material under applicable federal securities laws.

(d) Upon the occurrence of a Listed Event described in Section 3(a) hereof, or if the District 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 business days of occurrence file a notice of such occurrence with the MSRB through the EMMA System in an electronic format as prescribed by the MSRB. All documents provided by the District to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

Section 4. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Notes. If such termination occurs prior to the final maturity of the Notes, the District shall give notice of such termination in a filing with the MSRB.

Section 5. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a) or 3(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Notes, or the type of business conducted;

(b) the undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements

of the Rule at the time of the original issuance of the Notes, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Notes.

Section 6. Additional Information. 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 notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any 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 include it in any future notice of occurrence of a Listed Event.

Section 7. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Owner 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, however, 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 hereunder.

Section 8. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Participating Underwriter and the Owners and Beneficial Owners from time to time of the Notes, and shall create no rights in any other person or entity.

**SAN JACINTO UNIFIED SCHOOL
DISTRICT**

By: _____

APPENDIX D

SUMMARY OF RIVERSIDE COUNTY INVESTMENT POLICIES AND PRACTICES AND DESCRIPTION OF INVESTMENT POOL

The Riverside County Treasury Pool

The following information has been provided by the County 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. Further information may be obtained from the County Treasurer.

The County Treasurer maintains one Pooled Investment Fund ("PIF") for all local jurisdictions having funds on deposit in the County Treasury. As of December 30, 2011, the portfolio assets comprising the PIF had a market value of \$5,448,105,732.50.

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, 2011, 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 70.74% of the funds on deposit in the County Treasury, while approximately 29.26% 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 made in accordance with the County Treasurer's 2011 Statement of Investment Policy (the "Investment Policy"), which is more restrictive than the investments authorized pursuant to Sections 53601 and 53635 of the California Government Code. The Investment Policy 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.

The investments in the Pooled Investment Fund as of December 30, 2011 (in 000's), were as follows:

	Market Value	% of Pool
U.S. Treasury Securities	\$ 316,285.26	5.79%
Federal Agency Securities	4,649,114.77	85.40
Cash Equivalent & Money Market Funds	115,000.00	2.11
Commercial Paper	114,783.00	2.11
Medium Term Notes	-	0.00
Municipal Notes	98,930.55	1.81
Certificates of Deposit	150,000.00	2.76
Repurchase Agreements	-	0.00
Local Agency Obligations ⁽¹⁾	560.00	0.01
	<u>\$5,444,673.58</u>	<u>100.00%</u>
Book Yield	0.53%	
Weighted Average Maturity(years)	1.30	

⁽¹⁾ Represents County Obligations issued by the Riverside District Court Financing Corporation.
Source: Riverside County Treasurer-Tax Collector.

As of December 30, 2011, the market value of the PIF was 100.06% 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 California 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 from which the investment was made.

The County Board of Supervisors has established an "Investment Oversight Committee" ("IOC") in compliance with California Government Code Section 27131. Currently, the IOC 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 County Board of Supervisors. This committee was reorganized to conform to new State requirements requiring the County to have a local oversight committee. The committee is utilized by the County to manage, audit, and safeguard public funds and to perform other internal control measures.

The County has obtained a rating on the PIF of "AAA/MR1" 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.

Neither the District nor the Underwriter has made an independent investigation of the investments in the County PIF and has made no assessment of the current County Investment Policy. The value of the various investments in the County PIF 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 PIF will not vary significantly from the values described in this Official Statement.

A complete copy of the County's Investment Policy is contained in APPENDIX F – "COUNTY OF RIVERSIDE OFFICE OF THE TREASURER-TAX COLLECTOR STATEMENT OF INVESTMENT POLICY."

APPENDIX E

**COUNTY OF RIVERSIDE OFFICE OF THE TREASURER-TAX COLLECTOR
STATEMENT OF INVESTMENT POLICY**

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix has been provided by DTC for use in securities offering documents, and 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 either (a) payments of interest, principal or premium, if any, with respect to the Notes, or (b) certificates representing ownership interest in or other confirmation of ownership interest in 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. As used in this Appendix, "Securities" means the Notes, "Issuer" means the District, and "Agent" means the Paying Agent.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Notes (the "Securities"). The Securities 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 Security certificate will be issued for the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC.

2. 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, provided that nothing contained in such website is incorporated into this Official Statement.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities 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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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.

5. 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities 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.

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

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer 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 the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities 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 Issuer or 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, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, 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 Issuer 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.

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

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

11. 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 thereof.