

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

253



FROM: Don Kent, Treasurer/Tax Collector

SUBMITTAL DATE:
October 9, 2013

SUBJECT: Resolution No. 2013-248 Val Verde Unified School District 2013 General Obligation Bond Anticipation Notes (Vote on Separately)- District 5/5 [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Approve and adopt Resolution No. 2013-248 approving the issuance and sale of Val Verde Unified School District 2013 General Obligation Bond Anticipation Notes in a principal amount not to exceed \$30,000,000 and authorizing the levy of taxes to be placed on the tax roll to pay interest on the Notes.

BACKGROUND:

Summary

Section 15150 of the California Education Code authorizes a school district to issue general obligation bond anticipation notes on its own behalf and authorizes the levy of property taxes to pay interest on the notes. The Board of Education of the Val Verde Unified School District (the "District") adopted a resolution on October 1, 2013 requesting that the County Board of Supervisors adopt a resolution approving the issuance of its 2013 General Obligation Bond Anticipation Notes (the "Notes") and authorizing the levy of property taxes to pay the interest on the Notes as authorized by Section 15150 of the Education Code. (Continued on Page 2.)

Don Kent
Treasurer/Tax Collector

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

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

SOURCE OF FUNDS: Notes repaid from future General Obligation Bonds or other approved funds and voter approved property taxes	Budget Adjustment: n/a
	For Fiscal Year: 13-14

C.E.O. RECOMMENDATION:

APPROVE

BY:
Karen L. Johnson

County Executive Office Signature

MINUTES OF THE BOARD OF SUPERVISORS

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

Ayes: Jeffries, Tavaglione, Stone, Benoit and Ashley
Nays: None
Absent: None
Date: October 22, 2013
xc: Treasurer, Co.Co., Board of Education, Fulbright

Kecia Harper-Ihem
Clerk of the Board
By:
Deputy

RECEIVED RIVERSIDE COUNTY
OCT 12 2013

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

Prev. Agn. Ref.:

District: 5/5

Agenda Number:

3-74

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

FORM 11: Resolution No. 2013-043

DATE: October 9, 2013

PAGE: Page 2 of 2

BACKGROUND:

Summary (continued).

The Notes are being issued pursuant to Article 3 of Chapter 1 of Part 10 of Division 1 of Title 1 of the Education Code and pursuant to an election held on June 5, 2012 in which more than 55% of the voters in the District approved the issuance of bonds in an amount not to exceed \$178,000,000. The District has previously issued one series of bonds and \$137,460,000 of bonds remain to be issued.

The proceeds of the Notes will be applied to finance the acquisition, construction and improvement of certain public school facilities for the District; to fund capitalized interest on the Notes, and to pay the cost of issuance.

The Notes will be repaid from proceeds of the future sale of bonds pursuant to the June 5, 2012 election, ad valorem property tax levied to pay interest on the Notes, and other funds of the District lawfully available to repay the Notes.

The Notes represent a general obligation of the District and do not constitute a debt, liability, or obligation of the County of Riverside. No part of any fund of the County is pledged or obligated to the payment of the Notes.

Resolution No. 2013-248 approves the issuance of the Notes and provides for the levy of voter-approved property taxes to pay interest on the Notes.

Impact on Citizens and Businesses

The voters of the District approved the levy of ad valorem property taxes to pay for increased bonded indebtedness. In exchange for the increased taxes, the citizens in the District will receive new and improved District facilities.

ATTACHMENTS (if needed, in this order):

Resolution No. 2013-248

District Resolution No. 13-14-09

Draft Preliminary Official Statement for the Notes

RESOLUTION NO. 2013-248

RESOLUTION OF THE BOARD OF SUPERVISORS OF THE
COUNTY OF RIVERSIDE, CALIFORNIA,
APPROVING THE ISSUANCE AND SALE OF VAL VERDE UNIFIED SCHOOL DISTRICT
2013 GENERAL OBLIGATION BOND ANTICIPATION NOTES AND AUTHORIZING THE
LEVY OF TAXES FOR THE NOTES TO BE ISSUED BY THE VAL VERDE UNIFIED
SCHOOL DISTRICT AND DIRECTING THE COUNTY AUDITOR-CONTROLLER TO
MAINTAIN TAXES ON THE TAX ROLL

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RESOLUTION NO. 2013-248

**RESOLUTION OF THE BOARD OF SUPERVISORS
OF THE COUNTY OF RIVERSIDE, CALIFORNIA,
APPROVING THE ISSUANCE AND SALE OF VAL VERDE UNIFIED SCHOOL
DISTRICT 2013 GENERAL OBLIGATION BOND ANTICIPATION NOTES AND
AUTHORIZING THE LEVY OF TAXES FOR THE NOTES TO BE ISSUED BY THE
VAL VERDE UNIFIED SCHOOL DISTRICT AND DIRECTING THE COUNTY
AUDITOR-CONTROLLER TO MAINTAIN TAXES ON THE TAX ROLL**

WHEREAS, a duly called election was held within the Val Verde Unified School District (the "District"), County of Riverside (the "County"), on June 5, 2012 (the "2012 Election"), and thereafter canvassed pursuant to law; and

WHEREAS, at the 2012 Election, there was submitted to and approved by the requisite fifty-five percent (55%) vote of the qualified electors of the District a question as to the issuance and sale of general obligation bonds of the District for various purposes set forth in the ballot submitted to the voters, in the maximum principal amount of \$178,000,000, payable from the levy of an *ad valorem* tax against the taxable property in the District (the "Authorization"); and

WHEREAS, the County, on behalf of the District has previously issued \$40,540,000 in aggregate principal amount of general obligation bonds pursuant to the Authorization, such that \$137,460,000 aggregate principal amount of general obligation bonds under the Authorization remain to be issued; and

WHEREAS, the Board of Education of the District (the "District Board") has determined that the District has a requirement for the construction, improvement, furnishing and equipping of certain of its public school facilities, as provided for in the Authorization (collectively, the "Projects"); and

WHEREAS, under the provisions of Article 3 (commencing with Section 15150) of Chapter 1 of Part 10 of Division 1 of Title 1 of the Education Code of the State of California (the "Act"), the District is authorized to issue short-term general obligation bond anticipation notes repayable from the proceeds of the future sale of general obligation bonds (the "Bonds"), renewal notes, or from other funds of the District lawfully available for the purpose of repaying such notes, including State grants, the proceeds of which may be used for financing the Projects; and

FORM APPROVED COUNTY COUNSEL
BY: *Dale A. Gardner* 10/18/13
DATE
DALE A. GARDNER

1 **WHEREAS**, due to the limited availability of State matching funds at this time, the
2 District Board finds it necessary and desirable to issue its 2013 General Obligation Bond
3 Anticipation Notes (the "Notes"); and

4 **WHEREAS**, pursuant to the Act, the County Board of Supervisors (the "County Board")
5 has been formally requested by the District to levy taxes in an amount sufficient to pay the
6 interest on the Notes when due, and to direct the Auditor-Controller of the County to maintain on
7 its tax roll, and all subsequent tax rolls, taxes sufficient to fulfill the requirements of the debt
8 service schedule for the Notes, that will be provided to the Auditor-Controller by the District
9 following the sale of the Notes;

10 **NOW THEREFORE, IT IS ORDERED** by the Board of Supervisors of the County of
11 Riverside as follows:

12 SECTION 1. Authorization and Approval of General Obligation Bond
13 Anticipation Note Issuance by the District. Due to the District's Fiscal Year 2012-13 Second
14 Interim Status Report filing with a Positive Certification, this County Board hereby authorizes
15 and approves the issuance of 2013 General Obligation Bond Anticipation Notes by the District on
16 its own behalf under the Act pursuant to the powers granted by the County under Section
17 15140(b) of the California Education Code.

18 SECTION 2. Levy of Taxes. That in response to the District's formal request and
19 authorization, the County shall levy and collect taxes in an amount sufficient to pay the interest
20 on the Notes, pursuant to the Act.

21 SECTION 3. Preparation of Tax Roll. That the Auditor-Controller of the County
22 of Riverside is hereby directed to maintain on its tax roll, and all subsequent tax rolls, taxes in an
23 amount sufficient to fulfill the requirements of the debt service schedules for the Notes, which
24 will be provided to the Auditor-Controller by the District following the sale of the Notes.

25 SECTION 4. Paying Agent, Appointment and Acceptance of Duties.

26 (a) The County Board and the Treasurer hereby consent to and confirm the
27 appointment of U.S. Bank National Association to act as Paying Agent for the Notes under this
28 Resolution. All fees and expenses incurred for services of the Paying Agent shall be the sole

1 responsibility of the District. The Paying Agent shall have a corporate trust office in Los
2 Angeles, California.

3 (b) Unless otherwise provided, the office of the Paying Agent designated by
4 the Paying Agent shall be the place for the payment of Principal of, premium, if any, and interest
5 on the Notes.

6 SECTION 5. Distribution of Certified Copies Hereof. The Clerk of the County
7 Board shall furnish one (1) copy of this Resolution to each of the following:

8
9 Treasurer-Tax Collector
10 County of Riverside
11 4080 Lemon Street, 4th Floor
12 Riverside, CA 92502
13 Attn: Don Kent

14 Board of Education
15 Val Verde Unified School District
16 975 West Morgan Street
17 Perris, CA 92570
18 Attn: Paul Gill

19 Fulbright & Jaworski, LLP (a member of Norton Rose Fulbright)
20 555 South Flower Street, 41st Floor
21 Los Angeles, CA 90071
22 Attn: Ann La Morena Rohlin, Esq.

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[Remainder of page intentionally left blank.]

1 SECTION 6. Effective Date. This Resolution shall take effect immediately upon
2 its adoption.

3 The foregoing resolution was, on the 22nd day of October, 2013, adopted by the Board of
4 Supervisors of the County of Riverside and *ex officio* the governing body of all other special
5 assessment and taxing districts, agencies and authorities for which said County Board so acts.
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8 ROLL CALL:

9 Ayes: Jeffries, Tavaglione, Stone, Benoit and Ashley
10 Nays: None
11 Absent: None

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

14 KECIA HARPER-IHEM, Clerk of said Board

15 By _____
16 Deputy
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VAL VERDE UNIFIED SCHOOL DISTRICT
(Riverside County, California)

RESOLUTION NO. 13-14-09

**RESOLUTION OF THE BOARD OF EDUCATION OF THE VAL VERDE
UNIFIED SCHOOL DISTRICT PROVIDING FOR THE ISSUANCE AND
SALE OF 2013 GENERAL OBLIGATION BOND ANTICIPATION
NOTES, IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED
\$30,000,000 AND AUTHORIZING CERTAIN OTHER ACTIONS WITH
RESPECT THERETO**

WHEREAS, the issuance of not to exceed \$178,000,000 aggregate principal amount of general obligation bonds (the "Authorization") of the Val Verde Unified School District (the "District"), County of Riverside (the "County"), State of California, was authorized at an election (the "Election") held in said District on June 5, 2012, the proceeds of which are to be used for the construction, equipping, furnishing and improvement of certain capital facilities of the District, all as described in the Project List of the District approved at the Election (the "Project"); and

WHEREAS, \$40,540,000 general obligation bonds under the Authorization have heretofore been issued, such that \$137,460,000 aggregate principal amount of general obligation bonds under the Authorization remain to be issued; and

WHEREAS, under the provisions of Article 3 (commencing with Section 15150) of Chapter 1 of Part 10 of Division 1 of Title 1 of the Education Code of the State of California (the "Act"), the District is authorized to borrow money by the issuance of short-term notes repayable from the proceeds of general obligation bonds or other monies of the District available therefore, the proceeds of which may be used for financing the Project; and

WHEREAS, this Board of Education (the "Board") finds it necessary and desirable to issue and sell 2013 General Obligation Bond Anticipation Notes (the "Notes") in an aggregate principal amount not to exceed \$30,000,000 to be used for the various purposes outlined in the official Project List of the District approved at the Election and to be repaid from future general obligation bonds issued under the Authorization; and

WHEREAS, this Board of Education requests and authorizes the County to levy taxes in an amount sufficient to pay the interest due on the Notes pursuant to the Act; and

WHEREAS, this Board of Education of the District hereby determines that the Notes should be offered at this time;

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

Section 1. Recitals. All of the recitals herein set forth are true and correct, and the Board of Education of the Val Verde Unified School District so finds and determines.

Section 2. Definitions. Unless the context otherwise requires, the terms defined in this Section 2 shall, for all purposes of this Resolution, as it now exists and as it may be from time to time amended or supplemented, have the meanings as herein specified, as follows:

“Authorized Representative” means the Superintendent, Assistant Superintendent, Business Services, Director of Fiscal Services or any of their designees.

“Board” or “Board of Education” means the Board of Education of the Val Verde Unified School District.

“Business Day” means a day on which banks in the States of California and New York are not required or authorized to remain closed and on which the New York Stock Exchange is not closed.

“Continuing Disclosure Agreement” means that certain Continuing Disclosure Agreement of the District to be executed and delivered in connection with the issuance of the Notes.

“County” means the County of Riverside, California.

“District” means the Val Verde Unified School District.

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

“General Obligation Bonds” means general obligation bonds to be issued by the County in the name and on behalf of the District for purposes of repaying the Notes and/or financing the Project.

“Information Services” means Financial Information, Inc.’s “Financial Daily Called Bond Service,” 1 Cragwood Road, 2nd Floor, South Plainfield, New Jersey 07080, Attention: Editor; Mergent, Inc., 585 Kingsley Park Drive, Fort Mill, South Carolina 29715, Attention: Called Bond Department; and Standard and Poor’s J.J. Kenny Information Services’ “Called Bond Service,” 55 Water Street, 45th Floor, New York, New York 10041.

“Interest Rate” means the rate or rates of interest borne by the Notes as set forth in the Note Purchase Agreement.

“Interest Payment Date” or “Interest Payment Dates” shall mean February 1 and August 1, commencing on February 1, 2014 or, as otherwise stated in the Note Purchase Agreement.

“Maturity Date” means the initial Maturity Date of the Notes established in the Note Purchase Agreement; the Maturity Date of the Notes shall, pursuant to Section 15150 of the Education Code, be a date no longer than five years from the date the Notes are issued.

“Nominee” means Cede & Co., the nominee of DTC.

"Note Purchase Agreement" means that certain Note Purchase Agreement, by and between the District and Piper Jaffray & Co., as Underwriter, pursuant to which the Notes are initially purchased and sold, a copy of which has been presented to and considered by this meeting of the Board.

"Notes" means the District's 2013 General Obligation Bond Anticipation Notes, issued hereunder.

"Outstanding," when used as of any particular time with reference to the Notes, means all Notes being or having been executed and delivered pursuant to this Resolution except (1) Notes theretofore cancelled or surrendered for cancellation; (2) Notes with respect to which all liability of the District shall have been discharged in accordance with Section 26 hereof; and (3) Notes in substitution for which other Notes shall have been authenticated and delivered pursuant to this Resolution.

"Paying Agent" means U.S. Bank National Association, acting as Paying Agent hereunder, having its principal office in Los Angeles, California.

"Payment Date" means the day five (5) Business Days prior to each Interest Payment Date and the Maturity Date on which the District shall deposit an amount equal to the next payment on the Notes coming due.

"Repayment Account" means the Val Verde Unified School District 2013 General Obligation Bond Anticipation Note Repayment Account established pursuant to Section 17 hereof.

"Resolution" means this Resolution of the District providing for the issuance and sale of the Notes.

"Securities Depositories" means The Depository Trust Company, 55 Water Street, New York, New York 10041, Tel: (212) 855-1000 or Fax: (212) 855-7320.

"Treasurer" means the Treasurer - Tax Collector of the County.

Section 3. Authorization for Issuance. For the purpose of financing a portion of the Project prior to the receipt of proceeds from the sale of General Obligation Bonds, the District hereby authorizes the issuance of Notes in an aggregate principal amount not to exceed Thirty Million Dollars (\$30,000,000) in a single series under the Act. The Notes shall be designated the "Val Verde Unified School District 2013 General Obligation Bond Anticipation Notes."

Section 4. Denominations, Maturity and Payment. The Notes shall be issuable in the denominations of \$5,000 and any integral multiples thereof. The Notes shall be dated the day of issuance, shall mature not later than five (5) years after the date of issuance of the Notes, as set forth in the Note Purchase Agreement, and shall bear interest in accordance with Section 5 hereof. Principal of and interest on the Notes shall be paid at the principal office of the Paying Agent. The Notes shall be subject to redemption prior to their stated maturity dates as provided in an exhibit to the Note Purchase Agreement.

Section 5. Interest Rate and Payments. The Notes shall bear interest at the Interest Rate from the initial dated date of the Notes to their maturity date and shall be payable on each Interest Payment Date and as specified in the Note Purchase Agreement. Interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Section 6. Mutilated, Lost, Destroyed or Stolen Notes. (a) If any Note shall become mutilated, the District, at the expense of the owner of said Note, shall execute, and the Paying Agent shall authenticate and deliver, a new Note of like tenor and number in exchange and substitution for the mutilated Note, but only upon surrender to the Paying Agent of such mutilated Note. Every mutilated Note so surrendered to the Paying Agent shall be cancelled by it and delivered to, or upon the order of, the District. If any Note shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the District and the Paying Agent and, if such evidence be satisfactory to each and an indemnity satisfactory to them shall be given, the District, at the expense of the owner, shall execute, and the Paying Agent shall thereupon authenticate and deliver a new Note of like tenor and number in lieu of and in substitution for the Note so lost, destroyed or stolen (or if any such Note shall have matured or shall be about to mature, instead of issuing a substitute Note, the Paying Agent may pay the same without surrender thereof). The Paying Agent may require payment of a sum not exceeding the actual cost of preparing each new Note issued pursuant to this paragraph and of the expenses which may be incurred by the District and the Paying Agent in the process. Any Note issued under these provisions in lieu of any Note alleged to be lost, destroyed or stolen shall constitute a valid contractual obligation on the part of the District whether or not the Note so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of this Resolution with all other Notes secured by this Resolution.

(b) Transfer of Notes. Any Note may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of paragraph (d) below, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Note for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form approved by the Paying Agent.

Whenever any Note shall be surrendered for transfer, the District shall execute and the Paying Agent shall authenticate and deliver a new Note. The Paying Agent shall require the owner of the Note requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer, and may in addition require the payment of a reasonable sum to cover expenses incurred by the District or the Paying Agent in connection with such transfer.

(c) Exchange of Notes. Notes may be exchanged at the office of the Paying Agent for a like aggregate principal amount of Notes or other authorized denominations of the same maturity and interest rate. The Paying Agent shall require the person requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange, and may in addition require the payment of a reasonable sum to cover expenses incurred by the District or the Paying Agent in connection with such exchange.

(d) Register. The Paying Agent will keep or cause to be kept, at its principal office, sufficient books for the registration and transfer of the Notes, which shall at all times be

open to inspection by the owner of the Note; and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such books, Notes as hereinbefore provided.

Section 7. Ownership, Cancellation of Notes. The District and the Paying Agent may rely on the address of the owner of the Note as it appears in the register for any and all purposes. It shall be the duty of the owner of the Note to give written notice to the Paying Agent of any change in such address.

The District and the Paying Agent may treat the person in whose name any Note shall be registered as the absolute owner of such Note, and payment of the principal of and interest on any such Note shall be made only to or upon the order of the registered owner thereof or its legal representative.

All Notes surrendered for payment shall be delivered to the Paying Agent and shall be promptly cancelled by it. The District may at any time deliver to the Paying Agent for cancellation any Notes previously authenticated and delivered hereunder that the District may have acquired in any manner whatsoever, and all Notes so delivered shall promptly be cancelled by the Paying Agent. No Note shall be authenticated in lieu of or in exchange for any Notes cancelled as provided herein, except as expressly permitted hereunder. All cancelled Notes held by the Paying Agent shall be disposed of in any manner determined by the Paying Agent.

Section 8. Redemption. The Notes shall be subject to redemption as provided in the Note Purchase Agreement.

Section 9. Selection of Notes for Redemption. Whenever provision is made in this Resolution or in the Note Purchase Agreement for the redemption of the Notes and less than all Outstanding Notes are to be redeemed, the Paying Agent, upon written instruction from the District shall select Notes for redemption in such order as the District may direct, or, in the absence of such direction, in inverse order of maturity. Within a maturity, the Paying Agent shall select Notes for redemption by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine; provided, however, that the portion of any Note to be redeemed in part shall be in the principal amount of \$5,000 or any integral multiple thereof.

Section 10. Notice of Redemption. When redemption is authorized or required pursuant to this Resolution or the Note Purchase Agreement, the Paying Agent, upon written instruction from the District given at least 20 but no more than 60 days prior to the date designated for such redemption, shall give notice (a "Redemption Notice") of the redemption of the Notes. Such Redemption Notice shall specify: (a) the Notes or designated portions thereof (in the case of redemption of the Notes in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Notes to be redeemed, (f) the certificate numbers of the Notes to be redeemed in whole or in part and, in the case of any Note to be redeemed in part only, the principal amount of such Note to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Note to be redeemed in whole or in part. Such Redemption Notice shall further state that on the specified date, there shall become due and payable upon each Note or portion thereof

being redeemed the redemption price, together with the interest accrued to the redemption date, and that from and after such date interest with respect thereto shall cease to accrue and be payable.

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

(a) At least 20 but not more than 60 days prior to the redemption date, such Redemption Notice shall be given to the respective Owners of Notes designated for redemption by first class mail, postage prepaid, at their addresses appearing on the Note Register.

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

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

Section 11. Partial Redemption of Notes. Upon the surrender of any Note redeemed in part only, the Paying Agent shall execute and deliver to the Owner thereof a new Note or Notes of like tenor and maturity and of authorized denominations equal in principal amount to the unredeemed portion of the Note surrendered. Such partial redemption shall be valid upon payment of the amount required to be paid to such Owner, and the District shall be released and discharged thereupon from all liability to the extent of such payment.

Section 12. Effect of Notice of Redemption. Notice having been given as aforesaid, and the moneys for the redemption (including the interest to the applicable date of redemption) having been set aside in the Repayment Account, the Notes to be redeemed shall become due and payable on such date of redemption.

If on such redemption date, money for the redemption of all the Notes to be redeemed as particularly specified in the Note Purchase Agreement and as provided in Section 8 hereof, together with interest to such redemption date, shall be held by the Paying Agent so as to be available therefor on such redemption date, and if notice of redemption thereof shall have been given as aforesaid, then from and after such redemption date, interest on the Notes to be redeemed shall cease to accrue and become payable. All money held by or on behalf of the Paying Agent for the redemption of Notes shall be held in trust for the account of the Owners of the Notes so to be redeemed.

All Notes paid at maturity or redeemed prior to maturity pursuant to the provisions of Sections 8, 9 and 10 shall be cancelled upon surrender thereof and delivered to or upon the order of the District. All or any portion of a Note purchased by the District shall be cancelled by the Paying Agent upon written notice by the District given to the Paying Agent.

Section 13. Book-Entry System.

(a) The Notes shall be initially issued in the form of a separate single fully registered Note (which may be typewritten) for each of the maturities of the Notes within each series or tranche. Upon initial issuance, the ownership of each such Note certificate shall be registered in the Register in the name of the Nominee as nominee of the Depository. Except as provided in subsection (c) hereof, all of the Outstanding Notes shall be registered in the Register in the name of the Nominee and the Notes may be transferred, in whole but not in part, only to the Depository, to a successor Depository or to another nominee of the Depository or of a successor Depository. Each Note certificate shall bear a legend substantially to the following effect: "UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AS DEFINED IN THE RESOLUTION) TO THE NOTE REGISTRAR FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN."

With respect to Notes registered in the name of the Nominee, the District shall have no responsibility or obligation to any Participant or to any person on behalf of which such a Participant holds a beneficial interest in the Notes. Without limiting the immediately preceding sentence, the District shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Participant with respect to any beneficial ownership interest in the Notes, (ii) the delivery to any Participant, beneficial owner or any other person, other than the Depository, of any notice with respect to the Notes, including any redemption notice, (iii) the selection by the Depository and the Participants of the beneficial interests in the Notes to be redeemed in part, or (iv) the payment to any Participant, beneficial owner or any other person, other than the Depository, of any amount with respect to principal of, premium, if any, and interest on the Notes. The District may treat and consider the person in whose name each Note is registered in the Note Register as the holder and absolute Owner of such Note for the purpose of payment of principal of, premium, if any, and interest on such Note, for the purpose of giving Redemption Notices and other notices with respect to such Note, and for all other purposes whatsoever, including, without limitation, registering transfers with respect to the Notes.

The Paying Agent shall pay all Principal of, premium, if any, and interest on the Notes only to the respective Owners, as shown in the Note Register, and all such payments shall be valid hereunder with respect to payment of Principal of, premium, if any, and interest on the Notes to the extent of the sum or sums so paid. No person other than an Owner, as shown in the Note Register, shall receive a Note evidencing the obligation to make payments of principal of, premium, if any, and interest, pursuant to this Resolution. Upon delivery by the Depository to the Paying Agent and the District of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions

hereof with respect to Record Dates, the word "Nominee" in this Resolution shall refer to such new nominee of the Depository.

(b) If at any time the Depository notifies the District that it is unwilling or unable to continue as Depository with respect to the Notes or if at any time the Depository shall no longer be registered or in good standing under the Securities Exchange Act or other applicable statute or regulation and a successor Depository is not appointed by the District within 90 days after the District receives notice or become aware of such condition, as the case may be, subsection (a) hereof shall no longer be applicable and the District shall issue Notes representing the Notes as provided below. In addition, the District may determine at any time that the Notes shall no longer be represented by book-entry securities and that the provisions of subsection (a) hereof shall no longer apply to the Notes. In any such event the District shall execute and deliver certificates representing the Notes as provided below. Notes issued in exchange for book-entry securities pursuant to this subsection (c) shall be registered in such names and delivered in such denominations as the Depository shall instruct the District. The District shall deliver such Notes representing the Notes to the persons in whose names such Notes are so registered.

If the District determines to replace the Depository with another qualified securities depository, the District shall prepare or cause to be prepared a new fully registered book-entry security for each of the maturities of Notes, registered in the name of such successor or substitute securities depository or its nominee, or make such other arrangements as are acceptable to the District and such securities depository and not inconsistent with the terms of this Resolution.

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

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

Section 14. Form of Notes. The Notes shall be issued only in fully registered form, substantially in the form and substance set forth in Exhibit A attached hereto and by reference incorporated herein, the blanks in said form to be filled in with appropriate words and figures.

Section 15. Use of Proceeds and Establishment of Building Fund and Costs of Issuance Account.

The proceeds of the Notes shall be deposited on behalf of the District with, and held in trust by, the Treasurer, in the Val Verde Unified School District General Obligation Bond Anticipation Note Building Fund" (the "Building Fund").

Until application of the proceeds of the Notes for the Project, the District may invest the proceeds of the Notes as provided in Section 18 below. The District shall make withdrawals from time to time from the Building Fund for the purposes described in the Project List. The Treasurer shall have no responsibility for assuring the proper use of Note proceeds by the District.

The Paying Agent shall establish and maintain a special trust account designated as the "Val Verde Unified School District 2013 General Obligation Bond Anticipation Note Costs of Issuance Account" (the "Costs of Issuance Account"). A portion of the net proceeds of the Notes shall be deposited therein at Closing, upon the instruction of the District, and applied to the payment of Costs of Issuance with respect to the Notes. On the earlier of the date which is six months following the Closing Date or the date upon which the District directs the Paying Agent that Costs of Issuance have been paid, the Costs of Issuance Account shall be closed by the Paying Agent, and any remaining amounts on deposit therein shall be transferred to the Treasurer for deposit to the Building Fund.

Section 16. Pledges. As security for the payment of the principal of and interest on the Notes, the District hereby pledges proceeds from its next sale of General Obligation Bonds (the "Pledged Revenues"). The Notes shall constitute a limited obligation of the District, representing an interest in Pledged Revenues.

On each Interest Payment Date, the District shall deposit or cause to be deposited into the Repayment Account (as defined herein) an amount sufficient to pay the interest then coming due on the Notes. On or before the Maturity Date, the District shall set aside such portion of the proceeds of General Obligation Bonds as shall be necessary to provide for the payment in full of the principal of and interest then accrued on the Notes; provided, however, that if for any reason the General Obligation Bonds shall not then have been issued, the District shall set aside into the Repayment Account an amount sufficient to pay the principal of and the interest then coming due on the Notes.

Section 17. Establishment of Repayment Account. Proceeds from the next sale of the District's General Obligation Bonds, if any, and other moneys lawfully available therefor (collectively, the "Repayment Proceeds") (in cash or in investments permitted by Section 18 hereof that have a market value on such Business Day equal to the amount required to be deposited on such Business Day or whose maturity value on a maturity date no later than such Business Day is equal to the amount required to be deposited on such Business Day) shall be deposited by the Treasurer, on behalf of the District, with, and held in trust by, the Paying Agent, as hereinafter appointed, in a special account designated the "Val Verde Unified School District 2013 General Obligation Bond Anticipation Note Repayment Account" (the "Repayment Account"), and shall be applied as directed in this Resolution. The obligation to pay principal of and interest on the Notes shall constitute a first lien and charge on amounts deposited in the Repayment Account and any money deposited in the Repayment Account shall be for the ratable benefit of the owners of the Notes. Until the principal of the Notes and all interest due thereon are paid in full or until provision has been made for the payment in full of the principal of and interest on the Notes, the moneys in the Repayment Account shall be applied only for the purposes for which such Repayment Account was created.

On each Interest Payment Date for the Notes, the District shall set aside into the Repayment Account, an amount sufficient to pay the interest then due on the Notes. In the event that there have been insufficient Pledged Revenues received by the Paying Agent on behalf of the District by an Interest Payment Date to permit the payment of the full amount required to be deposited on such Interest Payment Date, then the amount of any deficiency in the Repayment Account shall be satisfied and made up from any other moneys of the District lawfully available

for the payment of the principal of the Notes and the interest thereon on such date or thereafter on a daily basis. Any balance in the Repayment Account on the day after the final Maturity Date for the Notes in excess of the amounts needed to pay the principal of and interest on the Notes shall be transferred to the District and applied for any lawful purpose thereof.

Section 18. Investment of Note Proceeds and Repayment Account. Note proceeds may be held by the Treasurer and invested by the Treasurer at the direction of the Authorized Representative in designated investments permitted by law for surplus moneys of California public agencies, including one or more investment agreements and/or guaranteed investment contracts: provided, however, that the long-term ratings of the provider of such agreement or contract shall be rated at least "AA-" by Standard & Poor's or "Aa3" by Moody's Investors Service. No such contract or agreement shall mature after the Maturity Date of the Notes. Absent such direction, Note proceeds shall be invested in the County of Riverside Treasury Pool.

The proceeds of investments of moneys in the Repayment Account held and invested by the Paying Agent pursuant hereto shall be retained or accounted for by the Paying Agent until the principal of all of the Notes and the unpaid interest thereon shall have been fully paid or until provision shall have been made for such payment, at which time any excess amount shall be transferred as provided in the ultimate sentence of Section 17.

Section 19. Paying Agent. The District hereby designates U.S. Bank National Association as the authenticating agent, bond registrar, transfer agent and paying agent (collectively, the "Paying Agent") for the Notes on behalf of the District.

This appointment shall not preclude the Treasurer from removing the Paying Agent and appointing one or more successors thereto, all without notice to or the consent of the Owner of any Note.

Section 20. Sale of the Notes. The form of Note Purchase Agreement for the purchase and sale of the Notes, substantially in the form on file with the Clerk of the Board, is hereby approved and each of the Authorized Representatives is authorized to execute and deliver the Note Purchase Agreement on behalf of the District with such changes therein, deletions therefrom and modifications thereto as the officer executing the same shall approve, such approval to be conclusively evidenced by the execution and delivery thereof; provided, however, that in no event shall the Underwriter's discount with respect to the Notes exceed 0.5% of the aggregate principal amount thereof nor shall the Notes bear interest at a true interest cost in excess of 2.5% per annum. The Authorized Representative or the Treasurer is further authorized to determine the principal amount of the Notes to be sold, up to the maximum principal amount of \$30,000,000.

Section 21. Preliminary Official Statement; Official Statement; Continuing Disclosure; Supplements. The Board hereby approves the use by the Underwriter of the Preliminary Official Statement relating to the Notes, substantially in the form submitted to and considered by this meeting of the Board, and, following pricing of the Notes under the Note Purchase Agreement, of an Official Statement (the "Official Statement") in final form, in each case with such changes therein as an Authorized Representative of the District, upon consultation with Bond Counsel and the Financial Advisor, may approve, such approval to be conclusively

evidenced by his or her execution of the Official Statement in final form. The Authorized Representatives, each acting alone, are hereby authorized to deliver copies of the Preliminary Official Statement and the Official Statement in sufficient numbers to permit the Underwriter to meet its obligations under Rule 15c2-12 of the Securities Exchange Act of 1934, promulgated by the Securities and Exchange Commission (the "Rule").

The form of Continuing Disclosure Agreement relating to the Notes, to be executed by the District, is hereby approved and shall form a part of the Preliminary Official Statement and the Official Statement.

Section 22. Execution of the Notes. The President and Secretary of the Board are hereby authorized and directed to sign the Notes by use of their manual or facsimile signatures, and said officers are hereby authorized to cause the blank spaces thereof to be filled in as may be appropriate. The Notes shall not be valid unless and until the Paying Agent shall have manually authenticated such Notes.

Section 23. Appointment of Underwriter, Financial Advisor and Bond Counsel. Piper Jaffray & Co., Fieldman, Rolapp & Associates and Fulbright & Jaworski LLP, a member of Norton Rose Fulbright, are hereby appointed Underwriter, Financial Advisor and Bond Counsel, respectively, upon the terms and conditions set forth in the agreements with each party on file with the District in order to facilitate the issuance of the Notes.

Section 24. Validity of Proceedings. It is hereby covenanted and warranted by the District that all representations and recitals contained in this Resolution are true and correct, and that the District, and its respective appropriate officials, have duly taken all proceedings necessary to be taken by them, and will take any additional proceedings necessary to be taken by them, for the collection of the revenue, income, cash receipts and other moneys pledged hereunder in accordance with law and for carrying out the provisions of this Resolution.

Section 25. Tax Covenants. The District covenants that it will make no use and not permit any use of the proceeds of the Notes or any other amounts that would cause the Notes to be deemed "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"). To that end, the District agrees to comply with all requirements of said Section 148 of the Code and the Treasury Regulations promulgated thereunder, including restrictions on the use and investment of proceeds of the Notes and certain other amounts and the rebate of a portion of the investment earnings on proceeds of the Notes and certain other amounts, if required, to the United States. The District further covenants to do and perform all acts and things within its power and as necessary to comply with each applicable requirement of Section 103 and Sections 141 through 150 of the Code. In furtherance of the aforementioned covenants, the District agrees to comply with the Tax Certificate to be executed by the District on the date of issuance and delivery of the Notes (the "Tax Certificate"). The Paying Agent, by acceptance of its duties hereunder and by its authentication of the Notes, agrees to comply with any instructions received from the District that the District indicates must be followed in order to comply with the Tax Certificate. The District covenants that it will take no action that would cause the interest on the Notes to be included in gross income for federal income tax purposes, nor will it refrain from taking action required to maintain the exclusion of interest on the Notes from gross income for federal income tax purposes.

Section 26. Discharge of Obligations. If all Outstanding District Notes shall be paid and discharged in any one or more of the following ways:

(a) by well and truly paying or causing to be paid the principal of and interest on all such District Notes Outstanding, as and when the same become due and payable;

(b) by depositing with the Paying Agent, in trust, at or before the Maturity Date, cash which, together with the amounts then on deposit in the Repayment Account, plus the interest to accrue thereon, without the need for further investment, is fully sufficient to pay all District Notes Outstanding at maturity thereof, including any premium and all interest thereon, notwithstanding that any District Notes shall not have been surrendered for payment; or

(c) by depositing with an institution to act as escrow agent, in trust, lawful money or noncallable direct obligations issued by the United States Treasury (including State and Local Government Series obligations), or obligations which are unconditionally guaranteed by the United States of America and permitted under Section 149(b) of the Internal Revenue Code of 1986, as amended, and its regulations, which, in the opinion of nationally recognized bond counsel, will not impair the exclusion from gross income for federal income tax purposes of interest on the District Notes, in such amount as will, together with the interest to accrue thereof without the need for further investment, be fully sufficient, in the opinion of a verification agent satisfactory to the District, to pay and discharge all Notes Outstanding at maturity thereof, and any premium and all interest thereon, notwithstanding that any Notes shall not have been surrendered for payment,

then all obligations of the District and the Paying Agent under this Resolution with respect to all Outstanding Notes shall cease and terminate, except only the obligation of the Paying Agent to pay or cause to be paid to the Owners all sums due thereon, and the obligation of the District to pay to the Paying Agent amounts owing to the Paying Agent for its services hereunder.

Section 27. Formal Request and Authorization for County to Levy Taxes. Pursuant to Section 15150(d) of the California Education Code, the District formally requests and authorizes the Board of Supervisors of the County (the "County Board") to levy taxes in an amount sufficient to pay the interest on the Notes when due, and requests the Auditor-Controller of the County to maintain on its tax roll, and all subsequent tax rolls, taxes sufficient to fulfill the requirements of the debt service schedule for the Notes, that will be provided to the Auditor-Controller by the District following the sale of the Notes.

(a) The tax for payment of the interest on the Notes is a tax authorized by law for payment of the Bonds in anticipation of which the Notes are issued.

(b) The principal amount of the Notes does not exceed the remaining principal amount of authorized but unissued Bonds.

(c) The tax rate levies to pay interest on the Notes will not cause the District to exceed any of the limitations set forth in Section 15268 or 15270 of the California Education Code

Section 28. Actions in Furtherance of Intention. Members of the Board, District officials and staff are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they may deem necessary or advisable in order to proceed with the issuance of the Notes and otherwise carry out, give effect to and comply with the terms and intent of this Resolution. Such actions heretofore taken by such officers, officials and staff are hereby ratified, confirmed and approved.

Section 29. Effective Date. This Resolution shall become effective upon its adoption by the Board.

[Remainder of this page intentionally left blank.]

PASSED AND ADOPTED by the Val Verde Unified School District, at a regular meeting of said Board held on October 1, 2013, at Perris, California, by the following roll-call vote:

Val Verde Unified School District
Board of Education

AYES:	_____	_____
NOES:	_____	_____
ABSTAIN:	_____	_____
ABSENT:	_____	_____

ATTEST:

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

EXHIBIT A

FORM OF NOTE

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

**VAL VERDE UNIFIED SCHOOL DISTRICT
2013 GENERAL OBLIGATION BOND ANTICIPATION NOTE**

Registered No. R- _____ \$ _____

<u>Rate of Interest</u>	<u>Maturity Date</u>	<u>Dated Date</u>	<u>CUSIP</u>
_____% per annum	_____, 20__	_____, 2013	

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT:

FOR VALUE RECEIVED, the Val Verde Unified School District (the "District"), a unified school district duly organized and existing under the laws of the State of California, acknowledges itself indebted to and promises to pay the Registered Owner hereof, at the principal office of DTC, but only from the amounts described below, the Principal Amount specified above, in lawful money of the United States of America, on the Maturity Date specified 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. Such interest shall be payable semiannually on February 1 and August 1 commencing February 1, 2014. Interest shall be computed on the basis of a 360-day year consisting of twelve 30-day months. The principal of this Note shall be payable only upon surrender of this Note as the same shall fall due.

The principal of and interest on this Note shall be paid by check or by wire transfer payable to or upon the order of the registered owner hereof upon presentation and surrender of this Note at maturity at the principal office of U.S. Bank National Association, as Paying Agent (the "Paying Agent") at Los Angeles, California.

Neither the payment of the principal or any part thereof nor any interest on this Note constitutes a debt, liability or obligation of the County, the State or any political subdivision thereof but shall constitute a limited obligation of the District, payable solely from Pledged Revenues, as set forth in the Resolution.

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

It is hereby certified, recited and declared that this Note is one of an authorized issue of the Val Verde Unified School District 2013 General Obligation Bond Anticipation Notes (the "Notes") in the aggregate principal amount of _____ (\$ _____), all of like date, tenor and effect, made, executed and given pursuant to and by a resolution of the Board of Education of the District duly passed and adopted on _____, 2013 (the "Resolution") under Article 3 (commencing with Section 15150) of Chapter 1 of Part 10, Division 1, Title 1, of the Education Code of the State of California, and 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. Each capitalized term used herein which is not defined herein shall have the same meanings as provided in the Resolution.

The principal of and interest on the Notes shall be paid from the proceeds of General Obligation Bonds (as defined in the Resolution), or if such General Obligation Bonds shall not have been issued, from other moneys lawfully available therefor.

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

IN WITNESS WHEREOF, the Val Verde Unified School District has caused this Note to be executed by the President of the Board and the Secretary of the Board by their manual signatures this ____ day of _____, 2013.

VAL VERDE UNIFIED SCHOOL DISTRICT

By: _____ [form document] _____
President of the Board

By: _____ [form document] _____
Secretary of the Board

CERTIFICATE OF AUTHENTICATION

This Note is one of the notes described in the within-mentioned District Resolution and is one of the Val Verde Unified School District 2013 General Obligation Bond Anticipation Notes.

U.S. BANK NATIONAL ASSOCIATION,
as Paying Agent

By: _____ [form document] _____
Authorized Officer

PASSED AND ADOPTED by the Val Verde Unified School District, at a regular meeting of said Board held on October 1, 2013, at Perris, California, by the following roll-call vote:

Val Verde Unified School District
Board of Education

AYES: 5
NOES: 0
ABSTAIN: 0
ABSENT: 0


[Signature]
[Signature]
[Signature]
Marta Kirkland
D. Shelly Graham

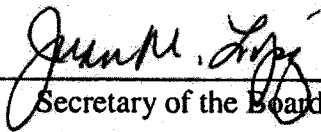
ATTEST:

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

IN WITNESS WHEREOF, the Val Verde Unified School District has caused this Note to be executed by the President of the Board and the Secretary of the Board by their manual signatures this 1st day of October, 2013.

VAL VERDE UNIFIED SCHOOL DISTRICT

By: 
President of the Board

By: 
Secretary of the Board

NEW ISSUE — BOOK-ENTRY ONLY

RATINGS: S&P: “___”
(See “RATINGS” herein.)

In the opinion of Fulbright & Jaworski LLP, a member of Norton Rose Fulbright, 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 Resolution authorizing the Notes 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, including a description of the alternative minimum tax consequences for corporations.

\$ _____ *

VAL VERDE UNIFIED SCHOOL DISTRICT
(County of Riverside, California)
2013 General Obligation Bond Anticipation Notes

Dated: Date of Delivery

Due: August 1, 2018*

The Val Verde Unified School District (the “District”) will issue the captioned 2013 General Obligation Bond Anticipation Notes (the “Notes”) pursuant to the provisions of Article 3 (commencing with Section 15150) of Chapter 1 of Part 10 of Division 1 of Title 1 of the Education Code of the State of California (the “Act”). Proceeds of the Notes will be applied to: (a) finance the acquisition, construction and improvement of certain public school facilities for the District, as more fully described herein under the caption “THE PROJECT,” (b) fund capitalized interest on the Notes through August 1, 2015 and (c) pay costs of issuance of the Notes. The Notes are being issued in anticipation of proceeds from general obligation bonds (the “Bonds”) to be issued pursuant to an authorization (the “Authorization”) approved by the voters of the District at an election conducted on June 5, 2012 (the “Election”), as more fully described herein under the caption “INTRODUCTION.”

The Notes are payable from (a) proceeds of the future sale of Bonds issued pursuant to the Authorization, (b) the *ad valorem* tax levied to provide for payment of interest on the Notes, as authorized by the Act, (c) other funds of the District lawfully available for the purpose of repaying the Notes, including State grants, or (d) any combination of the above. As of the date hereof, \$137,460,000 aggregate principal amount of the District’s Bonds remain unissued under the Authorization. Interest on the Notes shall also be payable from the *ad valorem* tax lawfully levied to pay principal of and interest on such Bonds. The District has covenanted in its resolution authorizing the issuance of the Notes to take all actions required to authorize, sell, and issue, on or before August 1, 2018* (the “Maturity Date”), Bonds in an aggregate principal amount sufficient to pay the principal of and interest on the Notes coming due and payable at maturity. See “SECURITY FOR THE NOTES” herein.

The Notes will be issued as current interest notes. Interest with respect to the Notes accrues from the date of delivery (the “Date of Delivery”) and is payable on each February 1 and August 1, commencing February 1, 2014.* The Notes will be issued in denominations of \$5,000 principal amount or any integral multiple thereof.

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 U.S. Bank National Association, as the designated registrar, transfer agent, authentication agent and paying agent. The Notes will be issued in fully registered form, and when delivered 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. See “APPENDIX D – BOOK-ENTRY ONLY SYSTEM” herein.

The Notes will be subject to redemption prior to maturity as further described herein.

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP No.⁽¹⁾</u>
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THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION. CAPITALIZED TERMS USED ON THIS COVER PAGE NOT OTHERWISE DEFINED SHALL HAVE THE MEANINGS SET FORTH HEREIN.

The Notes will be offered when, as and if issued and received by the Underwriter, subject to approval as to their legality by Fulbright & Jaworski LLP, a member of Norton Rose Fulbright, Los Angeles, California, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by Nossaman LLP, Irvine, California. It is anticipated that the Notes will be available for delivery in New York, New York, through the facilities of DTC on or about November __, 2013.

PIPER JAFFRAY & CO.

Dated: _____, 2013

(*) Preliminary; subject to change.

(1) Copyright 2013, American Bankers Association. CUSIP data herein is provided by Standard and Poor’s, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. The CUSIP number is provided for convenience of reference only. Neither the District nor the Underwriter take any responsibility for the accuracy of such CUSIP number.

No dealer, broker, salesperson or other person has been authorized by the District, the County of Riverside (the "County") or the Underwriter to provide any information or to make any representations other than as contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the District, the County or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 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 described herein, are intended solely as such and are not to be construed as a representation of facts.

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

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

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

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

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

District Board of Education

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

District Administrators

Juan M. Lopez, Superintendent
Paul Gill, Interim Assistant Superintendent, Business Services
Kristin Merritt, Director of Fiscal Services

SPECIAL SERVICES

Bond and Disclosure Counsel

Fulbright & Jaworski LLP
A member of Norton Rose Fulbright
Los Angeles, California

Underwriter

Piper Jaffray & Co.
El Segundo, California

Financial Advisor

Fieldman, Rolapp & Associates
Irvine, California

Paying Agent

U.S. Bank National Association
Los Angeles, California

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VAL VERDE UNIFIED SCHOOL DISTRICT
(County of Riverside, California)
2013 GENERAL OBLIGATION BOND ANTICIPATION NOTES

INTRODUCTION

The Val Verde Unified School District (the "District") proposes to issue \$ _____* aggregate principal amount of 2013 General Obligation Bond Anticipation Notes (the "Notes") under and pursuant to the provisions of the Education Code of the State of California. Proceeds of the Notes will be applied to: (a) finance the acquisition, construction and improvement of certain public school facilities for the District, as more fully described herein under the caption "THE PROJECT," (b) fund capitalized interest on the Notes through August 1, 2015 and (c) pay costs of issuance of the Notes. The Notes are being issued in anticipation of proceeds from general obligation bonds (the "Bonds") to be issued pursuant to an authorization of not to exceed \$178,000,000 approved by more than 55% of the voters in the District at an election conducted on June 5, 2012 (the "Authorization"). The District has issued one series of bonds under the Authorization and \$137,460,000 of general obligation bonds under the Authorization remain unissued.

The District serves an area of approximately 67 square miles located in Riverside County (the "County"), including portions of the Cities of Moreno Valley and Perris and adjacent unincorporated areas of the County and had a fiscal year 2012-13 enrollment of approximately 19,767 students. The District currently operates twelve elementary schools, four middle schools, two high schools, one continuation high school, one virtual academy, one opportunity school and one preschool. Additional information on the District is included under the caption "DISTRICT FINANCIAL INFORMATION" herein and in "APPENDIX B – Val Verde Unified School District Audited Financial Statements for Fiscal Year Ended June 30, 2012."

THE NOTES

Authority for Issuance

The Notes are being issued pursuant to the provisions of Article 3 (commencing with Section 15150) of Chapter 1 of Part 10 of Division 1 of Title 1 of the Education Code of the State of California (the "Act") and pursuant to a resolution of the Board of Education of the District (the "District Board") adopted on _____, 2013 (the "District Resolution") and a resolution of the County Board of Supervisors adopted on _____, 2013 (the "County Resolution," and together with the District Resolution, the "Resolution").

Purpose of the Notes

The Notes are being issued to (a) finance capital improvements specified in the Project List approved with the District bond proposition submitted at the Election, (b) fund capitalized interest on the Notes through August 1, 2015 and (c) pay costs of issuance of the Notes. The capital improvement projects appearing on the Project List include constructing a new high school, rehabilitating inadequate heating, ventilation, sewer, drainage and safety/security systems; upgrading school technology; replacing portables with permanent classrooms; and renovating, acquiring, constructing and equipping classrooms and schools. See "THE PROJECT" below.

* Preliminary; subject to change.

Description of the Notes*

The District will issue the Notes in the aggregate principal amount of \$_____. The Notes will be dated their date of delivery (the "Date of Delivery"), will mature on August 1, 2018*, and will bear interest at the rate set forth on the cover page hereof, payable on each February 1 and August 1, commencing February 1, 2014*. Interest on the Notes is calculated on the basis of a 360-day year of twelve 30-day months.

The Notes will be issued in denominations of \$5,000 or any integral multiple thereof, and will mature on the date and in the amount and bear interest at the rate per annum, all as set forth on the cover page of this Official Statement. The Notes are not subject to acceleration.

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

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

Payment of the Notes*

Interest with respect to the Notes accrues from their Date of Delivery, and is payable on each February 1 and August 1, commencing February 1, 2014* (each a "Note Payment Date"). Interest on the Notes will be computed on the basis of a 360-day year of twelve 30-day months. Each Note shall bear interest from the Note Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 15th day of the month of any Note Payment Date (a "Record Date") to and including such Note Payment Date, in which event it shall bear interest from such Note Payment Date, or unless it is authenticated on or before January 15, 2014, in which event it shall bear interest from its date; provided, that if, at the time of authentication of any Note interest is in default on any outstanding Notes, such Note shall bear interest from the Note Payment Date to which interest has previously been paid or made available for payment on the outstanding Notes. The Notes are issuable in denominations of \$5,000 principal amount or any integral multiple thereof and mature on August 1, 2018*.

Paying Agent

U.S. Bank National Association, located in Los Angeles, California, will act as the registrar, transfer agent, and paying agent for the Notes (the "Paying Agent"). As long as DTC is the registered owner of the Notes and DTC's book-entry method is used for the Notes, the Paying Agent will send any notice of prepayment or other notices to Owners only to DTC.

Neither the Paying Agent, the District, the Financial Advisor nor the Underwriter of the Notes have any responsibility or liability for any aspects of the records relating to or payments made on account

* Preliminary; subject to change.

of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership of interests in the Notes.

Security for the Notes

The Notes are obligations of the District payable from (i) proceeds of a future sale of Bonds authorized at a duly called election held in the District on June 5, 2012 and thereafter canvassed pursuant to law, at which the requisite 55% or more of the persons voting on the proposition voted to authorize the issuance and sale of \$178,000,000 principal amount of general obligation bonds of the District, (ii) the *ad valorem* tax levied to provide for payment of interest on the Notes, as authorized by the Act, (iii) other funds of the District lawfully available for the purpose of repaying the Notes, including State grants, or (iv) any combination of the above. Interest on the Notes shall be payable from proceeds of the Bonds deposited in the Capitalized Interest Account through August 1, 2015* and thereafter shall be payable from the *ad valorem* tax lawfully levied to pay principal of and interest on the Bonds. See “THE NOTES – Risk Factors” herein.

Risk Factors

There are certain risks to investors inherent in the purchase of the Notes. The following factors, along with the other information provided in this Official Statement, should be considered by potential investors in evaluating a purchase of Notes. However, the following do not purport to be an exhaustive list of risks and other considerations that may be relevant to an investment in the Notes. The following factors are not presented in a priority reflective of their importance or significance to investors.

Tax Rate Levy Limitations under Proposition 39. Proposition 39, including the “Strict Accountability in Local School Construction Bonds Act of 2000,” set forth at Section 15264 *et seq.* of the California Education Code, sets forth limits on the ability of school districts to access their general obligation bond authorization. Proposition 39 provides that the District may not issue general obligation bonds unless the combined tax rate for all general obligation bonds issued under the Authorization is estimated not to exceed \$60 per \$100,000 of assessed valuation. At the time the Notes mature, circumstances may be such that compliance with the tax rate minimum established by Proposition 39 would prevent the issuance of the Bonds to pay off the maturing Notes. See “—Slow Growth or Reductions in Assessed Valuation” below. A delay in the ability of the District to access the Authorization would require the District to identify other sources of funds to pay the maturing Notes.

Sources of Repayment; Limitation as to Term. The Notes are being issued pursuant to the Act, which prescribes the sources of repayment thereof and the maximum term of the Notes. Under the Act, the Notes may have a maximum term of five years from the date of initial issuance thereof. Upon maturity, and pursuant to the Resolution, the District has covenanted to deliver Bonds, in an amount sufficient to pay the principal of and interest on the maturing Notes. The Notes will mature on August 1, 2018*, and as such are not subject to renewal pursuant to the Act.

Slow Growth or Reductions in Assessed Valuation. Based on its current projections, the District anticipates being able to issue Bonds under the Authorization in an amount sufficient to pay the Notes when they mature on August 1, 2018* within the five years mandated by the Act. However, the District is unable to predict its future assessed valuation, and the District’s expectations are based on estimates, facts and circumstances not known to the District. Economic factors beyond the control of the District, such as successful appeals by property owners for reductions in assessed valuation of their properties, destruction of or damage to real property caused by natural forces, including fire, flood and earthquake, and other factors could cause continued slow growth or even a significant reduction in the assessed valuation within the District as a whole. Those circumstances could prevent the District from issuing general obligation

* Preliminary; subject to change.

bonds under applicable provisions of the California Constitution in an amount sufficient to pay, and by a date prior to the maturity of, the Notes.

Other Factors Limiting the Issuance of District Obligations to Pay the Notes. In addition to the slow growth of or reductions to the District's assessed valuation, other factors could make it difficult or impossible for the District to issue Bonds, certificates of participation or other obligations to pay the maturing Notes, including, but not limited to, the general financial condition of the District at the time it institutes proceedings to issue such obligations or the condition of the prevailing municipal securities market. No assurances can be given that the District will be able to issue any such obligations when and as required to provide for the payment of the Notes at maturity.

Reduction in Allowed Inflationary Rate: Initiatives Affecting Assessed Valuation. Article XIII A of the California Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given calendar year, or may be reduced to reflect a reduction in the consumer price index or comparable local data.

Article XIII A was adopted pursuant to the constitutional initiative process in the State. From time to time, other initiative measures are adopted by the voters in California, and it may be possible that a future initiative might alter the taxable value, reduce the permitted property tax rate or broaden property tax exemptions, further eroding the ability of the District to access the Authorization prior to the final maturity of the Notes. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" herein.

Loss of Tax Exemption. As discussed under the caption "TAX MATTERS," interest on the Notes could become includable in gross income for purposes of federal income taxation retroactive to the date the Notes were issued, as a result of acts or omissions of the District in violation of the Internal Revenue Code of 1986, or change in existing law. Should such an event of taxability occur, the Notes are only subject to redemption as mentioned herein, and will remain outstanding until such redemption or until maturity.

Estimated Sources and Uses of Funds

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

Sources of Funds

Principal Amount
Net Original Issue Premium

Total Sources

Uses of Funds

Deposit to Building Fund
Deposit to Repayment Account
Deposit to Capitalized Interest Account
Costs of Issuance⁽¹⁾

Total Uses

⁽¹⁾ Includes all costs of issuance, including but not limited to Underwriter's discount, legal and rating fees, fees of the Financial Advisor, Paying Agent, demographics, printing costs, and other costs of issuance.

Application of Note Proceeds

The proceeds from the sale of the Notes, to the extent of the principal amount thereof, shall be deposited to the credit of the "Val Verde Unified School District General Obligation Bond Anticipation Note Building Fund" (the "Building Fund"), held by the County and kept separate and distinct from all other District and County funds. Such proceeds shall be used to finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities.

A portion of the net proceeds of the Notes, in an amount equal to the interest coming due on the Notes through August 1, 2015*, will be deposited upon issuance of the Notes in a Repayment Account (defined below) to be held by the Paying Agent for payment of the interest coming due on each Note Payment Date through that date. Any premium received by the District from the sale of the Notes shall be kept separate and apart in the fund designated as the "Val Verde Unified School District General Obligation Bond Anticipation Note Repayment Account" (the "Repayment Account"), and such premium shall be used only for payment of principal of and interest on the Notes. As needed, proceeds from the sale of Bonds, certificates of participation and other funds of the District lawfully available for the purpose of repaying the Notes, shall also be deposited into the Repayment Account or applied directly to the payment of principal of and interest on such Notes. Interest earnings on moneys held in the Building Fund shall be retained in the Building Fund. Interest earnings on moneys held in the Repayment Account shall be retained in the Repayment Account.

In accordance with the Resolution and subject to federal tax restrictions, moneys in the Building Fund and the Repayment Account may be invested in any one or more investments generally permitted to school districts under the laws of the State of California or as permitted by the Resolution. Moneys therein are expected to be invested in the County Treasury Pool. See "THE RIVERSIDE COUNTY POOLED INVESTMENT FUND" herein.

Redemption*

The Notes are subject to redemption as follows:

Optional Redemption of Notes

The Notes may be redeemed before maturity, at the option of the District, from any source of available funds, in whole or in part on any date on or after August 1, 2016,* at par, together with interest accrued thereon to the date of redemption, without premium.

Selection of Notes for Redemption

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

Notice of Redemption

When redemption is authorized or required pursuant to the Resolution, the Paying Agent, upon written instruction from the District shall give notice (a "Redemption Notice") of the redemption of the

* Preliminary; subject to change

Notes. Such Redemption Notice shall specify: (a) the Notes or designated portions thereof (in the case of any Note to be redeemed in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Notes to be redeemed, (f) the Note numbers of the Notes to be redeemed in whole or in part and, in the case of any Note to be redeemed in part only, the Principal Amount, of such Note to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Note to be redeemed in whole or in part. Such Redemption Notice shall further state that on the specified date there shall become due and payable upon each Note or portion thereof being redeemed the redemption price, together with the interest accrued to the redemption date, and that from and after such date, interest with respect thereto shall cease to accrue and be payable.

The Paying Agent shall take the following actions with respect to such Redemption Notice: (i) at least 20 but not more than 60 days prior to the redemption date, such Redemption Notice shall be given to the respective Owners of Notes designated for redemption by first class mail, postage prepaid, at their addresses appearing on the Note Register; (ii) in the event that the Notes shall no longer be held in book-entry form, at least two days before the date of the notice required by clause (i) above, such Redemption Notice shall be given by (1) registered or certified mail, postage prepaid, (2) telephonically confirmed facsimile transmission, or (3) overnight delivery service, to each of the Securities Depositories (described in the Resolution); and (iii) in the event that the Notes shall no longer be held in book-entry only form, at least two days before the date of notice required by clause (i) above, such Redemption Notice shall be given by (1) first class mail, postage prepaid, or (2) overnight delivery service, to one of the Information Services.

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

Partial Redemption of Notes

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

Effect of Notice of Redemption

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

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

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

Transfer and Exchange

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

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Debt Service Schedule

The following table summarizes the annualized debt service requirements of the District for the Bonds and its other outstanding general obligation bond issues (the "Outstanding Bonds"):

<u>Year Ending</u> <u>August 1</u>	<u>Outstanding</u> <u>Bonds</u> ⁽¹⁾	<u>The Notes</u>		<u>Total</u> <u>Debt Service</u>
		<u>Principal</u>	<u>Interest</u>	
2014	\$ 3,623,562.50	\$ -	\$ -	
2015	4,171,462.50			
2016	3,573,112.50			
2017	3,648,912.50			
2018	3,778,628.12			
2019	4,050,250.00			
2020	4,141,100.00			
2021	4,241,600.00			
2022	4,343,250.00			
2023	4,586,287.50			
2024	4,697,637.50			
2025	4,805,762.50			
2026	4,919,162.50			
2027	4,984,012.50			
2028	5,081,625.00			
2029	5,210,362.50			
2030	6,007,439.15			
2031	6,241,486.50			
2032	6,490,662.50			
2033	6,744,425.00			
2034	3,769,175.00			
2035	3,415,750.00			
2036	3,548,750.00			
2037	3,689,500.00			
2038	3,837,000.00			
2039	3,995,250.00			
2040	4,153,000.00			
2041	4,319,500.00			
2042	2,068,500.00			
TOTAL	\$128,137,166.27	\$ _____		

⁽¹⁾ The District's outstanding bonds were issued pursuant to an authorization of the voters in 2008, and the first series of bonds under the 2012 Authorization.

Defeasance

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

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

(b) by depositing with the Paying Agent, in trust, at or before maturity, cash, which, together with amounts then on deposit in the Repayment Account, together with interest to accrue thereon without

the need for further investment, is fully sufficient to pay all Notes outstanding at maturity thereof, including any premium notwithstanding that any Notes shall not have been surrendered for payment; or

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

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

Book-Entry Only System

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

THE PROJECT

The District intends to apply the net proceeds of sale of the Notes to construct, furnish and equip a new high school to be located in the south east corner of the District, at the corner of Evans Avenue and Orange Avenue. The new school includes 95,510 square feet of classroom and administrative space in phase I and is expected to have a capacity of 2,200 students in grades 9-12. Note proceeds may also be utilized for safety and security, technology infrastructure and equipment, modernization/renovation of other site improvements, and to reduce energy costs.

SECURITY FOR THE BONDS

The Notes are obligations of the District payable from proceeds of a future sale of Bonds authorized at the Election and other sources as described herein. See "THE NOTES – Security for the Notes." The Bonds are general obligations of the District, and the Board of Supervisors of the County has the power and is obligated to levy and collect *ad valorem* taxes upon all property within the District subject to taxation by the District, without limitation as to rate or amount (except certain personal property which is taxable at limited rates) for payment of the principal of, premium, if any, and interest on the Bonds. The Bonds do not constitute a debt or obligation of the County. No part of any fund of the County is pledged or obligated to the payment of the Bonds.

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

**Val Verde Unified School District
Assessed Valuations
Fiscal Years 2008-09 through 2013-14**

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

Source: California Municipal Statistics, Inc.

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

Appeals of Assessed Value; Proposition 8 Reductions. A property owner may appeal a County Assessor’s determination of assessed value based on Proposition 8, passed by the voters in November 1978 (“Proposition 8”), or based on a challenge to the base year value.

Proposition 8 requires that for each January 1 lien date, the taxable value of real property must be the lesser of its base year value, annually adjusted by the inflation factor pursuant to Article XIII A of the State Constitution, or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. Property owners may apply for a Proposition 8 reduction of their property tax assessment with the County board of equalization or assessment appeals board. In most cases, an appeal is based on the property owner’s belief that market conditions cause the property to be worth less than its current assessed value. Proposition 8 reductions may also be unilaterally applied by the County Assessor.

Any reduction in the assessed value granted as a result of a Proposition 8 appeal, or unilateral reassessment by the County Assessor, applies to the year for which the application or reassessment is made. These reductions are subject to annual review and the assessed values are adjusted back to the

original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it becomes subject to the annual inflationary factor growth rate allowed under Article XIII.A.

Appeals for reduction in the base year value of an assessment, if successful, reduce the assessment for the year in which the appeal is made and thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of change of ownership or new construction date.

The District cannot predict the changes in assessed values that might result from pending or future appeals by taxpayers. Any reduction in aggregate assessed valuation of property within the District due to appeals, as with any reduction in assessed valuation due to other causes, will result in an increase of the tax rate levied upon all property subject to taxation within the District for the payment of principal of and interest on the Bonds, when due.

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

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

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

The table below shows the tax rates for Tax Rate Area No. 21-388 of the District for the five fiscal years presented.

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

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
General Tax Rate	1.00000	1.00000	1.00000	1.00000	1.00000
Val Verde Unified School District	.03189	.04089	.03347	.03160	.08383
Riverside City Community College District	.01254	.01242	.01499	.01700	.01702
Metropolitan Water District	.00430	.00430	.00370	.00370	.00350
Eastern Municipal Water District I.D. U-22	.00700	.03000	.03000	.03000	.03000
Total Tax Rate	1.05573	1.08761	1.08216	1.08230	1.13435

Source: California Municipal Statistics, Inc.

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The following table sets forth the largest local secured taxpayers for fiscal year 2013-14.

**Val Verde Unified School District
Largest 2013-14 Local Secured Taxpayers**

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

⁽¹⁾2013-14 Local Secured Assessed Valuation: \$5,079,876,787.

DISTRICT FINANCIAL INFORMATION

District Reports and Certification

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

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

interim report is due December 15 for the period ending October 31. The second interim report is due March 17 for the period ending January 31. 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 received a positive certification as of the second interim report for fiscal year 2012-13.

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

District Organization

The Val Verde Unified School District was formed by unification on July 1, 1991, to provide educational services to residents in and to the north side of the City of Perris, plus the southeast side of the City of Moreno Valley, and an unincorporated area of the County. The Cities of Moreno Valley and Perris are located approximately 5 and 8 miles, respectively, southeast of the City of Riverside, California, generally along U.S. Interstate 215. The District services an area of approximately 67 square miles within the County. The District's 22 schools and other facilities comprise approximately 1,685,593 square feet of building area.

Facilities, Staff and Enrollment

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

District Board of Education

<u>Name</u>	<u>Position</u>	<u>Term Ending</u>
Michael M. Vargas	President	2014
Wraymond Sawyerr	Vice President	2014
Suzanne Stotlar	Clerk	2016
Marla Kirkland	Member	2016
D. "Shelly" Yarbrough	Member	2014

As of September 9, 2013, the District employed 1,307 full time equivalent employees comprised of 925 full-time certificated employees and 382 full-time classified employees. The District also employs part-time and temporary employees.

The following table provides a summary of population and school enrollment growth in the City of Perris, the City of Moreno Valley, the District and the County of Riverside from Fiscal Year 2006-07 through Fiscal Year 2012-13.

**Val Verde Unified School District
Population and School Enrollment Figures
2006-07 through 2012-13**

Fiscal Year	Population City of Perris⁽¹⁾⁽²⁾	Population City of Moreno Valley⁽¹⁾⁽²⁾	Population County of Riverside⁽¹⁾⁽²⁾	Enrollment in District⁽³⁾
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	19,183
2009-10	67,607	192,599	2,179,692	19,636
2010-11	69,506	194,451	2,205,731	19,687
2011-12	70,391	197,086	2,234,193	19,653
2012-13	70,963	198,129	2,255,059	19,832

Sources: ⁽¹⁾ California State Department of Finance.

⁽²⁾ As of January 1.

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

The District's record of Average Daily Attendance ("ADA") since Fiscal Year 2006-07, as well as a projection for 2013-14, are set forth in the table below:

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

Fiscal Year	Average Daily Attendance
2006-07	17,756
2007-08	18,329
2008-09	18,273
2009-10	18,525
2010-11	18,723
2011-12	18,816
2012-13	18,965
2013-14*	19,065*

* Projected.

Source: The District.

Significant Accounting Policies and Audited Financial Statements

The California State Department of Education imposes by law uniform financial reporting and budgeting requirements for K-12 school districts. Financial transactions are accounted for in accordance with the California School Accounting Manual. Vavrinek, Trine, Day & Co., L.L.P., Rancho Cucamonga, California, serve as independent auditors to the District and their report for Fiscal Year Ended June 30, 2012, is attached hereto as APPENDIX B. The District has not requested, and the auditor has not provided, any review of such statements in connection with inclusion in this Official Statement.

The following tables contain accounting data abstracted from financial statements prepared by the Auditor.

Val Verde Unified School District
Historical Statement of Revenues, Expenditures and Changes
in General Fund Balances
Fiscal Years Ending June 30, 2010 through June 30, 2012

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

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

⁽²⁾ Entire amount attributable to the SELPA subaccount of the District's General Fund. See footnote (1) above.

⁽³⁾ Includes a prior period adjustment of \$1,814,256.

⁽⁴⁾ In fiscal year 2011-12, the District discontinued the attribution of SELPA activity to the General Fund of the District.

Source: Audited Financial Statements of the District.

District Budget

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

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

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

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

Presented on the following page are the District's Adopted Budgets for Fiscal Year 2011-12, 2012-13 and 2013-14, together with Unaudited Actuals in object oriented format for Fiscal Years 2011-12 and 2012-13. The District adopted its budget for the 2013-14 Fiscal Year on May 24, 2013.

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**Val Verde Unified School District
General Fund Adopted Budgets
Fiscal Years 2011-12 through 2013-14
and Unaudited Actuals for Fiscal Years 2011-12 and 2012-13**

	Adopted Budget Fiscal Year <u>2011-12</u>	Unaudited Actuals Fiscal Year <u>2011-12</u>	Adopted Budget Fiscal Year <u>2012-13</u>	Unaudited Actuals Fiscal Year <u>2012-13</u>	Adopted Budget Fiscal Year <u>2013-14</u>
REVENUES:					
Revenue Limit Sources	\$100,155,068	\$103,817,285	\$105,100,814	\$105,200,351	\$110,526,483
Federal Revenues	10,345,073	11,801,070	8,945,371	9,153,415	10,819,189
Other State Revenues	15,928,744	17,607,959	18,009,768	19,064,123	18,873,251
Other Local Revenues	<u>18,333,358</u>	<u>22,797,623</u>	<u>22,939,200</u>	<u>25,569,424</u>	<u>20,297,819</u>
Total Revenues	\$144,762,243	\$156,023,937	\$154,995,153	\$158,987,312	\$160,516,742
EXPENDITURES:					
Certificated Salaries	\$ 68,116,079	\$ 69,536,832	\$ 72,421,620	\$ 71,811,596	\$ 74,298,498
Classified Salaries	19,338,671	21,968,741	23,300,769	23,939,006	24,684,048
Employee Benefits	24,435,831	29,281,054	25,641,353	26,990,680	26,641,346
Books and Supplies	5,816,848	5,635,000	5,456,339	4,708,925	7,091,129
Services and Operating Expenditures	27,351,100	29,864,475	31,234,336	27,379,851	27,191,401
Capital Outlay	39,000	1,418,608	90,992	1,626,802	539,283
Other Outgo	5,482,448	5,429,591	4,258,977	3,473,719	6,112,935
Transfers of Indirect/Direct Support Costs	<u>(532,247)</u>	<u>(506,564)</u>	<u>(503,148)</u>	<u>(509,922)</u>	<u>(699,914)</u>
Total Expenditures	\$150,047,730	\$162,627,738	\$161,901,238	\$159,420,657	\$165,858,726
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES:	\$ (5,285,487)	\$ (6,603,801)	\$ (6,906,085)	(433,345)	\$ (5,341,984)
OTHER FINANCING SOURCES/(USES):					
Operating Transfers In	0	0	0	0	0
Operating Transfers Out	(2,157,599)	150,038	444,092	883,570	942,712
Other Sources	<u>0</u>	<u>149,476</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources/(Uses)	\$ (2,157,599)	\$ (562)	\$ (444,092)	\$ (883,570)	\$ (942,712)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES:					
	\$ (7,443,086)	\$ (6,604,363)	\$ (7,350,177)	\$ (1,316,916)	\$ (6,284,696)
FUND BALANCE, BEGINNING OF YEAR:	\$ 31,097,118	\$ 34,541,596	\$ 22,122,433	\$ 27,937,233	\$ 23,929,145
FUND BALANCE, END OF YEAR:	\$ 23,654,032	\$ 27,937,233	\$ 14,772,256	\$ 26,620,317	\$ 17,644,449

Source: The District.

Collective Bargaining

The District has concluded negotiations with the Val Verde Teachers Association (“VVTA”) and with the California School Employees Association (“CSEA,” and together with VVTA, the “Associations”) for 2012-13. The District and the Associations have negotiated a health and welfare benefits cap of \$8,120 for full-time VVTA members and \$8,420 for full-time CSEA members for 2012-13. The District and VVTA and CSEA agreed not to fund a cost of living adjustment (“COLA”) for 2012-13. The District and the Associations are currently in negotiations for 2013-14.

Retirement Systems

The District participates in the State Teachers’ Retirement System (“STRS”). This plan basically covers all full-time certificated and some classified District employees. The District’s employer contribution to STRS was \$5,783,159 for Fiscal Year 2011-12, \$5,954,298 for Fiscal Year 2012-13 and is budgeted at \$6,145,821 for Fiscal Year 2013-14.

The District also participates in the State Public Employees’ Retirement System (“CalPERS”). This plan covers all classified personnel who are employed four or more hours per day. The District’s employer contribution to CalPERS was \$2,382,639 for Fiscal Year 2011-12, \$4,397,344 for Fiscal Year 2012-13 and is budgeted at \$4,786,649 for Fiscal Year 2013-14.

Both CalPERS and STRS are operated on a statewide basis and, based on available information, STRS has unfunded liabilities, while CalPERS has net assets available in excess of total pension/award benefit obligations. (Additional funding of STRS by the State and the inclusion of adjustments to such State contributions based on consumer price changes were provided for in 1979 Statutes, Chapter 282.) The amounts of the pension/award benefit obligation (CalPERS) or actuarially accrued liability (STRS) will vary from time to time depending upon actuarial assumptions, rates of return on investments, salary scales, and levels of contribution. See APPENDIX B – “VAL VERDE UNIFIED SCHOOL DISTRICT AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2012 – Notes to Financial Statements – Employee Retirement Systems.” 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.

Recent Legislation – California Public Employees’ Pension Reform Act of 2013

The Governor signed the California Public Employee’s Pension Reform Act of 2013 (the “Reform Act”) into law on September 12, 2012. The Reform Act affects both STRS and CalPERS, most substantially as they relate to new employees hired after January 1, 2013 (the “Implementation Date”). As it pertains to STRS participants hired after the Implementation Date, the Reform Act changes the normal retirement age, increasing the eligibility for the 2% “age factor” (the percent of final compensation to which an employee is entitled to for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. For non-safety CalPERS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and also increases the eligibility requirement for the maximum age factor of 2.5% to age 67.

The Reform Act also implements certain other changes to CalPERS and STRS including the following: (a) all new participants enrolled in CalPERS and STRS after the Implementation Date are required to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (b) STRS and CalPERS are both required to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date (currently 12 months for STRS members who retire with 25 years of service), and

(c) "pensionable compensation" is capped for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution and benefit base for members participating in Social Security or 120% for STRS and CalPERS members not participating in social security.

On April 17, 2013 the PERS Board of Administration approved new actuarial policies aimed to fully fund the pension system's obligations within 30 years. The new policies include a rate-smoothing method with a 30-year fixed amortization period for gains and losses. PERS announced that, based on investment return simulations performed for the next 30 years, increasing contributions more rapidly in the short term is expected to result in almost a 25 percent improvement in funded status over a 30-year-period. The new amortization schedule will be used to set contribution rates for public agency employers in the State beginning in the 2015-16 fiscal year. This delay is intended to allow the impact of the changes to be built into the projection of employer contribution rates and afford employers with additional time to adjust to the changes.

According to PERS, the new policies will result in an increased likelihood of higher peak employer contribution levels in the future but not significantly increase average contribution levels. The median employer contribution rate over the next four years is expected to be higher. In the long-term, however, higher funded levels may result in lower employer contributions. Local agencies' contracts with PERS are unique to each agency.

In the June 30, 2012 actuarial valuations, which are expected to be completed in October 2013, PERS will use the new actuarial methods for the calculation of the projected contribution rates. The District cannot currently anticipate to what extent the contribution requirements of the District will increase until it receives PERS actuarial valuations for June 30, 2012 in October 2013.

State Pension Trusts

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

The assets and liabilities of the funds administered by CalPERS and STRS, as well as certain other retirement funds administered by the State, are included in the financial statements of the State for the year ended June 30, 2011, as fiduciary funds. Both CalPERS and STRS have unfunded actuarial accrued liabilities in the tens of billions of dollars. The amount of unfunded actuarially accrued liability will vary from time to time depending upon actuarial assumptions, rates of return on investments, salary scales, and levels of contribution.

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

Unlike typical defined benefit programs, however, neither the STRS employer nor the State contribution rate varies annually to make up funding shortfalls or assess credits for actuarial surpluses. However, in recent years, the combined employer, employee and State contributions to STRS have not been sufficient to pay actuarially required amounts. As a result, and due to significant investments losses, the unfunded actuarial liability of STRS has increased significantly and is expected to continue to

increase in the absence of legislation changing required employer or employee contributions. The District is unable to predict what the STRS program liabilities will be in the future, or whether the Legislature may elect to require the District to make larger contributions in the future.

**STATE OF CALIFORNIA
ACTUARIAL VALUE OF STATE RETIREMENT SYSTEMS**

<u>Name of Plan</u>	<u>Excess of Actuarial Value of Assets Over Actuarial Accrued Liabilities (Unfunded Actuarial Accrued Liability)</u>
Public Employees' Retirement Fund (CalPERS) ⁽¹⁾	\$(12.457) billion ⁽²⁾
State Teachers' Retirement Fund Defined Benefit Program (STRS) ⁽³⁾	\$(64.5) billion ⁽²⁾

⁽¹⁾ As of June 30, 2012, the CalPERS provided pension benefits to 1,564,067 active and inactive program members and 551,627 retirees, beneficiaries, and survivors. 38.8% of CalPERS members are school employees and 1,488 school districts are CalPERS employees.

⁽²⁾ Figure as of June 30, 2011; schools portion only.

⁽³⁾ As of June 30, 2011, the STRS Defined Benefit Program had approximately 603,319 active and inactive program members and 253,041 benefit recipients.

Source: CalPERS State and Schools Actuarial Valuation and STRS Defined Benefit Program Actuarial Valuation.

Post-Employment Benefits

The District's annual other postemployment benefits ("OPEB") cost/(expense) is calculated based on an annual required contribution ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year, and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

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 had been 55 years old and 10 years with the District and on July 1, 2011 the criteria changed 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, 2002, 68 retirees and beneficiaries 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 2011-12, expenditures of \$346,573 were recognized for retirees' healthcare benefits. Based on an actuarial study dated as of 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. The Irrevocable Trust had a balance of \$2,955,625 as of June 30, 2013. This includes a \$679,845 receivable for the District's ARC.

Insurance

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

The District is a member of the Riverside Schools Risk Management Authority public entity risk pool, a self-insured Joint Powers Authority (JPA) for its Workers' Compensation Program, a member of

the Riverside County Insurance Authority self-insured JPA for Property and Liability Insurance, and a member of the Riverside County Employer/Employee Partnership self-insured JPA for Health and Welfare Insurance. The relationships between the District, the pools and the JPAs is such that they are not a component unit of the District for financial reporting purposes.

The District has budgeting and financial reporting requirements independent of member units and their financial statements are not presented in the District's audited financial statements. Fund transactions between the District and the entities are included in the District financial statements. Audited financial statements are available from the respective entities. See APPENDIX B – "VAL VERDE UNIFIED SCHOOL DISTRICT AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2012."

District Debt

Set forth below is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics Inc. and dated October 1, 2013. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representations in connection therewith. The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

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

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

2013-14 Assessed Valuation: \$5,282,055,022

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable ⁽¹⁾</u>	<u>Debt 10/1/13</u>
Metropolitan Water District	0.242%	\$ 399,506
Eastern Municipal Water District Improvement District No. U-9	79.423	2,293,736
Eastern Municipal Water District Improvement District No. U-22	35.010	1,094,413
Riverside City Community College District	6.755	15,383,132
Val Verde Unified School District	100.000	72,216,948 ⁽²⁾
Val Verde Unified School District Community Facilities District	100.000	42,045,000
Eastern Municipal Water District Community Facilities District No. 2003-25, Improvement Area C and D	79.920 & 100.	5,327,740
City of Perris Community Facilities Districts	51.025-100.	103,248,888
County Community Facilities Districts	92.725-100.	7,587,291
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$249,596,654

<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Riverside County General Fund Obligations	2.517%	\$ 17,775,113
Riverside County Pension Obligations	2.517	8,728,704
Riverside County Board of Education Certificates of Participation	2.517	98,163
Val Verde Unified School District Certificates of Participation	100.000	81,525,000
City of Moreno Valley Certificates of Participation	17.592	12,719,192
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$120,846,172
Less: Riverside County supported obligations		274,221
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$120,571,951

<u>OVERLAPPING TAX INCREMENT DEBT:</u>		
Perris Redevelopment Agency	41.848-55.026%	\$27,610,827
Riverside County Redevelopment Agency	5.137-33.653	51,660,880
Moreno Valley Redevelopment Agency	0.855	357,518
TOTAL OVERLAPPING TAX INCREMENT DEBT		\$79,629,225

GROSS COMBINED TOTAL DEBT	\$450,072,051 ⁽³⁾
NET COMBINED TOTAL DEBT	\$449,797,830

- (1) Based on 2012-13 ratios.
 (2) Excludes issue to be sold.
 (3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2013-14 Assessed Valuation:

Direct Debt (\$72,216,948)	1.37%
Total Overlapping Tax and Assessment Debt	4.73%
Combined Direct Debt (\$153,741,948)	2.91%
Gross Combined Total Debt	8.52%
Net Combined Total Debt	8.52%

Ratios to Redevelopment Incremental Valuation (\$1,187,621,120):

Overlapping Tax Increment Debt	6.70%
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Source: California Municipal Statistics, Inc.

Long-Term Obligations

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Due in</u> <u>One Year</u>
General Obligation Bonds					
2008 Series A	\$ 24,475,000	\$ -	\$ -	\$ 24,475,000	\$ -
2008 Series B	12,526,500	99,744	1,205,000	11,421,244	1,240,000
Premium on Issuance	1,044,010	-	44,329	999,681	-
Certificates of Participation					
2005 Series B Refunding	40,890,000	-	1,295,000	39,595,000	1,360,000
2008 Series A	43,820,000	-	50,000	43,770,000	480,000
Discount on Issuance	(355,421)	-	(14,217)	(341,204)	-
Capital Leases	87,861	149,476	112,010	125,327	27,382
Supplemental Early Retirement Program	1,492,378	3,922,039	4,538,757	875,660	453,056
Net OPEB Obligation	(276,795)	667,534	361,797	28,942	-
	<u>\$123,703,533</u>	<u>\$4,838,793</u>	<u>\$7,592,676</u>	<u>\$120,949,650</u>	<u>\$3,560,438</u>

Golden Handshake

In prior years, the District adopted an early retirement incentive program, pursuant to Education Code Section 22714 and 44929, whereby the service credit to eligible employees is increased by two years. As a result of this early retirement incentive program, the District expects to incur \$875,660 in additional costs that will be repaid over three years as follows:

<u>Year Ending</u> <u>June 30</u>	
2013	\$453,056
2014	378,236
2015	<u>44,368</u>
Total	<u>\$875,660</u>

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

The bonds issued by certain Community Facilities Districts established by the District (the “CFD Bonds”) are not obligations of the District. The CFD Bonds, the interest thereon, and any premiums on the redemption of any of the CFD Bonds are not an indebtedness of the District, the State of California, or any of its political subdivisions. Neither the faith and credit nor the general taxing power of the CFD, the District, the County, the State of California, or any political subdivision thereof is pledged to the payment of the CFD Bonds, which are payable from the proceeds of an annual special tax levied on and collected from property within the respective CFDs according to the rate and method of apportionment determined by a formula approved by the qualified electors of the CFDs and by the District Board. The CFD Bonds are secured only by a first pledge of all revenues derived from the net special taxes and the moneys deposited in certain funds held under their respective fiscal agent agreements.

Year CFD Bonds Issued	Original Issue	CFD Bonds Outstanding Beginning of			CFD Bonds Outstanding as of	CFD
		Year	Issued	Redeemed	June 30, 2013	
1998	\$ 7,180,000	\$ 1,565,000	\$ -	\$ 750,000	\$ 815,000	1998 Series A
2003	1,984,000	1,787,000	-	40,000	1,747,000	2003-1 Citation Area No. 1
2003	2,975,000	2,610,000	-	60,000	2,550,000	2003-2 John Laing Homes
2003	29,450,000	22,120,000	-	1,225,000	20,895,000	2003 Refunding
2005	2,751,000	2,508,000	-	53,000	2,455,000	2003-1 Meritage Area No. 2
2005	16,440,000	16,160,000	-	120,000	16,040,000	2002-1 Boulder Springs Area A
Totals:	\$60,780,000	\$46,750,000	\$ -	\$2,248,000	\$ 44,502,000	

Source: The District.

Major Employers

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

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**COUNTY OF RIVERSIDE
MAJOR EMPLOYERS
2013**

<u>Employer</u>	<u>Product/Service</u>	<u>Employer Size Class</u>
Abbott Vascular Inc	Physicians & Surgeons Equipment & Supplies	1,000-4,999
Corrections Dept	State Government-Correction Institutions	1,000-4,999
Desert Regional Medical Center	Hospitals	1,000-4,999
Eisenhower Medical Center Heart	Orthopedic Surgeons	1,000-4,999
Handsome Rewards	Internet & Catalog Shopping	1,000-4,999
Hemet Valley Medical Center	Hospitals	1,000-4,999
Hotel At Fantasy Springs	Casinos	1,000-4,999
Hub International Ins. SVC-CA	Insurance	1,000-4,999
Inland Valley Medical Center	Hospitals	1,000-4,999
JW Marriott-Desert Springs Resort	Hotels & Motels	1,000-4,999
Kaiser Permanente	Hospitals	1,000-4,999
La Quinta Golf Course	Golf Courses	1,000-4,999
La Quinta Resort & Club	Hotels & Motels	1,000-4,999
Morongo Casino Resort & Spa	Casinos	1,000-4,999
Morongo Tribal Gaming Ent	Business Management Consultants	1,000-4,999
Pechanga Resort & Casino	Casinos	1,000-4,999
Restoration Technologies Inc	Electronic Equipment & Supplies-Repair	5,000-9,999
Riverside Community Hospital	Hospitals	1,000-4,999
Riverside County Public Health	County Government Public Health Programs	1,000-4,999
Riverside County Regional Med	Clinics	1,000-4,999
Roupe's Renovations	Remodeling & Repairing Bldg. Contractors	5,000-9,999
Starcrest of California	Internet & Catalog Shopping	1,000-4,999
Starcrest Products	Gift Shops	1,000-4,999
Sun World Intl LLC	Fruits & Vegetables-Growers & Shippers	1,000-4,999
Universal Protection Svc	Security Guard & Patrol Service	1,000-4,999

Source: California Employment Development Department: Labor Market Information, Major Employers in Riverside County.

Financial Statements

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

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

Governmental Funds

General Fund

Special Revenue Funds

Capital Projects Funds

Proprietary Fund

Internal Service Funds

Fiduciary Funds

Expendable Trust Funds

Account Group

General Long-Term Debt Account Group

The General Fund of the District, as shown herein, is a combined fund comprised of moneys which are unrestricted and available to finance the legally authorized activities of the District not financed

by restricted funds and moneys which are restricted to specific types of programs or purposes. General Fund revenues shown thereon are derived from such sources as taxes, aid from other government agencies, charges for current services and other revenue.

The financial statements included herein were prepared by the District using information from the Annual Financial Reports which are prepared by the Directors of Accounting for the District and audited by independent certified public accountants each year. The District's audited financial statements for the year ended June 30, 2012, are attached hereto as APPENDIX B. Copies of the audited report are available from the District upon request to the District at the District offices; a fee may be imposed for copying, shipping and handling.

Budgets of District

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

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

State Emergency Loan Program

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

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

FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA

Major Revenues

The Treasurer and Tax Collector of the County of Riverside (the "Treasurer") manages, in accordance with California Government Code Section 53600 *et seq.*, funds deposited with the Treasurer by County school and community college districts, various special districts and some cities. State law generally requires that all moneys of the County, school districts and certain special districts be held in the County's Treasury Pool. The composition and value of investments under management in the Treasury Pool vary from time to time, depending on cash flow needs of the County and the other public agencies invested in the Treasury Pool, the maturity or sale of investments, purchase of new securities and fluctuations in interest rates generally.

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.

School district principal revenues consist of guaranteed State moneys, *ad valorem* property taxes and funds received from the State in the form of categorical aid under ongoing programs of local

assistance. All State aid is subject to the appropriation of funds in the State's annual budget. Decreases in State revenues may affect appropriations made by the legislature to the school district.

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

Revenue Limit Funding System. Prior to the implementation of the Local Control Funding Formula, annual State apportionments of basic and equalization aid to school districts for general purposes are computed up to a revenue limit (as described below) per unit of average daily attendance ("ADA"). Generally, such apportionments 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.

Local Control Funding Formula. The 2013-14 State Budget (defined below) enacted the Local Control Funding Formula beginning in fiscal year 2013-14, which will replace the revenue limit funding system and many categorical programs. See "*Revenue Limit Funding System*" above. The Local Control Funding Formula distributes resources to schools through a guaranteed base revenue limit funding grant (the "Base Grant") per unit of ADA. The average Base Grant is \$7,643 per unit of ADA, which is \$2,375 more than the current average revenue limit. Additional supplemental funding is made available based on the proportion of English language learners, low-income students and foster youth. The Local Control Funding Formula replaces the existing revenue limit funding systems and many categorical programs. The District expects revenues to increase as a result of the implementation of the Local Control Funding Formula.

The Local Control Funding Formula includes the following components:

- A Base Grant for each local education agency equivalent to \$7,643 per unit of ADA. This amount includes an adjustment of 10.4% to the Base Grant to support lowering class sizes in grades K-3, and an adjustment of 2.6% to reflect the cost of operating career technical education programs in high schools.
- A 20% supplemental grant for English learners, students from low-income families, and foster youth to reflect increased costs associated with educating those students.
- An additional concentration grant of up to 22.5% of a local education agency's Base Grant, based on the number of English learners, students from low-income families, and foster youth served by the local agency that comprise more than 55% of enrollment.
- An Economic Recovery Target to ensure that almost every local education agency receives at least its pre-recession funding level, adjusted for inflation, at full implementation of the Local Control Funding Formula.

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

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

Ad Valorem Property Taxes

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

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

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

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

State Assistance

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 County, the Underwriter, Bond and Disclosure Counsel nor the Owners of the Bonds to provide State budget information to the District or the owners of the Bonds. Although they believe the State sources of information listed above are reliable, none of the District, the County, Bond and Disclosure Counsel nor the Underwriter assumes any responsibility for the accuracy of the State budget information set forth or referred to herein or incorporated by reference herein. Additional information regarding State budgets is available at various State-maintained websites including www.dof.ca.gov, which website is not incorporated herein by reference.**

2013-14 State Budget. Governor Brown signed the final 2013-14 State Budget (the "2013-14 Budget") into law on June 27, 2013. The centerpiece of the 2013-14 Budget is the restructuring of the State's funding formula for K-12 schools through the implementation of the "Local Control Funding Formula" (the "LCFF"). The 2013-14 Budget allocates \$2.1 billion to commence transitioning the State to the new formula, allocating proportionately more money to school districts with high levels of low-income students, those with limited English proficiency and foster children. Overall, the 2013-14 Budget boosts K-12 and community college funding to \$55.3 billion while giving the University of California and California State University systems an additional \$125 million each. The 2013-14 Budget also

restores \$63 million to the State court system that was subject to significant budget cuts in recent years and moves forward with the State-based approach to the optional expansion of care allowed under the Federal healthcare reform which will significantly increase health care coverage in the State.

Proposition 98. The 2013-14 Budget provides that the Proposition 98 guarantee will be \$55.3 billion for fiscal year 2013-14, an increase of more than \$8 billion over the fiscal year 2011-12 level, and projects an increase in Proposition 98 funding for K-12 schools of approximately \$20 billion from fiscal year 2011-12 through fiscal year 2016-17, representing an increase of approximately \$2,800 per student.

See “FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA – *Local Control Funding Formula*” herein for details regarding the LCFF.

Of the more than \$25 billion in funding to be invested through the LCFF over the next eight years, the vast majority of new funding will be provided for base grants. Specifically, of every dollar invested through the LCFF, 84 cents will go to base grants, 10 cents will go to supplemental grants, and 6 cents will go to concentration grants. Under the 2013-14 Budget, the average base grant is \$7,643, which is an increase of \$2,375 from the current average revenue limit.

Significant K-12 Adjustments:

- *LCFF* – An increase of \$2.1 billion Proposition 98 General Fund for school districts and charter schools, and \$32 million Proposition 98 General Fund for county offices of education, to support first-year funding provided through the LCFF.
- *Common Core Implementation* – An increase of \$1.25 billion in one-time Proposition 98 General Fund to support the implementation of the Common Core – new standards for evaluating student achievement in English-language arts and math. Funding will be distributed to local education agencies on the basis of enrollment to support necessary investments in professional development, instructional materials, and technology.
- *Career Technical Education Pathways Grant Program* – An increase of \$250 million Proposition 98 General Fund for one-time competitive capacity-building grants for K-12 school districts and community colleges to support programs focused on work-based learning. K-12 schools and community colleges must obtain funding commitments from program partners to support ongoing program costs.
- *K-12 Mandates Block Grant* – An increase of \$50 million Proposition 98 General Fund to reflect the inclusion of the Graduation Requirements mandate within the block grant program. This increase will be distributed to school districts, county offices of education and charter schools with enrollment in grades 9-12.
- *K-12 Deferrals* – An increase of \$1.6 billion Proposition 98 General Fund in 2012-13 and an increase of \$242.3 million Proposition 98 General Fund in 2013-14 for the repayment of inter-year budgetary deferrals. When combined, total funding over the two-year period will reduce K-12 inter-year deferrals to \$5.6 billion by the end of the 2013-14 fiscal year. This will reduce total outstanding deferrals by more than 40% of their peak value, when more than \$9.5 billion was deferred.
- *Proposition 39 Implementation* – The 2013-14 Budget allocates \$381 million Proposition 98 General Fund to K-12 local education agencies to support energy efficiency projects approved by the California Energy Commission. Of this amount,

85% will be distributed based on ADA and 15% will be distributed based on free and reduced-price meal eligibility. The 2013-14 Budget establishes minimum grant levels of \$15,000 and \$50,000 for small and exceptionally small local education agencies and allows these agencies to receive an advance on a future grant allocation. The 2013-14 Budget will provide other local education agencies the greater of \$100,000 or their weighted distribution amount. The 2013-14 Budget provides \$28 million for interest-free revolving loans to assist eligible energy projects at schools and community colleges. Additionally, the 2013-14 Budget appropriates \$3 million to the California Workforce Investment Board to develop and implement a competitive grant program for eligible workforce training organizations that prepare disadvantaged youth or veterans for employment in energy related fields.

- *Special Education Funding Reform* – The 2013-14 Budget includes several consolidations for various special education programs in an effort to simplify special education finance and provide Special Education Local Plan Areas with additional funding flexibility.

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. 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 generally 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.

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

Revenues generated by Proposition 30 will account for a 14 percent increase over fiscal year 2011–12 in funding for schools and CCCs as set forth in the 2012–13 State Budget. Almost all of this increase is used to pay K–14 expenses from the previous year and reduces delays in certain State K–14 payments. Proposition 30 will also provide additional tax revenues aimed at balancing the State's budget through 2018–19, providing several billion dollars annually through fiscal year 2018–19 available for purposes including funding existing State programs, ending K–14 education payment delays, and paying other State debts. Future actions of the State Legislature and the Governor will determine the use of these

funds. According to the LAO, revenues raised by Proposition 30 could be subject to multibillion-dollar swings, above or below the revenues projections, due to the majority of the additional revenue coming from the personal income tax rate increases on upper-income taxpayers. These fluctuations in incomes of upper-income taxpayers will impact potential State revenue and could complicate State budgeting in future years. After the proposed tax increases expire, the loss of the associated tax revenues could create additional budget pressure in subsequent years.

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 2012-13 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 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.

Jarvis v. Connell

On May 29, 2002, the California Court of Appeal for the Second District decided the case of *Howard Jarvis Taxpayers Association, et al. v. Kathleen Connell* (as Controller of the State of California). The Court of Appeal held that a final budget bill, an emergency appropriation, a self-executing authorization pursuant to state statutes (such as continuing appropriations) or the California Constitution or a federal mandate is necessary for the State Controller to disburse funds. The foregoing requirement could apply to amounts budgeted by the District as being received from the State. To the extent the holding in such case would apply to State payments reflected in the District's budget, the requirement that there be either a final budget bill or an emergency appropriation may result in the delay of such payments to the District if such required legislative action is delayed, unless the payments are self-executing authorizations or are subject to a federal mandate. On May 1, 2003, the California Supreme Court upheld the holding of the Court of Appeal, stating that the Controller is not authorized under State law to disburse funds prior to the enactment of a budget or other proper appropriation, but under federal law, the Controller is required, notwithstanding a budget impasse and the limitations imposed by State law, to timely pay those State employees who are subject to the minimum wage and overtime compensation provisions of the federal Fair Labor Standards Act.

Recent Litigation Regarding State Funding of Education

On May 20, 2010, more than 60 individual students and their respective families, nine California school districts, the California Congress of Parents Teachers & Students, the Association of California School Administrators, and the California School Boards Association filed a complaint for declaratory and injunctive relief, entitled *Maya Robles-Wong, et al. v. State of California, et al.*, (the "Robles Complaint") in the Alameda County Superior Court. The Robles Complaint alleges, among other things, that the State's current system of funding public education is not designed to support core education programs and that the State has failed to meet its constitutional duties to maintain and support a system of common schools. The Robles Complaint further alleges that the State's system for funding education is not rationally or demonstrably aligned with the goals and objectives of the State's prescribed educational program, and the costs of ensuring that children of all needs have the opportunity to become proficient in accordance with State academic standards. The Robles Complaint requests that the court enter a permanent injunction to, among other things, require the State to align its school finance system with its prescribed educational program, as well as to direct the defendants to cease operating the existing public school finance system or any other system of public finance that does not meet the requirements of the State Constitution. On January 14, 2011, the Superior Court dismissed major portions of the case, allowing the plaintiffs to proceed only on the question of whether the State's public education funding scheme provides equal opportunities to students throughout the State, but rejecting the claim that the State Constitution mandates an overall qualitative standard for public education. On July 26, 2011, the Superior Court issued a ruling sustaining demurrer to the complaint but granting leave to amend the complaint on or before August 25, 2011. On November 3, 2011, the court dismissed the case.

On July 18, 2011, the California Redevelopment Association, the League of California Cities, and the Cities of Union City and San Jose filed petition for a writ of mandate (the "CRA Petition") with the Supreme Court of California (the "Court") alleging that ABx1 26 and ABx1 27 violate the California Constitution, as amended by Proposition 22. The petitioners alleged, among other things, that ABx1 26 and ABx1 27 seek to divert tax increment revenue illegally from redevelopment agencies by threatening such agencies with dissolution if payments are not made to support the State's obligation to fund education. The CRA Petition was accompanied by an application for a stay, seeking to delay implementation of the provisions of ABx1 26 and ABx1 27 until the claims are adjudicated. On December 29, 2011, the Supreme Court upheld the legality of ABx1 26, reasoning that the Legislature has broad powers to establish or dissolve local agencies as it sees fit. The Court, however, invalidated ABx1 27 on the grounds that the payments required of redevelopment agencies in order to remain in existence could not be characterized as voluntary, and thus violated Proposition 22.

On September 28, 2011, the California School Boards Association, the Association of California School Administrators, the Los Angeles Unified School District, the San Francisco Unified School District and the Turlock Unified School District filed a petition for a writ of mandate in the Superior Court of the State of California in and for the County of San Francisco (the "CSBA Petition"). The petitioners alleged that the 2011-12 Budget improperly diverted sales tax revenues away from the State general fund, resulting in a reduction to the minimum funding guarantee of approximately \$2.1 billion. The CSBA Petition sought an order from the Court compelling the State Director of Finance, Superintendent of Public Instruction and the State Controller to recalculate the minimum funding guarantee in accordance with the provisions of the California Constitution. On March 28, 2012, the superior court issued a tentative ruling asserting that the State's constitution and the language of the Proposition 98 ballot measure did not guarantee a certain level of base funding for schools under Proposition 98's Test 1. On June 1, 2012, such court adopted the tentative ruling as an order, ruling against CSBA. On July 27, 2012, the petitioners filed a notice of appeal of the Court's decision.

The District makes no representations as to how any final decision by the respective courts would affect the State's ability to fund education in Fiscal Year 2013-14, or in future fiscal years.

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

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

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

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

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

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

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

Article XIII C and Article XIII D of the California Constitution. The so-called "Right to Vote on Taxes Act" ("Proposition 218") was approved by the voters in 1996. Proposition 218 added Articles XIII C and XIII D to the State Constitution, which contain a number of provisions affecting the

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

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

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

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

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

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

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

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

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

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

In 1992, a lawsuit, *California Teachers' Association et al. v. Gould*, was filed, which challenged the validity of the off-budget loans. As part of the negotiations leading to the 1995-96 Budget Act, an agreement was reached to settle this case. The agreement provides that both the State and K-14 districts

share in the repayment of prior years' emergency loans to schools. Of the total \$1.76 billion in loans, the State will repay \$935 million, while K-14 districts will repay \$825 million. The State share of the repayment will be reflected as expenditures above the current Proposition 98 base calculation. The K-14 districts' share of the repayment will count as appropriations that count toward satisfying the Proposition 98 guarantee, and thus are treated as from "below" the current base. Repayments are spread over the eight-year period of 1994-95 through 2001-02 to mitigate any adverse fiscal impact. In April 1996, a court settlement was reached and \$360 million in appropriations from the 1995-96 fiscal year was disbursed to districts in August 1996.

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

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

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

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

Proposition 1A. Proposition 1A (SCA 4), proposed by the Legislature in connection with the State budget for fiscal year 2004-05 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 of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning July 1, 2005, 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 cost of compliance with such mandates.

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

The effect of Proposition 22 is to prohibit the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services. It prevents the State from redirecting redevelopment agency property tax increment to any other local government, including school districts, or from temporarily shifting property taxes from cities, counties and special districts to schools, as in the ERAF program. This is intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. One effect of this amendment will be to deprive the State of fuel tax revenues to pay debt service on most State bonds for transportation projects, reducing the amount of State general fund resources available for other purposes, including education.

Prior to the passage of Proposition 22, the State invoked Proposition 1A to divert \$1.935 billion in local property tax revenues in 2009-10 from cities, counties, and special districts to the State to offset State general fund spending for education and other programs, and included another diversion in the adopted 2009-10 State budget of \$1.7 billion in local property tax revenues from local redevelopment agencies. Redevelopment agencies, through the California Redevelopment Association ("CRA") engaged in litigation to block the transfer of payments and recoup certain payments already made under certain legislation passed in July 2009 that is beyond the reach of Proposition 22, known as "ABX4 26." Because Proposition 22 reduces the State's authority to use or reallocate certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget, such as reducing State spending or increasing State taxes, and school and college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State's general fund.

On December 30, 2011, the California Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos*, finding ABx1 26, a trailer bill to the 2011-12 State budget, to be constitutional. As a result, all redevelopment agencies in California were dissolved as of February 1, 2012, and all net tax increment revenues, after payment of redevelopment bonds debt service and administrative costs, will be distributed to cities, counties, special districts and K-14 school districts. The

Court also found that ABx1 27, a companion bill to ABx1 26, violated the California Constitution, as amended by Proposition 22. ABx1 27 would have permitted redevelopment agencies to continue operations provided their establishing cities or counties agreed to make specified payments to K-14 school districts and county offices of education, totaling \$1.7 billion statewide. The District is unable to predict what affect the implementation of ABx1 26 will have on the District's future receipt of tax increment revenues.

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

Future Initiatives. Article XIII A, Article XIII B, Article XIII C, Article XIII D and Propositions 62, 98, 39, 22 and 1A were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting District revenues or the District's ability to expend revenues.

THE RIVERSIDE COUNTY POOLED INVESTMENT FUND

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

The County Treasurer maintains one Pooled Investment Fund (the "PIF") for all local jurisdictions having funds on deposit in the County Treasury. As of August 31, 2013, the portfolio assets comprising the PIF had a market value of \$5,126,815,145.73.

State law requires that all operating moneys of the County, school districts, and certain special districts be held by the County Treasurer. On June 30, 2012, the Auditor-Controller performed an analysis on the County Treasury which resulted in the identification and classification of "mandatory" vs. "discretionary" depositors. Collectively, these mandatory deposits constituted approximately 67.82% of the funds on deposit in the County Treasury, while approximately 32.18% of the total funds on deposit in the County Treasury represented discretionary deposits.

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

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

The investments in the Pooled Investment Fund as of August 31, 2013 were as follows:

U.S. Treasury Securities	\$ 565,188,670.75	10.99%
Federal Agency Securities	3,312,384,671.89	64.40
Cash Equivalent & Money Market Funds	799,000,000.00	15.53
Commercial Paper	326,911,028.07	6.36
Medium Term Notes	-	0.00
Municipal Notes	39,770,000.00	0.77
Certificates of Deposit	100,000,000.00	1.94
Repurchase Agreements	-	0.00
Local Agency Obligations ⁽¹⁾	<u>485,000.00</u>	<u>0.01</u>
	<u>\$5,143,739,370.71</u>	<u>100.00%</u>
Book Yield	0.38%	
Weighted Average Maturity (years)	1.31	

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

As of August 31, 2013, the market value of the PIF was 99.67% of book value. The Treasurer estimates that sufficient liquidity exists within the portfolio to meet daily expenditure needs without requiring any sale of securities at a principal loss prior to their maturity.

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

The Board has established an "Investment Oversight Committee" in compliance with California Government Code Section 27131. Currently, the Committee is composed of the County Finance Director, the County Treasurer-Tax Collector, the County Superintendent of Schools, a school district representative and a public member at large. The purpose of the committee is to review the prudence of the County's investment policy, portfolio holdings and investment procedures, and to make any findings and recommendations known to the Board. This committee was reorganized to conform to new State requirements requiring the County to have a local oversight committee. The committee is utilized by the County to manage, audit, and safeguard public funds and to perform other internal control measures.

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

LEGAL MATTERS

The legal opinion of Fulbright & Jaworski LLP, a member of Norton Rose Fulbright, Bond Counsel to the District, attesting to the validity of the Notes, will be supplied to the original purchasers of the Notes without charge. Bond Counsel will receive compensation contingent upon the sale and delivery of the Notes. Fulbright & Jaworski LLP, a member of Norton Rose Fulbright, is also serving as Disclosure Counsel to the District.

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 A. 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 District 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 Resolution by the District subsequent to the issuance of the Notes. The Resolution and the Tax Certificate contain covenants by the District 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 District described above. No ruling has been sought from the Internal Revenue Service (the "Service") or the State of California with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the Service or the State of California. The Service has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Notes is commenced, under current procedures, the Service is

likely to treat the District 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 District 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.

Existing law may change to reduce or eliminate the benefit to Noteholders of the exclusion of interest on the Notes from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Notes. Prospective purchasers of the Notes should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Tax Accounting Treatment of Discount and Premium on Certain Notes

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 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 a substantial amount 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 bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium 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.

CONTINUING DISCLOSURE

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

LEGALITY FOR INVESTMENT

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

RATING

Standard & Poor's Ratings Service ("S&P") has assigned a rating of "___" (_____) to the Notes. Such rating reflects only the views of such rating agency, and an explanation of the significance of the ratings may be obtained from S&P at: Standard & Poor's, 55 Water Street, New York, NY 10041. There can be no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Notes.

UNDERWRITING

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

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

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, if applicable.

Piper Jaffray & Co., the Underwriter of the Notes, has entered into a distribution agreement ("Distribution Agreement") with Charles Schwab & Co., Inc. ("CS&Co") for the retail distribution of certain securities offerings, including the Notes, at the original issue prices. If applicable, pursuant to the Distribution Agreement, CS&Co. will purchase Notes from Piper at the original issue price less a negotiated portion of the selling concession applicable to any Notes that CS&Co. sells.

NO LITIGATION

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

OTHER INFORMATION

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

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

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

VAL VERDE UNIFIED SCHOOL DISTRICT

By: _____
Superintendent

APPENDIX A

FORM OF BOND COUNSEL OPINION

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

Re: \$ _____ Val Verde Unified School District 2013 General Obligation Bond
Anticipation Notes

Ladies and Gentlemen:

We have acted as bond counsel for the Val Verde Unified School District, County of Riverside, State of California (the "District"), in connection with the issuance of \$ _____ aggregate principal amount of its 2013 General Obligation Bond Anticipation Notes (the "Notes"). The Notes are issued pursuant to provisions of Article 3 (commencing with Section 15150) of Chapter 1 of Part 10 of Division 1 of Title 1 of the Education Code of the State of California and pursuant to a resolution of the Board of Education of the District (the "Resolution"). All terms used herein and not otherwise defined shall have the meanings given to them in the Resolution.

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

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

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our engagement with respect to the Notes has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by any parties other than the District. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not

cause interest on the Notes to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Notes, the Resolution and the Tax Certificate may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public entities in the State of California. We express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the foregoing documents. We express no opinion and make no comment with respect to the sufficiency of the security or the marketability of the Notes. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Notes and express no opinion with respect thereto.

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

1. The Notes constitute valid and binding obligations of the District, payable as to both principal and interest from the proceeds of sale of general obligation bonds of the District authorized at an election held in the District on June 5, 2012 and thereafter canvassed pursuant to law, or from any other funds of the District lawfully available for the purpose of repaying the Notes.

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

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

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

We express no other opinion with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Notes. 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, certain S corporations with subchapter C earnings and profits, certain foreign corporations doing business in the United States, owners of an interest in a FASIT, individuals otherwise qualifying for the earned income tax credit, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

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

Respectfully submitted,

APPENDIX B

**VAL VERDE UNIFIED SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2012**

APPENDIX C

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by and between the Val Verde Unified School District (the "District") and Applied Best Practices, LLC (the "Dissemination Agent") in connection with the execution and delivery of \$_____ aggregate principal amount of its 2013 General Obligation Bond Anticipation Notes (the "Notes"). The Notes are being issued pursuant to a Resolution adopted by the Board of Education of the District on _____, 2013 (the "Resolution"). Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Resolution.

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

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

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

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

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

"Dissemination Agent" shall mean Applied Best Practices, LLC, or any Dissemination Agent, or any alternate or successor Dissemination Agent, designated in writing by the Superintendent (or otherwise by the District), which entity has evidenced its acceptance in writing.

"EMMA System" shall mean the MSRB's Electronic Municipal Market Access system, which can be found at www.emma.msrb.org, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission in the future.

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

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

"MSRB" shall mean the Municipal Securities Rulemaking Board.

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

"State" shall mean the State of California.

SECTION 3. CUSIP® Numbers and Final Official Statement. The CUSIP Numbers for the Notes have been assigned. The Final Official Statement relating to the Notes is dated _____, 2013 (“Final Official Statement”).

SECTION 4. Provision of Annual Reports.

(a) The District shall cause the Dissemination Agent, not later than 240 days after the end of the District’s Fiscal Year (currently ending June 30), commencing with the report for the Fiscal Year ending June 30, 2013, to provide to the MSRB through the EMMA System an Annual Report which is consistent with the requirements of Section 5 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 5 of this Disclosure Agreement; provided that the audited financial statements of the District may be submitted, when and if available, separately from the balance of the relevant Annual Report.

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

(c) The Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the electronic filing requirements of the MSRB for the Annual Reports; and

(ii) if the Dissemination Agent is other than the District or an official of the District, the Dissemination Agent shall file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and confirming that it has been filed with the MSRB through the EMMA System.

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

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

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

(i) Outstanding indebtedness and lease obligations;

(ii) General fund budget and actual results;

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

- (iv) Assessed valuations; and
- (v) Largest local secured taxpayers.

(c) Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the EMMA System or to the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each other document so incorporated by reference.

SECTION 6. Reporting of Designated Material Events and Material Events.

(a) The District agrees to provide or cause to be provided to the MSRB notice of the occurrence of any of the following Designated Material 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 or failure to perform by any credit provider;
- (v) Issuance by the Internal Revenue Service of an adverse tax opinion, a proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
- (vi) Tender offers;
- (vii) Defeasances;
- (viii) Rating changes; and
- (ix) Bankruptcy, insolvency, receivership or similar event of the obligated 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 Material 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 of rights to Noteholders;

(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) The District shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 4 hereof, as provided in Section 4(b) hereof.

(d) Upon the occurrence of a Designated Material Event described in Section 6(a) hereof, or if the District determines that knowledge of a Material Event described in Section 6(b) hereof would be material under applicable federal securities laws, the District shall within ten (10) Business Days of occurrence of the Designated Material Event or Material Event 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 a Designated Material Event described in subsection (a)(vii) or a Material Event described in subsection (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 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Agreement shall terminate when the District is no longer an obligated person with respect to the Notes, as provided in the Rule, upon the defeasance, prior redemption or payment in full of all of the Notes.

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

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

The Dissemination Agent shall have no duty or obligation to review the Annual Report nor shall the Dissemination Agent be responsible for filing any Annual Report not provided to it by the District in a

timely manner in a form suitable for filing. In accepting the appointment under this Agreement, the Dissemination Agent is not acting in a fiduciary capacity to the registered holders or beneficial owners of the Notes, the District, or any other party or person.

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

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

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

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

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

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

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

SECTION 11. Default. The District shall give notice to the MSRB through the EMMA System of any failure to provide the Annual Report when the same is due hereunder, which notice shall be given prior to July 1 of that year. In the event of a failure of the District to comply with any provision of this Disclosure Agreement, any 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 Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Agreement in the event of any failure of the District to comply with this Disclosure Agreement shall be an action to compel performance.

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

[Remainder of this page intentionally left blank.]

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

Dated: _____, 2013

VAL VERDE UNIFIED SCHOOL DISTRICT

By: _____
Superintendent

ACCEPTED:

APPLIED BEST PRACTICES, LLC, as
Dissemination Agent

By: _____
Authorized Officer

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: VAL VERDE UNIFIED SCHOOL DISTRICT

Name of Issue: \$_____ 2013 General Obligation Bond Anticipation Notes

Date of Issuance: _____, 2013

NOTICE IS HEREBY GIVEN that the above-named Issuer has not provided an Annual Report with respect to the above-named Notes as required by Section 4(a) of the Continuing Disclosure Agreement dated _____, 2013. The Issuer anticipates that the Annual Report will be filed by _____.

Dated: _____

[ISSUER/DISSEMINATION AGENT]

By: _____

APPENDIX D

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix 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) Notes representing ownership interest in or other confirmation or ownership interest in the Notes, or (c) prepayment 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 "Procedure" of DTC to be followed in dealing with DTC Participants are on file with DTC.

General

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the 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 Note will be issued for each maturity of the Notes, in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

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 Note ("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 affect 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.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 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 (or the Paying Agent on behalf thereof) as soon as possible after the Record Date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Notes are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

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

DTC may discontinue providing its services as depository with respect to the 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, certificated securities representing the Notes are required to be printed and delivered.

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

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

The information in this Appendix concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

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

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

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

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

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