

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

867



FROM: Don Kent, Treasurer/Tax Collector

SUBMITTAL DATE:
February 22, 2012

SUBJECT: Resolution No. 2012-063 – Val Verde 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. 2012-063 providing for the issuance and sale of Tax and Revenue Anticipation Notes for the Val Verde Unified School District (the "District") in a principal amount not to exceed \$36,000,000.

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 Val Verde 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

FORM APPROVED COUNTY COUNSEL
BY: Mary Anderson DATE: 2/22/12
DALE A. GARDNER
Departmental Concurrence

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

Consent Policy
 Consent Policy

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Stone, seconded by Supervisor Benoit 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

3.71

Dept's Recomm.:
 Per Exec. Ofc.:

Date: February 22, 2012
From: Treasurer-Tax Collector
Subject: Resolution No. 2012-063
Page 2

Resolution No. 2012-063 authorizes the issuance of Val Verde Unified School District 2011-12 Tax and Revenue Anticipation Notes in a principal amount not to exceed \$36,000,000. 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. 2012-063 and has approved it as to form.

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RESOLUTION NO. 2012-063

**RESOLUTION OF THE BOARD OF SUPERVISORS OF RIVERSIDE COUNTY
PROVIDING FOR THE ISSUANCE OF VAL VERDE UNIFIED SCHOOL DISTRICT
(COUNTY OF RIVERSIDE, STATE OF CALIFORNIA) 2011-12 TAX AND REVENUE
ANTICIPATION NOTES, SERIES A**

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

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

WHEREAS, the Riverside County (the "County") Superintendent of Schools has jurisdiction over the Val Verde Unified School District (the "District"), and this Board of Supervisors of the County (the "County Board") has received a Resolution of the Board of Education of the District (the "District Board"), being the governing board of the District, dated February 14, 2012, entitled "RESOLUTION OF THE BOARD OF EDUCATION OF THE VAL VERDE UNIFIED SCHOOL DISTRICT AUTHORIZING THE ISSUANCE OF 2011-12 TAX AND REVENUE ANTICIPATION NOTES, SERIES A, FOR SAID DISTRICT AND REQUESTING THE BOARD OF SUPERVISORS OF RIVERSIDE COUNTY TO ISSUE SAID NOTES" (the "District Resolution") which District Resolution requests the borrowing of not exceeding Thirty-Six Million Dollars (\$36,000,000) at an interest rate not to exceed the maximum

FORM APPROVED COUNTY COUNSEL
BY: Dale A. Gardner 2/22/12
DATE

1 rate per annum allowed by law, through the issuance by the County Board of 2011-12 Tax and
2 Revenue Anticipation Notes, Series A (the "Notes") in the name of the District; and

3 **WHEREAS**, such Notes are payable on such date that is not later than thirteen months
4 after the date of issue, and such Notes shall be payable only from the District's revenue received
5 during or attributable to fiscal year 2011-12; and

6 **WHEREAS**, pursuant to Section 53856 of the Act, the District may pledge any taxes,
7 income, revenue, cash receipts or other moneys deposited in inactive or term deposits (but
8 excepting certain moneys encumbered for a special purpose); and the District Resolution specifies
9 that certain unrestricted revenues that will be received by the District for the General Fund of the
10 District during or attributable to fiscal year 2011-12 are pledged for the payment of the Notes;
11 and

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

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

21 **WHEREAS**, the County Board has no independent knowledge of but accepts the
22 determination by the District that said \$36,000,000 maximum principal amount of Notes to be
23 issued by the County Board in fiscal year 2011-12 does not exceed eighty-five percent (85%) of
24 the estimated amount of the uncollected taxes, income, revenue (including but not limited to
25 revenue from state and federal governments), cash receipts and other moneys of the District
26 which will be available for the payment of the Notes and interest thereon, as required by
27 Section 53858 of the Act; and

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

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

9 Section 1. Authorization of Issuance of Notes: Terms Thereof; Paying Agent. The
10 County Board hereby authorizes the issuance, in the name of the District, of an amount not to
11 exceed \$36,000,000 principal amount of Notes under Sections 53850 *et seq.* of the Act,
12 designated "Val Verde Unified School District, Riverside County, State of California, 2011-12
13 Tax and Revenue Anticipation Notes, Series A" (the "Notes"); to be numbered from 1
14 consecutively upward in order of issuance; to be in the denominations of \$5,000, or integral
15 multiples thereof; to be dated the date of delivery thereof; to mature (without option of prior
16 prepayment) either within 364 days from said date of delivery, or if such date is not a day on
17 which banks in New York or California are open for business, on the last day such banks are open
18 for business prior to such date, or some later date as set forth in the official statement pertaining
19 to the Notes (the "Official Statement"), but in no event later than thirteen months after the date of
20 issuance (on a 30-day month/360-day year basis); and unless otherwise provided for in the
21 Contract of Purchase (hereinafter defined), to bear interest, payable on or before the twelve-
22 month anniversary following the date of issuance and/or at maturity and computed on a 30-day
23 month/360-day year basis, at the rate or rates determined at the time of sale thereof, but not in
24 excess of the maximum rate per annum allowed by law. Both the principal of and interest on the
25 Notes shall be payable, only upon surrender thereof, in lawful money of the United States of
26 America at the office of U.S. Bank National Association, which is hereby designated to be the
27 paying agent for the Notes (in such capacity, the "Paying Agent"), to the registered owners

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1 thereof (the "Owners"). This Board hereby approves payment of reasonable fees and expenses of
2 the Paying Agent as they shall become due and payable.

3 Section 2. Form of Notes. The Notes shall be issued in registered form, without coupons,
4 and shall be substantially in the form and substance set forth in Exhibit A attached hereto and by
5 reference incorporated herein, the blanks in said form to be filled in with appropriate words and
6 figures. The Notes shall be initially registered in the name of "Cede & Co." as nominee of The
7 Depository Trust Company, and shall be evidenced by one note in the full principal amount of the
8 Notes. The Depository Trust Company, New York, New York is hereby appointed depository for
9 the Notes (the "Depository"). Registered ownership may not thereafter be transferred except as
10 set forth in Section 4 hereof.

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

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

26 Subject to the provisions of Section 4 hereof, Notes may be exchanged at the office of the
27 Paying Agent for a like aggregate principal amount of Notes in other authorized denominations.
28 The Paying Agent shall require the payment by the Owner requesting such exchange of any tax or

1 other governmental charge required to be paid with respect to such exchange. The District may
2 require the Owner requesting such exchange to pay such additional reasonable charge as may be
3 necessary to cover customary expenses incurred and fees charged by the Paying Agent with
4 respect to such exchange.

5 Section 4. Use of Depository.

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

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

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

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

27 (B) In the case of any transfer pursuant to clause (i) or clause (ii) of subsection
28 (A) of this Section 4, upon receipt of the outstanding Notes by the Paying Agent, together with a

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

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

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

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

26 Section 6. Payment of Notes.

27 (A) Source of Payment. The principal amount of the Notes, together with the
28 interest thereon, shall be payable from taxes, income, revenue, cash receipts and other moneys

1 which are received by the District during or are attributable to fiscal year 2011-12 and which are
2 available therefor, and are not payable from moneys of the County. The Notes shall be a general
3 obligation of the District, and to the extent the Notes are not paid from the Pledged Revenues
4 defined below, the Notes shall be paid with interest thereon from any other moneys of the District
5 lawfully available therefor, as provided in the District Resolution and by law. Notwithstanding
6 anything to the contrary contained herein or in any document mentioned herein or related to the
7 Notes, the County shall not have any monetary liability hereunder or by reason hereof or in
8 connection with the transactions contemplated hereby and the Notes shall be payable solely from
9 the moneys of the District available therefor as set forth in this Section and in Section 4 of the
10 District Resolution. Further, the County shall have no responsibility for or liability as a result of
11 the use of the proceeds of the sale of the Notes.

12 (B) Pledged Revenues. As security for the payment of the principal of and
13 interest on the Notes, as provided in the District Resolution, the District has pledged unrestricted
14 revenues received in or attributable to fiscal year 2011-12 in such amounts and in such months as
15 determined upon pricing of the Notes as shall be sufficient to pay principal of and interest on the
16 Notes through maturity (such pledged amounts being hereinafter called the "Pledged Revenues").
17 The term "unrestricted revenues" shall mean taxes, income, revenue, cash receipts, and other
18 money of the District as provided in Section 53856 of the Act, which are intended as receipts for
19 the General Fund of the District and which are generally available for the payment of current
20 expenses and other obligations of the District.

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

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

1 (C) Deposit of Pledged Revenues. The Pledged Revenues shall be held (in
2 accordance with the District Resolution) in a special fund designated as the "Val Verde Unified
3 School District, (County of Riverside, State of California), 2011-12 Tax and Revenue
4 Anticipation Notes, Series A Repayment Fund" (herein called the "Repayment Fund") and
5 applied as directed in this Resolution. Any moneys accounted for in the Repayment Fund shall be
6 for the benefit of the holders of the Notes, and until the Notes and all interest thereon are paid or
7 until provision has been made for the payment of the Notes at maturity with interest to maturity,
8 the moneys accounted for in the Repayment Fund shall be applied only for the purposes for which
9 the Repayment Fund is created.

10 (D) Disbursement and Investment of Moneys in Repayment Fund. From the
11 date this Resolution takes effect, all Pledged Revenues shall, when received, be deposited into the
12 Repayment Fund. After such date as the amount of Pledged Revenues deposited in the
13 Repayment Fund shall be sufficient to pay in full the principal of and interest on the Notes, when
14 due, any moneys in excess of such amount remaining in or accruing to the Repayment Fund shall
15 be transferred to the General Fund of the District upon the request of the District. On the maturity
16 date of the Notes, the moneys in the Repayment Fund shall be used, to the extent necessary, to
17 pay the principal of and interest on the Notes. Moneys in the Repayment Fund shall be invested
18 in accordance with the provisions of the District Resolution.

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

26 Section 8. Approval of Contract of Purchase. The Notes shall be sold by negotiated sale.
27 The form of Contract of Purchase for the Notes, substantially in the form presented to this
28 meeting and on file with the Clerk is hereby approved. The Treasurer or the Treasurer's designee

1 is hereby authorized to execute and deliver the Contract of Purchase on behalf of the County, and
2 the Treasurer is hereby authorized and requested to acknowledge such Contract of Purchase, if
3 necessary, such approval to be conclusively evidenced by his or her execution and delivery
4 thereof. The Treasurer or the Treasurer's designee, working in conjunction with the
5 Superintendent or the Deputy Superintendent or an authorized deputy thereof, is hereby further
6 authorized to determine the maximum principal amount of Notes to be specified in the Contract
7 of Purchase, up to \$36,000,000 and to enter into and execute the Contract of Purchase with the
8 Underwriter named therein (the "Underwriter") upon the terms and conditions set forth in the
9 District Resolution and this Resolution.

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

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

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

25 Section 11. Investment of Note Proceeds. Notwithstanding anything to the contrary
26 contained herein, the proceeds of the Notes shall be pledged to the payment of the Notes in the
27 event and to the extent sufficient Pledged Revenues of the District and other legally available
28 revenues are not deposited into the Repayment Fund. In addition to investments in the

1 Treasurer's Pooled Investment Fund, pursuant to Section 53601(1) of the Government Code of
2 the State of California, the following are hereby designated as additional authorized investments
3 for the proceeds of the Notes: (i) a guaranteed investment contract with a financial institution or
4 insurance company which has or its guarantor has at the date of execution thereof one or more
5 outstanding issues of unsecured, uninsured and unguaranteed debt obligations or a claims paying
6 ability rated not lower than the second highest rating category (without regard to subcategories)
7 by Standard & Poor's Ratings Services and Moody's Investors Service (in which case, the
8 Superintendent or the Deputy Superintendent of the District shall execute a certificate of
9 indemnity holding the Treasurer and the County, its officers, employees and servants harmless
10 and indemnifying them from any costs, liabilities, claims or damages, including but not limited to
11 attorneys' fees, caused by or arising from the investment of the funds in such an instrument, or,
12 alternatively, a written agreement to pay for any costs, liabilities, claims or damages, including
13 but not limited to attorneys' fees, to the Treasurer, the County, its officers, employees and
14 servants, caused by or arising from the investment of the funds in such an instrument); or (ii) the
15 Local Agency Investment Fund (LAIF) administered by the State of California.

16 Note proceeds shall be invested as directed by the District. To the extent that moneys
17 invested or held by the County are subject to arbitrage rebate, neither the County nor any officer
18 or employee of the County shall assume hereunder or under the provisions of any rebate
19 certificate any duty or obligation to make the actual calculations of arbitrage rebate liability of the
20 District, or to pay any such rebate or any penalties in regard thereto if the District miscalculates or
21 fails to pay or cause such rebate or such penalties to be paid.

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

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

5 The foregoing Resolution was, on the 28th day of February, 2012, adopted by the Board
6 of Supervisors of the County of Riverside.

7 ROLL CALL:
8 Ayes: Buster, Tavaglione, Stone, and Benoit
9 Nays: None
10 Absent: Ashley

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

13 KECIA HARPER-IHEM, Clerk of said Board

14 By: _____
15 Deputy

**EXHIBIT A
FORM OF NOTE**

REGISTERED

REGISTERED

No. 1

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VAL VERDE UNIFIED SCHOOL DISTRICT
(COUNTY OF RIVERSIDE, STATE OF CALIFORNIA)
2011-12 TAX AND REVENUE ANTICIPATION NOTE, SERIES A

<u>Rate of Interest:</u>	<u>Dated Date:</u>	<u>Maturity Date:</u>	<u>CUSIP:</u>
%	_____, 2012	_____, 2012	_____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____ DOLLARS

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

It is hereby certified, recited and declared that this Note is one of an authorized issue of Notes in the aggregate principal amount of _____ Dollars (\$ _____) all of like date, tenor and effect, made, executed and given pursuant to and by authority of a Resolution of the Board of Supervisors of Riverside County duly passed and adopted on February __, 2012 (the "Resolution") and a Resolution of the Board of Education of the District duly passed and adopted on February 14, 2012, under and by authority of Article 7.6 (commencing with Section 53850) of Chapter 4, Part 1, Division 2, Title 5, California Government Code, and that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Note have existed, happened and been performed in regular and due time, form and manner as required by law, and that this Note, together with all other indebtedness and obligations of the District, does not exceed any limit prescribed by the Constitution or statutes of the State of California.

The principal amount of the Notes, together with the interest thereon, shall be payable from taxes, income, revenue, cash receipts and other moneys that are received by the District

during or are attributable to fiscal year 2011-12. As security for the payment of the principal of and interest on the Notes, the District has pledged an amount equal to fifty percent (50%) of the principal amount of the Notes from the unrestricted revenues received by the District in the month ending July 31, 2012; and an amount equal to fifty percent (50%) of the principal amount of the Notes from the unrestricted revenues received by the District in the month ending August 30, 2012, plus an amount sufficient to pay interest on the Notes and any deficiency in the amount required to be deposited during any prior month (such pledged amounts being hereinafter called the "Pledged Revenues"); and the principal of the Notes and the interest thereon shall constitute a first lien and charge thereon and shall be payable from the Pledged Revenues, and to the extent not so paid shall be paid from any other moneys of the District lawfully available therefor. The Notes are general obligations of the District and do not represent a debt or obligation of the County of Riverside.

This Note is transferable by the Registered Owner hereof in person or by his attorney duly authorized in writing at the office of the Paying Agent but only in the manner, subject to the limitations and upon payment of the charges provided in the Resolution, and upon surrender and cancellation of this Note. Upon such transfer a new Note or Notes of authorized denominations and for the same aggregate principal amount will be issued to the transferees in exchange herefor.

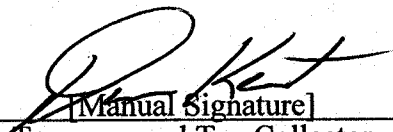
The County, the District and the Paying Agent may deem and treat the Registered Owner hereof as the absolute owner hereof for the purpose of receiving payment of or on account of principal hereof and interest due hereon and for all other purposes, and neither the County, the District nor the Paying Agent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

Unless this Note is presented by an authorized representative of The Depository Trust Company to the Paying Agent or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or 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.

IN WITNESS WHEREOF, Riverside County has caused this Val Verde Unified School District, Riverside County, State of California, 2011-12 Tax and Revenue Anticipation Note, Series A to be executed by the Chairman of its Board of Supervisors and by the Clerk of its Board of Supervisors by facsimile signature and countersigned by the Treasurer and Tax Collector by manual signature and has caused a facsimile of its official seal to be impressed or printed hereon this ___ day of March, 2012.

RIVERSIDE COUNTY

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

By: 
Treasurer and Tax Collector

(SEAL)

Countersigned

By: [Signature]
Clerk of the Board of Supervisors

CERTIFICATE OF AUTHENTICATION

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

DATED: _____, 2012

U.S. BANK NATIONAL ASSOCIATION, as
Paying Agent

By: _____
Authorized Officer

ASSIGNMENT

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

Dated: _____

Signature Guaranteed by:

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

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

\$ _____
**VAL VERDE UNIFIED SCHOOL DISTRICT
(COUNTY OF RIVERSIDE)
STATE OF CALIFORNIA
2011-12 TAX AND REVENUE ANTICIPATION NOTES,
SERIES A**

CONTRACT OF PURCHASE

_____, 2012

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

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

Ladies and Gentlemen:

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

1. Purchase and Sale of the Notes. Upon the terms and conditions and in reliance upon the representations, warranties and agreements herein set forth, the Underwriter hereby agrees to purchase from the District for reoffering to the public, and the District hereby agrees to sell to the Underwriter for such purpose, all (but not less than all) of the District's 2011-12 Tax and Revenue Anticipation Notes, Series A (the "Notes"), in the aggregate principal amount of \$ _____. The aggregate purchase price to be paid by the Underwriter for the Notes shall be \$ _____, being the principal amount of the Notes, [less net original issue discount] [plus net original issue premium] of \$ _____, and less an Underwriter's discount of \$ _____.

2. The Notes. The Notes shall be dated their date of issuance, shall mature on [October 1, 2012], and are being issued under a resolution adopted by the Board of Education of the District (the "District Resolution") and the Resolution of the Board of Supervisors of the

County (the "County Resolution" and collectively with the District Resolution, the "Resolutions"), in full conformity with the Constitution and laws of the State of California including Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the California Government Code (the "Act"), as amended and supplemented. The Notes will bear interest at the rate of _____% per annum, priced to yield _____%. The Notes will be registered initially in the name of "Cede & Co." as nominee of The Depository Trust Company ("DTC") in New York, New York, the securities depository for the Notes.

3. Use of District Documents. The District has delivered to the Underwriter copies of its Preliminary Official Statement dated _____, 2012 (the "Preliminary Official Statement"). As of its date, such Preliminary Official Statement has been "deemed final" by the District for purposes of Securities and Exchange Commission Rule 15c2-12 (the "Rule"), except for information permitted to be omitted by said Rule. The District agrees to deliver to the Underwriter a final Official Statement, dated the date hereof (the "Official Statement") within 7 business days from the date hereof and in sufficient time to accompany any confirmations requesting payment sent to purchasers. The number of Official Statements so delivered will be sufficient to comply with the requirements of paragraph (b)(4) of the Rule and the Rules of the Municipal Securities Rulemaking Board. The District has approved the distribution by the Underwriter of the Official Statement and the District hereby authorizes the Underwriter to use, in connection with the offer and sale of the Notes, the Official Statement and the Resolutions and all information contained herein and therein and all other documents, agreements, certificates or statements furnished by the District to the Underwriter or entered into in connection with the transactions contemplated by this Contract of Purchase.

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

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

The District and the County acknowledge and agree that: (i) the primary role of the Underwriter is to purchase securities for resale to investors in an arms-length commercial transaction among the District, the County and the Underwriter and that the Underwriter has financial and other interests that differ from those of the District or the County, (ii) the Underwriter is not acting as a municipal advisor, financial advisor or fiduciary to the District, the County or any other person or entity and has not assumed any advisory or fiduciary responsibility to the District or the County with respect to the transaction contemplated hereby and the discussions, undertakings and proceedings leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the District or the County on other matters), (iii) the only obligations the Underwriter has to the District or the

County with respect to the transaction contemplated hereby expressly are set forth in this Contract of Purchase, except as otherwise provided by applicable rules and regulations of the SEC or the rules of the MSRB, and (iv) the District and the County have consulted their own legal, accounting, tax, financial and other advisors, as applicable, to the extent they have deemed appropriate in connection with the transaction contemplated herein.

5. Closing. At 8:00 a.m., Pacific Daylight Time, on _____, 2012, or at such other time and on such other date as shall have been mutually agreed upon by the District, the County and the Underwriter (the "Issue Date"), the District will deliver to the Underwriter, through the facilities of DTC, the Notes in registered form duly executed and other documents hereinafter mentioned, and the Underwriter will accept such delivery and pay the purchase price thereof in immediately available funds to the order of the District (the "Closing").

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

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

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

(C) No consent, approval, authorization, license, order, filing, registration, qualification, election or referendum, of or by any person, organization, State court or State governmental agency or public body whatsoever is required for the consummation of the transactions contemplated hereby, except for such actions as have been taken or as may be necessary to qualify the Notes for offer and sale under the Blue Sky or other

securities laws and regulations of such states and jurisdictions of the United States as the Underwriter may designate (except that the District shall not be responsible for the failure to comply with any such laws of regulations with regard to Blue Sky).

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

(F) As of the date thereof, the Preliminary Official Statement with respect to the information therein regarding the District did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except for information permitted to be omitted therefrom by the Rule 15c2-12.

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

(H) The District undertakes that, for a period beginning with the day on which the Notes are delivered to the Underwriter and ending on the earlier of (i) the 25th day

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

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

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

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

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

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

(N) The District will enter into the Continuing Disclosure Certificate in order to provide the information required therein. Except as disclosed in the Official Statement, the District has not failed to comply in all material respects with a continuing disclosure undertaking under the Rule during the previous five years.

(O) The Notes will be issued only under and within the limits of the Act, and, as such, are general obligations of the District, but payable only out of certain taxes, income, revenue, cash receipts and other moneys to be received by the District attributable to District fiscal year 2011-12.

(P) There has been no material adverse change in the financial condition of the District since June 30, 2011, except as described in the Official Statement.

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

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

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

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

(D) To the best knowledge of the County, the issuance of the Notes, the execution, delivery and performance of this Contract of Purchase, the County Resolution and the Notes, and the compliance with the provisions hereof do not conflict with or constitute on the part of the County a violation of or default under, the Constitution of the

State of California or any existing law, charter, ordinance, regulation, decree, order or resolution and do not conflict with or result in a violation or breach of, or constitute a default under, any agreement, indenture, mortgage, lease or other instrument to which the County is a party or by which it is bound or to which it is subject.

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

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

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

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

(A) The representations and warranties of the District and the County contained herein shall be true and correct in all material respects at the date hereof and at and as of the Closing, as if made at and as of the Closing, and the statements made in all certificates and other documents delivered to the Underwriter at the Closing and

otherwise pursuant hereto shall be true and correct in all material respects at and as of the Closing;

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

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

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

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

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

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

(i) the Contract of Purchase has been duly executed and delivered by the District and the County and is a valid and binding agreement of the District and the County, except as enforcement may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against counties in the State and except that no opinion need be expressed with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability;

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

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

(3) A certificate signed by an appropriate official of the District to the effect that (i) such official is authorized to execute this Contract of Purchase, (ii) the representations, agreements and warranties of the District herein are true and correct in all material respects as of the date of Closing, (iii) the District has complied with all the terms of the District Resolution and this Contract of Purchase to be complied with by the District prior to or concurrently with the Closing and such documents are in full force and effect, (iv) such District official has reviewed the Official Statement and on such basis certifies that the Official Statement does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, (v) the Notes being delivered on the date of the Closing to the Underwriter under this Contract of Purchase substantially conform to the descriptions thereof contained in the District Resolution, and (vi) no further consent is required to be obtained for the inclusion of the District's audited financial statements, including the accompanying accountant's letter, for fiscal year 2010-11 in the Official Statement;

(4) A certificate of the Clerk of the Board of Education of the District, together with a fully executed copy of the District Resolution, to the effect that (i) such copy is a true and correct copy of the District Resolution; and (ii) the District Resolution was duly adopted and has not been modified, amended, rescinded or revoked and is in full force and effect at and as of the Closing, except for amendments, if any, adopted with the consent of the Underwriter;

(5) A certificate signed by an appropriate official of the County to the effect that (i) such official is authorized to execute this Contract of Purchase, (ii) the representations, agreements and warranties of the County herein are true and correct in all material respects as of the date of Closing, (iii) the County has complied with all the terms of the County Resolution and this Contract of Purchase to be complied with by the County prior to or concurrently with the Closing and such documents are in full force and effect, and (iv) the Bonds being delivered on the date of the Closing to the Underwriter under this Contract of Purchase substantially conform to the descriptions thereof contained in the County Resolution;

(6) A certificate of the Clerk of the Board of Supervisors of the County, together with a fully executed copy of the County Resolution, to the effect that (i) such copy is a true and correct copy of the County Resolution; and (ii) the County Resolution was duly adopted and has not been modified, amended, rescinded or revoked and is in full force and effect at and as of the Closing, except for amendments, if any, adopted with the consent of the Underwriter;

(7) An non-arbitrage certification from the District in form and substance satisfactory to Bond Counsel, signed by an official of the District;

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

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

(10) An opinion, dated the Closing Date and addressed to the District, the County and the Underwriter, of Fulbright & Jaworski L.L.P., to the effect that, without having undertaken to determine independently the accuracy or

completeness of the statements contained in the Official Statement, but on the basis of their participation in conferences with representatives of the District, the County, the Underwriter and others, and their examination of certain documents, nothing has come to their attention which has led them to believe that the Official Statement as of its date and as of the Closing Date contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (except that no opinion or belief need be expressed as to any financial or statistical data contained in the Official Statement); and

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

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

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

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

(ii) the market for the Notes or the market price for the Notes shall have been materially and adversely affected, in the reasonable professional judgment of the Underwriter, by (a) legislation enacted by the Congress of the United States, or passed by either House of Congress or favorably reported for passage to either House of Congress by any Committee of such House to which such legislation has been referred for consideration, or formally proposed, or introduced on the floor of either House of Congress, or by the legislature of the State of California or by the United States Tax Court, or a ruling, order, or regulation (final, temporary or proposed) made by the Treasury Department of the United States or the Internal Revenue Service or other federal or State Court or other authority, which would have the effect of changing, directly or indirectly, the federal income tax consequences or State income tax consequences of interest on obligations of the general character of the Notes in the hands of the holders thereof, or (b) any new outbreak or escalation of hostilities or other national calamity or crisis in the financial markets of the United States which has a material adverse effect on the market price of

the Notes, or (c) a general suspension of trading on the New York Stock Exchange, or of fixing of minimum or maximum prices of trading on the New York Stock Exchange, or of fixing of minimum or maximum prices for trading or maximum ranges for prices for securities on the New York Stock Exchange, whether by virtue of a determination by that Exchange or by order of the Securities and Exchange Commission or any other governmental authority having jurisdiction, or (d) a general banking moratorium declared by either federal or State of New York authorities having jurisdiction;

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

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

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

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

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

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

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

13. Notices. Any notice or other communication to be given under this Contract of Purchase (other than the acceptance hereof as specified in the first paragraph hereof) shall be given by telephone or telex, confirmed in writing, or by delivering the same in writing, if to the District or County, to the address first written above, or if to the Underwriter, to Piper Jaffray & Co., 2321 Rosecrans Ave., Suite 3200, El Segundo, CA 90245.

14. Parties in Interest: Survival of Representations and Warranties. This Contract of Purchase when accepted by the District in writing as specified herein shall constitute the entire agreement between the District, the County and the Underwriter and is made solely for the benefit of the District, the County and the Underwriter (including their respective successors and assigns). No other person shall acquire or have any right hereunder or by virtue hereof. The obligations of the District or the County arising out of its representations and warranties in this Contract of Purchase shall not be affected by any investigation made by or on behalf of the Underwriter.

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

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

Very truly yours,

PIPER JAFFRAY & CO.

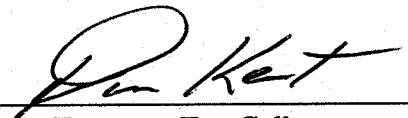
By _____
Authorized Representative

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

VAL VERDE UNIFIED SCHOOL DISTRICT

By _____
Title: _____
Time of Execution: _____

COUNTY OF RIVERSIDE

By: 
Treasurer-Tax-Collector
Time of Execution: 2-23-12
6:23 pm

\$ _____
VAL VERDE UNIFIED SCHOOL DISTRICT
(COUNTY OF RIVERSIDE)
STATE OF CALIFORNIA
2011-12 TAX AND REVENUE ANTICIPATION NOTES,
SERIES A

CONTRACT OF PURCHASE

_____, 2012

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

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

Ladies and Gentlemen:

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

1. Purchase and Sale of the Notes. Upon the terms and conditions and in reliance upon the representations, warranties and agreements herein set forth, the Underwriter hereby agrees to purchase from the District for reoffering to the public, and the District hereby agrees to sell to the Underwriter for such purpose, all (but not less than all) of the District's 2011-12 Tax and Revenue Anticipation Notes, Series A (the "Notes"), in the aggregate principal amount of \$_____. The aggregate purchase price to be paid by the Underwriter for the Notes shall be \$_____, being the principal amount of the Notes, [less net original issue discount] [plus net original issue premium] of \$_____, and less an Underwriter's discount of \$_____.

2. The Notes. The Notes shall be dated their date of issuance, shall mature on [October 1, 2012], and are being issued under a resolution adopted by the Board of Education of the District (the "District Resolution") and the Resolution of the Board of Supervisors of the

County (the "County Resolution" and collectively with the District Resolution, the "Resolutions"), in full conformity with the Constitution and laws of the State of California including Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the California Government Code (the "Act"), as amended and supplemented. The Notes will bear interest at the rate of _____% per annum, priced to yield _____%. The Notes will be registered initially in the name of "Cede & Co." as nominee of The Depository Trust Company ("DTC") in New York, New York, the securities depository for the Notes.

3. Use of District Documents. The District has delivered to the Underwriter copies of its Preliminary Official Statement dated _____, 2012 (the "Preliminary Official Statement"). As of its date, such Preliminary Official Statement has been "deemed final" by the District for purposes of Securities and Exchange Commission Rule 15c2-12 (the "Rule"), except for information permitted to be omitted by said Rule. The District agrees to deliver to the Underwriter a final Official Statement, dated the date hereof (the "Official Statement") within 7 business days from the date hereof and in sufficient time to accompany any confirmations requesting payment sent to purchasers. The number of Official Statements so delivered will be sufficient to comply with the requirements of paragraph (b)(4) of the Rule and the Rules of the Municipal Securities Rulemaking Board. The District has approved the distribution by the Underwriter of the Official Statement and the District hereby authorizes the Underwriter to use, in connection with the offer and sale of the Notes, the Official Statement and the Resolutions and all information contained herein and therein and all other documents, agreements, certificates or statements furnished by the District to the Underwriter or entered into in connection with the transactions contemplated by this Contract of Purchase.

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

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

The District and the County acknowledge and agree that: (i) the primary role of the Underwriter is to purchase securities for resale to investors in an arms-length commercial transaction among the District, the County and the Underwriter and that the Underwriter has financial and other interests that differ from those of the District or the County, (ii) the Underwriter is not acting as a municipal advisor, financial advisor or fiduciary to the District, the County or any other person or entity and has not assumed any advisory or fiduciary responsibility to the District or the County with respect to the transaction contemplated hereby and the discussions, undertakings and proceedings leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the District or the County on other matters), (iii) the only obligations the Underwriter has to the District or the

County with respect to the transaction contemplated hereby expressly are set forth in this Contract of Purchase, except as otherwise provided by applicable rules and regulations of the SEC or the rules of the MSRB, and (iv) the District and the County have consulted their own legal, accounting, tax, financial and other advisors, as applicable, to the extent they have deemed appropriate in connection with the transaction contemplated herein.

5. Closing. At 8:00 a.m., Pacific Daylight Time, on _____, 2012, or at such other time and on such other date as shall have been mutually agreed upon by the District, the County and the Underwriter (the "Issue Date"), the District will deliver to the Underwriter, through the facilities of DTC, the Notes in registered form duly executed and other documents hereinafter mentioned, and the Underwriter will accept such delivery and pay the purchase price thereof in immediately available funds to the order of the District (the "Closing").

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

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

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

(C) No consent, approval, authorization, license, order, filing, registration, qualification, election or referendum, of or by any person, organization, State court or State governmental agency or public body whatsoever is required for the consummation of the transactions contemplated hereby, except for such actions as have been taken or as may be necessary to qualify the Notes for offer and sale under the Blue Sky or other

securities laws and regulations of such states and jurisdictions of the United States as the Underwriter may designate (except that the District shall not be responsible for the failure to comply with any such laws of regulations with regard to Blue Sky).

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

(F) As of the date thereof, the Preliminary Official Statement with respect to the information therein regarding the District did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except for information permitted to be omitted therefrom by the Rule 15c2-12.

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

(H) The District undertakes that, for a period beginning with the day on which the Notes are delivered to the Underwriter and ending on the earlier of (i) the 25th day

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

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

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

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

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

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

(N) The District will enter into the Continuing Disclosure Certificate in order to provide the information required therein. Except as disclosed in the Official Statement, the District has not failed to comply in all material respects with a continuing disclosure undertaking under the Rule during the previous five years.

(O) The Notes will be issued only under and within the limits of the Act, and, as such, are general obligations of the District, but payable only out of certain taxes, income, revenue, cash receipts and other moneys to be received by the District attributable to District fiscal year 2011-12.

(P) There has been no material adverse change in the financial condition of the District since June 30, 2011, except as described in the Official Statement.

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

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

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

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

(D) To the best knowledge of the County, the issuance of the Notes, the execution, delivery and performance of this Contract of Purchase, the County Resolution and the Notes, and the compliance with the provisions hereof do not conflict with or constitute on the part of the County a violation of or default under, the Constitution of the

State of California or any existing law, charter, ordinance, regulation, decree, order or resolution and do not conflict with or result in a violation or breach of, or constitute a default under, any agreement, indenture, mortgage, lease or other instrument to which the County is a party or by which it is bound or to which it is subject.

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

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

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

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

(A) The representations and warranties of the District and the County contained herein shall be true and correct in all material respects at the date hereof and at and as of the Closing, as if made at and as of the Closing, and the statements made in all certificates and other documents delivered to the Underwriter at the Closing and

otherwise pursuant hereto shall be true and correct in all material respects at and as of the Closing;

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

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

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

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

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

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

(i) the Contract of Purchase has been duly executed and delivered by the District and the County and is a valid and binding agreement of the District and the County, except as enforcement may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against counties in the State and except that no opinion need be expressed with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability;

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

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

(3) A certificate signed by an appropriate official of the District to the effect that (i) such official is authorized to execute this Contract of Purchase, (ii) the representations, agreements and warranties of the District herein are true and correct in all material respects as of the date of Closing, (iii) the District has complied with all the terms of the District Resolution and this Contract of Purchase to be complied with by the District prior to or concurrently with the Closing and such documents are in full force and effect, (iv) such District official has reviewed the Official Statement and on such basis certifies that the Official Statement does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, (v) the Notes being delivered on the date of the Closing to the Underwriter under this Contract of Purchase substantially conform to the descriptions thereof contained in the District Resolution, and (vi) no further consent is required to be obtained for the inclusion of the District's audited financial statements, including the accompanying accountant's letter, for fiscal year 2010-11 in the Official Statement;

(4) A certificate of the Clerk of the Board of Education of the District, together with a fully executed copy of the District Resolution, to the effect that (i) such copy is a true and correct copy of the District Resolution; and (ii) the District Resolution was duly adopted and has not been modified, amended, rescinded or revoked and is in full force and effect at and as of the Closing, except for amendments, if any, adopted with the consent of the Underwriter;

(5) A certificate signed by an appropriate official of the County to the effect that (i) such official is authorized to execute this Contract of Purchase, (ii) the representations, agreements and warranties of the County herein are true and correct in all material respects as of the date of Closing, (iii) the County has complied with all the terms of the County Resolution and this Contract of Purchase to be complied with by the County prior to or concurrently with the Closing and such documents are in full force and effect, and (iv) the Bonds being delivered on the date of the Closing to the Underwriter under this Contract of Purchase substantially conform to the descriptions thereof contained in the County Resolution;

(6) A certificate of the Clerk of the Board of Supervisors of the County, together with a fully executed copy of the County Resolution, to the effect that (i) such copy is a true and correct copy of the County Resolution; and (ii) the County Resolution was duly adopted and has not been modified, amended, rescinded or revoked and is in full force and effect at and as of the Closing, except for amendments, if any, adopted with the consent of the Underwriter;

(7) An non-arbitrage certification from the District in form and substance satisfactory to Bond Counsel, signed by an official of the District;

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

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

(10) An opinion, dated the Closing Date and addressed to the District, the County and the Underwriter, of Fulbright & Jaworski L.L.P., to the effect that, without having undertaken to determine independently the accuracy or

completeness of the statements contained in the Official Statement, but on the basis of their participation in conferences with representatives of the District, the County, the Underwriter and others, and their examination of certain documents, nothing has come to their attention which has led them to believe that the Official Statement as of its date and as of the Closing Date contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (except that no opinion or belief need be expressed as to any financial or statistical data contained in the Official Statement); and

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

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

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

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

(ii) the market for the Notes or the market price for the Notes shall have been materially and adversely affected, in the reasonable professional judgment of the Underwriter, by (a) legislation enacted by the Congress of the United States, or passed by either House of Congress or favorably reported for passage to either House of Congress by any Committee of such House to which such legislation has been referred for consideration, or formally proposed, or introduced on the floor of either House of Congress, or by the legislature of the State of California or by the United States Tax Court, or a ruling, order, or regulation (final, temporary or proposed) made by the Treasury Department of the United States or the Internal Revenue Service or other federal or State Court or other authority, which would have the effect of changing, directly or indirectly, the federal income tax consequences or State income tax consequences of interest on obligations of the general character of the Notes in the hands of the holders thereof, or (b) any new outbreak or escalation of hostilities or other national calamity or crisis in the financial markets of the United States which has a material adverse effect on the market price of

the Notes, or (c) a general suspension of trading on the New York Stock Exchange, or of fixing of minimum or maximum prices of trading on the New York Stock Exchange, or of fixing of minimum or maximum prices for trading or maximum ranges for prices for securities on the New York Stock Exchange, whether by virtue of a determination by that Exchange or by order of the Securities and Exchange Commission or any other governmental authority having jurisdiction, or (d) a general banking moratorium declared by either federal or State of New York authorities having jurisdiction;

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

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

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

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

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

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

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

13. Notices. Any notice or other communication to be given under this Contract of Purchase (other than the acceptance hereof as specified in the first paragraph hereof) shall be given by telephone or telex, confirmed in writing, or by delivering the same in writing, if to the District or County, to the address first written above, or if to the Underwriter, to Piper Jaffray & Co., 2321 Rosecrans Ave., Suite 3200, El Segundo, CA 90245.

14. Parties in Interest: Survival of Representations and Warranties. This Contract of Purchase when accepted by the District in writing as specified herein shall constitute the entire agreement between the District, the County and the Underwriter and is made solely for the benefit of the District, the County and the Underwriter (including their respective successors and assigns). No other person shall acquire or have any right hereunder or by virtue hereof. The obligations of the District or the County arising out of its representations and warranties in this Contract of Purchase shall not be affected by any investigation made by or on behalf of the Underwriter.

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

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

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

Very truly yours,

PIPER JAFFRAY & CO.


By _____
Authorized Representative

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

VAL VERDE UNIFIED SCHOOL DISTRICT

By _____
Title: _____
Time of Execution: _____

COUNTY OF RIVERSIDE

By: 
Treasurer-Tax-Collector
Time of Execution: 2-23-12
6:23 am.

RESOLUTION NO. 11-12-13

**RESOLUTION OF THE BOARD OF EDUCATION OF THE VAL VERDE
UNIFIED SCHOOL DISTRICT AUTHORIZING THE ISSUANCE OF
2011-12 TAX AND REVENUE ANTICIPATION NOTES, SERIES A, FOR
SAID DISTRICT AND REQUESTING THE BOARD OF SUPERVISORS
OF THE COUNTY OF RIVERSIDE TO ISSUE SAID NOTES**

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

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

WHEREAS, the County Superintendent of Schools has jurisdiction over the District, and this Board of Education (the "District Board"), being the governing board of the District, hereby requests the borrowing of not to exceed thirty-six million dollars (\$36,000,000) at an interest rate not to exceed the maximum rate allowed by law, through the issuance by the County Board of 2011-12 Tax and Revenue Anticipation Notes, Series A (the "Notes") in the name of the District, to be sold by negotiated sale; and

WHEREAS, such Notes are to be payable no later than thirteen months after their date of delivery and shall be payable only from revenue received or accrued during fiscal year 2011-12; and

WHEREAS, pursuant to Section 53856 of the Act, the District may pledge any taxes, income, revenue, cash receipts or other moneys, including moneys deposited in inactive or term deposits (but excepting certain moneys encumbered for a special purpose); and this Resolution specifies that certain unrestricted revenues which will be received by the District for the General Fund of the District during or allocable to fiscal year 2011-12 are pledged for the payment of the Notes; and

WHEREAS, the Notes shall be a general obligation of the District, and to the extent not paid from the taxes, income, revenue, cash receipts and other moneys of the District pledged for the payment thereof shall be paid with interest therein from any other moneys of the District lawfully available therefor, as required by Section 53857 of the Act; and

WHEREAS, the Notes shall be issued in denominations of \$5,000, or integral multiples thereof, as permitted by Section 53854 of the Act; shall be issued on a date to be designated and

shall be in the form and executed in the manner prescribed in this Resolution, all as permitted or required by Section 53853 of the Act; and

WHEREAS, the District Board has found and determined that said \$36,000,000 maximum principal amount of Notes to be issued in the name of the District by the County Board in fiscal year 2011-12 does not exceed eighty-five percent (85%) of the estimated amount of the uncollected taxes, income, revenue (including but not limited to revenue from state and federal governments), cash receipts and other moneys of the District which will be available for the payment of the Notes and the interest thereon, as required by Section 53858 of the Act; and

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

NOW, THEREFORE, the Board of Education of the Val Verde Unified School District hereby resolves as follows:

Section 1. Authorization of Issuance of Notes; Terms Thereof; Paying Agent. The District Board hereby requests the County Board to issue in the name of the District, an amount not to exceed \$36,000,000 principal amount of Notes under the Act, designated "Val Verde Unified School District (County of Riverside, State of California), 2011-12 Tax and Revenue Anticipation Notes, Series A" (the "Notes"); to be numbered from 1 consecutively upward in order of issuance; to be in the denominations of \$5,000, or integral multiples thereof, to be dated the date of delivery thereof; to mature (without option of prior redemption) either within 364 days from said date of delivery computed (on a 30-day month/360-day year basis), or if such date is not a day on which banks in New York or California are open for business, on the last day such banks are open for business prior to such date, or some later date as set forth in the official statement pertaining to the Notes (the "Official Statement"), but in no event later than thirteen months after the date of issuance (on a 30-day month/360-day year basis); and unless otherwise provided for in the Contract of Purchase (as defined below), to bear interest, payable on or before the twelve month anniversary following the date of issuance and/or at maturity and computed on a 30-day month/360-day year basis, at the rate or rates determined at the time of sale thereof, but not in excess of the maximum rate allowed by law per annum. Both the principal of and interest on the Notes shall be payable, only upon surrender thereof, in lawful money of the United States of America at the office of U.S. Bank National Association, which is hereby designated to be the paying agent for the Notes (the "Paying Agent").

Section 2. Form of Notes. The Notes shall be issued in registered form, and shall be initially registered in the name of "Cede & Co." as nominee of The Depository Trust Company, and shall be evidenced by one note in the full principal amount of the Notes. The Depository Trust Company, New York, New York is hereby appointed depository for the Notes. Registered ownership may not thereafter be transferred except as set forth in Section 4 hereof.

Section 3. Deposit of Note Proceeds; No Arbitrage. The moneys so borrowed shall be deposited in the General Fund of the District. The District hereby covenants that it will make

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

Section 4. Payment of Notes.

(A) Source of Payment. The principal amount of the Notes, together with the interest thereon, shall be payable from taxes, income, revenue, cash receipts and other moneys which are received or accrued by the District during fiscal year 2011-12 and which are available therefor. The Notes shall be a general obligation of the District, and to the extent the Notes are not paid from the Pledged Revenues defined below, the Notes shall be paid with interest thereon from any other moneys of the District lawfully available therefor, as provided herein and by law.

(B) Pledged Revenues. Unless otherwise provided for in the Note, as security for the payment of the principal of and interest on the Notes, the District hereby pledges unrestricted revenues accrued or received by the District during fiscal year 2011-12 in such amounts and in such months as shall be determined upon pricing of the Notes as sufficient to pay principal of and interest on the Notes through maturity (such pledged amounts being hereinafter called the "Pledged Revenues"). The term "unrestricted revenues" shall mean taxes, income, revenue, cash receipts, and other money of the District as provided in Section 53856 of the Act, which are intended as receipts for the general fund of the District and which are generally available for the payment of current expenses and other obligations of the District.

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

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

(C) Covenant Regarding Additional Short-Term Borrowing. The District hereby covenants and warrants that it will not request the Treasurer and Tax Collector of the County (the "Treasurer") to make temporary transfers of funds in the custody of the Treasurer to meet any obligations of the District during the 2011-12 fiscal year pursuant to the authority of Article XVI, Section 6 of the Constitution of the State of California or any other legal authority.

(D) Deposit of Pledged Revenues in Repayment Fund. The Pledged Revenues shall be held by the Paying Agent in a special fund designated as the "Val Verde Unified School

District (County of Riverside, State of California), 2011-12 Tax and Revenue Anticipation Notes Repayment Fund" (herein called the "Repayment Fund") and applied as directed in this Resolution. The District, in consultation with the Treasurer, shall direct the moneys in the Repayment Fund to be invested, as provided in Section 4(E) of this Resolution, by the Paying Agent. Any moneys accounted for in the Repayment Fund shall be for the benefit of the holders of the Notes, and until the Notes and all interest thereon are paid or until provision has been made for the payment of the Notes at maturity with interest to maturity, the moneys in the Repayment Fund shall be applied only for the purposes for which the Repayment Fund is created.

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

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

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

Section 6. Sale of the Notes. The Notes will be sold at a public sale, at the time and place and upon the terms provided in the County Resolution; provided that the aggregate principal amount of the Notes does not exceed thirty-six million dollars (\$36,000,000) and the interest rate does not exceed the maximum rate per annum allowed by law.

Section 7. Appointment of Underwriter and Bond Counsel; Authorization of Preliminary Official Statement, Official Statement. Piper Jaffray & Co. (the "Underwriter") is hereby designated the Underwriter in connection with the issuance of the Notes; Fieldman, Rolapp & Associates is hereby designated as Financial Advisor to the District; and Fulbright & Jaworski L.L.P., is hereby designated as Bond Counsel to the District upon the terms and conditions set forth in agreements on file with the Superintendent of the District in connection with the issuance of the Notes. Bond Counsel is hereby authorized to prepare a Preliminary Official Statement and an Official Statement relating to the Notes, to be used in connection with the offering and sale of the Notes. The Superintendent, the Deputy Superintendent, Business

Services, or the Superintendent's designee (each, an "Authorized Officer"), are hereby authorized and requested to execute and deliver the Official Statement; such execution shall conclusively evidence the District's approval of such Official Statement. The Authorized Officers are each also authorized to deem "final" pursuant to Rule 15c2-12 of the Securities Exchange Act of 1934 the Official Statement prior to its distribution.

Section 8. Approval of Contract of Purchase. The Notes shall be sold at negotiated sale. The form of Contract of Purchase for the Notes, substantially in the form presented to this meeting and on file with the Clerk of the County is hereby approved. Any Authorized Officer, acting alone, is hereby authorized to execute and deliver the Contract of Purchase, and the Authorized Officers are each hereby authorized and requested to acknowledge such Contract of Purchase, if necessary, such approval to be conclusively evidenced by his or her execution and delivery thereof; provided, however, that the maximum interest rate on the Notes shall not exceed the maximum interest rate permitted by law and that the Underwriter's discount shall not exceed fifty hundredths of one percent (0.50%) of the par amount of the Notes. Each Authorized Officer is hereby further authorized to determine the maximum principal amount of Notes to be specified in the Contract of Purchase, up to \$36,000,000 and to enter into and execute the Contract of Purchase with the Underwriter, if the conditions set forth in this Resolution are satisfied.

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

Section 10. Proceeds of Notes Conditionally Pledged; Investment of Note Proceeds. Notwithstanding anything to the contrary contained herein, the proceeds of the Notes shall be pledged to the payment of the Notes in the event and to the extent sufficient Pledged Revenues of the District and other legally available revenues are not deposited into the Repayment Fund. In addition to investments in the Treasurer's Investment Pool, pursuant to Section 53601(1) of the Government Code of the State of California, the following are hereby designated as additional authorized investments for the proceeds of the Notes and the Repayment Fund: (i) a guaranteed investment contract with a financial institution or insurance company which has or its guarantor has at the date of execution thereof one or more outstanding issues of unsecured, uninsured and unguaranteed debt obligations or a claims paying ability rated not lower than the second highest rating category (without regard to subcategories) by Standard & Poor's Ratings Services and Moody's Investors Service (in which case, the District Board hereby directs any Authorized Officer to execute a certificate of indemnity holding the Treasurer and the County, its officers, employees and servants harmless and indemnifying them from any costs, liabilities, claims or damages, including but not limited to attorneys' fees, caused by or arising from the investment of the funds in such an instrument, or, alternatively, a written agreement to pay for any costs, liabilities, claims or damages, including but not limited to attorneys' fees, to the Treasurer, the County, its officers, employees and servants, caused by or arising from the

investment of the funds in such an instrument); or (ii) the Local Agency Investment Fund (LAIF) administered by the State of California.

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

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

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

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

PASSED AND ADOPTED by the Board of Education of the Val Verde Unified School District this 7th day of February, 2012, by the following vote:

AYES: 4

NOES: 0

ABSENT: 1

ABSTAIN: 0

By: D. Shelly Yarbrough
President
Board of Education
Val Verde Unified School District

ATTEST:

By: Alan Jensen
Secretary to the Board of Education
Val Verde Unified School District

NEW ISSUE – BOOK-ENTRY

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

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

\$36,000,000*
VAL VERDE UNIFIED SCHOOL DISTRICT
(County of Riverside, State of California)
2011-12 Tax and Revenue Anticipation Notes
Series A

Dated: Date of Delivery

Due: October 1, 2012

The Val Verde Unified School District 2011-12 Tax and Revenue Anticipation Notes, Series A (the "Notes") are being issued to finance seasonal cash flow requirements for the fiscal year ending June 30, 2012. The Notes will be in denominations of \$5,000 or any integral multiple thereof and will be dated the date of their delivery. The Notes are the second series of tax and revenue anticipation notes of the District to be issued during the fiscal year 2011-12. See "SECURITY FOR SOURCES OF PAYMENT FOR THE NOTES." Principal of and interest on the Notes will be payable in lawful money of the United States of America by the District upon maturity at the office of the U.S. Bank National Association or other such paying agent as the County or the District may appoint. The Notes will be issued in the aggregate principal amount of \$36,000,000*. **The Notes will not be subject to redemption prior to maturity.** The Notes will be issued in fully registered form. When delivered, the Notes will be registered in the name of Cede & Co., as nominee for the Depository Trust Company, New York, New York, which will act as securities depository for the Notes. **Purchasers will not receive Notes representing their ownership interest in the Notes purchased.** Principal of and interest on the Notes will be payable when due as described under "THE NOTES – Book-Entry Only System."

Interest Rate

Price to Yield

CUSIP

_____ %

_____ %

91882R _____

As security for repayment of the Notes, the District has pledged to deposit into the Repayment Fund out of unrestricted revenues received by the District during the period ending September 26, 2011 in an amount sufficient to pay the aggregate principal amount and interest on the Notes.

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

The Notes are offered when, as and if issued and received by the Underwriter, subject to the approval of legality by Fulbright & Jaworski L.L.P., Los Angeles, California, Bond Counsel and Disclosure Counsel. Certain other legal matters will be passed upon for the District by Parker & Covert LLP, Tustin, California and for the Underwriter by Nossaman LLP, Irvine, California. The Notes, in book-entry form, will be available through the facilities of The Depository Trust Company in New York, New York, on or about March __, 2012.

PIPER JAFFRAY & CO.

Dated: February __, 2012

* Preliminary; subject to change.

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

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

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

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

The information set forth herein has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District or the Underwriter. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Notes referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the District.

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

Board of Education

D. Shelly Yarborough, President
Wraymond Sawyerr, Vice President
Stacey L. Guzman, Clerk
Fredy De Leon, Member
Michael M. Vargas, Member

District Administrators

Alan Jensen, Ed.D., Superintendent
Michelle Richardson, Ed.D., Assistant Superintendent, Business Services
Kristin Merritt, Director of Fiscal Services

BOND COUNSEL

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

FINANCIAL ADVISOR

Fieldman, Rolapp & Associates
Irvine, California

UNDERWRITER

Piper Jaffray & Co.
El Segundo, California

PAYING AGENT

U.S. Bank National Association
Los Angeles, California

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SUMMARY STATEMENT

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

Purpose: The Notes are being sold to fund short-term operating cash requirements of the District.

Security for the Notes: The District is required to make Note payments only out of taxes, income, revenue, cash receipts and other moneys of the District received during the periods ending July 31, 2012 and August 30, 2012, and legally available for payment thereof.

Form of the Notes: The Notes will be issued only in fully registered form through the facilities of The Depository Trust Company, New York, New York ("DTC"). Purchases of the Notes will be made in book-entry form in the denomination of \$5,000 each or any integral multiple thereof.

Redemption: The Notes are not subject to redemption prior to maturity.

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

OFFICIAL STATEMENT

\$36,000,000*
VAL VERDE UNIFIED SCHOOL DISTRICT
(County of Riverside, State of California)
2011-12 Tax and Revenue Anticipation Notes,
Series A

INTRODUCTION

This Official Statement provides certain information in connection with the issuance, sale and delivery by the County of Riverside, California (the "County"), in the name and on behalf of the Val Verde Unified School District, Riverside County, California (the "District") of \$36,000,000* of the District's 2011-12 Tax and Revenue Anticipation Notes, Series A (the "Notes"). The Notes are issued under the authority of Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the California Government Code and pursuant to resolutions adopted by the Board of Education of the District (the "District Note Resolution") and by the Board of Supervisors of the County (the "County Note Resolution" and together with the District Note Resolution, the "Resolutions"). The Notes are the second series of tax and revenue anticipation notes of the District during Fiscal Year 2011-12 (the "Fiscal Year"). Issuance of the Notes will provide funds to meet General Fund expenditures, including operating expenses, capital expenditures, and the discharge of other obligations or indebtedness, of the District during Fiscal Year.

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

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

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

* Preliminary; subject to change.

THE NOTES

General Provisions

The Notes will be dated the date of their delivery and will mature on October 1, 2012. The Notes will be registered in the name of Cede & Co. ("Cede & Co."), as nominee of the Depository Trust Company, New York, New York ("DTC"). Interest on the Notes will be computed on a 360-day year and 30-day month basis. The Notes are not subject to redemption prior to maturity. Principal of and interest on the Notes shall be payable upon maturity as described below under "THE NOTES – Book-Entry Only System."

Book-Entry Only System

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

DTC will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for the Notes, in the aggregate principal amount of the entire issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

Distributions, and dividend payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Notes purchased or tendered, through its Participant, to the Paying Agent, and shall effect delivery of such Notes by causing the Direct Participant to transfer the Participant's interest in the Notes, on DTC's records, to the Paying Agent. The requirement for physical delivery of Notes in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Notes are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Notes to the Paying Agent's DTC account.

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

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

Note Payments

Pursuant to Section 53856 of the Government Code of the State of California (the "Code"), the District's Note Resolution specifies, as security for the payment of principal of and interest on the Notes, the pledging of certain unrestricted revenue (as hereinafter defined) of the District received during the periods ending July 31, 2012 and August 30, 2012 (such pledged amounts being called "Pledged Revenues"). In the event that there are insufficient Pledged Revenues received by the District to permit the deposit into the Repayment Account (as hereinafter defined) of the full amount of the aforesaid pledge, then the amount of any deficiency shall be satisfied and made up from any other moneys of the District lawfully available for the payment of the principal of and interest on the Notes. The term "unrestricted revenues" means taxes, income, revenue, cash receipts and other moneys intended as receipts for the general fund of the District for the Fiscal Year and which are generally available for the payment of current expenses and other obligations of the District. See "THE NOTES – Security for the Notes."

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

Authority for Issuance

The Notes are issued pursuant to Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the Code and pursuant to a Resolution adopted by the Board of Education of the District on February 7, 2012, and the Board of Supervisors of the County on February __, 2012 (collectively, the "Resolutions").

Purpose of Issue

Issuance of the Notes will provide funds to meet Fiscal Year 2011-12 General Fund expenditures, including operating expenses, capital expenditures, and the discharge of other obligations or indebtedness of the District.

Investment of Note Proceeds

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

SECURITY FOR AND SOURCES OF PAYMENT OF THE NOTES

Security for the Notes

The Resolutions authorizing the issuance of the Notes provide that the Notes shall be payable from certain pledged revenues of the District. Pursuant to Section 53856 of the Code, the Resolutions pledge, as security for the payment of the principal of and interest on the Notes, unrestricted revenues received by the District during the periods ending July 31, 2012 and August 30, 2012, in an amount sufficient to pay the aggregate principal amount of and interest on the Notes (the "Pledged Revenues"). The term "unrestricted revenues" is defined by the Resolutions to mean taxes, income, revenue, cash receipts and other moneys intended as receipts for the general fund of the District and which are generally available for the payment of current expenses and other obligations of the District. In the event that there are insufficient unrestricted revenues received by the District to permit payment of the full amounts due and owing on the Notes, then the amount of any deficiency will be satisfied and made up from any other moneys of the District lawfully available for the repayment of the principal of and interest on the Notes. The principal of and interest on the Notes will constitute a first lien and charge against, and will be payable from, the first moneys received by the District from such Pledged Revenues.

All Pledged Revenues will be deposited into a special fund held by the Treasurer and Tax Collector of the County designated as the "Val Verde Unified School District 2011-12 Tax and Revenue Anticipation Notes, Series A Repayment Fund" (the "Repayment Fund"). Moneys in the Repayment Fund will be invested as described above. After the date on which the amount of Pledged Revenues deposited in the Repayment Fund are sufficient to pay in full the principal of and interest on the Notes, when due, any moneys in excess of such amount remaining in or accruing to the Repayment Fund shall be transferred to the General Fund of the District upon request of the District.

Available Sources of Payment

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

In addition to the District's obligation to repay the Notes, the District has other contractual commitments that must be paid from General Fund revenues. For information regarding the levels of the District's expenditure commitments for the Fiscal Year and its projected commitments for Fiscal Year 2011-12, see APPENDIX A – "FINANCIAL AND DEMOGRAPHIC INFORMATION RELATING TO THE DISTRICT – Financial Statements of the District," "– District Budget," "– Projected and Actual Cash Flows."

The District filed its 2011-12 First Interim Financial Report with the County Office of Education with a positive certification within the meaning of Section 42133 of the Education Code of the State. See APPENDIX A – "FINANCIAL AND DEMOGRAPHIC INFORMATION RELATING TO THE DISTRICT – Significant Accounting Policies and Financial Statements."

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. See "APPENDIX A FINANCIAL AND DEMOGRAPHIC INFORMATION RELATING TO THE DISTRICT - State Assistance" herein. Under the State's Education Code and under Assembly Bill 1610 ("AB 1610") and Assembly Bill 1624 ("AB 1624"), which were enacted in October 2010, and Senate Bill 70 ("SB 70") and Senate Bill 82 ("SB 82") which were approved in March 2011 (see "APPENDIX A FINANCIAL AND DEMOGRAPHIC INFORMATION RELATING TO THE DISTRICT - State Assistance – SB 70 and SB 82"), 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 during Fiscal Year 2011-12, the payments of which are currently deferred by the State to July, August and September of 2012 (collectively, the "Deferred Revenues"). The District has projected the timing and amount of its Deferred Revenue based upon the most recent information available to it from the State and the County Office of Education. To the extent that the Notes are paid from Pledged Revenues, the payment of principal of and interest on the Notes shall be paid from any other moneys of the District lawfully available therefor in accordance with State law. Although the District expects to receive its Deferred Revenues in such a time and manner as will permit the timely payment of such principal of and interest of the Notes, such expectation is based on facts and circumstances presently known to the District. Accordingly, factors beyond the control of the District, including further deferrals of such Deferred Revenues, may affect the timely receipt of its Deferred Revenues and the District's ability to repay the Note.

Cash Flow Projections

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

ACTUAL AND PROJECTED MONTHLY CASH FLOWS
Fiscal Year 2011-12
General Fund
VAL VERDE UNIFIED SCHOOL DISTRICT

	Operating Budget	July Actuals	August Actuals	September Actuals	October Actuals	November Actuals	December Actuals	January Projected	February Projected	March Projected	April Projected	May Projected	June Projected	Total	Estimated Accruals
BEGINNING CASH BALANCE															
RECEIPTS															
Revenue Limit															
State Aid-Current Year															
State Aid-Prior Year															
Property Tax															
PERS Reduction															
Federal Revenue															
Other State Revenue															
Other Local Revenue															
Tuition/SELPA Revenue															
Sources															
Interfund Transfers In															
Accounts Receivable															
Other Receivables															
Stores															
Temporary Loans															
Series A TRANS															
TOTAL RECEIPTS															
DISBURSEMENTS															
Certificated Salaries															
Classified Salaries															
Benefits															
Supplies															
Services															
Capital Outlay															
Indirect & State Tuition															
Debt Service															
Other Uses															
Interfund Transfers Out															
Accounts Payable															
Other Liabilities															
Series A TRAN Repayment															
TOTAL DISBURSEMENTS															
NET CHANGE IN CASH POSITION															
ENDING CASH BALANCE															

ACTUAL AND PROJECTED MONTHLY CASH FLOWS
Fiscal Year 2011-12
General Fund
VAL VERDE UNIFIED SCHOOL DISTRICT

	Operating Budget	July Projected	August Projected	September Projected	October Projected	November Projected	December Projected	January Projected	February Projected	March Projected	April Projected	May Projected	June Projected	Total	Estimated Accruals
BEGINNING CASH BALANCE															
RECEIPTS															
Revenue Limit															
State Aid-Current Year															
State Aid-Prior Year															
Property Tax															
PERS Reduction															
Federal Revenue															
Other State Revenue															
Other Local Revenue															
Tuition/SELPA Revenue															
Sources															
Interfund Transfers In															
Accounts Receivable															
Other Receivables															
Stores															
Temporary Loans															
Series A TRANS															
TOTAL RECEIPTS															
DISBURSEMENTS															
Certificated Salaries															
Classified Salaries															
Benefits															
Supplies															
Services															
Capital Outlay															
Indirect & State Tuition															
Debt Service															
Other Uses															
Interfund Transfers Out															
Accounts Payable															
Other Liabilities															
Series A TRAN Repayment															
TOTAL DISBURSEMENTS															
NET CHANGE IN CASH POSITION															
ENDING CASH BALANCE															

Limitations on Noteholder Remedies

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

Under Chapter 9 of the Federal Bankruptcy Code (Title 11, United States Code), which governs the bankruptcy proceedings for public agencies such as the District, there are no involuntary petitions in bankruptcy. If a District were to file a petition under Chapter 9 of the Bankruptcy Code, the Owners, the Paying Agent and the District could be prohibited from taking certain steps to enforce their rights under the Resolutions. In a decision dated March 8, 1995, the United States Bankruptcy Court for the Central District of California ruled that a pledge granted by Orange County pursuant to a resolution adopted by that county in connection with the issuance of tax and revenue anticipation notes ("TRANS") was not effective with respect to general revenues accruing to Orange County after the filing of a petition in bankruptcy. The resolution obligated Orange County to set aside a specified amount of revenues in certain months in order to secure the payment of its TRANS. On July 12, 1995, the United States District Court for the Central District of California reversed the order of the Bankruptcy Court and determined that the obligation created under the resolution adopted by Orange County is a statutory lien which survived the filing of Orange County's bankruptcy petition. The parties subsequently negotiated a settlement. No assurance can be made that future allegations would not be raised in another bankruptcy proceeding.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

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

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

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

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

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

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

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

Article XIII C also provides that the initiative power shall not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. The State Constitution and the laws of the State impose a mandatory, statutory duty on a county treasurer-tax collector to levy a property tax sufficient to pay debt service on general obligation bonds coming due in each year. The initiative power cannot be used to reduce or repeal the authority and obligation to levy such taxes which are pledged as security for

payment of general obligation bonds or to otherwise interfere with performance of the mandatory, statutory duty of the District and the County with respect to such taxes which are pledged as security for payment of the general obligation bonds. Legislation adopted in 1997 provides that Article XIII C shall not be construed to mean that any owner or beneficial owner of a municipal security assumes the risk of or consents to any initiative measure which would constitute an impairment of contractual rights under the contracts clause of the U.S. Constitution.

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

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

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

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

Proposition 98. In 1988, California voters approved Proposition 98, a combined initiative, constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act"). The Accountability Act changed State funding of public education below the university level, and the operation of the State's Appropriations Limit, primarily by guaranteeing State funding for K-12 school districts and community college districts (collectively, "K-14 districts").

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

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

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

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

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

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

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

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

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

shift is approved by two-thirds of both houses of the State Legislature and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the Vehicle License Fee rate below 0.65 percent the State must provide local governments with equal replacement revenues. Further, Proposition 1A required the State, beginning June 1, 2009, to suspend State mandates affecting cities, counties and special districts, schools or community colleges, excepting mandates relating to employee rights, in any year that the State does not fully reimburse local governments for their costs of compliance with such mandates.

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

COUNTY INVESTMENT POOL

[UPDATE]

The Treasurer and Tax Collector (the "Treasurer") of Riverside County has the delegated authority to invest funds on deposit in the County Treasury (the "Treasury Pool"). As of November 30, 2011, investments in the Treasury Pool were held for local agencies including school districts, community college districts, special districts and discretionary depositors such as cities and independent districts.

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

The Treasurer prepares a monthly Report of Investments (the "Investment Report") summarizing the status of the Treasury Pool, including the current market value of all investments. This report is submitted monthly to the Board of Supervisors for formal action to approve it. According to the Investment Report prepared for November 30, 2011, the November 30 book value of the Treasury Pool was approximately \$5,211,057,890 and the corresponding market value was approximately \$5,214,574,813.

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

As of November 30, 2011, approximately 17.0% of the pool investments were scheduled to mature between 30 and 90 days, with a weighted average maturity of .651 years for the entire portfolio. The following table identifies the types of securities held by the Treasury Pool as of November 30, 2011.

<u>Type of Investment</u>	<u>Amount</u>
MMKT	\$ 125,000.00
Caltrust Fnd	54,000.00
Local Agcy Invst Fnd	50,000.00
DDA/Passbk	200,000.00
Local Agcy Oblig	585.00
US Treas Bonds	330,879.50
FHLMC Disc Notes	69,978.13
FMLMC Bonds	644,585.95
FNMA Disc Notes	150,000.00
FNMA Bonds	895,850.17
FHLB Disc Notes	119,910.46
FHLB Bonds	1,745,924.50
FFCB Disc Notes	31,997.81
FFCB Bonds	256,780.16
FMAC Disc Notes	122,961.56
Farmer Mac	37,584.38
Muni Bonds	78,776.70
Comm Paper	149,760.50
NCDS	<u>150,000.00</u>
Total:	\$5,214,574.82

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

TAX MATTERS

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

Interest on the Notes owned by a corporation will be included in such corporation's adjusted current earnings for purposes of calculating the alternative minimum taxable income of such corporation, other than an S corporation, a qualified mutual fund, a real estate investment trust, a real estate mortgage investment conduit, or a financial asset securitization investment trust ("FASIT"). A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by Section 55 of the Code will be computed.

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

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, State or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Notes. Prospective purchasers of the Notes should be aware that the ownership of tax-exempt obligations such as the Notes may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, Owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

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

The initial public offering price of certain Notes (the "Discount Notes") may be less than the amount payable on such Notes at maturity. An amount equal to the difference between the initial public offering price of a Discount Note (assuming that a substantial amount of the Discount Notes of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Note. A portion of such original issue discount allocable to the holding period of such Discount Note by the initial purchaser will, upon the disposition of such Discount Note (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Notes described above. Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Note, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Note and generally will be allocated to an initial purchaser in a different amount from the

amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the alternative minimum taxable income of a corporation, for purposes of calculating a corporation's alternative minimum tax imposed by Section 55 of the Code, and the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Note by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Note in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Note was held) is includable in gross income.

Owners of Discount Notes should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Notes for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Notes. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Notes may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial offering price (as furnished by the Underwriter) of certain Notes (the "Premium Notes"), may be greater than the amount payable on such Notes at maturity. An amount equal to the difference between the initial public offering price of a Premium Note (assuming that at least ten percent of the Premium Notes of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Notes. The basis for federal income tax purposes of a Premium Note in the hands of such initial purchaser must be reduced each year by the amortizable note premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable note premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Note. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity. Purchasers of the Premium Notes should consult with their own tax advisors with respect to the determination of amortizable note premium with respect to the Premium Notes for federal income purposes and with respect to the state and local tax consequences of owning and disposing of Premium Notes.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as APPENDIX B.

LEGAL OPINION

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

The statements of law and legal conclusions set forth in this Official Statement have not been reviewed by Bond Counsel. Bond Counsel's employment is limited to a review of the legal proceedings

required for the authorization of the Notes. Bond Counsel's opinion will not consider or extend to any documents, agreements, representations, offering circulars or other material of any kind concerning the Notes. Certain matters will be passed upon for the District by Parker & Covert LLP.

LEGALITY FOR INVESTMENT IN CALIFORNIA

Under the provisions of the State of 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 of funds of its depositors and under provisions of the State Government Code the Notes are eligible to secure deposits of public moneys in the State.

RATING

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

LITIGATION

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

AVAILABILITY OF INFORMATION

Copies of the Resolutions are available, upon written request, from the District. For further information concerning the financial condition of the District, copies of the final Fiscal Year 2011-12 budget may be obtained from the District. Audited financial statements for Fiscal Years prior to 2011-12 are also currently available for review from the District.

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

UNDERWRITING

The Notes are being purchased for reoffering by Piper Jaffray & Co. (the “Underwriter”). The Underwriter has agreed to purchase the Notes at a price of \$ _____ (representing the aggregate principal amount of the Notes of \$ _____, plus a net original issue premium of \$ _____, and less an Underwriter's discount of \$ _____). The Note Purchase Agreement dated March __,

2012 (the "Note Purchase Agreement") provides that the Underwriter will purchase all of the Notes, if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in the Note Purchase Agreement.

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

Piper Jaffray & Co. and Pershing LLC, a subsidiary of The Bank of New York Mellon Corporation, entered into an agreement (the "Agreement") which enables Pershing LLC to distribute certain new issue municipal securities underwritten by or allocated to Piper Jaffray & Co., including the Notes. Under the Agreement, Piper Jaffray & Co. will share with Pershing LLC a portion of the fee or commission paid to Piper Jaffray & Co.

CONTINUING DISCLOSURE

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

MISCELLANEOUS

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statements of the contents thereof.

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

VAL VERDE UNIFIED SCHOOL DISTRICT

By: _____
Superintendent

APPENDIX A

FINANCIAL AND DEMOGRAPHIC INFORMATION RELATING TO THE DISTRICT

District Organization

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

Facilities, Staff and Enrollment

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

DISTRICT BOARD OF EDUCATION

<u>Name</u>	<u>Position</u>	<u>Term Ending</u>
D. "Shelly" Yarbrough	President	2014
Wraymond Sawyerr	Vice President	2014
Stacey L. Guzman	Clerk	2012
Fredy R. De Leon	Member	2012
Michael M. Vargas	Member	2014

As of January 1, 2012, the District employed 909 full-time certificated employees and 303 full-time classified employees. The District also employs part-time or temporary employees.

Population within the District has grown each year since 1997. Enrollment was rising steadily until the Fiscal Year 2008-09, where enrollment declined slightly but has since continued to grow in the Fiscal Years 2009-10, 2010-11 and 2011-12. The following table provides a summary of population and school enrollment growth in the City of Perris, the City of Moreno Valley, the District and the County of Riverside from Fiscal Year 2003-04 through Fiscal Year 2010-11.

**VAL VERDE UNIFIED SCHOOL DISTRICT
POPULATION AND SCHOOL ENROLLMENT FIGURES
2003-04 THROUGH 2010-11**

<u>Fiscal Year</u>	<u>Population City of Perris⁽¹⁾</u>	<u>Population City of Moreno Valley⁽¹⁾</u>	<u>Population County of Riverside⁽¹⁾</u>	<u>Enrollment in District⁽²⁾</u>
2003-04	41,912	157,355	1,803,742	13,447
2004-05	44,705	165,742	1,882,812	15,346
2005-06	47,326	175,262	1,962,801	17,293
2006-07	50,701	180,603	2,034,840	18,922
2007-08	53,605	183,860	2,088,322	19,547
2008-09	54,323	186,301	2,107,653	19,172
2009-10	55,133	188,537	2,139,535	19,606
2010-11	_(3)	_(3)	2,226,552	19,648

Sources: ⁽¹⁾ California State Department of Finance.

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

⁽³⁾ Information not yet available.

State Funding of Education

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

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

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

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

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

The District's ADA record since Fiscal Year 2004-05 as well as a projection for Fiscal Year 2011-12 are set forth in the table below:

**VAL VERDE UNIFIED SCHOOL DISTRICT
TOTAL AVERAGE DAILY ATTENDANCE**

<u>Fiscal Year</u>	<u>Average Daily Attendance</u>
2004-05	14,686
2005-06	16,428
2006-07	17,756
2007-08	18,329
2008-09	18,273
2009-10	18,146
2010-11	18,272
2011-12	18,698

Source: The District.

State Assistance

Districts' principal funding formulas and revenue sources are derived from the budget of the State of California. The following discussion of the California State budget has been obtained from publicly available information which the District believes to be reliable; however neither District nor the Underwriter guaranty the accuracy or completeness of this information and have not independently verified such information. *Additional information regarding State budgets is available at various State-maintained websites, including www.dof.ca.gov.* These websites are not incorporated herein by reference and neither the District nor the Underwriter make any representation as to the accuracy of the information provided therein.

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

2011-12 State Budget. On June 30, 2011, the State budget for fiscal year 2011-12 (the "2011-12 Budget") was enacted, closing a \$26.6 billion budget gap by reducing expenditures by \$15 billion, targeting revenue increases of \$0.9 billion and additional solutions of \$2.9 billion. The remaining \$8.3 billion in changes stem from the improvement in the State's revenue outlook. \$27.2 billion in changes balances the Budget and leaves the State with a reserve of \$543 million. General Fund spending totals \$85.9 billion, a 6.1 percent reduction from 2010-11. The 2011-12 Budget includes a major realignment of public safety programs from the State to local governments. Other realigned programs include local public safety programs, mental health, substance abuse, foster care, child welfare services and adult protective services.

The 2011-12 Budget includes \$15 billion in spending reductions by: maintaining K-12 education funding at a similar level as 2010-11, reducing State Supplementary Payment grants, reducing CalWORKS grants, reducing California Department of Corrections and Rehabilitation's inmate population by 25 percent once realignment is fully implemented, requiring recipients of Medi-Cal health benefits to pay a share of the cost for doctor visits and other services, reducing the State's support for the University of California and California State University by 22 and 25 percent, respectively, requiring community college students to pay \$10 more per class unit, delaying the court system's construction program for one year, eliminating the Adult Day Health Care program, Williamson Act subventions, and the refundable child care and dependent tax credit, reducing the State's workforce by 5,500 positions; and eliminating 20 boards, commissions, task forces, offices and departments, including the California Medical Assistance Commission and the Office of Insurance Advisor.

The May Revision reflected \$6.6 billion in higher tax receipts compared to the Proposed 2011-12 Budget. Since the May Revision, tax receipts were higher than expected by an estimated \$1.2 billion in May and June. With the improved revenue receipts, the 2011-12 Budget projects an additional \$4 billion in estimated 2011-12 revenues. In order to mitigate the risk if higher revenues do not materialize, if projected revenues fall short of expectations by more than \$1 billion, an additional \$600 million in cuts to higher education, health and human services and public safety would be implemented beginning in January 2012. If projected revenues fall short by more than \$2 billion, an additional \$1.9 billion in education reductions would be implemented – shortening the school year by 7 days, eliminating the home-to-school transportation program and reducing community college apportionments.

With respect to K-12 education, the 2011-12 Budget includes total funding of \$64.1 billion (\$34.7 billion General Fund and \$29.4 billion other funds) for all K-12 Education programs. For 2011-12, the Proposition 98 Guarantee (the "Guarantee") is \$48.7 billion, of which \$32.9 billion is General Fund. This Guarantee level reflects an increase in General Fund revenues in 2011-12, the expiration of a variety of short-term tax increases and the rebenching or adjustment of the Guarantee for revenue and program shifts. In 2011-12, there are four new rebenching impacts: (1) an increase of \$578.1 million to ensure that the Guarantee does not decrease with the shift in motor vehicle fuel revenues, (2) an increase of \$221.8 million to reflect the inclusion of mental health and out-of-home care services within the Guarantee, (3) a decrease of \$1.134 billion to reflect the exclusion of child care programs, with the exception of partial-day preschool programs, from Proposition 98, and (4) a decrease of \$1.7 billion to ensure that the total Guarantee is not changed due to new local revenue related to redevelopment agencies. 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.

The 2011-12 Budget includes the following:

Defer \$2.1 billion in K-12 Education spending – this additional deferral maintains funding for K-12 education programs at the 2010-11 funding level.

The 2011-12 Budget includes the following Proposition 98 General Fund policy and workload adjustments:

Shift In Mental Health Services from Counties to Schools – The 2011-12 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. School districts can contract with counties to provide services using Proposition 63 funds, but schools would be responsible for any excess costs over a given amount. In total, the 2011-12 Budget provides \$389.4 million from all fund sources, including \$69 million in federal funds currently budgeted for mental health services.

The District cannot predict how State income or State education funding will vary over the term 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. The 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" or www.ebudget.ca.gov. An impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various State 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.

LAO's November 2011 Report. On November 16, 2011, the LAO released its five-year State Revenue and Expenditure projections of the State's General Fund revenues and expenditures for 2011-12 through 2016-17 (the "LAO's November 2011 Report"). The LAO's updated assessment of California's economy and revenues set forth in the LAO's November 2011 Report indicate that General Fund revenues and transfers in fiscal year 2011-12 will be \$3.7 billion below the level assumed in the 2011-12 budget package passed in June of 2011. Under provisions of the fiscal year 2011-12 budget package, this revenue shortfall would translate into \$2 billion of trigger cuts to various State programs. The Director of Finance (the "DOF") will determine the actual amount of trigger cuts to K-14 education and several other programs in December of 2011 based on the higher of this 2011-12 revenue forecast and the forecast of the administration. The LAO believes that the net effect of the lower projected revenues for 2011-12, the trigger cuts, and the expected inability of the State to achieve about \$1.2 billion of other budget actions, as well as a few other minor changes, would result in a \$3 billion General Fund deficit at the end of fiscal year 2011-12.

The most significant item for K-14 schools in the LAO's November 2011 Report is whether and what mid-year budget trigger cuts would occur. Unless the DOF concludes that the economy is stronger than anticipated by the LAO, the trigger cuts could be \$1.7 billion for K-14 schools. Even if the DOF projections in December of 2011 are the same as the LAO, the State Legislature could act in January of 2012 to have a deferred reduction rather than a real reduction for the current year.

The LAO's November 2011 Report notes that the 2011-12 Budget Act appropriated \$48.7 billion in Proposition 98 funding. Under the LAO's revised fiscal year 2011-12 current-year General Fund forecast, revenues are \$3.7 billion below 2011-12 budget assumptions, which would trigger \$1.5 billion in corresponding Proposition 98 cuts. As a result, revised 2011-12 Proposition 98 spending would be

reduced to \$47.2 billion. Specifically, all the Proposition 98 "Tier I" reductions would be enacted, resulting in a \$30 million cut to California community college ("CCC") apportionments (accompanied by a fee increase beginning in summer 2012) as well as a \$6 million cut to the State Preschool program Proposition 98 Funding (with an additional \$17 million non-Proposition 98 General Fund being cut from other child care programs). Additionally, almost all of the "Tier II" reductions would be enacted, resulting in the elimination of the Home-to-School Transportation program (for a half-year savings of \$248 million), an additional \$72 million cut to CCC apportionments, and a \$1.1 billion reduction to K-12 revenue limits. While budget legislation authorizes a revenue limit reduction of \$1.5 billion, the LAO's November 2011 Report estimates a smaller reduction given its estimates of General Fund revenues and the Proposition 98 minimum guarantee. The reductions would be effective beginning January 1, 2012, except for the revenue limit reduction, which would take effect February 1, 2012. In addition, the 2011-12 Budget Act assumed the State would receive \$1.7 billion in General Fund savings as a result of redevelopment agencies making "remittance payments" to school districts. The LAO's November 2011 Report forecasts that the State will receive \$300 million less than the initial estimate. As a result, the General Fund share of Proposition 98 costs for fiscal year 2011-12 increases by approximately \$300 million. (As specified in current law, the LAO assumes any increase in local redevelopment related revenue for school districts would provide no General Fund benefit after 2011-12.)

The LAO's November 2011 Report also notes that the Proposition 98 trigger reductions will affect each school district differently and that districts that would be affected the least adversely by trigger cuts are those that built their 2011-12 budgets assuming some reduction in Proposition 98 per-pupil spending. Also, the LAO's November 2011 Report projects that these districts likely budgeted cautiously given the continued uncertainty regarding a tax package, concerns with the reliability of the \$4 billion in additional revenue assumed late in budget negotiations, and the borrowing constraints they faced due to the new 2011-12 deferral of \$2.1 billion. As a result of already making programmatic reductions, many of these districts are carrying relatively solid reserves. Thus, these districts likely will respond to trigger cuts by drawing down their reserves but make few, if any, midyear reductions. In contrast, the districts likely to be the most affected by the trigger reductions are those that made few initial reductions in their fiscal year 2011-12 programs. Instead, these districts were more optimistic in their budget assumptions—both assuming additional State revenue would materialize in 2011-12 and increasing their borrowing to sustain prior-year program levels. These districts will tend to carry less robust reserves, will face more difficult options in response to the trigger cuts and are likely will first draw down their reserves. If their reserve levels, however, reflect only the minimum levels required by State law, they would not be adequate to absorb the entire cut. School districts also will face challenges given that collective bargaining and impasse processes likely will make negotiating additional furlough days difficult, despite being authorized in State law. Since school districts cannot impose teacher layoffs midyear, these districts would need to make significant reductions in classified staff and/or service programs that rely on temporary teachers. Under a worst-case scenario, these districts could run out of cash the last few months of the year, be unable to make payroll, and require an emergency State loan (for which the district pays all associated costs and loses local control for a period of up to 20 years).

Based upon the LAO's November 2011 Report's forecast, the fiscal 2012-13 minimum guarantee would be more than \$4 billion higher than the revised fiscal 2011-12 spending level (after making the trigger cuts). With a projected fiscal year 2012-13 overall State budget shortfall of \$13 billion, the LAO believes the State will need to consider whether it can provide that large of an augmentation to school districts and CCCs. If the State Legislature determined that such a sizeable Proposition 98 augmentation would make balancing the overall State budget too difficult, it could consider suspending the Proposition 98 minimum guarantee and providing either no or less growth in Proposition 98 funding. The LAO's November 2011 Report also projects the minimum guarantee will increase by an average of \$2.5 billion a year (or \$10 billion cumulatively) from fiscal year 2013-14 through fiscal year 2016-17. The LAO believes that even this rate of growth does not appear sufficient to allow the State to retire all of its

existing Proposition 98-related obligations. The LAO's November 2011 Report concludes that the goal of eliminating the State's annual budget deficit will require ongoing difficult cuts in expenditures and/or increases in revenues.

The District cannot predict how State income or State education funding will vary over the term 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. The 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" or www.ebudget.ca.gov. An impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various State 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.

Proposed 2012-13 State Budget. On January 5, 2012 Governor Brown announced his proposed budget for fiscal year 2012-13 (the "Proposed 2012-13 Budget") which includes a total of \$10.3 billion in cuts and revenues to balance the budget and creates a \$1.1 billion reserve. The Proposed 2012-13 Budget assumes a budget deficit of approximately \$9.2 billion and that voters will pass the Governor's ballot measure proposed for the November 2012 election to raise taxes by approximately \$7 billion. The ballot measure proposes an income tax increase of up to 2 percent on high-income earners for five years and a temporary one-half cent sales tax increase. If passed, this measure will provide new revenues to schools and constitutionally protects the 2011 realignment funds for local public safety, as well as generating an estimated \$6.9 billion through fiscal year 2012-13. After accounting for the increased Proposition 98 minimum guarantee, the measure would provide \$4.4 billion in net benefit to the General Fund budget and prevent deeper cuts to schools, protect local public safety funding, and assist in balancing the budget. The ballot measure also would provide some constitutional protection for the funds dedicated in 2011 to counties and local law enforcement to fund the realignment of various State responsibilities to the local level. Should the voters reject the tax measure in November, the Proposed 2012-13 Budget provides for an additional \$5.4 billion in trigger cuts that would affect mainly K-12 schools (in the amount of approximately \$4.8 billion), higher education, courts, fire protection and a variety of parks services.

K-12 Education. The Proposed 2012-13 Budget as described above provides Proposition 98 funding of \$52.5 billion for 2012-13, an increase of \$4.9 billion compared to fiscal year 2011-12. 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. In the event the initiative does not pass, the Budget includes a trigger reduction that would result in significant funding reductions.

In addition to assuming new revenues, the Proposed 2012-13 Budget includes a series of adjustments or "rebenchings" of the Proposition 98 guarantee, including the elimination of the sales tax on gasoline in fiscal year 2010-11, and would result in \$373.2 million of General Fund savings. The Proposed 2012-13 Budget also includes a Proposition 98 General Fund reduction of \$171.2 million to special education and community college apportionments in the 2011-12 fiscal year to offset increased property taxes resulting from the elimination of redevelopment agencies and their entitlement to tax increment. The Proposed 2012-13 Budget consolidates many categorical programs (excluding federally required programs such as special education) with revenue limit apportionments into a single stream of funding for schools on a permanent basis in an effort to eliminate inefficiencies and costs and proposes an increase of more than \$2.3 billion in Proposition 98 General Fund to reduce inter-year budgetary deferrals

for schools and community colleges. The Proposed 2012-13 Budget projects per-pupil expenditures from all sources 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, and K-12 Proposition 98 per-pupil expenditures of \$7,815 in 2012-13, an increase from the \$7,096 per-pupil in fiscal year 2011-12.

Significant features of the Proposed 2012-13 Budget affecting K-12 Education include:

Proposition 98 Savings Adjustments — A combined reduction of \$373.2 million to reflect: (1) elimination of the policy rebenching made to hold Proposition 98 harmless from the elimination of sales tax on gasoline, and (2) changes to two rebenchings of the Proposition 98 guarantee in 2011-12, for the inclusion of special education, mental health services and the exclusion of most child care programs from within the guarantee, to conform them to the methodology used for previous rebenchings.

Restructure Administration and 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 participation requirements.

Child Nutrition Program Subsidy for Private Entities — A decrease of \$10.4 million Non-Proposition 98 General Fund in 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.

Special Education Property Tax Adjustment — A decrease of \$24.3 million Proposition 98 General Fund for special education programs in 2011-12 to reflect increased property tax revenues from redevelopment agencies as a result of the ruling in *California Redevelopment Association v. Matosantos*.

K-12 Deferrals — An increase of \$2.2 billion Proposition 98 General Fund to reduce inter-year budgetary deferrals.

Transitional Kindergarten — A decrease of \$223.7 million from the Proposition 98 General Fund to reflect the elimination of the requirement that schools provide transitional kindergarten instruction beginning in the 2012-13 academic year.

Charter Schools — An increase of \$50.3 million Proposition 98 General Fund for charter school categorical programs due to charter school growth.

K-14 Mandates Funding — An increase of \$110.1 million to support a new block grant program for K-12 and community college mandates.

Local Property Tax Adjustments — An increase of \$196 million for school district and county office of education revenue limits and an increase of \$627 million for school district and county office of education revenue limits in 2012-13 as a result of reduced offsetting local property tax revenues.

Redevelopment Agency Elimination — An increase of \$1.1 billion in offsetting local property taxes for 2012-13 due to the elimination of redevelopment agencies and their entitlement to tax increment.

Average Daily Attendance — A decrease of \$694 million in 2011-12 for school district and county office of education revenue limits as a result of a decrease in projected ADA from the 2011 Budget Act and an increase of \$158 million in 2012-13 for school district and county office of education revenue limits as a result of projected growth in ADA for 2012-13.

Child Nutrition Program — An increase of \$37.2 million for 2012-13 in State Department of Education federal local assistance funds to reflect growth of nutrition programs at schools and other participating agencies.

Child Care — A decrease of \$26.3 million non-Proposition 98 General Fund in fiscal year 2012-13, reflecting primarily the decline in the number of eligible Stage 2 CalWORKs beneficiaries and a net increase of \$4.5 million non-Proposition 98 General Fund in fiscal year 2012-13 for Stage 3 CalWORKs beneficiaries.

Capped Non-CalWORKs Programs — The Proposed 2012-13 Budget provides an increase of \$29.9 million in non-Proposition 98 General Fund to fund the statutory COLA of 3.17 percent for capped child care programs, and an increase of \$11.7 million in Proposition 98 General Fund to fund the COLA for part-day preschool.

Child Care and Development Funds — A net increase of \$14.9 million federal funds in fiscal year 2012-13 reflecting removal of one-time carryover funds available in 2011-12 (\$3.5 million), an increase of \$23.2 million in carryover funds, and a decrease of \$4.8 million in available base grant funds.

In the event the Governor's ballot measure is not passed, the Proposition 98 guarantee will decrease by \$2.4 billion in fiscal year 2012-13 and Proposition 98 will be rebench to shift K-14 general obligation bond debt service costs into Proposition 98, resulting in an adjustment of \$2.4 billion. As a result, total program funding for Proposition 98 will decrease by \$4.8 billion, which would eliminate the \$2.2 billion repayment of inter-year budgetary deferrals included in the Proposed 2012-13 Budget. The remaining \$2.6 billion reduced from Proposition 98 would equate to shortening the school year by more than three weeks.

LAO Overview of Proposed 2012-13 Budget. The LAO's "2012-13 Budget: Overview of the Governor's Budget," released on January 11, 2012 (the "2012-13 LAO Report"), recognizes that the Governor's proposed tax initiative is the cornerstone of the Proposed 2012-13 Budget which includes proposals to restructure education finance, reduce social services and child care programs substantially, and implement trigger cuts--primarily affecting schools--if voters do not approve the tax measure. The 2012-13 LAO Report also recognizes that the Governor's plan would continue the difficult task of restoring the State budget to balance, but the difficulty in knowing how much taxable income will be attributable to high-income Californians makes the State's revenue estimates a bigger question than usual. With regard to the Governor's major proposals, the LAO believes that the Governor's education restructuring proposals would institute lasting improvements to the system, and that, while his social services and child care proposals have merit, they involve considerable drawbacks as well, given potentially severe impacts on affected families. Moreover, the 2012-13 LAO Report states that while the Governor's tax initiative would improve the financial outlook of public education over the next several years, his trigger plan would create significant uncertainty for educational institutions in their planning for fiscal year 2012-13. This uncertainty is likely to be particularly problematic for schools, as most will feel compelled to build their fiscal year 2012-13 budgets assuming the trigger cuts will be implemented. This means schools in fiscal year 2012-13 likely will implement most, if not all, of the reductions that many hope to avoid. Given this, the LAO believes the State Legislature should be very deliberate in structuring a workable trigger package and designing tools to help schools respond to potential trigger cuts. In particular, the LAO recommends that the State Legislature be cautious in setting the size of the trigger reduction; determining the specific education reductions to impose; and designing tools to help schools, community colleges, and universities respond to the trigger cuts.

The LAO observes that the administration's baseline estimates are different from those in the LAO's November, 2011 forecast for State General Fund spending for Proposition 98. Specifically, for

fiscal years 2011-12 and 2012-13 combined, the administration's baseline General Fund Proposition 98 estimates are approximately \$1.1 billion lower than the LAO's estimates due to the treatment of the realignment revenues, redevelopment revenues, the gas tax swap, and fiscal year 2011-12 trigger cuts.

Compared to the LAO's November forecast, the administration's workload budget estimates for fiscal years 2011-12 and 2012-13 include a net amount of about \$1.4 billion more in non-Proposition 98 General Fund spending due to the administration's estimates of several hundred million dollars of higher General Fund expenses for some health and social services programs and debt service due to the administration including over \$700 million of General Fund expenses to reimburse local governments for the prior-year costs of currently inactive mandates, a proposed \$90 million increase to the University of California budget and the assumption of \$500 million of savings from using revenues from the Air Resources Board's auction of "cap-and-trade" greenhouse gas emission allowances.

The LAO notes that the Proposed 2012-13 Budget increases total Proposition 98 funding by \$4.9 billion, or 10 percent between fiscal years 2011-12 and 2012-13, and suggests a year-over-year increase in Proposition 98 General Fund for schools and CCCs of 15 percent and 14 percent, respectively, with local property tax revenues estimated to be virtually flat, assuming the voters approve the Governor's November 2012 ballot measure with a portion of the associated revenue increase benefiting K-14 education. The Proposed 2012-13 Budget funds at the minimum guarantee (\$52.5 billion) assuming approval of his tax measure (which accounts for more than \$2 billion of the increase in the guarantee), arriving at this guarantee by adjusting or "rebenching" the guarantee in three notable ways: (i) permanently rebenching the minimum guarantee to account for a shift in property tax revenues (of approximately \$1 billion annually) from redevelopment agencies to school districts and CCCs; (ii) eliminating existing provisions that require the State to rebench for the "gas tax swap" adopted by the State Legislature in 2011; and (iii) recalculating the fiscal year 2011-12 "rebenchings" using the "1986-87 methodology" (which applies to child care, student mental health, and redevelopment revenues), increasing the fiscal year 2012-13 guarantee by \$217 million.

The 2012-13 LAO Report notes that in the event the Governor's tax measure is not adopted, the Proposed 2012-13 Budget maintains \$4.8 billion in spending reductions to K-12 schools and CCCs, including \$2.4 billion in programmatic reductions linked with the Proposed 2012-13 Budget proposal to include K-14 general obligation bond debt-service payments within the Proposition 98 minimum guarantee. To account for this shift, the Proposed 2012-13 Budget proposes a "rebenching" of the minimum guarantee, resulting in an increase of \$200 million. Since the cost of debt-service payments (\$2.6 billion) far exceeds the increase in the minimum guarantee from the "rebenching," the Governor proposes \$2.4 billion in programmatic Proposition 98 reductions to maintain spending at the guarantee. His estimate of the guarantee also excludes the realignment-related sales tax revenue. The methodology for how the State should treat these revenues is currently being litigated.

The 2012-13 LAO Report also notes that the largest component of the Proposed 2012-13 Budget is to pay down \$2.4 billion in existing K-14 deferrals (\$2.2 billion for school districts and \$218 million for CCC apportionments), reducing the need for school districts and CCCs to borrow to support operations while awaiting the State's late payments and helps to realign funding with expenses as well as reducing the State's outstanding deferrals from \$10.4 billion to \$8 billion. In addition, the LAO observes that the State has temporarily suspended requirements for about 40 categorical programs and that the Proposed 2012-13 Budget proposes to suspend requirements for up to ten additional programs, essentially phasing out most existing categorical programs beginning in fiscal year 2012-13. Also, the Proposed 2012-13 Budget proposes a number of K-14 mandate-related changes with the existing mandate system essentially being replaced with a discretionary block grant, eliminating 31 of 57 existing education mandates including one relating to high school science graduation requirements and one relating to behavioral intervention plans for special education students. The remaining 26 education mandates would

be suspended. The LAO notes that the Proposed 2012-13 Budget provides \$200 million (\$178 million for school districts, \$22 million for CCCs) for the block grant and that school districts and CCCs that choose to receive block grant funding would receive a per-student allocation.

In the LAO's view, the Proposed 2012-13 Budget addresses several of the longstanding problems with the State's K-12 and CCC funding systems, and the LAO recommends that the State Legislature adopt the Governor's basic restructuring approaches and adopt the Governor's proposal to avoid initiating a major new program beginning in fiscal year 2012-13. The 2012-13 LAO Report agrees with the proposed immediate increases of categorical flexibility, a moderate phase-in period for the new formula, and additional funding for disadvantaged students. The 2012-13 LAO Report also views favorably the Proposed 2012-13 Budget plan to expand the number of categorical programs in the CCC flex item programs into one comprehensive program.

The 2012-13 LAO Report also believes, however, that the trigger approach set forth in the Proposed 2012-13 Budget has significant consequences particularly for school districts for fiscal year 2012-13, as most districts will feel compelled to make the programmatic reductions imposed by the triggers and that given the potentially unintended consequences of the trigger as well as the major disruptions caused by midyear reductions, the State Legislature should consider building a budget without midyear cuts. In this case, the State Legislature could focus on a funding level it could afford despite the revenue uncertainties and then use any ballot-measure revenue as one-time investments in fiscal year 2012-13 to pay down existing Proposition 98 obligations.

Cash Management Legislation. The District's operating income consists primarily of two components: a State portion funded from the State's general fund and a locally-generated portion derived from the District's share of the 1% local *ad valorem* property tax authorized by the State Constitution. School districts may be eligible for other special categorical funding, including for State and federal programs. Decreases or deferrals in State revenues, or in State legislative appropriations made to fund education, may significantly affect District operations.

State funding is guaranteed to a minimum level for school districts, community college districts, and other State agencies that provide direct elementary and secondary instructional programs under "Proposition 98," a constitutional and statutory initiative 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). See "Proposition 98" herein.

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 at the heart of annual budget negotiations and adjustments.

Since 2003, the State has deferred certain apportionments to school districts in order to manage the State's cash flow. On March 1, 2010, the Governor signed into law ABX8 5, as urgency legislation, that allowed additional payment deferrals from the State to K-12 school districts for Fiscal Year 2010-11, followed by ABX8 14, signed into law on March 22, 2010 also effective immediately upon enactment, as part of legislation to provide additional cash management flexibility to the State (together, the "Cash Management Bill"). The Cash Management Bill authorized the State to defer certain payments to school districts during Fiscal Year 2010-11 (not to exceed \$2.5 billion in the aggregate at any one time, and a maximum of three deferrals during the fiscal year). Deferrals of payments to K-12 schools could be made 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, the State Controller, Treasurer and Director of Finance are authorized to accelerate or delay the deferrals up to 30 days, or reduce the amounts deferred. The Cash Management Bill also permits the State to move a planned 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 deferral planned for March 2011 must be paid prior to April 30. The Cash Management Bill provides for exceptions to the deferrals for school districts that can demonstrate hardship.

Similar legislation, known as SB 82, was enacted for fiscal year 2011-12. The legislation sets forth a specific deferral plan for K-12 education payments (the "2011-12 Deferral Plan"). SB 82 defers both the July 2011 and August 2011 K-12 payments of \$1.4 billion, and the October 2011 payment of \$2.4 billion. In September 2011, \$700 million of the July deferral is due for payment, in January 2012, \$4.5 billion from the remaining July, August and October deferrals are due for payment, and in March 2012, \$1.4 billion is scheduled for deferral and due for payment in April 2012. In the event any of the 2011-12 Deferral Plan is implemented, the State Controller, State Treasurer and State Director of Finance are required to review, as necessary but no less than monthly, the actual State general fund cash receipts and disbursements in comparison to the Governor's most recent revenue and expenditure projections. If the Controller, Treasurer and Director of Finance determine that sufficient cash is available to pay the State apportionments being deferred while maintaining a prudent cash reserve, such State apportionments are required to be paid as soon as possible.

Unlike the 2010-11 Cash Management Bill, SB 82 does not authorize the 2011-12 Deferral Plan to be accelerated or delayed. However, SB 82 does provide similar exemption provisions for a school district that would be unable to meet its expenditure obligations if its State apportionments are delayed. The District is authorized to borrow temporary funds to cover its annual cash flow deficits and, as a result of this legislation, the District might find it necessary to increase the size or frequency of its cash flow borrowings in fiscal year 2011-12.

Future State Budgets. Under State law, the State Legislature is required to adopt its budget by June 15 of each year for the upcoming fiscal year, with approval by the Governor to occur on June 30. Following the implementation of Proposition 25 (permitting State budget passage with a simple majority and mandating forfeiture of Legislators' daily salaries until the budget bill passes), the Governor signed the 2011-12 Budget on June 30, 2011. However, the Governor signed the 2010-11 Budget on October 8, 2010, the latest budget in the State's history. The District cannot fully anticipate future delays in State budget adoption or their impact. The events leading to the inability of the State Legislature to pass a budget in a timely fashion are not unique, and the District cannot predict what circumstances may cause a similar failure in future years. In each year where the State budget lags adoption of the District's budget, it will be necessary for the District's staff to review the consequences of the changes, if any, at the State level from the proposals in the Governor's May Revision for that year, and determine whether the District's budget will have to be revised.

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

The District cannot predict whether the State will continue to encounter budgetary difficulties in the current or future fiscal years. The District also cannot predict the impact future State Budgets will have on District finances and operations or what actions the State Legislature and the Governor may take

to respond to changing State revenues and expenditures. Current and future State Budgets will be affected by national and State economic conditions and other factors which the District cannot control.

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

Significant Accounting Policies and Audited Financial Statements

The California State Department of Education imposes by law uniform financial reporting and budgeting requirements for K-12 school districts. Financial transactions are accounted for in accordance with the California School Accounting Manual. Vavrinek, Trine, Day & Co., L.L.P., Rancho Cucamonga, California, serve as independent auditors to the District and their report for Fiscal Year Ended June 30, 2010 is attached hereto as APPENDIX D. The District has not requested, and the auditors have not provided, any review of such statements in connection with the inclusion of their report in this Official Statement.

California Assembly Bill 1200 ("A.B. 1200"), effective January 1, 1992, tightened the budget development process and interim financial reporting for school districts, enhancing the authority of the county schools superintendents' offices and establishing guidelines for emergency State aid apportionments. Many provisions affect District operations directly, while others create a foundation from which outside authorities (primarily state and county school officials) may impose actions on the District. Under the provisions of A.B. 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The county office of education reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the remainder of the fiscal year or subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years. Each certification is based on then-current projections.

The District filed its 2011-12 First Interim Financial Report with the Riverside County Office of Education ("RCOE") using financial information available as of December 10, 2010, with a positive certification within the meaning of Section 42133 of the Education Code of the State. The District expects to file its 2011-12 Second Interim Financial Report with the RCOE, with financial information available as of March, 2011 with a positive certification.

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

The following tables contain accounting data abstracted from financial statements prepared by the District's independent auditors, Vavrinek, Trine, Day & Co., L.L.P., Rancho Cucamonga, California for the Fiscal Years 2007-08 through 2010-11.

**VAL VERDE UNIFIED SCHOOL DISTRICT
HISTORICAL STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN GENERAL FUND BALANCES
FISCAL YEARS ENDING JUNE 30, 2008 THROUGH JUNE 30, 2011**

	<u>Fiscal Year 2007-08</u>	<u>Fiscal Year 2008-09⁽¹⁾</u>	<u>Fiscal Year 2009-10⁽¹⁾⁽²⁾</u>	<u>Fiscal Year 2010-11⁽¹⁾</u>
REVENUES				
Revenue Limit Sources	\$112,419,295	\$134,988,486	\$119,642,084	\$124,445,645
Federal Sources	6,479,650	70,233,495	104,261,820	59,260,642
Other State Sources	18,291,855	17,459,491	137,546,433	141,296,234
Other Local Sources	<u>10,999,643</u>	<u>137,547,957</u>	<u>22,462,569</u>	<u>21,490,462</u>
Total Revenues	\$148,190,443	\$360,229,429	\$383,912,906	\$346,492,983
EXPENDITURES				
Current				
Instruction	\$ 93,615,283	\$103,306,114	\$ 91,577,730	\$ 94,891,463
Instruction-related Activities:				
Supervision of instruction	2,616,811	4,135,919	4,374,212	5,013,938
Instructional library, media and technology	1,299,767	1,336,909	1,239,301	1,156,772
School site administration	10,036,669	10,227,451	8,482,461	7,702,217
Pupil Services:				
Home-to-school transportation	3,307,037	3,081,698	2,343,102	2,126,791
Food services	109	--	--	13,443
All other pupil services	8,659,523	8,388,577	8,040,496	8,370,282
General administration:				
Data processing	1,598,101	1,478,658	1,246,586	1,435,577
All other general administration	6,560,124	7,075,254	5,013,789	6,945,040
Plant services	16,393,177	15,499,955	13,372,433	13,695,387
Facility acquisition and construction	--	1,306,051	137,820	2,207,203
Ancillary Services	1,109,494	1,306,766	781,752	860,007
Other outgo	--	--	239,257,349 ⁽³⁾	191,817,065
Debt Service				
Principal	230,342	215,893	57,338	22,966
Interest and Other	<u>30,877</u>	<u>40,378</u>	<u>139,790</u>	<u>373,001</u>
Total Expenditures	\$145,457,314	\$157,399,623	\$376,064,159	\$336,631,152
Excess (Deficiency) of Revenues Over Expenditures	\$ 2,733,129	\$202,829,806	\$ 7,848,747	\$ 9,861,831
Other Financing Sources (Uses)				
Transfer in	1,121,169	6,767,290	--	5,240,014
Other sources	--	10,669,190	--	--
Transfers out	(4,467,290)	(440,902)	(2,988,880)	(5,574,013)
Other uses	--	(200,629,391)	--	--
Net Financing Sources (Uses)	<u>\$ (3,346,121)</u>	<u>(183,633,813)</u>	<u>(2,988,880)</u>	<u>(333,999)</u>
NET CHANGE IN FUND BALANCE	(612,992)	19,195,993	4,859,867	9,527,832
Fund Balance – Beginning	<u>7,084,573</u>	<u>6,471,581</u>	<u>25,667,574</u>	<u>32,341,697</u>
Fund Balance – Ending	<u>\$ 6,471,581</u>	<u>\$25,667,574</u>	<u>\$ 30,527,441</u>	<u>\$ 41,869,529</u>

⁽¹⁾ The fiscal year 2008-09 and 2009-10 changes in Federal Sources, Other State Sources and Other Local Sources are due in large part to the District, as the Administrative Unit for the Riverside Special Education Local Plan Area ("SELPA"), commencing in July 2008 to record SELPA activity in the General Fund of the District.

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

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

Source: Audited Financial Statement of the District.

District Budget

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

Under current law, a school district governing board must file with the county superintendent of schools a tentative budget by July 1 in each fiscal year and an adopted budget by September 8 of each fiscal year. After approval of the adopted budget, the school district's administration may submit budget revisions for governing board approval.

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

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

Presented on the following page are the District's Adopted Budgets for Fiscal Year 2008-09, 2009-10, 2010-11 and 2011-12. The District adopted its budget for the 2011-12 Fiscal Year on _____, 2011.

**VAL VERDE UNIFIED SCHOOL DISTRICT
GENERAL FUND ADOPTED BUDGET
FISCAL YEAR 2008-09 THROUGH 2011-12**

	<u>Fiscal Year 2008-09</u>	<u>Fiscal Year 2009-10</u>	<u>Fiscal Year 2010-11</u>	<u>Fiscal Year 2011-12</u>
REVENUES:				
Revenue Limit Sources	\$113,968,806	\$100,950,688	\$ 97,790,656	\$100,155,068
Federal Revenues	6,396,602	9,055,088	8,752,869	10,345,073
Other State Revenues	13,563,249	11,299,686	11,666,380	15,928,744
Other Local Revenues	<u>8,523,662</u>	<u>9,014,242</u>	<u>8,947,159</u>	<u>18,333,358</u>
Total Revenues	\$142,452,319	\$130,319,704	\$127,157,064	\$144,762,243
EXPENDITURES:				
Certificated Salaries	\$ 70,148,677	\$ 64,095,106	\$ 63,874,714	\$ 68,116,079
Classified Salaries	20,091,571	18,221,952	17,733,334	19,338,680
Employee Benefits	24,587,453	23,046,923	23,709,616	24,435,834
Books and Supplies	9,958,095	7,085,686	5,674,860	5,816,847
Services and Operating Expenditures	15,788,980	17,051,614	14,777,422	27,351,089
Capital Outlay	28,948	0	0	39,000
Other Outgo	1,307,316	4,897,013	4,192,323	5,482,448
Other Uses	0	0	1,000,000	0
Transfers of Indirect/Direct Support Costs	<u>(574,722)</u>	<u>(524,101)</u>	<u>(550,567)</u>	<u>(532,247)</u>
Total Expenditures	\$141,336,268	\$133,874,193	\$130,411,702	\$150,047,730
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES:	(1,116,051)	(3,554,489)	(3,254,638)	(5,285,487)
OTHER FINANCING SOURCES/(USES):				
Operating Transfers In	0	0	0	0
Operating Transfers Out	(500,000)	0	0	2,157,599
Other Sources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources/(Uses)	\$ (500,000)	\$ 0	\$ 0	\$ 2,157,599
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES:				
	\$ 616,051	\$ (3,554,489)	\$ (3,254,638)	\$ (5,285,487)
FUND BALANCE, BEGINNING OF YEAR:	\$ 7,517,472	\$ 10,021,079	\$ 20,012,609	\$ 31,604,992
FUND BALANCE, END OF YEAR:	\$ 8,133,523	\$ 6,466,590	\$ 16,757,971	\$ 24,181,906

Source: The District.

Assessed Valuation

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

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

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

In fiscal year 2011-12, the District's total net secured and unsecured assessed valuation before accounting for the redevelopment increment is \$_____. Shown in the following table is the net assessed valuation of property in the District over the past five fiscal years.

VAL VERDE UNIFIED SCHOOL DISTRICT
Assessed Valuations
Fiscal Years 2007-08 through 2011-12

<u>Year</u>	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total Before Redv. Increment</u>	<u>Total After Redv. Increment</u>
2007-08	\$6,211,499,405	\$1,330,306	\$196,903,682	\$6,409,733,393	\$5,187,598,633
2008-09	6,337,202,769	1,330,306	221,015,348	6,559,548,423	5,120,579,034
2009-10	5,242,153,431	1,330,306	198,672,651	5,442,156,298	4,161,234,280
2010-11	4,925,388,454	1,330,306	141,249,136	5,067,967,896	3,926,965,385
2011-12					

Source: California Municipal Statistics, Inc.

Economic and other factors beyond the District's control, such as economic recession, deflation of land values, a relocation out of the District or financial difficulty or bankruptcy by one or more major property taxpayers, or the complete or partial destruction of taxable property caused by, among other eventualities, earthquake, flood or other natural disaster, could cause a reduction in the assessed value of taxable property in the District and, all other factors being equal, necessitate a corresponding increase in the annual tax rate applied with respect to general obligation bonds issued by the District.

Tax Rates, Levies, Collections and Delinquencies

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

For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the

assessment roll containing real property the taxes on which are a lien sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

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

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

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

The Teeter Plan is to remain in effect unless the Board of Supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors shall receive a petition for its discontinuance joined in by resolutions adopted by two thirds of the participating revenue districts in the County, in which event the Board of Supervisors is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. In the event that the Teeter Plan were terminated, receipt of revenue of *ad valorem* taxes in the District would depend upon the collections of the *ad valorem* property taxes and delinquency rates experienced with respect to the parcels within the District.

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

The following table sets forth the largest local secured taxpayers within the District for fiscal year 2011-12.

**VAL VERDE UNIFIED SCHOOL DISTRICT
LARGEST 2011-12 LOCAL SECURED TAXPAYERS**

Property Owner	Primary Land Use	2011-12 Assessed Valuation	% of Total ⁽¹⁾
1. Walgreen Co.	Industrial		
2. Ross Dress for Less Inc.	Industrial		
3. DB Rreef Perris CA Inc.	Industrial		
4. Ridge Perris I & II	Industrial		
5. Lowes HIW Inc.	Industrial		
6. Wachovia Dev. Corp.	Industrial		
7. Majestic Freeway Business Center	Vacant		
8. Knickerbocker Prop Inc.	Apartments		
9. SP4 Heacock LP	Industrial		
10. First Industrial	Industrial		
11. CA Boulder Springs Holdings	Residential Development		
12. Centex Homes	Residential Development		
13. Industrial Prop Fund VIII	Industrial		
14. Oakmont Ramona Expressway	Vacant		
15. Ozark Automotive Distributors Inc.	Industrial		
16. Moreno Valley Industrial	Industrial		
17. CSIP WR Moreno Valley	Industrial		
18. Moreno Valley DC	Vacant		
19. FR Cal Indian Avenue	Vacant		
20. Indian Street	Industrial		

⁽¹⁾ 2011-12 Local Secured Assessed Valuation: \$ _____.

Source: California Municipal Statistics, Inc.

Retirement Systems

The District participates in the State Teachers' Retirement System ("STRS"). This plan basically covers all full-time certificated and some classified District employees. The District's employer contribution to STRS was \$5,381,026 for Fiscal Year 2009-10, \$5,486,524 for Fiscal Year 2010-11, and is budgeted to be \$5,587,840 for Fiscal Year 2011-12.

The District also participates in the State Public Employees' Retirement System ("CalPERS"). This plan covers all classified personnel who are employed four or more hours per day. The District's employer contribution to CalPERS was \$1,854,522 for Fiscal Year 2009-10, \$2,065,632 for Fiscal Year 2010-11, and is budgeted to be \$3,318,094 for Fiscal Year 2011-12.

Both CalPERS and STRS are operated on a statewide basis and, based on available information, STRS has unfunded liabilities, while CalPERS has net assets available in excess of total pension/award benefit obligations. (Additional funding of STRS by the State and the inclusion of adjustments to such State contributions based on consumer price changes were provided for in 1979 Statutes, Chapter 282.) The amounts of the pension/award benefit obligation (CalPERS) or actuarially accrued liability (STRS)

will vary from time to time depending upon actuarial assumptions, rates of return on investments, salary scales, and levels of contribution. The District is unable to predict what the amount of liabilities will be in the future, or the amount of the contributions which the District may be required to make.

Post Employment Benefits

In June 2004, the Governmental Accounting Standards Board ("GASB") Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*, in June 2004. The pronouncement will require employers providing healthcare benefits to retirees to recognize and account for the costs for providing these benefits on an accrual basis and provide footnote disclosure on the progress toward funding the benefits. The implementation date for this pronouncement will be staggered in three phases based upon the entity's annual revenues, similar to the implementation for GASB Statement No. 34 and 35. GASB Statement No. 45 became effective for the District for the Fiscal Year ending June 30, 2010.

School districts should establish a reserve fund and annually transfer sufficient funds to this reserve in order to pay for retiree employment benefits other than pensions ("Health & Welfare Benefits"), for the period of time agreed in union contracts. Employees who are eligible to receive Health & Welfare Benefits while in retirement must meet specific criteria, *i.e.*, age and years with the District. Currently certificated criteria are currently 55 years old and 10 years with the District and on July 1, 2011 will change to 60 years old and 15 years with the District. Classified criteria are 55 years old and 10 years with the District. Management criteria are 50 years old and 15 years with the District. At June 30, 2010, 44 employees met those eligibility requirements and the District contributes the COBRA medical rate for the retiree only until age 65. Expenditures for post-employment benefits are currently recognized on a pay-as-you-go basis, as premiums are paid. During Fiscal Year 2010-11, expenditures of \$934,394 were recognized for retirees' healthcare benefits. Based on an actuarial study completed on January 1, 2010, the District's annual actuarially required contribution is \$657,599. The actuarial study also indicated that the District had an unfunded actuarial accrued liability ("UAAL") of \$4,059,197. In 2006-07, the District deposited \$1,500,000 in an Irrevocable Trust for post-employment benefits and in 2007-08, 2008-09 and 2009-10, the District did not deposit any moneys into such Irrevocable Trust. In 2010-11, the District deposited \$726,049 into the Irrevocable Trust. The Irrevocable Trust had a balance of \$2,126,390 as of June 30, 2011. [The District is in the process of determining the impact that the implementation of GASB 45 will have on the government-wide statement of net assets and activities.] [UPDATE]

Insurance

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

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

The District has budgeting and financial reporting requirements independent of member units and their financial statements are not presented in the District's audited financial statements. Fund transactions between the District and the entities are included in the District financial statements. Audited

financial statements are available from the respective entities. See APPENDIX D – “VAL VERDE UNIFIED SCHOOL DISTRICT AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2011.”

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APPENDIX B

FORM OF OPINION OF BOND COUNSEL

[Date of Closing]

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

Re: \$ _____ Val Verde Unified School District 2011-12 Tax and Revenue
Anticipation Notes, Series A

We have acted as Bond Counsel for the Val Verde Unified School District (the "District") in connection with the issuance by the County of Riverside of \$ _____ aggregate principal amount of the District's 2011-12 Tax and Revenue Anticipation Notes, Series A (the "Notes"). The Notes are dated March __, 2012, are payable _____, 2012, and bear interest at the rate of ___% per annum.

Both the principal of and interest on the Notes are payable at maturity in lawful money of the United States of America at the principal office of U.S. Bank National Association. The Notes are issued in accordance with the provisions of Article 7.6, Chapter 4, Part 1, Division 2, Title 5 of the Government Code of the State of California (constituting Sections 53850 through 53858, inclusive).

We have examined such instruments, certificates and documents as we have deemed necessary or appropriate for the purposes of the opinion rendered below. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the authentic original documents of all documents submitted to us as copies. As to any facts material to our opinion, we have, when relevant facts were not independently established, relied upon the aforesaid instruments, certificates and documents, including the Tax Certificate of the District (the "Tax Certificate"), dated as of the date hereof, and the statement of reasonable expectations of future events set forth in such Tax Certificate.

The Internal Revenue Code of 1986, as amended (the "Code"), provides that certain requirements must be met subsequent to the issuance and delivery of the Notes in order that interest thereon be and remain excluded from the gross income of the owners thereof for Federal income tax purposes. Noncompliance with such requirements could cause the interest on the Notes to be included in gross income retroactive to the date of issuance of the Notes. The District has covenanted in the Tax Certificate and the Resolution (hereinafter defined) to do and perform all acts and things permitted by law and necessary to assure that interest paid on the Notes be and remain excluded pursuant to section 103 of the Code from the gross income of the owners thereof for Federal income tax purposes.

In our opinion, under existing law, interest on the Notes is exempt from personal income taxes of the State of California and, assuming compliance with the aforementioned covenant, interest on the Notes is excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. The Notes are not "specified private activity bonds" within the meaning of section 57(a)(5) of the Code and, therefore, the interest on the Notes will not be treated as an item of tax

preference for purposes of computing the alternative minimum tax imposed by section 55 of the Code of owners thereof who are individuals, or except as hereinafter described, corporations. Interest on the Notes owned by a corporation will be included in such corporation's adjusted current earnings for purposes of calculating the alternative minimum taxable income of such corporations, other than an S corporation, a qualified mutual fund, a real estate mortgage investment conduit, a real estate investment trust, or a financial asset securitization investment trust ("FASIT"). A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code will be computed.

Except as stated in the preceding paragraph, we express no opinion as to any federal or state tax consequences of the ownership or disposition of the Notes.

In our opinion, the Notes are valid and legally binding general fund obligations of the District, payable by the District from taxes, revenues, cash receipts and other moneys of the District lawfully available therefore, as more particularly described in the resolution adopted by the District on March __, 2012 (the "Resolution"). The Notes are secured by a pledge of, and first lien and charge (the "Lien") against, all such taxes, revenues, cash receipts and other moneys received by the District. Nevertheless, the rights of the holders of the Notes and the enforceability of the Notes and the Lien are subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights heretofore or hereafter enacted, as applied to the District, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Val Verde Unified School District (the "District") in connection with the issuance of \$_____ aggregate principal amount of Val Verde Unified School District 2011-12 Tax And Revenue Anticipation Notes, Series A (the "Notes"). The Notes are being issued pursuant to a resolution (the "Resolution") adopted by the Board of Education of the District on March __, 2012. The District covenants and agrees as follows:

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

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

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

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

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

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

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

"MSRB" shall mean the Municipal Securities Rulemaking Board.

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

SECTION 3. Reporting of Significant Events.

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

- (i) Principal and interest payment delinquencies.
- (ii) Unscheduled draws on any debt service reserves reflecting financial difficulties.
- (iii) Unscheduled draws on any credit enhancements reflecting financial difficulties.

(iv) Substitution of credit or liquidity providers, or their failure to perform.

(v) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination of taxability, Notice of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes;

(vi) Tender offers;

(vii) Defeasances;

(viii) Rating changes; or

(ix) Bankruptcy, insolvency, receivership or similar event of the District person.

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

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

(i) Unless described in paragraph 6(a)(v) hereof, other material events affecting the tax status of the Notes;

(ii) Modifications to rights of Holders;

(iii) Optional, unscheduled or contingent Note calls;

(iv) Release, substitution or sale of property securing repayment of the Notes;

(v) Non-payment related defaults;

(vi) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

(vii) Appointment of a successor or additional Paying Agent or the change of name of a Paying Agent.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event described in Section 3(a) hereof, or determines that knowledge of a Listed Event described in Section 3(b) hereof would be material under applicable federal securities laws, the District shall within ten (10) Business Days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the

Listed Event described in subsections (a)(vii) or (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Notes pursuant to the Resolution.

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

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

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

SECTION 6. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Notes may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate; provided, that any such action may be instituted only in Superior Court of the State of California in and for the County of Riverside or in U.S. District Court in or nearest to the County; provided, that the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

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

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

Dated: March __, 2012

VAL VERDE UNIFIED SCHOOL DISTRICT

By: _____
Superintendent

APPENDIX D

**VAL VERDE UNIFIED SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2011**